Report Number: ICRR0023897

1. Project Data

Project ID	Project Name
P164529	Digitalization and COVID-19 Response
Country	**Practice Area(Lead)**
Chad	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-D3440	02-Nov-2023	27,037,202.76
Bank Approval Date	**Closing Date (Actual)**	
06-Jul-2018	30-Jun-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	35,000,000.00	0.00
Revised Commitment	29,064,275.00	0.00
Actual	27,037,202.76	0.00

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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PD), the program development objective (PDO) for the Chad Digitalization of Revenue Administrations and COVID-19 Response Project (PROMOGRI) was "to improve performance, processes, and transparency in key government entities for revenue mobilization." (PD, p. 13). The PDO was not stated in the Financing Agreement.

For this ICRR, the PDO is unpacked into three PDOs to be assessed separately:

- PDO 1: to improve performance in the recipient's key government entities for revenue mobilization;
- PDO 2: to improve processes in the recipient's key government entities for revenue mobilization; and
- PDO 3: to improve transparency in recipient's key government entities for revenue mobilization.

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

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
22-Dec-2022

c. Will a split evaluation be undertaken?
Yes

d. Components
The project consisted of three components:

Component A: Results-based Financing to Support Change Management in Customs and Tax Administrations *(Approved US$12 million, Revised Allocation (1) US$19 million, Revised Allocation (2) US$ 21.5 million; Actual US$21.5 million)***:** This component aimed to enhance digitalization in Chad's tax and customs administrations using Results-based Financing. The goal was to create incentives for the Directorate General of Tax (DGI), Directorate General of Customs and Indirect Taxation (DGDDI), and the Ministry of Finance and Budget (MoFB) to drive meaningful change in the tax system, benefiting both consumers/citizens and the government. Component A consisted of two sub-components:

- **Subcomponent A.1** focused on advancing key reforms in tax administration. It aimed to streamline processes and enhance compliance through initiatives such as the establishment of a unified taxpayers' registry for enterprises, promoting electronic filing among large taxpayers, facilitating mandatory tax payments via the banking system for large taxpayers, and encouraging the adoption of pay-by-phone methods for small tax taxpayers.
- **Subcomponent A.2**: focused on reducing physical customs inspections-Performance-Based Condition (PBC) 5 and expediting the release time for imported goods (PBC 6).

These efforts were pivotal in steering the comprehensive digitalization of Chad's revenue administrations, which aimed to improve efficiency and reducing human interaction in line with broader economic infrastructure strengthening initiatives.

Component A was affected by both the first (Restructuring No. 1) and second (Restructuring No. 2) restructurings:

- Restructuring No.1 reallocated US$7 million from Component B to Component A. The financing allocations for Component 3 remained unchanged at US$1.75 million.

- Restructuring No.2, on the other hand, focused on addressing performance challenges within Component A. At that point, 75% of the allocated amount (US$15.66 million) had been disbursed. However, two out of six PBCs under Component 1, namely PBC 1 and PBC 3, intended to facilitate communication on the impact of COVID-19 fiscal measures and expedite tax return processing during the pandemic, faced disbursement issues due to inefficient coordination among key entities. Additionally, two other PBCs, implementing mobile payment for small taxpayers (PBC 4) and reducing physical inspections of imported goods (PBC 5), encountered significant delays, primarily attributed to infrastructure deployment challenges.
- Restructuring No. 2 replaced these underperforming PBCs with new ones which were more aligned with the Government of Chad's (GoC) priorities and reform commitments. The PBCs were not aligned with the Government's reform agenda, reflecting contextual, institutional and design challenges from the project's start. While unforeseen events, such as the 2021 coup d'état, exacerbated those challenges, the decision to replace underperforming PBCs ultimately reflected a need for better realignment of project activities with the Government's priorities and reform commitments.

Component B. Technical Assistance to Strengthen Revenue Agencies *(US$ 21.25 million, Revised Allocation (1) US$14.25 million, Revised Allocation (2) US$ 5.75 million; Actual US$5.75 million)*: This component had allocated US$21.25 million for Technical Assistance (TA) to bolster revenue agencies. Specialized TA, with dedicated technical experts for each area, aimed to enhance transparency and accountability in tax and customs administrations, particularly in petroleum revenue mobilization and management. Component B was also intended to facilitate and monitor citizen engagement through embedded surveys in tax and customs operations. Robust mechanisms were to be established to ensure that the feedback received from citizens would be effectively acted upon.

The component originally consisted of five sub-components:

- **Subcomponent B.1**: Improve Tax Administration and Policy (US$5,350,000);
- **Subcomponent B.2**: Improve Customs Administration (US$6,000,000);
- **Subcomponent B.3**: Increasing Transparency and Accountability of Revenue Agencies (US$2,150,000);
- **Subcomponent B.4**: Address Fiscal Challenges and Improve the Oversight of the ICT Sector (US$1,500,000); and
- **Subcomponent B.5**: Improve the Management and Control of Revenue Generation in the Petroleum Sector (US$6,250,000).

Restructuring No. 1 led to a reallocation of funds from Component B to Component A (as noted above).

During Restructuring No. 2, Component B faced challenges with disbursement, with only 25 percent (US$3.5 million) of the allocated funds disbursed. This was due in part to delays in procuring key contracts, stemming from a complex national procurement process. Ineffective procurement and contract planning, coupled with inefficient processes for preparing Terms of Reference (ToRs) and approving deliverables, exacerbated difficulties, and delays. Additionally, there was a need for more ownership and progress in Technical Assistance (TA) activities related to the petroleum sector. The management of the Hydrocarbons Company of Chad (SHT) showed disinterest in completing the remaining audits and acquiring an accounting and financial management system. Despite draft Terms of Reference (ToRs) and a firm in place since December 2020, there needed to be authorization from SHT management to commence audits.

Similarly, activities involving the Ministry of Petroleum and Energy (MPE) as the beneficiary were progressing slowly, with an oil operations audit stalled at the contract approval stage for nine months (since March 2, 2022) without clarity on expected outcomes. As a result, these activities were dropped during the Restructuring No. 2.

The modifications during Restructuring No. 2 involved simplifying the component scope and discontinuing underperforming activities, especially in the petroleum sector. Thus, the Restructuring No. 2 narrowed the scope of the project by:

- Removing direct project support to E-Tax and Accounting and Management Information System (IAMIS) as a result of the Government of Chad (GoC) decision;
- Dropping all key activities related to the petroleum sector due to the lack of demonstrated ownership and progress by the GoC; and
- Measuring the deployment of ASYCUDA World through the average time for imported goods to clear customs at (four) target custom offices instead of all customs offices.

Additionally, Restructuring No. 2 introduced activities to incentivize implementation of the new VAT refund system and the publication of the annual reports on tax expenditures as key strategic actions outlined in the GoC’s PFM Strategy. In line with these changes to the project scope, all the PDO indicators introduced during the Restructuring No. 1 were replaced. At the same time, the restructuring maintained activities that closely aligned with the country's context, priorities, and the PDO to simplify component design and facilitate implementation.

Overall, Component B was further reduced by US$8.5 million from US$14.25 million to US$5.75 million. This restructuring introduced three new PDO indicators (also PBCs), namely:

- share of large enterprises paying taxes through the banking system;
- share of approved VAT refunds paid through the new mechanisms; and
- publication of annual reports on tax expenditures for two fiscal years.

Component C. Project Management and Coordination *(US$ 1.75 million, Actual US$ 1.75 million)***:** This component financed the Permanent Technical Secretariat of the Action Plan for the Modernization of Public Financial Management (ST-PAMFIP) — a dedicated Project Implementation Unit (PIU) – embedded in the MoFB in charge of planning, fiduciary, monitoring, and verification arrangements. The financing allocations for Component C remained unchanged at US$1.75 million during Restructuring No. 1 and 2.

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

Project Cost: The project was estimated to cost US$35 million. The actual cost was US$29 million.

Financing: The project was approved for US$35 million. The project was financed with an IDA credit of US$29,064,275.

Borrower Contribution: The Borrower did not contribute any funds.

The project was approved on July 6, 2018, and became effective on December 7, 2018. It closed on June 30, 2023, although it was initially scheduled to close on November 2, 2023. A mid-term review (MTR) was conducted on 21 February 2022.

The project underwent two restructurings:

Restructuring No. 1: The first restructuring in June 2020 sought to provide support to: (i) GoC's response to the COVID-19 crisis; and (ii) ensure business continuity of the tax and customs administrations and the treasury during COVID-19 containment. The changes were meant to mitigate against reduced revenue collection given that oil and non-oil revenues were expected to decline significantly in 2020. The level-two restructuring redesigned PBCs to address implementation bottlenecks and revise targets in line with implementation progress (ICR, p. 4).

Restructuring No. 2: The second restructuring in December 2022, adjusted project activities, canceled non-performing activities of the technical assistance component (Component B) including those in the petroleum sector, and restructured the Results-Based Financing component (Component A). In Restructuring No. 2 an additional reallocation of US$2.5 million from Component B to Component A was approved. The overall project financing envelope was reduced from US$35 million to US$29 million as a result of the partial cancellation of US$6 million approved at the second project restructuring.

The project closing date was also advanced in Restructuring No. 2, from November 2, 2023, to June 30, 2023.

The project concluded on June 30, 2023, having achieved a 100 percent disbursement rate based on the reduced financing amount of US$29 million.

Split Rating: Based on the changes made during the restructuring, the project will undergo a split rating approach to assess its three objectives. *In line with the ICR guidelines, a split rating will be applied as a result of the second but not the first project restructuring, which did not impact the project's focus or ambition.*

The restructuring reallocated funds from Component B to Component A to address the funding gap and support the government's response to the pandemic. However, while this reallocation may have shifted the distribution of resources within the project, it did not indicate a reduction in the project's ambition.

Restructuring No. 2, on the other hand, narrowed the project scope, removing support for certain activities and introducing new strategic actions. Consequently, all PDO indicators introduced during the Restructuring No. 1 were replaced. Thus, the project will be analyzed based on both the original project design and revised objectives/targets.

3. Relevance of Objectives

Rationale

The project was designed to support the GoC in improving performance, processes, and transparency in key government entities for revenue mobilization.

Economic Context: At the time of project appraisal, Chad was facing several economic challenges due in part to external shocks, with negative impacts on economic growth and public finance. Being a large, landlocked, and fragile country, Chad relied heavily on petroleum revenue. When oil prices plunged at the end of 2014, the country went into a recession. GDP contracted by 6.4 percent in 2016, and was expected to fall by 2.7 percent in 2017, compared to an average growth of 6.3 percent during 2013-14.

With a country score of 0.30 in the World Bank's Human Capital Index (2018), Chad remained one of the least developed nations countries in the world. Corruption scandals continued to negatively affect the state-citizen relationship.

In the lead-up to the 2018-2020 period, Chad faced an urgent and persistent need to enhance liquidity and secure substantial external support to address its financing gap. This required a significant improvement in domestic resource mobilization. Government revenue, including grants, dropped from 23.2 percent of non-oil GDP in 2014 to 14.9 percent in 2016. Chad had the lowest tax-to-GDP ratio in Sub-Saharan Africa at 4.7 percent in 2016, while oil revenue declined from a peak of US$2 billion in 2011 to US$200 million in 2015, heightening the need for external assistance. The key challenge was to increase government revenue to close the financing gap.

Given limited fiscal space and constraints within the Central African Economic and Monetary Community (CEMAC), Chad relied on debt restructuring and support from development partners to address the substantial financing gap. Despite receiving budget support from multilateral and bilateral donors, Chad needed to defer arrears payments, secure additional external financing, or reduce expenditures. Importantly, efforts were required to increase government revenue to close the financing gap. (ICR, p. 1). In this context, Chad sought to address key challenges relating to tax administration, customs and revenue mobilization.

Tax Administration Challenges: Chad struggled with tax administration, impacting revenue collection. Limited capacity in identifying taxpayers, collecting payments, and managing risks resulted in high compliance costs. The incomplete implementation of the Standard Integrated Government Tax Administration System (SIGTAS) and poor human resources management added to the challenges.

Customs Inefficiencies: The effectiveness of customs administration posed a significant hurdle to revenue collection. In 2016, a Central African CFA franc (XAF) 140 billion shortfall in customs revenues, alongside overlapping inspections and manual procedures, created opportunities for irregularities. These practices increased costs for traders and caused delays in merchandise clearance.

Issues in Revenue Mobilization from the Petroleum Sector: Challenges in the petroleum sector included insufficient oversight, limited financial management, and the absence of a cadaster. Weak internal controls and limited experience hindered the Hydrocarbons Company of Chad's (SHT) ability to participate effectively. The lack of a functioning accounting and reporting system, infrequent audits, and the absence of a petroleum cadaster hampered the government's capacity to ensure the rational and transparent exploitation of the country's petroleum potential.

At the project's appraisal, there was a significant ambition to enhance the effectiveness of Chad's tax, customs, and oil administrations. The primary goal was to reduce Chad's vulnerability to external shocks. The project aimed to achieve this by digitally transforming processes and performance within the tax and customs administration, with the specific target of increasing the non-oil revenue to GDP ratio. Additionally, the establishment of effective reporting mechanisms within the Hydrocarbons Company of Chad (SHT) and the implementation of a functioning petroleum cadaster were envisioned to enhance transparency in the overall petroleum sector.

Alignment with World Bank Group Country Partnership Framework (CPF): The project was consistent with the World Bank Country Partnership Framework (CPF) FY16-20 objective of strengthening the management of public resources and the 2015 Systematic Country Diagnostic (SCD).

In particular, the project sought to directly contribute to the priority of the CPF on "strengthening the management of public resources." The project actively supported the enhancement of performance, processes, and transparency in crucial government entities responsible for revenue mobilization. To this end, the project's objectives included the computerization and modernization of tax and customs administrations, along with the Hydrocarbons Company of Chad (SHT), through the implementation of e-Tax, ASYCUDA World, and the Integrated Accounting and Management Information System (IAMIS). These initiatives aimed at improving core functions and processes, encompassing aspects such as the unified taxpayer registry, increased adoption of e-services by large taxpayers, mandatory payment through the banking sector, gradual implementation of pay-by-phone for small taxpayers, reduction in physical customs inspections of imported goods, and the establishment of risk-based procedures and audits. The project's efforts were aligned with the goal of enhancing transparency, particularly through the modernization of SHT's internal accounting practices and the publication of financial statements.

Alignment with GoC Strategy and National Development Plan: The project was also fully aligned with GoC's strategy and program, including Vision 2030, the National Development Plan (2017-2020), and the Customs Performance Action Plan 2017-2021. Thus, the PDO of the project was relevant to the Country Engagement Note (CEN) for Chad (FY23-FY24), directly contributing to enhancing citizen-state relations and improving governance and transparency. The focus on a governance-oriented revenue administration reform, as in PROMOGRI, had the potential to strengthen the state-society relationship and foster development through improved fiscal management and citizen participation in tax reform initiatives.

Project's Contribution to World Bank Portfolio: Moreover, the project was anticipated to enhance the impact of the World Bank's portfolio by complementing the fiscal consolidation program and the FY18-19 Development Policy Operation (DPO) series (i.e., the Chad-DPO Fiscal Consolidation Program approved December 15, 2015 (P155480) and the Fiscal Consolidation Support Grant approved December 21, 2016 (P162548)). It offered targeted technical assistance (TA) and capacity-building support tailored to ongoing initiatives, including those in the Information and Communication Technology (ICT) and oil sectors. The project also extended support to the Treasury for improved debt management. Specific areas of assistance included Pillar I for enhancing fiscal risk management, Pillar II for strengthening transparency and management in the petroleum sector, and Pillar III for enhancing the contribution of the ICT sector to inclusive growth within the Economic Recovery and Resilience DPO series.

The relevance of objectives is rated as substantial. The project adapted to remain relevant to the GoC's evolving priorities. The first project restructuring ensured the business continuity of the revenue collection entities during the COVID-19 pandemic. Additionally, the Restructuring No. 2 responded directly to the specific objectives and actions outlined in the Public Financial Management (PFM) reform strategy. The scope of the project was reduced to focus on activities that could realistically be implemented in the context of Chad's changing political environment. More specifically, it supported priority actions on revising the legal framework, assessing, and publishing the tax expenditures as part of the annual Law of Finances (LF)

(Loi de finances), broadening the tax base, and improving the efficiency of the VAT system by including specific PDO indicators on the share of approved VAT refunds paid through the new mechanism and the publication of annual reports on tax expenditures. The revised PDO indicators were relevant to the Government and Bank strategy.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To improve performance in the recipient's key government entities for revenue mobilization

Rationale
The original PD did not include an explicit Theory of Change (ToC) but provided a narrative on how the development objective of the project would be achieved. The Restructuring No. 1 also did not include a ToC. However, a ToC was incorporated into the project during the Restructuring No. 2 (see below discussion of ToC in the context of revised Objective 1). The main aim of the PDO was to enhance revenue mobilization through reforms targeting key government entities. By strengthening capacity and streamlining processes, performance metrics within revenue collection entities were expected to improve.

The majority of the targets and actual dates for achievement (for all objectives, including objective 1) were set for 2023. However, specific exceptions are noted.

The following two PDO indicators measured Objective 1:

- <u>PDO#1 (**original**): Increase in Tax and Customs Revenue Collections relative to non-oil GDP (in percentage).</u> The project aimed to bolster tax and customs revenue collection, addressing Chad's low tax-to-non-oil GDP ratio through comprehensive reforms. Starting with a baseline tax-to-non-oil GDP ratio of 8.5% in 2018, the project targeted achieving a ratio of 15.3% (by 2023). By the project's closure in 2021, progress was made, with the tax-to-non-oil GDP ratio increasing to 9.6%.

However, this original PDO was dropped in Restructuring No.1 due to challenges related to direct attribution. The PDO needed to be aligned with the overarching PDO of the project, as it included revenue sources unaffected by project efforts, such as property tax and oil sector revenue. Additionally, its target, set at 15.3% compared to a baseline of 8.5%, was deemed unrealistically high, as econometric evaluations suggested a more feasible increase of up to 12% of GDP through comprehensive tax policy and administration reform. *(Not Achieved, Dropped)*

- <u>PDO#1 (**revised**-Restructuring No. 1): Increase in Tax and Customs Revenue Collections relative to non-oil GDP (in percentage) – excluding property and customs revenue collection.</u> Restructuring No. 1

improved the attribution of PDO#1, replacing the indicator with a revised PDO#1 that measured tax and customs revenue collection, excluding property tax and tax revenue from the oil sector. The revised PDO#1 indicator reached 8.95% in 2022 (from a baseline of 6.6% in 2018), surpassing the end target of 8.1%. **(High).**

- PDO#2 (original): Average time for imported goods to clear customs. The original PDO#2 indicator measured the "average time for imported goods to clear customs" and was introduced during Restructuring No. 1. The PDO level indicator achieved the target of 12 hours (from a baseline of 24 hours in 2018), and was reduced further to 4 hours by the project closing at target customs offices. **(High).**

In total, there were 3 intermediate results indicators (IRIs) related to Objective 1 (ICR, p. 46):

- IRI.6 – Share of imported merchandise subject to physical inspections: The indicator IRI.6, linked to PBC5-DLI5, aimed to measure the share of imported merchandise subjected to physical inspections. Initially, all imported goods (100 percent) underwent physical inspections (2017). The target was adjusted downwards twice: first, to no more than 65 percent by February 7, 2023 (as part of the Restructuring No. 1), then to no more than 80 percent by June 15, 2023 (Restructuring No. 2). Eventually, this indicator was discontinued as part of the PBC and instead monitored as an IRI. Despite efforts to reduce the percentage of imported goods subject to physical inspections, the target was not achieved, and security concerns continued to necessitate thorough inspections of all imported merchandise. *(Not Achieved).*
- IRI.1 (DLI#2). Share of food, necessity items and sanitary products imported to fight the COVID-19 pandemic, as identified in Circular04/PR/MFB/2020, cleared through customs in less than 72 hours. The share of food, necessity items, and sanitary products imported to fight the COVID-19 pandemic, as identified in Circular 04/PR/MFB/2020, cleared through customs in less than 72 hours (in percentage) and surpassed the target of 60 percent. A baseline of 40 percent was established in April 2020. The original target of achieving 60 percent clearance by December 31, 2020, was postponed to June 15, 2023. At completion (in December 2020), more than 98 percent of food, necessity items, and sanitary products imported to fight the COVID-19 pandemic cleared customs in less than 72 hours. This achievement was crucial for Chad's response to and protection of its citizens from the pandemic. *(Achieved).*

The following IRIs were dropped:

- Reduction in the Number of Physical Customs Inspections: Another target was to reduce the number of physical inspections (baseline 100%, in 2018) conducted by Customs authorities, initially targeting no more than 50 percent of imported merchandise by the original end target 2023. However, this target was dropped (during the first restructuring) as all imported merchandise continued to be subjected to 100 percent physical inspection due to security concerns, resulting in the target not being achieved. *(Dropped, Not Achieved).*

In summary, Objective 1 aimed to enhance performance in the recipient's key government entities for revenue mobilization. While achievements were observed in specific areas, such as the timely clearance of pandemic-related imports through customs, challenges persisted, particularly regarding the reduction of physical inspections on imported goods. Additionally, PDO#1 and the IRIs (e.g., IRI.6 and the IRI measuring the number of physical inspections), were not effectively aligned with the overarching PDO, making it difficult to measure their impact on domestic resource mobilization. Although PDO#1 was improved during

Restructuring No. 1, issues with direct attribution persisted, and the revised PDO#1 was dropped in the Restructuring No. 2 (see below).

Rating
Modest

OBJECTIVE 1 REVISION 1

Revised Objective
To improve performance in the recipient's key government entities for revenue mobilization.

Revised Rationale
The ToC aimed to address several problems related to revenue mobilization, primarily focusing on challenges within tax policy and administration, particularly value-added tax (VAT) and customs operations. It was predicated on several assumptions, including the belief that implementing a VAT refund mechanism would incentivize compliance and boost VAT collection while strengthening capacity within the Ministry of Finance and Budget (MoFB) would enhance tax administration effectiveness. Additionally, the theory posited that mandatory tax payment payments by large taxpayers through the banking system and by small taxpayers through mobile phones would streamline payment processes. Furthermore, it suggested that implementing ASYCUDA World, alongside installing scanners, would improve customs operations and reduce manual duties collection, with additional customs reforms, such as adopting risk-based inspection procedures, expected to improve efficiency and revenue collection.

Operationalizing the VAT refund system and adopting risk-based analysis procedures were anticipated to expedite refund processing and decrease potential abuse, supported by the publication of guidelines and deadlines for VAT refund claims to provide transparency and accountability. The intended outputs included an increased share of large taxpayers making payments through the banking system and small taxpayers via mobile phones, along with the implementation of ASYCUDA World in selected customs offices and the adoption of risk-based inspection procedures. Moreover, the plan involved training staff on the new refund mechanism and operationalizing the VAT refund system, ultimately resulting in a reduction of imported merchandise subject to physical inspections. These efforts were expected to lead to simplified tax payment processes, enhanced compliance, and an increased share of approved VAT refunds paid through the new system, indicating improved efficiency and transparency. Ultimately, the aim was to achieve improved processes for revenue mobilization, contributing to increased domestic resource mobilization and sustainable economic development in key government entities.

While the ToC outlined various strategies for addressing revenue mobilization challenges, it needed a robust assessment of potential barriers, potentially overlooking complexities that could impact the effectiveness of proposed interventions. These include underestimated capacity gaps, and unrealistic deadlines for PBCs and indicators, indicative of a broader issue in alignment with the PDO statement. (See also discussion in Section 8 of this Report).

The outputs and outcomes described above were also relevant to this objective.

The following PDO measured the project's success:

- PDO #1 (as revised above): Collection of tax and customs revenue measured as a percentage of non-oil GDP (excluding property tax and tax revenue from the oil sector). As stated, an aspect of PDO #1 was the collection of tax and customs revenue measured as a percentage of non-oil GDP, excluding property tax and tax revenue from the oil sector. Initially standing at 6.6% (baseline, 2018) and a target of 8.1% to be achieved by June 2020, this indicator was dropped (during Restructuring No. 2) due to issues with direct attribution. Despite surpassing the target at closure in June 2023 with 8.95%, similar issues persisted with direct attribution. (*Achieved, Dropped*)
- PDO#2 (Revised): Average time for imported goods to clear customs at targeted customs offices: The original PDO#2 indicator measured the "average time for imported goods to clear customs." The revised PDO#2 measures "the average time for imported goods to clear customs at target customs offices." The revised formulation and scope were due to the necessity to measure change in customs offices in which ASYCUDA World was planned to be deployed and which represented at least 50 percent of imports. Focusing on customs efficiency, the project aimed to reduce the average time for imported goods to clear customs. Beginning with a baseline clearance time of 24 hours (2018), the project targeted reducing the clearance time to 12 hours (by June 2023). By its conclusion (June 2023), the clearance time was further reduced to 4 hours at target customs offices, marking substantial improvement and positioning Chad ahead of CEMAC countries **(High).**

The following IRIs were dropped:

- Reduction in imported merchandise release time from 242 hours to 190 hours: The reduction in imported merchandise release time, associated with PBC6-DLI6, aimed to decrease the average time required to clear imported goods. Initially, the baseline (2018) stood at 242 hours on average to clear merchandise, with a target set to reduce this to 190 hours (by the original end target of 2023). However, due to the challenging context imposed by the COVID-19 pandemic, the target was dropped. Despite efforts made during the project implementation period, no significant change in the average time for merchandise clearance was reported, resulting in the target not being achieved. *(Dropped, Not Achieved).*

Overall, the revised objective 1 aimed at improving revenue mobilization processes in Chad, demonstrated substantial progress, particularly in operationalizing the VAT and enhancing customs revenue collection efficiency by reducing clearance times at targeted customs offices. Compared to the original PDOs, PDO#1 and the revised PDO#2 were better aligned with the overarching PDO; however, PDO#1 still experienced direct attribution issues, and was ultimately dropped. Achievement for revised Objective 1 is rated Substantial.

The table below summarizes the expected outcomes and actual results for Objective 1.

Table 1: Results Framework for Objective 1 at Project Closure (June 2023)

Indicator and Baseline (2018)	**Original End Target (2023)**	**First Restructuring (June 2020) Revised End Target**	**Second Restructuring (December 2022) Revised End Target**	**Actual Results on project closure (30 June 2023). End Result**
PDO indicators				

PDO #1 (original): Increase in Tax and Customs revenue collection relative to non-oil GDP (in percentage) Baseline 8.50	15.30	Dropped due to issues of direct attribution.		9.4%. Not Achieved. Not Achieved. Issues with direct attribution. Dropped during Restrucuturing No. 1.
PDO#1 (revised Restructuring No. 1): Tax and customs revenue collected is measured as a percentage of non-oil GDP (excluding property tax and tax revenue from the oil sector). Baseline: 6.6		8.1%	Dropped due to issues of direct attribution	8.95% Achieved. Revised during Restructuring No. 1. Dropped during Restructuring No. 2.
PDO#2 (original): Average time for imported goods to clear customs (hours) Baseline: 24		12	12	Achieved.12 hours
PDO#2 (revised): Average time for imported goods to clear customs at targeted customs offices (hours) Baseline: 24		12	12	Achieved: 4 hours. Surpassed.
Intermediate Indicators				

IRI.6: Share of imported merchandise subject to physical inspections. Baseline:100%		Revision 1 downwards: Revised target from 50 to no more than 65 percent of imported merchandise is subject to physical	Revision 2 downwards: No more than 80 percent of imported merchandise is subject to physical inspections	Not Achieved. 100 percent of imported merchandise is subject to physical inspection due to security concerns
Reduction in the Number of Physical Customs Inspections Baseline: 100 percent of merchandise is subjected to multiple physical inspections by Customs authorities	No more than 50 percent of imported merchandise is physically inspected	Dropped during Restructuring No. 1.		Not Achieved. 100 percent of imported merchandise is subject to physical inspection due to security concerns
Reduction in imported Merchandise Release Time Baseline: 242 hours on average to clear imported merchandise	190 hours on average to clear imported	Dropped during Restructuring No. 1 to account for challenging context due to COVID-19		Not Achieved.
IRI1: Share of food, necessity items and sanitary products imported to fight the COVID-19 pandemic, as identified in Circular 04/PR/MFB/2020, cleared through customs in less than		60.00	60.00	Achieved. Surpassed. 98% of food, necessity items and sanitary products imported to fight the COVID-19 pandemic were cleared in less than 72 hours.

72 hours percentage) Baseline: 40.00				

Revised Rating
Substantial

OBJECTIVE 2

Objective
To improve processes in the recipient's key government entities for revenue mobilization.

Rationale
The ToC aimed to address the challenges stemming from the lack of capacity and oversight within customs administration, estimated to result in a shortfall of 2.3% of GDP in 2016. It proposed deploying an upgraded version of ASYCUDA World in customs offices alongside the implementation of customs reforms. The plan involved rolling out ASYCUDA World in customs offices and border crossings with high revenue potential, with a particular focus on reducing customs clearance time for imported goods, including necessities and products imported to fight the COVID-19 pandemic. The anticipated outcomes included improved performance for revenue mobilization and increased domestic resource mobilization.

The following PDO indicators measured the project's achievement of Objective 2:

- PDO#3 was introduced during Restructuring No. 1. (The project's original PDO level indicators captured only objective 1 on performance (increase in tax and customs revenue collection relative to non-oil GDP) and objective 3 on transparency (increase transparency of the SHT's operations in the petroleum sector)).
- PDO#3: Electronic filing of tax returns by large taxpayers: The PDO indicator for electronic filing of tax returns by large taxpayers, initially set at a baseline of 0 (2018) with a target of 45 (to be achieved by June 2020), was introduced in Restructuring No. 1. E-filing introduced by the project was intended for taxpayers to file their tax declarations online. To this end, DGI has mandated the e-filing by regulation and has issued detailed step-by-step guidance on how to e-file.

Subsequently, the PDO indicator was dropped (in Restructuring No. 2) due to the need for more project support for the development of e-Tax, reflecting a government decision, that led to misalignment with the project's objectives. As a result, the indicator's status remains unknown according to the TADAT assessment, ultimately resulting in non-achievement.

While the computerized taxpayers' registry, initiated in July 2022 with the registration module of the e-Tax system, represents a step forward, it has yet to encompass all taxpayers. Presently, only 2,940 out of a total of 34,791 taxpayers have been integrated into the e-tax system. Completion of this process awaits the finalization of ongoing data cleansing and the transfer of remaining taxpayer records from the old Computerized Tax Management System (SIGTAS). *(Not Achieved)*

The following IRIs were related to Objective 2 (ICR, p. 47):

- IRI2 - Establishment of unique identification number for enterprises for all administrations. IRI2 aimed to establish a unique identification number for enterprises across all administrations. Initially, multiple identification numbers were utilized across the administration (baseline 2018), hindering efficiency and coordination. The target aimed for all administrations to adopt the same identification number for taxpayers (by June 2023), facilitating streamlined processes. However, despite efforts to enact regulations defining responsibilities and procedures for registration, the target was not achieved at completion (June 2023), with multiple identification numbers still in use across the administration. The IRI on the establishment of unique TIN for enterprises for all administrations was not achieved. *(Not Achieved).*
- IRI4 - Number of customs offices in which ASYCUDA World has been rolled out. IRI4 aimed to roll out the upgraded version of the ASYCUDA system in customs offices. The original target was set at four offices (by February 2023, from a baseline of 0 in 2018), which was later revised to the same number, with the target date extended to June 2023. At project completion in June 2023, data revealed that the upgraded version had been implemented in 36 customs offices, surpassing the revised target. Additionally, during the mission, the government shared data indicating implementation in 45 customs offices, further exceeding expectations. The deployment is effective in several customs offices. Data for 45 customs offices was made available (ICR, p. 30). *(Achieved).*

IRI5 - Share of small entities paying Presumptive Income Tax for Small Entities (Impôt générale libératoire) by mobile payment. IRI5 aimed to assess the share of small entities paying Presumptive Income Tax for Small Entities (Impôt générale libératoire) via mobile payment. Initially, no small taxpayers utilized mobile payment (baseline, 2018), with the target set at 20 percent (by June 2020). However, the target was revised to 10 percent (by December 2022) and subsequently discontinued as PBC#4 (during the Restructuring No. 2) to be monitored as an IRI. Despite this, the actual achievement stood at 18.69 percent (at project completion in June 2023), surpassing the revised target and indicating successful implementation. *(Achieved)*

The following IRIs were dropped:

- The PBC indicator measuring the share of tax returns processed in less than eight days (in percentage): initially standing at 50 percent (baseline 2018) with a target of 90 percent (by June 2020), was dropped as processing times averaged 21 days during the COVID period, with no subsequent data provided, resulting in non-achievement. (*Dropped, Not achieved).*
- The target to support the gradual adoption of electronic filing by large taxpayers: as indicated by PBC 2-DLI2, aiming for at least 20 percent of large taxpayers to file electronically (by June 2023) from a baseline of 5 percent (2018), was dropped due to lack of evidence during the TADAT assessment, resulting in non-achievement. (*Dropped, Not achieved).*
- Risk-based procedures and audits are adopted in tax and customs administration: The implementation of risk-based procedures and audits within tax and customs administration was a key target of the project. Initially, the absence of risk-based audits (baseline 2018) indicated a significant gap in the existing practices. However, through the project's intervention, risk-based audit procedures were to be adopted (by June 2023), reflecting a positive step towards enhancing efficiency and effectiveness in revenue collection. Unfortunately, this target was later dropped, signifying a setback in the adoption of risk-based approaches within these administrations, as highlighted in the TADAT reference. As a result, the goal of achieving risk-based procedures and audits in tax and customs administration was not achieved. (*Dropped, Not achieved).*

- Ratio of risk-based audits performed on large and medium taxpayers: Another important target was to increase the ratio of risk-based audits performed on large and medium taxpayers. At the outset, this ratio stood at 0% (baseline 2018), indicating a lack of risk-based audit practices in these segments. Through project interventions, the ratio was to be improved substantially to 70% (by June 2023), demonstrating significant progress toward risk-based audit implementation. However, despite this improvement, the target was ultimately dropped due to the absence of risk-based procedures and audits in tax and customs administration, as highlighted in the TADAT reference. Consequently, the objective of increasing risk-based audits on large and medium taxpayers was not achieved. (*Dropped, Not achieved).*
- User traffic on the tax and trade information portals: The project aimed to establish tax and trade information portals to enhance accessibility and transparency for users. Initially, the target was to achieve 15,000 users on these portals (by June 2023) from a baseline of 100 (in 2018), representing a significant increase in traffic. However, this target was later dropped as no portal for users' traffic on tax and trade information was established. This setback resulted in the ultimate non-achievement of the target, indicating a failure to improve access to tax and trade information through dedicated portals. (*Dropped, Not achieved).*
- Mobile Rural Connectivity Operation Manual is developed: Developing a Mobile Rural Connectivity Operation Manual was a crucial target (to be achieved by June 2023) to expand mobile telephony coverage to rural areas. While the manual development was initially planned, it was later dropped from the project's scope. Consequently, the manual was not developed, leading to the non-achievement of the target. This failure represented a missed opportunity to enhance rural connectivity and extend mobile telephony services to underserved areas. (*Dropped, Not achieved).*
- Taxpayers' satisfaction with DGI quality of taxpayers' services: Ensuring taxpayers' satisfaction with the quality of services provided by the DGI was a key focus area for the project. Baseline data (2018) established through surveys indicated the need for improvement, with the target set at achieving at least 50% satisfaction (by June 2023) among surveyed users. However, this target was dropped as the DGI never conducted taxpayer satisfaction surveys. Consequently, the project fell short of its objective to enhance taxpayers' satisfaction with the quality of services provided by the DGI. (*Dropped, Not achieved).*
- Taxpayers' satisfaction with DGDDI quality of customs services: Similarly, improving taxpayers' satisfaction with the quality of customs services provided by the DGDDI was another important target. Baseline data (2018) revealed areas for improvement, with the aim of achieving at least 50% satisfaction among surveyed users (by June 2023). However, this target was dropped as customs authorities never conducted taxpayer satisfaction surveys. Consequently, the project did not achieve its objective of enhancing taxpayers' satisfaction with the quality of customs services. (*Dropped, Not achieved).*
- Improve the use of the Universal Service Fund (USF) to expand mobile telephony coverage to rural areas: Expanding mobile telephony coverage to rural areas through the effective utilization of the USF from a baseline of 0.00 (in 2018) was a significant target of the project. However, this target (to have been originally achieved by June 2023) was ultimately dropped, resulting in non-achievement. Therefore, the project failed to leverage the USF to improve mobile telephony coverage in rural regions, representing a missed opportunity to bridge the digital divide and enhance connectivity in underserved areas. (*Dropped, Not achieved).*

Overall, the achievement of the project's targets varied across different components and indicators. While some targets were achieved, such as the roll-out of the upgraded version of the ASYCUDA system in customs offices (IRI4) and the share of small entities paying Presumptive Income Tax via mobile payment

(IRI5), others faced significant challenges. Some significant targets still need to be achieved, such as the establishment of a unique identification number for enterprises (IRI2). Several targets and PDO#3 were dropped, indicating issues with achievement, target realism and misalignment with PDO. Overall, the objective's rating is Modest.

Rating
Modest

OBJECTIVE 2 REVISION 1

Revised Objective
To improve processes in the recipient's key government entities for revenue mobilization.

Revised Rationale
The outputs and outcomes described above were also relevant to this objective.

The following IRIs measured the objective:

- IRI (unnumbered) - Share of large taxpayers paying through the banking system: The goal of PBC3-DLI3 was to track the share of large taxpayers utilizing the banking system for payments. Initially, only 20 percent of large taxpayers used the banking system (baseline 2018), but the target was set at 100 percent by June 2023. Ultimately, the target was met, with 100 percent of large taxpayers making payments through the banking system, indicating achievement. *(Achieved)*

The following PDOs measured the project:

- **PDO #5. Share of large taxpayers paying through the banking system:** Restructuring No. 2 upgraded this DLI as PDO to better reflect the project's outcome. The PDO level indicator (PBC 6) regarding the share of large taxpayers paying through the banking system successfully achieved the end target of 100 percent. It maintained this level throughout the project implementation period. Initially, the baseline indicated that only 20 percent of large taxpayers (2018) utilized the banking system for payments. The project's objective was to ensure that at least 70 percent of large taxpayers made payments through the banking system (by December 2022) and later 100 percent (by June 2023), and this target was met. Ultimately, the project succeeded in attaining the desired outcome, with 100 percent of large taxpayers conducting their payments through the banking system (at the closure of June 2023), showcasing significant progress and achievement in enhancing financial processes and compliance within the taxpayer base. **(Achieved. High).**

- **PDO #6. Share of approved VAT refund claims paid through the new mechanism**. The restructuring introduced a new indicator, PDO#6 (DLI#8), focusing on refunding VAT credits through the new mechanism implemented in March 2022. This indicator measured the percentage of approved VAT refund claims processed through the new mechanism. Initially, no payments were processed through this mechanism (baseline 2018). The revised target aimed for at least 15 percent of approved VAT refund claims to be paid through the new mechanism (by June 2023). By June 2023, 5 VAT refund claims were issued, representing 15.79 percent of the approved claims. A payment order of

102 million was issued on June 9th to refund VAT to eligible taxpayers. The PDO will be considered achieved after the central bank processes these orders.

This constitutes a significant achievement for Chad, which previously lacked a VAT refund system and had never issued a VAT refund before, representing progress from a baseline of zero. It reflects a critical step towards a well-functioning VAT refund system and demonstrates Chad's progress in legal, institutional frameworks, and administrative capacity, directly supported by PROMOGRI. In 2022, Chad achieved a significant milestone with the approval of Decree n° 0767/PCMT/PMT/MFB/2022, which aimed to establish and streamline the VAT refund process. This decree ensured the refund of VAT credit through an escrow account opened at the regional Central Bank, funded by 15 percent of various VAT revenues as per Article 891 (iii) of the General Tax Code. **(Substantial).**

Overall, the project made substantial progress in achieving the revised objective 2. The achievement of targets related to the utilization of the banking system for tax payments and the establishment of a VAT refund mechanism signifies significant advancements in enhancing efficiency and compliance, thereby contributing to the project's overarching PDO. PDO#5 and PDO#6 were better aligned with the PDO.

Table 2: Results Framework for Objective 2

Indicator and Baseline (2018)	**Original End Target (2023)**	**First Restructuring Revised End Target (June 2020)**	**Second Restructuring Revised End Target (December 2022)**	**Actual Results at Closure (30 June 2023) End Result**
PDO Indicator linked to the objective to improve processes in the recipient's key government entities for revenue mobilization				
PDO#3: Electronic filing of tax returns by large taxpayers Baseline: 0.0		Introduced during Restructuring No. 1, with a target of 45	Dropped during Restructuring No. 2.	Not Achieved. The project has yet to support the development of e-Tax (due to government decision). As a result, the PDO indicator does not align with project support.
New PDO #5. Share of large taxpayers paying through the banking system Baseline: 20 percent of large taxpayers pay			At least 70 percent of large taxpayers pay through the banking system	Achieved. 100 percent of large taxpayers pay through the banking system

through the banking system				
PDO #6. Share of approved VAT refund claims paid through the new mechanism Baseline: 0.0			At least 15 percent	Achieved. 5 VAT refund claims were issued, representing 15.79 percent of the approved claims.
Intermediate Indicators				
IRI2: Establishment of unique identification number for enterprises for all administrations Baseline: Multiple taxpayers' identification numbers are used across the administration	All administrations use the same identification number for taxpayers.		Revised downwards: The regulation defining the responsibility for the establishment and management of the unified taxpayers' registry and the procedure for registration is adopted	Not achieved. Multiple taxpayers' identification numbers are used across the administration
Support the utilization of a unified taxpayers' registry for enterprises Baseline: No unified registry	The unified tax registry is operational	Dropped		Dropped. Not Achieved. There is no unified tax registry.
IRI3: Number of tax offices in N'Djamena in which SIGTAS upgraded version	3.00		Dropped. The project has yet to support the development of the tax system (due to a government decision).	Dropped. Not Achieved.

has been rolled out (number) Baseline: 0.0.			As a result, the PDO indicator does not align with project support.	
IRI4: Number of customs offices in which ASYCUDA upgraded version has been rolled out Baseline: 0.0.	4.00	7.00	4.00	Achieved. Surpassed. 36 as per ISR of June 30 During the ICR mission the government shared data for 45 customs offices
IRI#5 (former PBC 4 IR): Share of small entities paying Presumptive Income Tax for Small Entities (Impôt générale libératoire) by mobile payment. Baseline: 0 percent of small taxpayers pay by mobile		Introduced during Restructruing No. 1: 20 percent of small taxpayers pay by mobile	Revised (during Restructuring No. 2) target 10 percent: discontinued as PBC 4 and monitored as an IRI.	18.69 percent Achieved
PBC 2- DLI2 # Support the gradual adoption of electronic filing by large taxpayers Baseline: 5% of large taxpayers file electronically	At least 20 percent of large taxpayers file electronically	Dropped		Not Achieved
#Risk-based procedures and audits are adopted	Risk-based audits procedures are adopted	Dropped		Not Achieved. No-risks based procedures and audits

in tax and customs administration Baseline: No risk-based audits				are applied at customs and tax administration. See reference to TADAT
#Ratio of risk-based audits performed on large and medium taxpayers Baseline: 00		70.00	Dropped	Not Achieved. No risk-based procedures and audits are applied at customs and tax administration. See reference to TADAT.
#Users traffic on the tax and trade information portals Baseline: 100.00	15,000.00	Dropped		Not Achieved. No portal on users' traffic on tax and trade information was established
# Mobile Rural Connectivity Operation Manual is developed Baseline: N	Y	Dropped		Not Achieved. No manual was developed.
#Taxpayers' satisfaction with DGI quality of taxpayers services Baseline: established through survey	At least 50 percent of surveyed users express satisfaction with the DGI taxpayers' services.	Dropped		Not Achieved. DGI has never conducted a taxpayer satisfaction survey.
#Taxpayers' satisfaction with	At least 50 percent of surveyed users express	Dropped		Not Achieved.

DGDDI's quality of customs services Baseline: established through survey	satisfaction with the DGDDI services.			
#Improve the use of the USF to expand mobile telephony coverage to rural areas Baseline: 0.0	1.00	Dropped		Not Achieved

Revised Rating
Substantial

OBJECTIVE 3

Objective
To improve transparency in the recipient's key government entities for revenue mobilization.

Rationale
The ToC aimed to enhance transparency in key government entities for revenue mobilization by addressing existing deficiencies, notably the lack of transparency and irregularities in tax expenditures, particularly in tax exemptions granted in the petroleum sector. To achieve this, the plan involved publishing annual notes on tax expenditures, including tax exemptions, and strengthening institutional capacity in tax expenditure analysis and assessment. The publication of annual notes on tax expenditures and the training of staff in tax expenditure assessment and analysis would facilitate this. The anticipated outcomes included increased transparency in tax expenditure management, leading to improved transparency for revenue mobilization and increased domestic resource mobilization.

The majority of targets and actual dates for achievement were set in 2023. However, specific exceptions are noted.

The following PDO indicators measured the project:

PDO#2: Increase transparency of the SHT operations in the petroleum sector. This PDO was initially aimed at enhancing transparency by ensuring the automatic generation of financial statements. However, this target was not met as financial statements were not automatically generated. Despite efforts to improve transparency, the project faced challenges, and the objective was ultimately dropped during Restructuring No. 1, being replaced by PDO#4. *(Dropped, Not Achieved)*.

- **PDO#4:** The objective of enhancing the SHT's ability to produce financial reports from an Integrated Accounting and Management Information System (IAMIS) replaced PDO#2. Despite the replacement, the project encountered obstacles in achieving this goal. Although financial statements were eventually produced using the new IAMIS, the project did not support the system's development, aligning with a government decision. Consequently, the PDO indicator did not align with project support, resulting in the non-achievement of the objective (Not Achieved).

The following IRIs were associated with Objective 3:

- **IRI 7**: Adapt the functioning of the tax and customs administration to manage the COVID-19 crisis transparently. IRI 7 aimed to adapt the functioning of tax and customs administration to manage the COVID-19 crisis transparently. The plan included issuing 4 quarterly economic notes to the Minister of Finance and Budget (by June 2020), conducting communications to the public through radio and television spots, newspaper publications, and distributing quarterly letters of information. However, these activities were discontinued, resulting in the target not being achieved. The project encountered challenges in implementing these actions, leading to only 10% of the planned communication efforts being executed at closure. Despite the discontinuation of these activities, PBC 1, which involved quarterly communications, could not be dropped due to the disbursement of US$6.75 million. Thus, the project faced constraints in aligning with the current context, impacting the fulfillment of its objectives. (Not Achieved)

The following IRIs were dropped:

- Petroleum contracts were intended to be recorded in a cadastral system (from a baseline of 0 in 2018), aiming for comprehensive coverage (by June 2023) to ensure transparency and accountability in the petroleum sector. However, the target was not achieved, as no progress was made in recording contracts in the system. The objective was dropped during the Restructuring No. 1, indicating a failure to implement the necessary mechanisms for recording petroleum contracts in a cadastral system. (Dropped, Not Achieved).

Overall, progress towards achieving Objective 3 can be deemed negligible due to encountered challenges in enhancing transparency within government entities for revenue mobilization. Despite efforts, activities related to managing the COVID-19 crisis transparently, establishing petroleum cost benchmarks, and recording petroleum contracts faced significant obstacles, leading to the dropping of associated targets. Similarly, PDOs aimed at increasing transparency in the operations of the SHT were not achieved, highlighting the persistent difficulties in achieving transparency goals within the sector. Moreover, PDO#2 was too broad, and failed to define how transparency would be measured.

Rating
Negligible

OBJECTIVE 3 REVISION 1

Revised Objective
To improve transparency in the recipient’s key government entities for revenue mobilization.

Revised Rationale
The outputs and outcomes described above were also relevant to this objective.

The following PDO measured the revised objective:

- PDO#4. See above. Dropped during Restructuring No. 2. *(Dropped. Not Achieved).*
- PDO#7 (New, Introduced during Restructuring No. 2): Publication of annual reports on tax expenditures. The PDO level indicator (new PBC 9) on the publication of the annual reports on tax expenditures was achieved. In July 2022, the first semi-annual note on tax exemptions and the second one covering the period 2020-2021 were published on the MoFB website. This achievement is crucial in addressing the plethora of tax exemptions undermining Chad's tax system, with an estimated revenue foregone of US$277 million, equivalent to 2.7 percent of 2015 GDP. Establishing an inventory of existing tax expenditures, assessing revenue foregone, and publishing tax expenditure reports enhance transparency and accountability in public finances. This step is vital for broadening the tax base by streamlining and rationalizing exemptions, particularly in a country like Chad, where public transparency is limited. *(Achieved, High).*

The following IRIs were associated with the revised objective:

- IRI 7. See the discussion above. The indicator could not be dropped despite being irrelevant to changed context.
- IRI 8: The establishment of petroleum cost benchmarks initially faced challenges due to the lack of identified comparators. Despite efforts to address this issue, no comparators were identified, resulting in the non-achievement of the target. Subsequently, associated activities were halted as progress stagnated, and the project withdrew support for further development. Consequently, the target of establishing petroleum cost benchmarks was not attained. *(Dropped, Not Achieved)*

Table 3: Results Framework for Objective 3 at Project Closure

Indicator and Baseline (2018)	Original End Target (2023)	First Restructuring Revised End Target (June 2020)	Second Restructuring Revised End Target (December 2022)	Actual Results at Closure (30 June 2023) End Result
PDO Indicator linked to the objective of improving transparency in the recipient's key government entities for revenue mobilization.				
PDO# 2: Increase transparency of the SHT's operations in the petroleum sector Baseline: No automatically generated financial statements	An integrated accounting and management system produces financial statements.	Dropped and replaced by PDO#4		Not Achieved.

PDO#4: SHT's ability to produce financial reports from an integrated accounting and management information system (replaced PDO#2). Baseline: Financial statements not generated automatically		Financial statements produced with new IAMIS	Dropped. The project has yet to support the development of an Integrated Accounting and Management System for SHT (due to government decisions). As a result, the PDO indicator does not align with project support.	Not Achieved.
PDO#7 (New, introduced during RestructuringNo. 2): Publication of annual reports on tax expenditures Baseline: No Annual report is published			Introduced during Restructuring No. 2. At least 2 annual reports published	Achieved. 2 annual results were published.
Intermediate Results Indicators				
IRI 7: Adapt the functioning of the tax and customs administration to manage the COVID-19 crisis transparently. Baseline: n/a		Four (4) quaterly economic notes issued by the tax and customs administration to the Minister of Finance and Budget. Four (4) communications to the public (radio and television spots, publications in newspapers).	PBC is not relevant in the current context. The PBC cannot be dropped, given that US$ 6.75 million has already been disbursed.	Not Achieved. The circular adopted. Only 10% of the communication planned took place

		Two (2) quarterly letters of information to the public.		
IRI#8: Petroleum cost benchmarks are established. Baseline: No comparator identified	Cost comparators established		Dropped Associated activities have yet to progress and will no longer be supported by the project.	Not Achieved. No comparators were identified.
#Petroleum contracts are recorded in a cadastral system Baseline: 0.00	100.00	Dropped.		Not Achieved

Revised Rating
Modest

OVERALL EFFICACY

Rationale
Project Efficacy under original objectives (and targets) (including Restructuring No. 1) is rated as Modest. Objectives 1 and 2 are rated Modest, and Objectives 3 is rated Negligible.

Overall Efficacy Rating
Modest

Primary Reason
Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale
Project Efficacy under revised objectives (and targets) is rated Substantial, with substantial achievement under revised Objectives 1-2, and Modest achievement of Objective 3.

Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

Project efficiency is rated as substantial, fulfilling anticipated benefits outlined during appraisal. These benefits include reducing time lost for customs formalities through digitalization, minimizing corruption, and enhancing taxpayer identification. The successful implementation of these measures, particularly in tax and customs systems, contributed significantly to a substantial increase in non-oil domestic revenues. Notably, tax revenues rose by nearly 50% during the project period.

While it is acknowledged that tax revenues experienced a notable increase of nearly 50% during the project period, attributed to process improvements facilitated by digitalization, it is essential to consider a counterfactual scenario where other factors may have been driving the improvement in non-oil revenue performance. The data presented in the ICR Graph 1, p. 37, indicates that non-oil revenue began to increase around 2015-2016, predating the effective commencement of the project at the end of 2018. This suggests the existence of significant external factors influencing the rise in non-oil revenue, which may include changes in economic conditions, policy reforms unrelated to the project, or other structural transformations within the economy. Therefore, while the project's digitalization efforts likely contributed to the overall improvement in tax revenues, it is plausible that other concurrent factors played a substantial role in driving the observed increase in non-oil revenue during the project period.

Despite the expected time lag for reforms to fully mature, the project's impact on revenue mobilization is anticipated to continue beyond its conclusion.

Furthermore, the project significantly reduced transaction time at customs offices, from 24 hours at baseline to just 4 hours by the project's end, generating substantial savings for traders. The savings generated from this reduction in time, estimated through a projection methodology, demonstrate tangible benefits for the economy, ranging from a low of US$8.96 million to a maximum of US$75.2 million by 2030, depending on different wage levels and discount rates.

The project also played a pivotal role in digitalizing Chad's administration, particularly in tax and customs offices, with achievements such as implementing the E-tax system and transitioning to the SYDONIA WORLD software for customs operations. The cost-benefit analysis demonstrated positive outcomes, with net present values indicating substantial benefits for traders, validating the project's efficiency, and demonstrating value for money. At a 5 percent discount rate, the NPV ranges from US$8.96 million to US$75.2 million, with corresponding IRR ranging from 23 percent to 75 percent, indicating substantial returns on investment. Similarly, at a 10 percent discount rate, the NPV ranges from US$4.87 million to US$49.65 million. These figures underscore the significant positive impact of the project, demonstrating its effectiveness in enhancing customs efficiency and generating substantial savings for traders and businesses.

Additionally, the ongoing expansion and adoption of ASYCUDA World since October 2022 have shown promising results, as evidenced by the increase in customs revenues by 8 percent in the first 8 months of 2023 compared to the same period in 2022. This trajectory could lead to substantial revenue gains for Chad, with projected customs revenues potentially reaching CFA F 220 billion by the end of 2023. Overall, the quantitative data underscores the positive trajectory of the project's impact on revenue mobilization and customs efficiency in Chad, with promising prospects for further improvements in the coming years.

Lastly, project management costs were deemed reasonable compared to country and regional averages, underscoring the efficiency of the project's implementation.

Efficiency Rating

Substantial

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		0	0 ☐ Not Applicable

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

6. Outcome

Original objectives (including Restructuring No. 1): Relevance to the country and the Bank strategy is Modest in view of the need for more alignment of PDOs and indicators with the overarching PDO. Efficacy is rated Modest. Efficiency is rated Substantial. The Objectives outcome was rated Moderately Unsatisfactory before Restructuring No 2.

Revised objectives (Restructuring No. 2): The relevance of revised the objectives is Substantial. Efficiency is rated Substantial. Efficacy is also rated Substantial, with substantial achievement under revised Objectives 1 and 2 and modest achievement under Objective 3. The outcome of the revised objective is rated as Satisfactory.

Taking into account the ratings discussed above and weighing the shares of disbursements before and after the Restructuring No. 2, the overall outcome is Satisfactory.

Table 4: Split

Rating Dimension	**Original Objectives**	**Objectives after revision**
Relevance of Objectives	**Substantial**	
Efficacy		
Objective 1. To improve performance in the recipient's key government entities for revenue mobilization	Modest	Substantial
Objective 2. To improve processes in the recipient's key government entities for revenue mobilization.	Modest	Substantial

Objective 3. To improve transparency in the recipient's key government entities for revenue mobilization.	Negligible	Modest
Overall Efficacy	**Modest**	**Substantial**
Efficiency	Substantial	
Outcome Rating	**Moderately Unsatisfactory**	**Moderately Satisfactory**
Outcome rating Value	3	5
Amount disbursed (US$ million)	15.70 million	11.34 million
Disbursement %	58%	42%
Weight Value	3 x 58% = 1.74	5 x 42% = 2.10
Total Weights	2.85 (rounded to 3)	
Overall Outcome Rating	**Moderately Satisfactory**	

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

The achieved outcomes, while demonstrating substantial progress in improving revenue mobilization processes, customs efficiency, and modest progress in transparency within Chad's key government entities, are under substantial risk due to several factors. Further progress is needed in revenue administration to enhance performance, processes, and transparency for sustainable revenue mobilization. The 2023 TADAT assessment identified areas for improvement in all nine performance outcome areas assessing core tax functions. These are comprehensive and accurate taxpayers' registry, effective risk management, supporting voluntary compliance, timely filing and payment of taxes, accurate reporting of declarations, effective dispute resolution system, effective revenue management, and enhanced transparency and accountability. Additionally, the limited capacity and capabilities of the tax officials, coupled with frequent changes across the entire tax administration, further undermine the performance of the tax administration.

Furthermore, the experience in fragile and conflict-affected countries such as Chad suggests that revenue administration modernization reforms take time to implement and yield results, requiring consolidation of changes brought about by the project. To address these challenges, additional comprehensive reform efforts are needed, including expanding tax expenditure studies, establishing a more efficient VAT refund system, and enhancing change management and communication activities.

There is ongoing discussion to implement a follow-up (PROMOGRI) phase II project, which could help mitigate the identified risks by further supporting achievements in tax and customs administrations through initiatives such as establishing a Customs Intelligence Unit and centralizing revenue streams within a Treasury Single Account system. This follow-on program could also align synergistically with other ongoing projects, such as the Digital Transformation Project and the IMF PFM Technical Assistance Program.

8. Assessment of Bank Performance

a. Quality-at-Entry

While the project was relevant to the Government of Chad's needs, its design faced challenges, particularly in bundling tax and petroleum sector reforms without sufficient synergies in a Fragile and Conflict-Affected States (FCV) context.

Design shortcomings included underestimating capacity gaps and the sensitivity of the petroleum sector at the national level due to a lack of analytical underpinning, including a comprehensive understanding of challenges and political economy in both sectors.

The project’s main design flaws were identified in Monitoring and Evaluation (M&E) and target realism, lacking a clear results logic and closer alignment of the PDO statement with indicators. Initial deadlines for some PBCs were deemed unrealistic, and PBCs struggled to maintain relevance amid shifting Government of Chad priorities. For example, PBC4, focusing on implementing mobile payment for small taxpayers, and PBC5, aimed at reducing physical inspections of imported goods, both experienced significant delays primarily due to challenges in deploying infrastructure. Similarly, PBC 1 and PBC 3 were replaced during the Restructuring No. 1 to mitigate the impact of the pandemic and the 2021 coup d'état, ensuring alignment with government priorities in a changing landscape. Restructuring No. 2 aimed to replace underperforming PBCs with new ones (e.g., PDO#6 (DLI#8), focusing on refunding VAT credits), which were more aligned with the Government of Chad's priorities and reform commitments. The attachment of funds to PBCs provided an incentive for the Government to meet targets. By turning PDO indicators into PBCs during Restructuring No. 2, the project sought to link disbursements to the achievement of specific outcomes, encouraging the Government to pursue reforms and meet targets.

Overall, Quality at Entry could have benefited from enhanced M&E support, including peer review by internal M&E specialists and World Bank Operations Policy and Country Services (OPCS).

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Overall, the quality of supervision demonstrated strengths in responsiveness but needed to improve in promptly addressing certain project aspects. During the initial year of implementation (end 2018 to end 2019), the TTL operated from headquarters, transitioning to a local presence in Chad and neighboring countries from 2020 to mid-2022. This on-the-ground engagement allowed for consistent client interaction and regular in-country supervision missions. Documentation of formal implementation support missions was deemed adequate, but the Mid-Term Review (MTR) faced delays, eventually taking place in February 2022. Notably, project implementation significantly improved in the six months leading up to Restructuring No. 2, coinciding with the appointment of an experienced, out-of-country TTL. The World Bank Task Team enhanced supervision by incorporating thematic Short-Term Consultants (STCs) locally, addressing fiscal affairs and ICT needs.

Despite facing challenges, the Task Team displayed proactivity and responsiveness during unexpected developments, initiating two restructurings in response to the COVID-19 outbreak and uncertainties in 2022.

However, notable critique revolves around the World Bank Team's relatively slow identification and corrective action on Monitoring and Evaluation (M&E) deficiencies, particularly in addressing sub-optimal petroleum activities, which may involve both technical and political considerations.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design of the project faced challenges due to the absence of an explicit Theory of Change (ToC) at appraisal, which was only introduced six months prior to project closure during the Restructuring No. 2. This absence led to a lack of clarity in articulating PDO indicators, contributing to a key oversight in the original M&E design.

The original PDO indicators were broad, had attribution issues, and had unrealistic targets. For instance, the indicator of increasing tax and customs revenue was set unrealistically high, and its scope was narrowed during the Restructuring No. 1. The original indicator of transparency in the petroleum sector needed a defined measurement approach. Iterative corrections during Restructuring No.1 and No. 2 addressed these deficiencies, introducing more specific and measurable indicators.

The iterative corrections made during Restructuring No. 1 and No. 2 aimed to address these deficiencies. The Restructuring No. 1 introduced two PDO indicators covering the outcome related to improved processes, and the broad indicator on transparency was replaced with a more specific one related to the production of financial reports by the Hydrocarbons Company of Chad (SHT). However, no progress was made on the associated activities, leading to the dropping of this indicator during the Restructuring No. 2.

Additionally, the Restructuring No. 1 improved the attribution of the PDO indicator on performance by replacing it with a more focused indicator measuring tax and customs revenue collection. Nevertheless, this new indicator was eventually dropped in the Restructuring No. 2 due to incomplete attribution.

Importantly, the Restructuring No. 2 introduced an explicit ToC diagram that unpacked the PDO statement into three distinct expected outcomes. This led to the articulation of revised or new PDO indicators that better reflected the evolved project scope. However, some gaps persisted; for instance, the measurement of improved performance was primarily focused on customs offices, neglecting other government entities supported by the project.

These refinements demonstrated the project's adaptability in responding to challenges and enhancing the M&E design to align more closely with the project's objectives and scope. The improved M&E framework aimed to provide a more accurate representation of the project's impact on the targeted outcomes.

b. M&E Implementation

At the project launch, the Project Implementation Unit (PIU) appointed a dedicated Monitoring and Evaluation (M&E) specialist and formulated an M&E manual. Throughout the project's lifecycle, M&E data collection and analysis adhered to the established methodology outlined in the manual. However, the M&E manual underwent only one update after the Mid-term Review in February 2022 and still needs to be revised following the two restructuring processes. Despite this, the overall M&E data collection arrangements were deemed adequate and managed by the project's dedicated M&E specialist, who collaborated with a network of focal points in the beneficiary structures.

In February 2023, the PIU, counterpart departments, and the independent verification agent (IVA) conducted a crucial workshop to enhance clarity regarding the description and verification protocol for each indicator outlined in the Results Framework.

c. M&E Utilization

The project's M&E framework, along with updated M&E data, played a pivotal role in guiding discussions during the two project restructurings and the Mid-term Review. The scrutiny of the Results Framework at these critical junctures led to revisions such as the cancellation of certain indicators, adjustments to the wording or targets of others, and the incorporation of new indicators to better align with the evolving project scope and objectives.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project falls under Category C and has not triggered any environmental and social safeguard policies. Since no building or repair activities were undertaken as part of the project implementation, it is considered to have had no impact on environmental and social safeguards.

However, a notable omission is the absence of a Grievance Redress Mechanism (GRM) throughout project implementation. The lack of a GRM represents a missed opportunity to gather valuable feedback from project beneficiaries, hindering the ability to make course corrections during implementation. A functional GRM could have facilitated the adoption of mitigating measures, enhancing the likelihood of achieving the project's expected results under optimal conditions.

b. Fiduciary Compliance

Compliance with the project's Financial Management (FM) procedures underwent fluctuations, with a Moderately Satisfactory rating in six Interim Status Reports (ISRs) and a Moderately Unsatisfactory rating in four ISRs. The initial and final ISRs both reported a Satisfactory rating. Following Restructuring No. 2and until closure, the FM rating improved from Moderately Unsatisfactory to Moderately Satisfactory, indicating progress in implementing recommendations, such as updating the accounting system, correcting budgeting errors, renewing staff contracts, and ensuring consistency in financial information across reports.

Additionally, the fiscal year 2021 financial statements received certification without qualification.

However, compliance with the project's procurement procedures, rated Moderately Satisfactory throughout implementation, might have been overrated. Despite efforts to mitigate risks, Chad's national procurement system weaknesses led to substantial delays, even with the recruitment of a procurement specialist, the establishment of a special procurement committee, and capacity training. The Project Implementation Unit (PIU) faced challenges in contract management and experienced delays in amending contracts to align with the project's new closing date introduced in the Restructuring No. 2.

c. Unintended impacts (Positive or Negative)

n/a

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	High	

12. Lessons

The World Bank's experience with the project in Chad highlights several key lessons.

1. **Strategic project design with a sector-specific focus is crucial for effectiveness, particularly in FCV settings, as attempting multi-sectoral approaches can hinder progress and dilute efforts, as evidenced by the PROMOGRI project in Chad**. PROMOGRI attempted to address too many sectors simultaneously, hindering progress. For example, engaging in revenue administration reforms across tax and customs, along with the petroleum sector, proved unrealistic and complicated. The project could have been more effective if it focused on distinct operations for each sector. Bundling sectors together within one operation deprived each sector of the necessary attention and policy dialogue. Progress significantly accelerated once the focus shifted solely to tax and customs reforms. This experience underscores the importance of considering sector-specific operations and avoiding misfitting cross-sectoral approaches, especially in contexts where effective reform is crucial.
2. **Effective digitalization in revenue administration highlights the critical necessity for governments to prioritize capacity building and expertise enhancement, underlining the crucial role of specialized skills in driving sustainable development outcomes**. The success of PROMOGRI in Chad has underscored the transformative potential of digitalization, particularly within the areas of tax and customs administrations. This success has led the Ministry of Finance and Budget (MoFB) to prioritize digital initiatives, recognizing PROMOGRI as its most impactful project due to its sustainable impact. The concrete results achieved by PROMOGRI have not only increased the appetite for digitalization across the public sector but have also highlighted the need for Chad to focus on building a critical mass of specialists in core functions, enhancing technical expertise within tax administration, aligning tax studies with international standards, and refining procedures such as the VAT refund system to maximize development gains in the future.
3. **Future engagements in Chad should carefully balance technical assistance with results-based financing, taking into account political economy and operating environment considerations.** The project design was informed by lessons from similar revenue mobilization projects in fragile contexts but needed more detailed sector-specific analysis and consideration of Chad's dynamic political landscape. While aiming to address critical challenges aligning with government strategies like the GoC Vision 2030 and National Development Plan 2017-2020, the design overlooked in-depth analytics such as TADAT and DIAMOND for customs administration. These analyses were conducted only after project closure, indicating missed opportunities to enhance realism and inform strategic engagement, particularly in the petroleum sector. A stronger analytical foundation and understanding of the political economy could have led to a more realistic design, including clear objectives and targets aligned with sustained government support and ownership. Furthermore, the effectiveness of technical assistance could have been improved given political blockages and procurement delays, emphasizing the importance of prior stakeholder analysis. Team composition is crucial in fragile settings, with a need for seasoned Task Team Leaders (TTLs), even if they are based regionally, supported by on-the-ground implementation support. However, cost restrictions and institutional expectations for full-time presence can limit such arrangements despite their proven effectiveness.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a comprehensive analysis of the key PDO indicators and IRIs, conducting a split review. A TOC is illustrated diagrammatically on page 45. The PD did not include a TOC. Throughout the ICR report, information is presented in a clear and structured manner, facilitating understanding and analysis of the project's progress and outcomes. Annex 6 presents the entire Results Framework and summarizes the status of achievement at the end of the project. This annex serves as a valuable tool for stakeholders to assess the project's performance against its predetermined objectives and targets. The ICR highlights key achievements prominently, allowing the reader to grasp the project's successes and areas of impact. Overall, the ICR serves as a valuable resource for assessing the project's performance, understanding its results framework, and identifying lessons learned for future projects.

a. Quality of ICR Rating
High