



1. Project Data:		Date Posted : 08/16/2000	
PROJ ID: P004599		Appraisal	Actual
Project Name: Philippines Tax Computerization Project.	Project Costs (US\$M)	106.21	82.30
Country: Philippines	Loan/Credit (US\$M)	63.00	58.33
Sector(s): Public Financial Management	Cofinancing (US\$M)		
L/C Number: L3603			
	Board Approval (FY)		93
Partners involved :	Closing Date	06/30/1999	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
Main objective was to support improvements in tax administration by providing technical assistance, staff training, hardware, software, and priority equipment and facilities . This was intended to make tax administration more efficient and accelerate the processing and collection of revenues and improve the access and auditability of tax records .			
b. Components			
<u>I. Bureau of Internal Revenue (BIR) Tax Computerization:</u> (1) Development of tax software application; (2) Provision of communication infrastructure; (3) Provision of hardware; (4) Rolling out ITS in BIR offices; (5) Application and infrastructure architecture; (6) ITS usage; (7) Increased revenue (8) Interface with commercial banks; (9) Large taxpayer service; (10) Increased base of registered taxpayers; (11) Development of information systems strategic plan; (12) Enhanced efficiency of internal administration; (13) Increase BIR auditing capability; <u>II. Bureau of Customs (BOC) Computerization:</u> (1) Development of automated Customs system (ACOS); (2) Communications infrastructure; (3) Provision of hardware; (4) ACOS rollout; (5) ACOS usage; (6) Revenue increase; (7) Trade facilitation; (8) Re-engineering of BOC procedures and processes; (9) Site and facilities preparation; <u>III Institutional Strengthening and Capacity Building:</u> (1) BIR--ITS training; (2) BIR--change management; (3) BIR--taxpayers' education; (4) BIR--Increasing tax administration transparency; (5) BOC--ITS training; (6) BOC--Change management; (7) (BOC) Trader and public information; (8) Increasing customs transparency .			
c. Comments on Project Cost, Financing and Dates			
Of the envisioned Bank loan of US\$63 million, US\$58.3 million was utilized, with the remainder canceled . GOP funding amounted to US\$23.9 million, considerably less than the US\$43.2 million envisioned. The project closed six months late on 12/31/1999, due in part to disbursement delays and change notices .			
3. Achievement of Relevant Objectives:			
Largest and most important objective, computerization of BIR and BOC tax systems and setting up of communications infrastructure, was satisfactorily achieved . Procurement and installation was highly satisfactory for a project of this complexity . Training of staff on new system--a very large undertaking--was satisfactory . However, system has not yet had a major impact on revenue enhancement . Additionally, while BOC re-engineered tax procedures and processes, BIR did not do so in the context of this project .			
4. Significant Outcomes/Impacts:			
<ul style="list-style-type: none"> • The Philippines now has benefit of a modern, computerized tax system, which it can use as a base upon which to enhance revenue and implement other reforms • Improvements in the efficiency of customs clearance and procedures facilitated trade . A whole range of customs-related processes was speeded up, which improved the business climate . • A Large Taxpayer Unit was added to BIR which now contributes a substantial proportion of revenue • Taxpayer benefits include the ability to "file anywhere, pay anywhere" (this refers to bank branches); service to taxpayers has improved. 			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<ul style="list-style-type: none"> • During the project period, the GOP did not utilize the system to fulfill some objectives envisioned, e.g. auditing and cross-checks with other data bases that could enhance revenue . 			

- The project was too narrowly designed as an IT project, neglecting aspects of tax policy and administration. For example, the impact of potential policy changes on the IT system were not considered, nor was adequate stress placed on the use of the system as a management tool.
- During project preparation, The Bank erred in advising BIR that re-engineering its processes should be part of the IT contractor's responsibility
- The project did not include benchmarks that would have facilitated a determination of its success in achieving its objectives, e.g., a more accurate determination of the extent to which revenue was enhanced, or of the efficiency of tax collection
- Bank coordination with IMF was inadequate, as the Bank relied on the Fund for tax policy advice, but without an explicit agreement.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	Government did not utilize system to fulfill some of the objectives envisioned. In particular, auditing and linkage to other data bases have not been exploited to enhance revenue. However, steps in this direction have been taken after project close.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	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:

- To the extent possible, before undertaking a large computerization project such as this, agencies should consider re-engineering their business processes prior to initiation of the project
 - In a large IT project such as this, an "off-the-shelf" software package should be utilized if at all possible.
 - For a large IT project, it is important for the Borrower to make in-depth arrangements for sustainability--including all relevant budgetary agencies--prior to loan negotiation.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

While ICR (an Intensive Learning ICR) is well-documented and presented, simple measures of tax efficiency are not developed. ICR calculation of the Financial Rate of Return utilizes non-transparent methodology and assumptions.