



## Philippines

### MCC Learning from

#### “Evaluation of MCC’s Investments in Revenue Administration and Reform in the Philippines: Final Report”

#### NORC at the University of Chicago 2015

MCC has identified the following programmatic and evaluation lessons based on the Evaluation of MCC’s Investments in Revenue Administration and Reform in the Philippines: Final Report.

#### PROGRAMMATIC LESSONS

- A primary contributor to the successes realized during the Compact was the strong support of RARP at the highest levels within the Philippines Government, most notably, the President, the Secretary of the Ministry of Finance, and the Commissioner of the BIR. It is questionable whether a similar project as ambitious as RARP would be possible without such support. The sustainability of RARPs outputs and outcomes will now depend on whether the new administration has a similar level of commitment and a similar sense of urgency.
- An important lesson for MCC on projects involving major IT systems installation and adoption is that project design must ensure no more than a **manageable** level of customization to off-the-shelf software systems. The volume of modification and customization of software in the eTIS system was one of the primary sources of implementation delays which ultimately reduced the scope and reach of the final product.
- The development of eTIS software was started by BIR prior to the beginning of the Compact by a software consultant engaged by BIR. Shortly after the Compact began, it became clear that software development work needed to be restarted almost from scratch. Dealing with procurement issues, redefining user requirements, and implementing new organizational measures within BIR to take primary ownership of the project all contributed to delays in the first two years of the Compact. Continued due diligence on the eTIS development effort might have allowed MCC, MCA-P and BIR to identify and deal with these issues sooner.



- At two of the government agencies (BIR and DOF), procurements and decision making were hampered because government employees, who approve a procurement or accept a product as complete, fear that they might be subject to financial loss or charges of misconduct. This reluctance to take ownership and be proactive in implementing projects slowed both the eTIS and RIPS activities. MCC had not identified this risk during due diligence.
- Any complicated information system reform, such as eTIS and AATS, relies on the institutional ability to provide guidance to software designers and train all appropriate staff. In addition, a large change in day-to-day operations, such as eTIS, requires experienced full-time staff assigned to these projects to ensure greater accountability and timely delivery of project outputs and outcomes.
- In terms of staff acceptance of eTIS and AATS, use of current licenses and the Transfer Pricing database should be closely monitored by BIR management to ensure that auditors have access to and use these systems in the conduct of their audit cases. Those auditors who are reluctant to embrace modern audit practices and tools and to use the new eTIS modules (especially CMS) should be counseled and subject to transfer or other sanctions in appropriate cases.
- On the project's Public Awareness Campaign (PAC), the campaigns were locally well-received, won awards in the local PR industry for their innovative messaging and were deemed effective in improving taxpayers' understanding of their tax obligations, per the evaluation. Even so, the impact on tax compliance was not measured by either the PR firm or the evaluation. In the future, MCC should track public awareness efforts in relation to the desired behavioral change (in this case, tax compliance) to better



inform which campaigns should be continued and which should be closed. This strategy will require close coordination between implementers and M&E.

- This project was the first time that MCC engaged the International Monetary Fund (IMF) as a project resource for technical assistance, and, it was viewed as a successful partnership. Rather than to follow a narrow, prescriptive scope of pre-identified services, the IMF was allowed the flexibility to independently identify problems during the compact period and to recommend timely measures to address them. This flexibility allowed for a range of activities that were not identified initially but were responsive to the prevailing circumstances and the current operational environment. As a result, the IMF advisory activities were free to focus on several critical topics including VAT audit and arrears management.
- In terms of RIPS, despite the fact that the case management system was not fully operational until toward the end of the compact, the project succeeded in improving that investigative unit's ability to bring cases to the point of prosecution as cited in the report: the average number of days from Investigative Authority (IA) to Complaint Affidavit went from 892 to 194. Even though case resolution went from 2582 to 1119 days, it still takes, on average, more than 3 years to resolve a case, because of other entities in the judicial system, and even the Department of Finance, which refused to establish internal mechanisms for dealing with administrative cases. . To assess this issue, the RIPS should track response time by agency and highlight both the problematic and responsive agencies. In addition, MCC should address this risk by including other entities in the project, assuming buy-in can be obtained.