



**U.S. DEPARTMENT OF THE TREASURY  
OFFICE OF TECHNICAL ASSISTANCE**

**THE THRESHOLD COUNTRY PROGRAM  
FOR SÃO TOMÉ AND PRÍNCIPE  
END TERM EVALUATION**

**FINAL REPORT**



***DUCA CONSULTING INTERNATIONAL***

Prime Contractor

**DEVTECH**

DevTech Systems, Inc.

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**END TERM EVALUATION OF  
THE THRESHOLD COUNTRY PROGRAM IN  
SÃO TOMÉ AND PRÍNCIPE**

**FINAL REPORT**

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## TABLE OF CONTENTS

<b>LIST OF ACRONYMS</b> .....	<b>iii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>iv</b>
<b>INTRODUCTION</b> .....	<b>1</b>
<b>METHODOLOGY</b> .....	<b>3</b>
<b>IMPLEMENTATION, OUTCOMES, SUSTAINABILITY</b> .....	<b>5</b>
COMPONENT I: VOLUNTARY COMPLIANCE .....	5
SUB-COMPONENT 1A: INCREASED FILING OF DECLARATIONS .....	5
SUB-COMPONENT 1C: INCREASED REVENUES THROUGH TAX PROCEDURES .....	11
SUB-COMPONENT 1D: INFORMATIONAL INFRASTRUCTURE ASSURED.....	12
COMPONENT II: ENFORCEMENT OF TAX OBLIGATIONS .....	13
SUB-COMPONENT 2A: STRENGTHENING IT INFRASTRUCTURE .....	13
SUB-COMPONENT 2B: IMPROVED PROCESS MANAGEMENT .....	15
SUB-COMPONENT 2C: IMPROVED DETECTION OF NON-FILERS .....	17
SUB-COMPONENT 2D: IMPROVED AUDIT PROCEDURES .....	19
SUB-COMPONENT 2E: ON-SITE ENFORCEMENT ACTIONS .....	21
COMPONENT 4: BUSINESS START-UP COSTS AND TIME DECREASED .....	23
<b>IMPACT OF THE TCP</b> .....	<b>26</b>
<b>DESIGN OF THE THRESHOLD COUNTRY PLAN</b> .....	<b>28</b>
<b>KEY FACTORS INFLUENCING PROGRAM RESULTS</b> .....	<b>32</b>
<b>FINDINGS FOR FUTURE PROGRAMMING IN SÃO TOMÉ</b> .....	<b>36</b>
<b>ANNEX 1: PERSONS CONSULTED</b> .....	<b>37</b>
<b>ANNEX 2: TCP LOGICAL FRAMEWORK</b> .....	<b>38</b>
<b>ANNEX 3: REVISED MATRIX</b> .....	<b>45</b>

## LIST OF TABLES

<b>Table 1: Taxpayer Returns by Tax Year.....</b>	<b>8</b>
<b>Table 2: New Registrations Previous System.....</b>	<b>10</b>
<b>Table 3: Total Registrations New System .....</b>	<b>10</b>
<b>Table 4: Donated Equipment .....</b>	<b>14</b>
<b>Table 5: Enforced Collections .....</b>	<b>17</b>
<b>Table 6: Field Audits.....</b>	<b>20</b>
<b>Table 7: Increase in Audit Revenues.....</b>	<b>20</b>
<b>Table 8: Fiscal Revenue Growth .....</b>	<b>26</b>

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## LIST OF ACRONYMS

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CPPT	<i>O Código de Procedimento e Processo Tributários</i> [Tax Procedures Code]
DT	Department of Taxation
GoSTP	Government of São Tomé and Príncipe
IFC	International Finance Corporation
IMF	International Monetary Fund
IRC	<i>Imposto sobre Rendimento de Pessoas Coletivas</i> [Business Income Tax]
IRS	<i>O Imposto sobre Rendimento de Pessoas Singulares</i> [Individual Income Tax]
IT	Information Technology
M&E	Monitoring and Evaluation
MIS	Management Information System
MCC	Millennium Challenge Corporation
MOU	Memorandum of Understanding
OSS	One-Stop Shop (Single-Window) Business Registration
OTA	Office of Technical Assistance
PICATFin	<i>Programa Integrado de Cooperação e Assistência Técnica em Finanças Públicas</i> [Portuguese Technical Assistance Program in Public Finance]
TCP	Threshold Country Program
TOT	Training Of Trainers

## EXECUTIVE SUMMARY

### Background and methodologies

This report is a summative evaluation of the Millennium Challenge Corporation's (MCC) Threshold Country Program (TCP) for São Tomé and Príncipe. The São Tomé TCP was funded at \$7.4 million and was scheduled to last two years. The program was formally launched through a Memorandum of Understanding in November 2007. The MCC contracted with the U.S. Department of the Treasury's Office of Technical Assistance (OTA) for implementation of the program; field work commenced in January 2008.

This evaluation covers three of the four major components of the TCP:

- Increase tax revenue through higher voluntary compliance with tax laws;
- Increase tax revenue through strengthened tax enforcement; and
- Improve the business environment.

The objectives established for this ex-post evaluation are to:

- document the implementation of activities and inputs proposed in the TCP plan;
- gauge the extent to which intended outcomes and program goals were achieved;
- assess the clarity and appropriateness of program design;
- understand shared roles and responsibilities in the success of the program; and
- present findings that may prove useful to all stakeholders in future TCP programming.

The evaluation's findings were based on Document Review and Key-Informant Interviews. The Evaluation Team conducted direct interviews with respondents in São Tomé, in Lisbon, and via both one-on-one and telephone interviews with TCP managers and consultants in the U.S. Findings in the Monitoring and Evaluation (M&E) Contract's Phase II report, along with MCC's and OTA's comments on them, were also important sources for this final report.

### Summary of findings by component

1. *Component I, Voluntary Compliance.* Twelve of the fourteen proposed inputs and activities were implemented, while six of the nine outcomes were fully or partially achieved. Significant progress occurred since the previous assessment in March 2010, when only one outcome had been realized.
2. *Sub-Component 1A: Increased Filing of Declarations.* OTA fully or partially implemented all the proposed activities. Four of the five proposed outcomes were achieved: increases in taxpayer awareness, increase in tax revenues, simplification of procedures, and preparation of a cadre of trainers. There is, however, no evidence of an increase to the numbers of returns filed.

3. Sub-Component 1B: Increase in Number of Registered Taxpayers. OTA dedicated considerable resources to this subcomponent, but its strategy to increase the number of active, registered taxpayers met with little success. It did not complete the proposed study of unregistered taxpayers, and its consultants' recommendations were not regarded as useful by the Department of Taxation (DT) and were generally ignored.
4. Sub-Component 1C: Increase Revenues through Tax Procedures. OTA fulfilled all of its inputs and activities except for the training of trainers proposed for this subcomponent. Problems of timing affected the work of the OTA-fielded consultants, and none of their original recommendations was incorporated into the new Code. During the extension period, however, one consultant's work ensured sustainable impact in improving the legal procedures for implementing the tax laws.
5. Sub-Component 1D: Information Infrastructure Assured. The single activity was to analyze the DT's accounting system. This activity was implemented, although gaps in the analysis remained. There has been no progress in improving the accounting system.
6. Component II: Enforcement of Tax Obligations. Thirteen of the eighteen inputs and activities proposed in this component were implemented. Of the five outcomes, four were clearly achieved and one was partially fulfilled. Much of the considerable progress under this component took place late in the program, during the extension period in 2010.
7. Sub-Component 2A: Strengthening IT Infrastructure. The activities comprised procurement and installation of IT hardware, programming, and creation of an interagency network. Only the first activity was fully realized, and there is no functioning network connecting agencies.
8. Sub-Component 2B: Improved Process Management. Of the seven inputs and activities scheduled under the subcomponent, six were implemented. Training was conducted but the scheduled Training of Trainers (TOT) was not implemented. The only outcome specified in the TCP for this subcomponent was increased tax revenues, and from this perspective the subcomponent was successful. In bringing significant improvements to process management, however, the evidence is less compelling.
9. Sub-Component 2C: Improved Detection of Non-Filers. By developing innovative methods of identifying non-filers, and by recommending specific corrective actions to be taken, OTA successfully implemented its agenda for the subcomponent. Progress continues through the DT's creation and implementation of a new taxpayer registry.
10. Sub-Component 2D: Improved Audit Procedures. OTA advisors conducted thorough analysis of DT audit procedures and policies, developed an Audit Manual, and delivered training in audit procedures. The only input not accomplished was the training of trainers. Both

outcomes were achieved: increase in the number of audits performed and growth in revenues from audits.

11. *Sub-Component 2E: On-Site Enforcement Actions.* This subcomponent was actually about the procurement of vehicles for use in field audits. The inputs were only partially implemented, as OTA curtailed procurement because of the inability of the DT to document use of the first vehicle. Although evidence is purely anecdotal, DT auditors affirm that those vehicles actually procured have contributed to an increase in the number of audits.
12. *Component IV: Business Start-Up Costs and Time Decreased.* Under a grant mechanism with the IFC, the three inputs were to draft revised legislation, write recommendations for a new organizational structure and procedures, and train the staff in the new procedures. OTA can be credited with full implementation of the first two activities. No training followed. The stipulated outcomes were also achieved: Since its establishment in August 2010, the new Single Window (OSS) has registered 120 firms in three days or less and has greatly reduced costs. (This information was transmitted anecdotally to the Evaluation Team and was not triangulated or independently confirmed.) The resulting structure of a new organization in the form of a single window was originally advised against by the IFC, but the IFC changed its view and supported the OSS once the Government of São Tomé and Príncipe (GoSTP) manifested a desire to proceed in that direction. The enabling legislation for business registration remains archaic and in great need of modernization and simplification.

## **Sustainability**

Under the subcomponents for Voluntary Compliance, there is evidence to suggest that increase in taxpayer awareness, taxpayer returns, and revenue growth will be sustained in the mid-term. Because so few of the predicted outcomes under this principal component were actually achieved, the likelihood of long-term sustainability attributable to the TCP is marginal.

Sustainable results from Enforced Compliance, however, are more compelling. There is good evidence that progress on informational infrastructure to enforce registrations and collections will proceed in the future. Growth in enforced collections has a good chance of being sustainable. There are also reasons to be cautiously optimistic that the progress being made to identifying non-filers and to taking corrective action with them will be sustained in the future.

Of greatest importance may be the change in attitude towards audits and collections within the GoSTP. This change in attitude was not a stated objective of the TCP, but it was the result of consistent efforts of OTA to gain progress in recovering arrears and fiscal debt. It is likely to be a sustained result, at least over the mid-term.

## **Impact of the TCP**

*The goal of a 15 percent increase in tax revenues was reached.*

*The goal of decreasing both the time and cost of starting a business in São Tomé and Príncipe was also reached.*

Significant gains took place in audits, audit revenues, and in enforced collections. This progress would either not have occurred, or would have been measurably less, in the absence of the TCP.

Responses from DT leadership indicate that the TCP has helped the agency to become a more proactive tax department.

## **TCP Design**

OTA drafted the TCP. Nonetheless, the GoSTP was involved from the beginning of the design process and tacitly accepted the final design. The basic objectives for the program were those of the GoSTP.

The design was technically inclusive but suffered from MCC's failure to conduct proper due diligence. The result was emergence of numerous impediments to progress that should have been foreseen in program design. Foremost among these factors were:

- language barriers;
- cultural dissimilarities;
- education and competence levels of the DT staff;
- management structure and practices within the DT; and
- physical working conditions in the DT

Another major issue in the design process was MCC's and OTA's apparent willingness to launch the TCP in the absence of baseline data considered integral to the program. Proceeding in this manner was evasive and contributed to OTA's frustration in either accessing or producing reliable information throughout the program.

The original TCP matrix was an insufficient monitoring tool because it lacked an explicit logical framework that identified cause and effect, proper indicators, and critical assumptions.

## **Key factors influencing program results**

The achievements of the TCP were largely owing to the persistence of OTA in driving ahead against obstacles and in the competence of the many experts sent to the field. MCC's and OTA's involvement at the highest levels of the GoSTP in critical moments were major contributors to the positive outcomes. OTA's delayed but ultimately demonstrated willingness to modify its approach also contributed to the results achieved.

In addition to factors resulting from design issues and neglect of due diligence, other considerations proved detrimental to greater success of the TCP. These included frequent changes in Government, the demonstrated passivity and apparent indifference of the DT, inadequate planning of training and structures to sustain capacity-building (training of trainers), and insufficient attention to external monitoring and evaluation.

### **Findings for future MCC programming in São Tomé**

The impetus generated through the TCP, along with the many sound technical analyses and recommendations provided, have left fertile territory for near-term progress. The physical environment and IT infrastructure in the DT have greatly improved, and audits and collections are proceeding under a changed and positive attitude of the Government.

Any follow-on programming, however, must recognize that little or no progress has taken place in key areas. Principal findings indicating absence of progress are that

- the robustness, reliability, and accessibility of data have improved little, if at all;
- organizational management—structure, information flows—remains unchanged;
- the accounting system has not visibly improved;
- interagency e-communications remain at best a slow work in progress; and
- no DT personnel have assumed the role of internal trainers.

On the side of business start-up, the regulatory environment for business matriculation has changed little.

The counterpart to these findings lies in opportunities for renewed technical support based on a realistic assessment of the broad enabling environment and a dispassionate assessment of the strengths and the shortcomings of the TCP.

## INTRODUCTION

This report is a summative evaluation of the Millennium Challenge Corporation's (MCC) Threshold Country Program (TCP) for São Tomé and Príncipe. Threshold program investments support a country's efforts to meet the eligibility criteria for MCC Compact Assistance and serve as incentives for attaining the significantly larger assistance mechanism that the Compact represents. In the case of São Tomé, the initial Concept Paper proposed the MCC's Fiscal Policy Indicator as the program focus; during subsequent negotiations leading to final design, the Business Start-Up indicator was added as a second focus area. The São Tomé TCP was funded at \$7.4 million and was scheduled to last two years. The program was formally launched through a Memorandum of Understanding in November 2007;<sup>1</sup> implementation began in January 2008. The MCC contracted with the U.S. Department of the Treasury's Office of Technical Assistance for implementation of the program.

São Tomé's TCP comprised four major components:

1. Increase tax revenue through higher voluntary compliance with tax laws;
2. Increase tax revenue through strengthened tax enforcement;
3. Increase customs revenue; and
4. Improve the business environment.

The present evaluation does not concern the third component involving Customs reform.

### Monitoring and Evaluation

Monitoring and evaluation are integral parts of threshold programs.<sup>2</sup> In January 2008, OTA signed a contract with Duca Consulting International to provide M&E services in three phases. In Phase I, Duca Consulting conducted a survey of taxpayer perceptions and an assessment of the readiness of staff in the Directorate of Taxes to benefit from training. The Phase I report, completed in March 2008, also restructured OTA's design matrix for the TCP and provided an estimate of noncompliance with tax obligations. These were essentially efforts to establish baselines for the TCP.

Phase II was delayed by OTA until nearly two years of implementation had passed, and the report, issued in March 2010, covered the two years of implementation under the original schedule. That report monitored progress of all inputs and activities planned under the three components, assessed the status of outcomes, and offered insights into reasons why at that time the TCP had fallen well short of achieving its stated objectives.

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<sup>1</sup> The signatories to the MOU were the Government of São Tomé and Príncipe, the Millennium Challenge Corporation, and Treasury's Office of Technical Assistance.

<sup>2</sup> See the MCC's policies on M&E in [www.mcc.gov/documents/guidance/policy-051209-mande](http://www.mcc.gov/documents/guidance/policy-051209-mande).

The present, Phase III report represents the final evaluation—excluding the Customs component—of the São Tomé Threshold Country Program. Although the Phase II report was written as a near-final assessment of the program, this final report supersedes its predecessor in two significant aspects. First, it covers several months of activities undertaken during the extension to the program, a period representing significant progress in some of the components. Secondly, unlike the Phase II report, this final evaluation was able to take into greater account the perspectives of many of the U.S.-based consultants fielded by OTA during nearly thirty months.<sup>3</sup>

The report responds to the seven tasks set for the evaluation.

1. Verify if the activities outlined in the TCP Proposal, as presented by the Government of São Tomé and Príncipe in July 2007, were fully or partially implemented.
2. Ascertain if proposed activities led to outcomes (meaningful changes in practices or behavior), including unintended outcomes, where available evidence permits such assessment.
3. Determine if implemented activities and outcomes have been sustained to date and are likely to be sustained in the future, and have generally positioned and equipped the Directorate of Taxes to increase future fiscal compliance.
4. Conclude whether the project activities led to the TCP's intended impact of a 15% growth in tax revenues.
5. Evaluate the responsibilities for design, implementation, and accountability as shared among MCC, OTA, and the Government of São Tomé and Príncipe.
6. Analyze the consistency, clarity, and relevance of the TCP's explicit logical framework, including the stated Fiscal Policy Indicator, as a guide for achieving the objectives of the three components and the ultimate impact of 15% growth in tax revenues.
7. Identify lessons MCC can apply to future threshold programs in program design and implementation.

The report begins with assessment of the three major components and their nine subcomponents. This assessment corresponds to the first four tasks above. The following chapters look at issues of shared responsibilities, design and the logical framework, factors having the greatest impact on the success of the program, and findings that may be useful to future programming in São Tomé.

The fieldwork for the evaluation was conducted in Washington, DC, Lisbon, and São Tomé during an approximately four-week period beginning in mid-February and terminating on March 11, 2011. Two consultants, Dr. Donaldo Hart and Dr. Joseph Weiss, conducted the research. Duca Consulting International is responsible for the integrity of the report.

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<sup>3</sup> Although the Phase II report examined scores of trip reports and memoranda left by the consultants, for the final assessment, OTA authorized and facilitated the evaluators' contact, through one-on-one telephone interviews, with the tax experts and trainers who participated in the program.

## METHODOLOGY

The objectives of this ex-post evaluation are to:

1. document the implementation of activities and inputs proposed in the TCP plan;
2. gauge the extent to which intended outcomes and program goals were achieved;
3. assess the clarity and appropriateness of program design;
4. understand shared roles and responsibilities in the success of the program; and
5. present findings that may prove useful to all stakeholders in future TCP programming.

### **Methodologies**

This evaluation is based on evidence both documentary and anecdotal. The evidence was found through two classic methodologies in program evaluation: Document Review and Key-Informant Interviews.

The major source of document review was provided to Duca Consulting by OTA in the form of reports from the project manager and consultants. Other sources, also provided by OTA, were correspondence among USAID, the Government of São Tomé and Príncipe (GoSTP), the MCC, and OTA. Much of the document review took place in 2010 and was noted in Duca Consulting's formal report in March of that year. The present evaluation examined evidence in consultant and project manager reports during the extension period of the project. The evaluation examined documents and materials in the original Portuguese from São Tomé and from Portuguese Cooperation. Publicly available materials from the World Bank and the IMF also formed part of the review.

Key-Informant Interviews constituted a second major contribution to the evidence on which this report and the Phase II report were based. These interviews, always held on a one-to-one basis, varied in the degree to which they were open-ended in format. In the telephone interviews with U.S.-based OTA consultants, the evaluators used written interview guides modified according to the terms of reference for each individual consultant. In interviews with ministers and other senior officials of the GoSTP, the evaluators approached the interview with specific questions and encouraged open-ended responses. In this evaluation, every effort was made to triangulate conclusions drawn from the primarily anecdotal responses in interviews. Such triangulation was enriched by comparison with responses in São Tomé on one or on both of the former missions conducted under the M&E Contract.

It is important to note that the Phase II report was a frequent reference source for the final evaluation, especially in its documentation of activities and inputs. For the final report, the evaluation team carefully checked all conclusions drawn in the earlier report for accuracy and for evidence of progress.

## Challenges

*Paucity of data.* The TCP was launched in the absence of sound baseline data, and data from the DT remained incomplete, inconsistent, and difficult to access throughout program years. The lack of good data posed limits on the scope and accuracy of the evaluation.

*Inconsistency of TCP matrix.* The lack of a clear and uniform logical framework, where cause and effect are clearly laid out, and where each objective is accompanied by a verifiable indicator, made assessment of outcomes difficult. The few activities directly intended for capacity building did not have clear indicators. The evaluators had to reconstruct the framework to permit consistent monitoring of effects. (See Annexes 2 and 3)

*Uncertainty of attribution.* In nearly each instance where progress was made, or an objective attained, multiple forces were at work: bilateral and multilateral donors, the independent efforts of the DT, and OTA. Some notable progress was achieved in the last weeks of the TCP, or even after closure, leaving much attribution to reasonable inference.

*Concept of Training of Trainers (TOT).* In this end-term evaluation, as in the earlier, Phase II assessment, the TOT is understood as preparation of individuals to conduct technical and nontechnical training in a broad variety of topics—it provides the sustainability for capacity-building inside of the organization or agency. Such training includes instruction in needs assessment, training design, session preparation, adult facilitation, active listening, presentation techniques, use of audiovisual equipment, participatory learning, conflict resolution, training evaluation, and similar skills required of the accomplished trainer or facilitator. This end-term evaluation finds that only one properly designated TOT was conducted under the TCP.

# IMPLEMENTATION, OUTCOMES, SUSTAINABILITY

## COMPONENT I: VOLUNTARY COMPLIANCE

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The intention of the TCP in Component I was to improve the level of spontaneous compliance within the system of self-assessment. According to the TCP, the system of self-assessment of taxes was not believed to be working well. The promulgation of new laws would open an opportunity to inform citizens and businesses—in addition to the DT staff— about what the law requires. The message would become clear to the public that the Government “takes seriously [its] obligation both to seek voluntary compliance and to resort to other means, regulated by law, when voluntary compliance is not forthcoming.”<sup>4</sup>

To enhance voluntary compliance, the TCP comprised fourteen inputs and activities and nine proposed outcomes. As outlined in the following sections, more than 85 percent of the inputs and activities were implemented. Six of the nine outcomes were fully or partially achieved, an accomplishment abetted by significant progress since March 2010, when only one outcome had been realized.

The subcomponents, analyzed below for implementation, outcomes, and sustainability, are:<sup>5</sup>

- Increased Filing of Declarations
- Increased Numbers of Registered Taxpayers
- Increased Revenues Through Tax Procedures
- Informational Infrastructure Assured

## SUB-COMPONENT 1A: INCREASED FILING OF DECLARATIONS

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This subcomponent focused greatly on the design of simplified regulations, procedures, and forms. OTA wrote, “A recognized approach to improving compliance is to improve the tax forms and instructions so that citizens will be able to understand and comply with their obligations.”<sup>6</sup> Building internal DT capacity for training and for public outreach was also regarded as an important assistance activity for reaching the desired outcomes.

### **Proposed activities and inputs**

1. Review the law to determine needed regulations
2. Assist in drafting regulations and procedures
3. Train staff in content of new law and procedures
4. Disseminate information regarding new tax requirements thru media

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<sup>4</sup> From the TCP, Background to Component I.

<sup>5</sup> The titles are taken from the Revised Matrices (see Annex 3)

<sup>6</sup> Peoples, “Assistance Provided on Tax Forms Design—Final Report,” September 2009.

5. Design forms to reflect tax law changes
6. Train trainers

## **Implementation**

*End of project status: OTA fully or partially implemented all the proposed activities.*

The majority of inputs to this subcomponent took place during the base two years of the TCP; important follow-on inputs occurred well into the extension phase in 2010.

The original inputs of the base period were provided by five OTA consultants in seven separate missions that took place between March 2008 and September 2009.<sup>7</sup> To these discrete missions must be added a portion of the fifteen weeks spent in São Tomé by the Project Manager.

Two of the early inputs were partially compromised by the delayed drafting of the individual and collective income tax laws (IRS and IRC), which were only promulgated in January 2009. OTA was unable to obtain drafts of these laws during 2008 but did not cancel the consultant missions in which review of the laws was to occur.<sup>8</sup> At first, OTA left commentary on the income tax laws to the PICATFin Project. Although DT officials anecdotally reported the work done under PICATFin to have been useful, no documentation on that work of the Portuguese experts is available in OTA files.<sup>9</sup>

Subsequently, OTA hired the same Portuguese attorney who had conducted analysis and training for PICATFin to conduct training on the Procedures Code in April 2009. In the extension phase, this consultant returned twice to São Tomé in May and June 2010 to do additional analysis of the tax forms and to provide training to the DT and to the private sector on the laws and on the forms for reporting income and tax obligations.

## **Outcomes**

Five outcomes were to result from activities in Sub-Component 1A:

1. Procedures for filing simplified
2. Taxpayers' awareness of new laws and requirements increased
3. Number of taxpayer returns increased
4. Tax revenue from all sources increased by 15%
5. Cadre of trainers prepared

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<sup>7</sup> The consultants were Mongolluzo, Meade, Templeton, Stowell, and Bras Carlos.

<sup>8</sup> See Peoples, "Assistance Provided on Implementation of New Tax Laws – Final Report" and the embedded report from Joe Hook.

<sup>9</sup> Ibid. "Training on the new IRS and IRC tax laws . . . was conducted by a Portuguese attorney under the auspices of the PICATFin project in early January 2009."

***End of project status: Four of the five outcomes were achieved: Increases in taxpayer awareness, increase in tax revenues, simplification of procedures, and preparation of a cadre of trainers.***

OTA's early recommendations for simplifying filing procedures were disregarded. The new (2009) tax reporting form for the IRS and IRC is a single declaration with seven annexes, one or more of which may be used according to the nature of a taxpayer's source of income. In compensation, the work accomplished by the Portuguese consultant under OTA contracting in the extension period is said to have contributed significantly to the improvement of the forms and to the preparedness of taxpayers—especially those in the liberal professions—to report correctly.<sup>10</sup>

Evidence of increased taxpayer awareness is compelling but inferential.<sup>11</sup> First of all, under signed agreement between OTA and Portuguese Cooperation in July 2008, a Portuguese expert provided training on the 2007 laws on the General Tax Code and the tax procedures to both DI staff and to leaders and accountants in the private business community. The same trainer and tax expert gave additional training that included the private sector in 2010.<sup>12</sup> Secondly, voluntary re-registration—an indicator of taxpayer awareness and collaboration—has been continuous. Of greatest significance are the DT's proactive programs for public outreach, such as its first "Open Door Day" (*Jornada de Portas Abertas*) held in February 2011.<sup>13</sup>

Revenue from tax collections, both voluntary and enforced, has increased by more than 15 percent. See the discussion below in the chapter, "Impact of the TCP."<sup>14</sup>

Under this component OTA offered a well-planned and well-received training of trainers. Unfortunately, the participants were few in number, never put their new skills to practice, and two have left the DT.

The only outcome that did not occur was the anticipated increase in returns filed.

According to the numbers made available by the Head of Information Technology, taxpayer returns have not increased. This conclusion, however, is unproven, as the number of returns for 2009 remains incomplete, and no figures for tax year 2010 were obtainable. See the following table for figures available at the time of the evaluation.

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<sup>10</sup> Information on the 2010 work of Bras Carlos was only provided to the Evaluation Team in April 2011 during review of this Final Report. It includes the contract with the consultant, his final report, and informative emails between him and OTA.

<sup>11</sup> Direct evidence would be produced through a taxpayer survey, such as the one conducted in 2008 by Duca Consulting International.

<sup>12</sup> Memorandum and full training design and notes provided in Américo Bras Carlos' "Final Report," 15 May 2009.

<sup>13</sup> From interviews in March 2011 with Diallo Santos, Director of the DT's Technical and Administrative section. Duca Consulting has also provided OTA with some of the PR materials used in the *Jornada*.

<sup>14</sup> If revenues from enforced collections were discounted, real growth would be slightly lower than 15%.

**Table 1: Taxpayer Returns by Tax Year<sup>15</sup>**

	2005	2006	2007	2008	2009	2010
Total returns*	1142	1193	1743	1511	1206	
Business			488	487		
Individual			1255	1024		

Sources: DT reports and staff communications

## Sustainability

*Reasonable inferences support the notion that increases to taxpayer awareness, taxpayer returns, and consequent revenue growth will be sustained in the mid-term.*

There is little evidence that simplification to procedures or internal training capacity will be sustained. In 2009, the Duca Consulting Report suggested that the training of trainers appeared to have left a sustainable impact. The present Evaluation Team has revised that opinion. Since even the beneficiaries of the otherwise successful TOT have refused to participate as trainers, and two of the trainees have since left the department, the DT remains devoid of demonstrated internal training abilities.

Based on their discussions, observations, and analyses, however, the Evaluation Team believes that the DT has been given the impetus and means to increase public awareness, taxpayer returns, and fiscal income. Respondents from the leadership of the DT and from the Ministry of Finance confirm the belief that growth in voluntary declarations and taxpayer registrations will take place in the coming two to three years. Unambiguous attribution of such growth to OTA interventions is not possible, but the likelihood that OTA's efforts have made a significant contribution is confirmed by respondents in DT and in other agencies of the GoSTP.

## SUB-COMPONENT 1B: INCREASE IN NUMBER OF REGISTERED TAXPAYERS

Taxpayer registration was a major focus of OTA assistance. The MCC recognized that registration is "the cornerstone for an effective tax administration system." OTA's initial strategy was to detect unregistered taxpayers, rationalize the registration database, and use third-party records as a tactic. OTA dedicated at least seven separate expert missions to assist the DT on

<sup>15</sup> DT reported that many 2009 tax year returns have not yet been reviewed due to a postponed filing deadline; DT estimates that 2009 returns remaining to be registered will be proportionate to 2008 late returns; 2010 information not released at time of evaluation.

issues directly related to registration. Subcomponent 2A, below, comprises the major information-technology facet of increasing taxpayer registration of the TCP.

### **Proposed activities and inputs**

1. Complete a study on numbers of unregistered taxpayers
2. Analyze the taxpayer registration process
3. Implement the recommendations of the analysis

### **Implementation**

*OTA only partially succeeded at fulfilling its proposed activities, despite the considerable resources dedicated to them.*

OTA's strategy to increase the number of registered taxpayers met with little success. In 2008 the Project Manager initiated a study by contacting businesses listed in local yellow pages of the phone book. Although the initiative exposed a number of noncompliant taxpayers among lawyers and other liberal professionals, as an effort to estimate numbers of unregistered taxpayers the study was largely fruitless and was aborted after a first phase. Subsequent efforts by OTA to estimate the numbers of unregistered businesses led to no dependable conclusions. The 2008 report by Duca Consulting International provided what may be the best estimates, but they too were necessarily founded on subjective perceptions.

An OTA consultant conducted analyses of the taxpayer registration procedures in 2008. According to senior officials of the DT, the report provided no insight into issues such as enforcement, duplication, or the detection of evasion. The consultant's subsequent two reports were considered by DT staff as adding little value.<sup>16</sup> As the DT did not agree with the approach, it did not implement any of the recommendations of the analysis.

### **Outcomes**

*Available data fail to provide evidence of successful outcomes.*

The outcomes OTA expected to occur as a result of its activities were:

1. Increase in the numbers of registered businesses
2. Increase in the numbers of registered individuals

The following tables summarize registration data made available to the Evaluation Team. Note that as of March 2011 there were no reliable figures for fiscal year 2009.

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<sup>16</sup> See Stowell, "Trip Report," 10/4/2009.

**Table 2: New Registrations Previous System**

Item	2006	2007	2008	2009	2010
New Registrations	4476	5028	5324	N/A	5071
Individuals (Singulares)	3702		4291	N/A	4894
Firms (coletivos)	774		1033	N/A	177

*Source: Annual DT Reports and data from IT*

**Table 3: Total Registrations New System**

Item	Total Current System
Total Registrations	15,913
Individuals (Singulares)	13,929
Firms (coletivos)	1,984

Of the total of 15,913 taxpayers currently registered in the New System, 13,054 (82 %), are re-registrations; the remaining 2,859 are new registrations—names that did not exist in the older database. There is no other information that relates registrations in the new system to the numbers in the older databases. Deletions, for example, are not accounted for.

Because the TCP never had a reliable baseline, there is no trustworthy means to estimate change in the number of properly registered taxpayers. Prior to the DT's ongoing development of a new registration system, duplicate registrations were abundant, and many registrants had ceased to exist, either as mortal persons or as active businesses. Unfortunately, therefore, the figures in the table can neither confirm nor deny expansion of the tax base.

## **Sustainability**

*No direct intervention from the TCP in subcomponent 1B has contributed to sustainability of the outcomes.*

The new registration system does not assure expansion of the tax base through greater registrants, although it provides an indispensable precondition to documenting future changes.

## SUB-COMPONENT 1C: INCREASED REVENUES THROUGH TAX PROCEDURES

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A Tax Procedures Code (*Código de Procedimento e Processo Tributários–CPPT*) was passed in May 2007, along with the General Tax Code (*Código Geral Tributário*). The new Procedures Code includes elaboration of taxpayer rights and increased authority on the part of the courts for resolving taxpayer disputes and for enforcing tax obligations. The TCP proposed to analyze the Code, recommend amendments to it and means for its effective implementation. The TCP also proposed training DT officials in the Code and its application.

### Proposed activities and inputs

1. Review the Tax Procedures Code
2. Suggest amendments to code where warranted.
3. Train Tax Office staff in its application
4. Provide training of trainers (TOT)

### Implementation

***End of project status: OTA fulfilled all the proposed activities and inputs except for the TOT.***

OTA consultants analyzed the Procedures Code and provided recommendations for amendments to it.<sup>17</sup> Much of the work on law and code analysis, however, was realized by Portuguese experts under the PICATFin activity, with which OTA reached formal agreement in July 2008. Unfortunately, there is no available documentation on the recommendations made by the Portuguese attorneys for the income tax laws.

Technical training on the Procedures Code was conducted by a Portuguese consultant under contract to OTA in April 2009.<sup>18</sup> The same consultant returned under contract to OTA in 2010 to conduct additional training and to propose changes to the procedures law and to tax reporting forms. However, this was not a training of trainers as planned in the TCP matrix.

### Outcomes

1. Powers in Code applied by DT
2. Warranted amendments incorporated into the Procedures Code

***End of project status: The TCP made some contribution to implementation of the Code.***

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<sup>17</sup> Hook, report embedded in “Assistance Provided on Implementation of New Tax Laws – Final Report.” The Hook report does not include a date but was written in 2008.

<sup>18</sup> Memorandum and full training design and notes provided in Américo Bras Carlos’ “Final Report,” 15 May 2009.

The DT does not recognize any new powers brought to it through OTA assistance, nor does it ascribe any exercise or right of its authority to the TCP. During the first two years of TCP implementation, no amendment proposed by OTA consultants was incorporated into the Code. In 2008, PICATFin experts are reported to have proposed a number of limited amendments, but no documentation of these was found by or made available to the Evaluation Team.

Contracted by OTA during the TCP extension period, the Portuguese expert (see above) made specific contributions to implementation of the Procedures Code, pointing out errors in rate tables and contradictory elements in the language and in the forms. Through this consultant's expertise, OTA actively contributed to improvements in the procedural regulations of the new tax law.

### **Sustainability**

*The training and the corrections suggested for the IRC and IRS codes and Procedures Code indicate potential for sustainable impact from the TCP under subcomponent 1C.*

## **SUB-COMPONENT 1D: INFORMATIONAL INFRASTRUCTURE ASSURED**

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The subcomponent title is misleading and would more accurately refer to analysis and revision of the accounting system. For consistency, this Report retains the original title, albeit in the abbreviated format of the Revised Matrix. The intention of this subcomponent was to analyze the taxpayer accounting system for internal and management controls and for completeness of data.

### **Proposed activity**

1. Analyze the DT's accounting system.

### **Implementation**

*End of project status: The proposed activity was addressed but only partially implemented.*

Examination of the relevant reports indicates that the revenue accounting analysis occurred only during the second visit of the consultant assigned this task. The report from that mission shows only a partial appreciation of the existing accounting system.<sup>19</sup>

### **Outcome**

1. An overhauled and sound accounting system.

*End of project status: The intended outcome was not achieved.*

The Evaluation Team has found the existing accounting system unaltered and substandard.

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<sup>19</sup> The consultant admits, "I was not able to determine some important characteristics of the revenue accounting system." (in Final Report on Revenue Accounting, p.9)

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## COMPONENT II: ENFORCEMENT OF TAX OBLIGATIONS

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From the perspective of tax collection, Component II begins where Component I leaves off. Where voluntary compliance reaches its limits, enforcement becomes necessary. The DT's capacity to conduct tax enforcement activities, however, was extremely limited. The lack of capacity extended to training, information resources, and means of transportation needed to conduct on-site audits or collection activity.

To create within the DT the willingness and the technical abilities to enforce tax obligations, the TCP proposed seventeen inputs and activities and five specific outcomes. The following sections illustrate that twelve of eighteen inputs and activities were implemented, while four of the five outcomes were clearly reached and one was partially fulfilled.

Component II was designed to address these deficiencies through the following subcomponents.

- Strengthening IT Infrastructure
- Improved Process Management
- Improved Detection of Non-Filers
- Improved Audit Procedures
- On-Site Enforcement Actions

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### SUB-COMPONENT 2A: STRENGTHENING IT INFRASTRUCTURE

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The original title of subcomponent 2A is "Increased Numbers of Enforced Registrations, Audits and Collection of Arrears by Strengthening Informational Infrastructure." The focus of the subcomponent is on the procurement and installation of IT equipment, on programming for registration purposes, and on the exchange of electronic information with other agencies of the Government.

#### **Proposed activities and inputs**

1. Computers and peripherals installed and operating
2. Create a functional interagency data network
3. Complete software program that identifies unregistered taxpayers.

#### **Implementation**

*OTA fully realized only the first input.*

The installation and operation of additional hardware can be seen as one of the key pre-conditions for improving DT capabilities. After some delay, OTA made a significant contribution to this end with the purchase of the equipment listed in the following table.

**Table 4: Donated Equipment<sup>20</sup>**

Item	2008	2009	2010	Total
Desktops	3	13	3	19
Laptops		5	5	10
Monitors	3	21	3	27
Printers	2	3		5
External hard drives	2			2
Calculators	26			26
Expanded memories		11		11
UPS		23	1	24
Radio		1		1
MS Office		27		27
Visual Studio 2008		1		1
Norton Anti-virus		35		35
Toners/Cartridges	10			10

*Source: Administration Section, DT*

For the interagency network, OTA purchased and installed radio radio equipment to connect DT and customs, but other conditions needed for the network were not attained, including the necessary legal agreements. According to DT staff, even between Customs and the DT communications continues to be purely manual.

A software program to identify unregistered taxpayers was not completed (see Sub-component 1B).

## **Outcomes**

***End of project status: Only the installation of computers and peripherals was successful.***

This subcomponent brings together several hardware and programming inputs to help achieve the registration of unregistered taxpayers and improve auditing, interventions discussed under subcomponents 1B and 2D.

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<sup>20</sup> The list does not include a generator purchased by OTA or the equipment and furnishings procured for the Single Window office discussed under Component 4. The Evaluation Team was aware of these contributions but did not have information specific to them.

The evaluation consultants were not able to verify the extent of effective usage of the equipment. Nonetheless, superficial observation suggested that the equipment was regularly used for work purposes, and the software provided continued to reinforce other DT systems (see 1B).

## **Sustainability**

*The evidence indicates that progress on informational infrastructure to enforce registrations and collections will proceed in the future.*

The usage of the donated equipment is likely to be sustained during its lifetime, with basic maintenance and supplies. There is no evidence that an interagency network is likely to be achieved.

Instead of designing software to identify unregistered taxpayers, the DT's solution was to design a new registration system. It was fully implemented for business taxpayers with OTA-provided servers and Visual Studio 2008, and PICATFin provided a magnetic-card registration system. As a result, existing business taxpayers have been re-registered, duplicates eliminated, and new taxpayers registered. The registration of individuals has not yet been completed.

## **SUB-COMPONENT 2B: IMPROVED PROCESS MANAGEMENT**

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The intended focus of Component 2B was improved collection of arrears, which OTA saw as depending greatly on improvement to information management and internal processes. OTA's analysis led to conclusions that adequate management information did not exist to run an effective tax administration and that extraction of management information data from the DT computer files was difficult and time consuming.<sup>21</sup> One consultant dedicated at least fifteen weeks in-country in three separate trips to this component.<sup>22</sup> The aggregate consultant time spent on closely related assignments was much greater, and the Project Manager dedicated a considerable time to this subject, although more on a political than on a technical level.<sup>23</sup>

### **Proposed activities and inputs**

1. Analyze work flow and internal DT organization
2. Determine data availability
3. Analyze management information systems
4. Recommend improvements to collection procedures
5. Deliver training on collections techniques
6. Re-organize the collections office according to recommendations from study
7. Conduct a training of trainers for delivering training on improved collection procedures

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<sup>21</sup> Peoples, "Study of Management Information Systems – Final Report," January 2010.

<sup>22</sup> See trip reports of Arthur Aron, April 2008 and May 2009.

<sup>23</sup> These efforts are well documented in Peoples, "Assistance in Collection—Final Report," September 2009.

## Implementation

***End of project status: OTA successfully implemented six of the seven scheduled activities and inputs. The TOT was not conducted.***

Although there was no single, consolidated effort dedicated to understanding work flow in the DT, OTA's reports taken collectively offer an adequate assessment of work flow and management roles. In their work on registration, audits, and collections, OTA advisors analyzed data access, departmental responsibilities, and job functions.<sup>24</sup>

An OTA advisor prepared a written collections manual with clear procedures and even models of collection notifications. This advisor also drafted numerous recommendations to improve collections in his reports to the Director of the DT. A memorandum on enforcing collections was transmitted in Portuguese to the Minister of Finance, along with a proposed action plan.<sup>25</sup>

According to DT staff, OTA did not provide training specific to collections during the first two years of implementation, although one Spanish-speaking consultant provided training in audits that included aspects of enforced collections. This consultant also accompanied auditors to the field. The same consultant returned during the extension period and continued to train in collections. Thus the training can be said to have occurred.

The DT staff members confirm that there was no specific training of trainers for collections. Under subcomponent 1A there had been a TOT that received praise by the few participants, but no training of trainers was conducted for staff in the enforced collection department.<sup>26</sup> There were efforts by OTA to encourage certain training participants to act as trainers, but no DT staff person accepted the role.

## Outcomes

The single outcome specified in the original TCP was an increase of 30bn dobras over a course of two years as a result of activities under the subcomponent.

***End of project status: The outcome of subcomponent 2B was partially achieved.***

The several early expert missions around collections seemed unproductive.<sup>27</sup> Then, in late 2008 OTA began pressing for enforced collections, and the DT began to plan for them, awaiting a more amenable political climate; collections began in late 2009, with major revenues from collections in 2010. According to the head of the Contentious Taxation Section, by February 2011 the DT had collected about 19 million dobras from 684 taxpayers (see table below); it has recently seized

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<sup>24</sup> The trip reports of Aron,, Devlin, and Westik taken together provide a full assessment of the inadequacies of MIS in the DT.

<sup>25</sup> See embedded files in Peoples, "Assistance in Collection." These embedded files were prepared in 2008.

<sup>26</sup> In Matrix for 2B: "Trained collections staff and trainers to carry on development of collections training."

<sup>27</sup> "Assistance in Collection – Final Report."

a key property and expects to put it up for public auction soon, which will publicize the DT's willingness to use its powers.

The total revenue growth during 2007–2009 was actually over 92bn dobras, not discounted for inflation. Revenue from enforced collections, however, was approximately only 19bn dobras from 2008-2011. According to data received from the DT, much of that revenue was collected either during or after the extension period of the TCP. Therefore, while overall revenue growth exceeded the TCP goal, the contribution of enforced collections remained well lower than the subcomponent target of 30bn dobras.

**Table 5: Enforced Collections**

TAX	Number	Millions Dobras/(USD)
Real Estate Tax	680	2,000 (\$81,633)
Business Consumption and Income Taxes	4	17,000 (\$693,878)
Total	684	19,000 (\$775,510)

## Sustainability

*Growth in enforced collections has a good chance of being sustainable.*

There can be little doubt that the TCP provided much, or most, of the impetus to enforce collections. The actions that commenced towards the end of the program have actually grown since the TCP ended. This progress bodes well for a sustainable outcome—one which in large part may reasonably be attributed to the TCP.

## SUB-COMPONENT 2C: IMPROVED DETECTION OF NON-FILERS

Subcomponent 2C is once again concerned with taxpayer registration and with the overall state of the taxpayer databases in São Tomé. In this subcomponent, the TCP proposed that non-filers could be identified through third party information and the proper registration of taxpayers would be improved. The TCP promoted the idea that corrective action, based on OTA recommendations, would lead to a roster of non-filers and, subsequently, to action taken to ensure their future compliance with fiscal responsibilities.

### Proposed activities and inputs

1. Develop an innovative method of identifying non-filers
2. Recommend specific corrective actions to be taken

## Implementation

***End of project status: OTA successfully fulfilled its proposed activities and inputs.***

In four separate missions, an OTA expert developed a series of planning memoranda, strategies, and advisory letters to increase the amount of third-party information for the DT. In his third mission, the advisor delivered an action plan for identification of non-filers.<sup>28</sup> Although the roster of non-filers remains drastically incomplete, OTA cannot be held responsible for this status.

## Outcomes

The TCP only proposed as an outcome the increase of 30bn dobras as a result of actions taken in this subcomponent.

***End of project status: There has been limited progress in seeking non-filers.***

The Evaluation Team suggests that the real outcomes of this subcomponent should have been establishment of a roster of non-filers and demonstrated efforts towards corrective action.

By March 2010, the state of the databases of registered taxpayers had not improved and little if any action had been taken to identify non-filers through third-party or other information. Even the DT considered that 2010 would be a transitional year with little visible improvement in systems.<sup>29</sup>

At the time of this report, there is anecdotal evidence from DT leadership and from the Ministry of Finance IT Department (which serves the DT) that significant progress is being made on cleaning up the taxpayer registry and that notices are being sent out to businesses that should register. The Director of the DT believes that many of OTA's suggestions for identifying non-filers will be acted on once the IT system is further improved. At present, transmission of data from the Customs Administration has begun but remains totally manual, leaving it vulnerable to alteration.

## Sustainability

***At the time of this reporting, there are reasons to be cautiously optimistic that the progress being made to identifying non-filers and to taking corrective action with them will be sustained in the future.***

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<sup>28</sup> Devlin, "Trip Report," June 2009.

<sup>29</sup> In Devlin, November 2009, the consultant wrote, "The DI organization will have a very difficult time implementing the new 2009 tax laws in 2010. The Director knows this and in our discussions he pointed out that his plan is to use 2010 as a transitional year. We agreed that under the circumstances, revenue collection in 2010 could be off significantly."

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## SUB-COMPONENT 2D: IMPROVED AUDIT PROCEDURES

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The audits performed at the DT were seen as unsystematic, both in selection and procedures. This section contains the objectives and outputs included in Component 2D, “Improve Audit Procedures.”

### **Proposed activities and inputs**

For support activities, OTA proposed to:

1. Complete analysis of DT audit procedures/policies
2. Develop an Audit Manual
3. Deliver training in audit procedures
4. Train trainers

### **Implementation**

*End of project status: OTA completed three of the four inputs; it did not conduct a TOT specifically for auditors.*

OTA cannot be faulted for lack of effort to improve the auditing function of the DT. In addition to the Project Manager’s time, OTA sent seven separate audit advisory missions for an estimated total of 184 person days, or nearly three-quarters of a working year.<sup>30</sup>

The analysis of audit procedures, revised procedures, and justification for new approaches, a General Audit Manual, including supplements, and an Audit Management Manual were completed as demonstrated in Audit Advisors’ reports between February 2008 and July 2009.<sup>31</sup>

In 2009, a Spanish-speaking advisor conducted training sessions for all eight auditors, leaving good planning records and some evaluation. This advisor also accompanied three DT auditors in a field application of improved procedures. Interdepartmental responses indicate a high level of satisfaction with this advisor, his training and his rapport with the local staff. In 2011, the Audit Section Head indicated that the latter’s guidelines were being followed, although there was no opportunity to confirm this assertion. Although a training of trainers was planned and included in subsequent work plan objectives, there was no TOT conducted in this component.

### **Outcomes**

Two specific outcomes that OTA expected to occur as a result of its inputs and interventions related to audits were:

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<sup>30</sup> The missions of Salazar and Shannon.

<sup>31</sup> See embedded reports of Shannon, Muha, and Salazar in Peoples’, “Assistance Provided to Audit (Tentative), Final Report,” December 2009.

1. Increase in the number of annual audits
2. Increase in taxes due owing to the audits

***End of project status: The numeric outcomes specified for this subcomponent were achieved.***

As a result of these efforts, as well as those of PICATFin technical assistance and increased DT efforts, the DT has adopted improved audit procedures. However, as third-party database sharing has not been implemented, no program was created for risk-based auditing in which there would be a programmatic selection of declarations. Instead, the department continues to use word-of-mouth in this small community as well as matching non-digital tax and customs information.

Audit operations continue to increase as shown in the following tables.

**Table 6: Field Audits**

Item	2007	2008	2009	2010
Number of Audits	107	128	163	183
% increase in number of audits		20%	27%	12%
Accumulated % increase in number of audits		20%	52%	71%

*Source: DT Audit Section*

**Table 7: Increase in Audit Revenues**

Item	2007	2008	2009	2010
Audit collections in billions dobras (USD)	22	32	25	73 (\$2,979,592)
Increase in current dobras		46%	22%	192%
Real increase in audit revenue		17%	-2%	204%
Accum. real increase audit revenue since 2008			14%	247%

*Sources Audit and Litigation Sections*

Other possible influences notwithstanding, OTA's interventions were a primary factor contributing to greater activity in the audit section.

## Sustainability

*The apparent change in attitudes towards audits and collections within the GoSTP, along with improved procedures, bode favorably for sustainability.*

Early efforts to improve the audit function were impeded by inadequate knowledge of existing circumstances and inconsistency in the quality of missions. The trainers in 2008 left no records of modules or sessions, and responses from several DT staff interviewed in 2010 indicate that the 2008 training was poorly received. OTA recognized the major problems and took effective steps to rectify them.

## SUB-COMPONENT 2E: ON-SITE ENFORCEMENT ACTIONS

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Subcomponent 2E comprised a procurement action, or actions, intended to lead towards specific behavioral changes on the part of the DT Audit Section.

### Proposed activities and inputs

1. Acquire five motorcycles
2. Acquire two automobiles.

### Implementation

*End of project status: OTA only partially fulfilled its proposed inputs.*

In 2009, of the two vehicles and five motorcycles scheduled, OTA purchased and donated one vehicle and two motorcycles to the DT. The 2010 M&E Team from Duca Consulting conducted physical examinations of the vehicle, the two motorbikes, and the office equipment. On-site verification showed that the DT had maintained the vehicle and the two motorcycles in good condition. Assurance of proper maintenance was a pre-condition of the procurement.

The reason behind the reduction in number of vehicles procured has been amply and clearly documented by OTA.<sup>32</sup> The DT was always reluctant to justify vehicle usage as the GoSTP had agreed to do. Failure to record usage resulted in an inability to provide evidence of proper use. The DT expressed some bitterness about the loss of vehicles but offered no information that contravened OTA's position.

### Outcomes

*End of project status: The vehicles may have contributed to the increase in field audits.*

The Evaluation Team took at face value the assertion of the head of the Audit Section that the vehicles have been regularly used in conducting field audits. As the DT does not maintain proper

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<sup>32</sup> "Procurement of Vehicles—Final Report," December 2009.

vehicle usage logs, with distances and destinations regularly recorded, this evaluation can neither confirm nor deny the information provided. Because fewer than half the scheduled vehicles were procured, one cannot apply the assumed performance measure of ten additional enforcement actions per day.

### **Sustainability**

*There is no means by which to gauge the sustainability of actions under this subcomponent, since the inputs were only partially realized.*

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## COMPONENT 4: BUSINESS START-UP COSTS AND TIME DECREASED

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Component 4 did not figure into São Tomé's concept paper of 2005 or into any of the CY 2006 correspondence among USAID, the MCC, and OTA that was examined by the Evaluation Team. The component was introduced by MCC well after original negotiations, and OTA effectively outsourced its implementation by entering into a reimbursement agreement with the IFC in April 2008.

The objectives of the component were a decrease in both the cost and time required to establish a business. The measurement of achievement would be taken from the World Bank's annual *Doing Business* data.

### **Proposed activities and inputs**

Component 4 included three principal activities:

1. Draft legislation that eliminated the following requirements:
  - Publication in gazette
  - Publication in newsprint
  - Notarization of statutes
  - Need for license/permits except for environmental or health
2. Draft work procedures and recommendations for organizational restructuring for implementation of the amended legislation.
3. Provide training on the new requirements and procedures

The first two proposed activities were addressed by the IFC; the training activity has not been provided.

### **Status of component by March 2010**

In the course of several missions to São Tomé and multiple written exchanges, the IFC provided text and explanatory notes for legislation that would correspond to the stated objectives. In late 2009 a law was passed that only partially addressed the requirements and deviated entirely from the IFC's advice by creating the legal basis for a one-stop shop, or single window.<sup>33</sup> Publication requirements were lessened but not eliminated; notarization remained a requirement, as did all licenses and permits and minimum capital on an ad valorem basis.

### **Progress since March 2010**

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<sup>33</sup> Decreto-Lei No. 37/2009, published on 13 October 2009 in Number 70 of the *Diário da República*.

The IFC ceased to counsel against what had become a *fait accompli*, the single window, or OSS, and turned to helping to draft the new law. As a consequence of its collaboration with the IFC advisors, the Government in June 2010 passed a decree modifying the previous law of 2009. In July 2010 it promulgated a decree with implementing provisions.<sup>34</sup> On August 26, 2010, the new OSS opened for business with a director assisted by three professional and two administrative staff.

The IFC had identified ten steps for establishing a new business in São Tomé and recommended elimination of four. Although all ten procedures remain as requirements, they have been modified significantly. The following discussion summarizes the changes made.

1. The time to reserve a business name that does not replicate an existing denomination has been reduced from eight days to less than fifteen minutes. This simplification was achieved through establishment of an electronic database that can be searched instantaneously. The OSS conducts the search and grants the name reservation.
2. Company statutes must still be notarized, but the cost is now subsumed into the fixed fee charged by the OSS, which also handles the process of notarization at the Notary Office. The procedure takes under three days and is concurrent with other procedures.
3. An initial capital deposit into a bank account remains a requirement. It is, however, no longer ad valorem but corresponds to a schedule of fees according to the type of statute (simple limited liability, corporation, partnership, and so forth).
4. Publication announcing the new business in the official gazette is handled in under 3 days by the OSS.
5. Publication in a local newspaper has become voluntary.
6. Previously, a new business had to be entered into the Commercial Registry by manuscript at a cost of 1.5% of subscribed capital. The procedure took between 1-3 months. Now the OSS takes care of ensuring the procedure at no additional cost beyond the fixed fee for its services.
7. The OSS requests the tax identification number (NIF) from the DT and gives it directly to the client. The DT affirms that it attends to the request from the OSS with priority service. Work is underway to allow for electronic communication between the OSS and the DT.

The client must still register employees of the new business with social security, but this procedure was never a cost or a cause for delay.

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<sup>34</sup> Decreto-Lei No. 6/2010 and Decreto No. 7/2010.

The client must go to the appropriate office of the Ministry of Finance (*Inspecção Geral das Finanças*) to legalize his or her accounting books.

Permits and licenses must still be obtained from the Ministry of Commerce, at the Commercial Registry. Regulatory changes are expected that will allow the OSS to emit those permits that do not require visitation to and inspection of the physical premises of the business.

## **Outcomes**

The OSS claims to have facilitated the establishment of 120 new businesses in its first six months of operations. Each business was granted its statutes in three days or less. Costs for starting a business are estimated to have been reduced by 70 percent.<sup>35</sup>

By some measures, the OSS is the single concrete, significant result of the three components of the TCP assessed in this evaluation: It was established on completely new legislation, it has an entirely new organizational structure, and it is producing verifiable benefits. It has effectively abolished a series of inefficient and antiquated procedures, and its existence is well recognized after only six months and one week of public announcements. Its objectives and basic operations are consistent with internationally recognized best practices in one-stop shops.

The OSS came into existence through independent actions of the Government that ran counter to the original, well-founded counsel from the IFC, which was acting on behalf of MCC and OTA.<sup>36</sup> While the TCP may have provided impulse for facilitating business registration, the OSS is as much a product of independent GoSTP initiatives as it is of the MCC program.

## **Sustainability**

The OSS is not yet a full one-stop shop, as the client must still visit other offices in order to open doors for business in full legality. The legislative requirements are not in conformity with modern best practices. The independent financial viability of the OSS is not assured, and the effective collaboration of other ministries—especially in terms of guaranteeing priority response—could wane. The positive numbers cited above have not been subject to independent verification. The effectiveness of the OSS and sounder judgments of its sustainability than can be offered at this point must wait at least one more year for assessment.

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<sup>35</sup> These figures were affirmed by the OSS Director in face-to-face interview with the Evaluation Team; they were not independently confirmed.

<sup>36</sup> V. the document prepared by World Bank expert Penelope Fidas dated 9 October 2008. Fidas clearly advised against the establishment of a new office, emphasizing the need for rationalizing archaic and redundant procedures.

## IMPACT OF THE TCP

*The goal of a 15 percent increase in tax revenues was reached.*

*The goal of decreasing both the time and cost of starting a business in São Tomé and Príncipe was also reached.*

### **Impact on the fiscal policy indicator.**

The MCC chose its Fiscal Policy Indicator as the basis of its TCP for São Tomé and Príncipe and assigned it a measure of 15 percent increase to tax revenues during the two years of implementation.

**Table 8: Fiscal Revenue Growth**

	2008	2009	2010
Tax Revenue in billions of dobras (USD)	187	239	284 (\$11,591,837)
Inflation (CPI)	24.8%	16.1%	9.0%
Real increase in revenue	2.0%	10.1%	9.2%
<b>Accumulated real increase in revenue since 2008</b>		12.3%	<b>22.7%</b>

*Sources: Revenue, DT; Inflation, INE, 2010 estimate by IMF; GDP, INE*

The accumulated increase in revenues corrected for inflation was 22.7 percent by the end of the year in which the TCP was terminated, exceeding by over seven percent the stipulated goal.

The degree to which this growth represents the success of the TCP must be gauged with caution. First of all, there are vast difficulties in determining attribution of the revenue impact to the TCP. Current revenue had been increasing since 2006 and showed significant growth from 2007 to 2008, when the impact from the TCP was little or negligible. Secondly, other donors—the IMF, the World Bank, and Portuguese Cooperation—all were urging fiscal reform, such that pressures were multilateral, and the staff of the DT assert unanimously that the Portuguese-funded PICATFin Project had been more helpful to the office than MCC program.<sup>37</sup>

### **Impact on the time and cost for business start-up**

In the TCP, the MCC aimed to reduce the number of days for starting a business from 144 to 63. The cost, expressed in percent of per capita income, would be “reduced correspondingly” from

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<sup>37</sup> This assertion was made on multiple occasions during the last two missions of Duca Consulting and was made to all three of the expert consultants involved.

147 percent to the corresponding figure, which the Evaluation Team calculates at 65 percent of per capita income.<sup>38</sup>

According to the leadership of the new Single Window established in August 2010, the time for starting a business is now three days or less. The costs have diminished significantly, although clearly not by a corresponding percentage. Because both assertions are anecdotal in essence, unsupported by verifiable data, the success cannot truly be measured until the World Bank Doing Business Unit has completed its next study.

Component IV received a budget of \$175,000, only five percent of the entire amount allocated to the three components that are the object of this evaluation. The Evaluation Team believes that—whatever the reliability of the data—the TCP may have galvanized an important and sustainable movement in commercial law reform for a very modest sum. The direction of the reforms is manifestly in harmony with worldwide reforms in governments' roles with private business, reforms that have been taking place at rapid pace since the early 1990s. Streamlining time and cost for business start-up may in future prove to have been the TCPs least-cost sustainable impact.

### **Other impact**

Significant gains took place in audits, audit revenues, and in enforced collections. The Evaluation Team believes that this progress would either not have occurred, or would have been measurably less, in the absence of the TCP.<sup>39</sup>

Enforced collection was arguably the greatest of the achievement for the TCP, as both the MCC and OTA took active and visible roles in encouraging the necessary changes in the political environment to make the collections feasible. OTA, as this report has shown in the section on subcomponent 2B, worked relentlessly to overcome obstacles to collecting delinquent taxes. In 2010, the DT was able to collect 19 billion dobras (US\$775,500) in arrears.

The number of field audits increased by 71 percent from 2008 to 2010, and audit revenues grew by 204 percent in real currency during that same period.

Neither MCC nor OTA can legitimately attribute these positive trends as direct achievements of the TCP. Nonetheless, there can be no doubt that the TCP provided much of the impetus and much of the technical underpinning behind a more proactive tax department.

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<sup>38</sup> The ratio of proposed reduction of days is 63/144 56% change. A 56% reduction of 147 = 64.7.

<sup>39</sup> Confidence in this assertion is based on extensive interviews conducted in São Tomé by three experienced consultants, fluent in Portuguese, over the course of three missions in three years.

## DESIGN OF THE THRESHOLD COUNTRY PLAN

### Background and shared responsibilities

The design of the TCP for São Tomé and Príncipe evolved during a period of over two years from early 2006 through 2007. The first official document was the Concept Paper sent by the Ambassador of São Tomé and Príncipe in the U.S. to the MCC in January 2005. In 2006, two managers from OTA visited São Tomé, and in February 2007 OTA held an interpreted conference call with the Director of the DT. It was during this call that OTA was able to obtain sufficient detail on the DT's proposed objectives for the TCP to commence drafting the plan. OTA and MCC managers subsequently traveled to São Tomé to gather more detail and share ideas with the DT, the Minister of Finance, and the President.

In July 2007 OTA had completed its draft of the TCP, secured MCC approval, and sent a translated version to São Tomé for commentary. The GoSTP offered no comments, and in November 2007 a formal Memorandum of Understanding was signed by MCC, OTA, and the Government. Implementation began with the arrival of the OTA Project Manager in country in January 2008.

The essential point to be established through this brief history is that the GoSTP was involved from the beginning in the design process. The DT communicated its objectives for the TCP; it received the TCP design; it accepted the design without question or comment; and the Government signed the MOU.<sup>40</sup>

### Factors affecting the design process

São Tomé's Concept Paper—a requirement of MCC—was little more than a plea for assistance. It was so devoid of hard data and analysis that it offered no solid ground or foundation on which to build a program. During the process of setting goals and objectives, the GoSTP, represented largely by the Minister of Finance and the Director of the DT, offered little beyond the broad purposes for the assistance and some observations regarding data weaknesses and the powerlessness of the DT to collect from delinquent taxpayers. The entire burden of designing the TCP fell upon OTA. The GoSTP became a nearly passive partner. This did not bode well for a program that would eventually find in its local counterpart a seemingly indifferent and, on occasion, an uncooperative and resistant agent.

Partly owing to the passivity, or voluntary noninvolvement, of the GoSTP, the design neglected highly important social and cultural elements, primary among them:

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<sup>40</sup> These facts were confirmed to the Evaluation Team by OTA and by the current Minister of Planning in São Tomé, who was the Director of the Department of Taxation in 2006 and 2007 and who was directly involved in the negotiations.

- language barriers;
- cultural dissimilarities;
- education and competence levels of the DT staff;
- management structure and practices within the DT; and
- physical working conditions

Why the MCC failed to conduct the kind of due diligence for São Tomé that would have disclosed the potential impact these concerns might have on the program is beyond the scope of the present evaluation. The fact is that it disregarded vital aspects of the enabling environment, and OTA proceeded to draw up the TCP from a purely technical standpoint. The result was a program design that, for all its technical inclusiveness, became deficient through inattention to the broader context. This neglect would come to haunt the program even in the early days of implementation.

Another major issue in the design process was proceeding without independently collected baseline data and highly questionable data from the GoSTP. In this respect, the TCP can be faulted as planning without facts. It incorporated the DT's assertion of 80 billion dobras in arrears, but neither MCC nor OTA requested a demonstration of accuracy for this figure.<sup>41</sup> Similarly, the numbers of unregistered, potential taxpayers that constituted much of the rationale behind the TCP were guesswork at best. Even accepting the supposition that the sole driver of the TCP was the infelicitous, misnamed "Fiscal Policy" Indicator, the estimations of arrears and unregistered taxpayers were highly relevant to the project. The absence of this essential information led to frustrated efforts to gather sound data. Understanding the reasons that lay behind the absence of basic, reliable information within São Tomé could have made a difference in the overall TCP design, with emphasis on correcting basic deficiencies in capacity before anything more ambitious was undertaken.<sup>42</sup>

### **The final design**

The TCP as set forth was a comprehensive design for establishing a modern, effective tax administration. It was the result of months of effort by OTA to understand how best to allocate its resources and cover all relevant areas that a tax administration would require to achieve the goal of a 15 percent increase to revenues. The design cannot be faulted for comprehensiveness and ambition. To the extent that it was an obvious product of OTA and not of deep collaboration is as much a consequence of the indifference of the Santomean counterpart as it was the eagerness of MCC and OTA to begin implementation.

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<sup>41</sup> The discussion of Subcomponent 2B in the July 2007 TCP cites 80.3 billion dobras in arrears.

<sup>42</sup> In the Phase II report, Duca Consulting wrote, "The very notion that one could establish a reliable baseline of such numbers through surveys or external coercion revealed limited familiarity with the existing databases in São Tomé and insensitivity to the realities of a very small, intimate society. The confused, unreliable nature of the existing lists of registrants—at the Ministries of Commerce as well as of Finance—was no secret to anyone in the DT." Nonetheless, OTA's field office tried to find a solution through inappropriate means that were perceived as aggressive within the local community.

A question that has been asked of the Evaluation Team regards the time allotted for the TCP. The answer is that the two-year time frame was not inappropriate. The imbalance lay in the ambitiousness of the TCP as designed by OTA and MCC. This disequilibrium should have been obvious to both agencies, and it should have alarmed the DT. Two years might have proven sufficient to build sustainable technical and training capacity and to bring information management up to international standards. It was inadequate for the entire overhaul of the tax administration and would probably have proven inadequate in any other developing country.

## **The Logical Framework**

The TCP rested on a technically comprehensive document and a faulty logical framework. The deficiencies in the logical framework impaired project management, led to a plethora of secondary objectives, and rendered monitoring and evaluation exercises difficult.

The TCP logical framework is represented by the matrix that comprises all nine subcomponents and is divided into columns of inputs, outputs, outcomes, and indicators. It is a confused and confusing matrix. Major, repeated problems are (i) the lack of an overall cause and effect sequence; (ii) inappropriate or missing indicators; (iii) absence of critical assumptions; and (iv) mixing of objectives with the means of attaining them.

*Cause and effect.* One of the primary characteristics of a logical framework is the cause-and-effect sequencing of results or objectives. In this sense it is similar to the well-known critical path developed by the U.S. construction industry. Project management needs to obtain a certain result or results in order to address the objective at the next higher level. This sequencing of cause and effect constitutes the very essence of the logic in the framework. In the TCP, the logic of cause and effect is often not apparent. For example, various results in subcomponent 1B require revised databases, but software programming is only foreseen in 2A. “Increased revenues” is not the real result of the activities planned in 1C; its appearance would come at a more distant point of technical assistance.

*Indicators.* What are denoted “outputs” in the TCP frequently stand in place of the indicators for achievement of the activity, but as indicators they are often inappropriate or insufficient. Examples abound but one or two will suffice for illustrative purposes. The output for the “acquisition of five motorcycles . . .” in subcomponent 2E is “Deployment of vehicles in conducting registration, audit and collection activities.” Because “deployment” is not an indicator of purchase and delivery, Duca Consulting’s Phase I report suggested “Vehicles garaged at DT facility with titles and delivery documents as means of verification. Training outputs as stated are neither indicators nor outputs but desired results. In subcomponent 2B, the output for the training activity in collections is “Trained collections staff and trainers to carry on development of collections training.” This output is a desired effect but not an indicator that training has taken place or that it has been conducted at high standards.

*Critical assumptions.* Critical assumptions are essential to logical frameworks, but they are totally absent from the TCP matrix. In subcomponent 2B, for example, the TCP foresees an outcome of

internal staff reorganization. An appropriate critical assumption, as proposed in the Phase II report, might have been “The recommendations are accepted by the DT and the Ministry of Finance.” Critical assumptions would have clarified special circumstances under which the desired outcome might not have been realized.

*Mixing objectives with means.* Each subcomponent in the TCP matrix contains an objective and a desired means of attaining it. “Increase in Numbers of Properly Registered Taxpayers *through* Improved Integrity of Taxpayer Registration (1B); Increased Revenues *through* Effective and Fair Implementation of Tax Procedures (1C); Assured Administrative Informational Infrastructure *through* Assurance of Sound Taxpayer Accounting Process (1D). (The 1D subcomponent is not even about informational infrastructure but about procedural reform.)

Each expression of means concealed programmatic assumptions and potential flaws in design, since these assumptions were untested and in too many cases proved erroneous. Mixing means with objectives to a certain degree masked the predicament. Nowhere is this problem clearer than in 1B, taxpayer registration. That subcomponent failed in its objectives partly because the underlying assumptions were untested, leading numerous consultant missions into sterile territory. The design did not rest on sound due diligence. Perhaps the most serious error in the TCP matrix identified by the evaluators in the M&E contract is the ubiquitous placement in the indicator column of the so-called fiscal indicator. The indicator was unusable to show that the corresponding objective had been achieved. First of all, as written it is an indicator of revenue increase, not, as stated, of policy. Secondly, as an indicator, it would only apply to an overall goal of revenue increase but not to the objectives in each component. The constant emphasis on this fiscal policy indicator set a wrong polestar to guide the program and was a major design error. Rather than follow through a logical sequence of results and achievements, leaving open opportunity for modifications to approach, the 15 percent increase in revenues became the sole objective for program success.

## KEY FACTORS INFLUENCING PROGRAM RESULTS

### Results and promising outcomes

The major results of the TCP were its meaningful contributions to an increase of over 15 percent in fiscal revenues and to the estimated reduction in time and cost for starting a business. Other important outcomes were a growth in field audits and audit revenues and a historic readiness to undertake enforced collections, as witnessed by collections successfully completed in 2010. The ongoing taxpayer re-registration effort within the DT is also largely, if not entirely, owing to OTA interventions and persistence.

The TCP contributed in meaningful and identifiable ways to other, less tangible or less quantifiable results—outcomes that can be more fully appreciated in the medium term. Senior officials of the DT, for example, spoke to the Evaluation Team that it has become easier for them to benefit from much of the technical advice OTA experts provided now that the intense demands of the program have subsided. They are looking at lessons and recommendations on registration, public relations and image, procedures, audits and collections and taking these matters with far greater seriousness of purpose. Furthermore, discussions with senior officials in Finance, Plan, and the Central Bank leave little doubt that OTA contributed to a vital change in political attitude within the Government towards enforced collections of tax obligations. Again, these are sea changes whose ultimate impact and sustainability can only be effectively assessed in the two to three years to come.

The key factors in the TCP leading to these results were the persistence of OTA in driving ahead against obstacles and in the competence and good will of the many experts OTA sent to the field.<sup>43</sup> The ambitiousness and inclusiveness of the TCP, OTA's relentlessness in pursuing the inputs of each subcomponent, and MCC's involvement at the highest levels of the GoSTP in critical moments were the major contributors to the positive outcomes cited. OTA's delayed but ultimately demonstrated willingness to modify its approach also contributed to the results achieved.

### Difficulties and obstacles

In the Phase II Report of March 2010, the Duca Consulting evaluators wrote,

Following two years of project implementation, anecdotal and written commentary from program principals and from third parties alike suggests that the Millennium Challenge Corporation's (MCC) Threshold Country Program (TCP) in São Tomé and Príncipe has fallen well short of original expectations.

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<sup>43</sup> The Evaluation Team read through hundreds of pages of mission reports and memoranda and conducted ten lengthy one-on-one interviews with the experts who served in the field.

One year later, the outlook is more positive from all perspectives; there have been sound achievements as well as indications of sustainable impact. Nonetheless, much of what was written in 2010 remains true. At the DT, there has been no organizational restructuring; the accounting system continues unimproved; there are no active internal trainers; there is no electronic interagency communication; data availability is little changed and gravely substandard; and generally the management of information remains archaic, poorly structured for analysis and contributing little to decision making. The registration database, although a work in progress, is incomplete, and taxpayer procedures have not greatly improved. Many factors contributed to these shortcomings.

### **Factors impeding progress**

*Frequent Changes in Government.* During the course of implementation of the TCP, OTA and MCC had to negotiate with four ministers of finance, who were the official counterparts for the program. There were also three directors of the tax department. These changes in senior personnel complicated OTA's efforts to gain greater support for the program.

*Language and cultural impediments.* The importance of proficiency in Portuguese was vastly underestimated by OTA in both design and recruitment of advisors. The present evaluation will not repeat the many commentaries on the subject written in the Phase II Report. Following months of frustration on both sides, more consultant missions were carried out by Portuguese and Spanish speakers, a change welcomed by the DT. Cultural barriers are more subtle to describe, but parties on both sides acknowledge that dissimilarities in expectations and communications hobbled many of OTA's initiatives.<sup>44</sup> The Evaluation Team believes that proper due diligence, undertaken by qualified experts with Portuguese-language proficiency, would have detected the potential for misunderstandings and provided recommendations for obviating them. Therefore, this evaluation points once again to the lack of due diligence as a major factor in compromising the success of the TCP.

*Passivity and perceived indifference of the beneficiary.* There are few indications that the GoSTP took the reforms proposed in the TCP seriously—or that it even desired the reforms. In numerous trip reports, as well as in responses during interviews held with the Evaluation Team, OTA-fielded experts decried the lack of interest shown by DT personnel in the process of reform. These experts invariably left memoranda addressed to the Director of the DT at the close of their missions. The memoranda were typically quite detailed with descriptions of tasks completed and recommendations for follow-on. There is very little evidence of any response or follow-up from the DT.

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<sup>44</sup> Oral communications predominate in São Tomé—witness only the absence of written memoranda from the DT and the absence of written response to the TCP design. OTA could not have been more different in this regard: the consultants and Project Manager produced well over a thousand pages of memos and reports.

*Perceived inflexibility and aggressiveness of OTA.* Responses from the DT staff during the course of three missions of Duca Consulting International to São Tomé from March 2008 to March 2011 revealed intense frustration with, and occasional resentment towards, OTA's implementation of the TCP. Staff variously described the TCP as an imposition and OTA as inflexible and insensitive to local culture and political realities. They also complained about the frequency of advisors' missions, about how greatly these missions demanded of the staff's working time. Records do show that from January 2008 through December 2009, there were nearly two consultant arrivals per month (including those of the Project Manager), and in some instances (e.g., May 2008) three or more experts arrived in largely overlapping stays. Several of the DT managers, including the leadership, complained to the Evaluation Teams in 2010 and 2011 that many of these advisors contributed little of value. This perception of low value may be unjustified by facts but was in part a consequence of personnel's feeling overwhelmed by the intensity of the advisors' schedules and the relentless demands the missions placed upon them.

*Inadequate planning for training.* Training was programmed for four of the fiscal subcomponents and for Component IV. In three instances a training of trainers was also scheduled. Results from training were mixed at best. The TOTs failed to produce any active in-house trainers, and the other training events varied in the degree to which beneficiaries perceived them as successful. It is possible that the increased number of audits and the growth in revenues from enforced collections are partly owing to behavioral influences from training, but in the absence of specific post-training evaluations the cause and effect cannot be affirmed. However well devised the content of the training modules, and however proficiently the events were conducted, training was poorly planned in an overall program context. Training events took place similarly to technical assistance missions: they were perceived of as planned without consultation, as imposed by OTA, and even as a burden for the staff. In 2008, in response to the terms of reference in its contract with OTA, Duca Consulting produced an analysis of the potential of the DT staff to benefit from training and made several recommendations for enhancing the successful outcome of training events. The report advised that "OTA should have a strategy of engaging the entirety of the professional staff of the Directorate well in advance of training events but also at an appropriate time." It noted that "trainees will almost invariably respond better to training when they have been consulted about it before it is designed," and that "a limited and specific needs assessment [would] allow for fine-tuning the module to be delivered." The report warned that the selection of potential trainers should be done with consideration of numerous factors, including age, interest, expected future availability. Despite the abundance of useful information about the staff, this report was not made available to any of the consultants engaged to deliver training. Furthermore, OTA virtually omitted follow-up to training, such as assessment of behavioral change on-the-job.

*Low importance accorded to external monitoring and evaluation.* Even before implementation of the TCP began, OTA wrote, "Monitoring of results is a key element of Treasury programs. Accurate and timely monitoring will enable the recipient to adapt to changing conditions and

make mid-course corrections as necessary.”<sup>45</sup> The first monitoring exercise should have taken place at the one-year mark of the TCP. In fact, Phase II was described in the M&E contract as being conducted at program mid-point, to “measure progress to date, and evaluate whether the program is meeting intermediate objectives and is on track to meet final program objectives.”<sup>46</sup> In several memoranda in the fourth quarter of FY 2008, the M&E contractor, Duca Consulting International, urged OTA to program Phase II for early 2009—the mid-point. One memorandum noted, “Carefully planned, this kind of exercise would reveal the degree to which the Tax Office has responded to OTA’s assistance. It would enable OTA to stay the course as planned or to make whatever adjustments it perceives as necessary.”<sup>47</sup> The same memorandum suggested analyzing the impact of training events, which would involve detailed interviews with trainees and, where appropriate, their supervisors, to assess retention of acquired learning and impact on job performance. Despite these and other arguments, OTA and MCC delayed the monitoring of implementation until February and March of 2010, at a point where most of the implementation had occurred, when OTA was looking towards program closure, and when the moment had passed for “mid-course corrections.” Given the findings in the Phase II report of 2010, and based on interviews, focus groups, and informal discussions during a total of thirteen consultant weeks in São Tomé, the Evaluation Team believes that the TCP would have become more effective had the first program monitoring taken place in early 2009, and had both OTA and MCC used the findings to implement programmatic changes.

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<sup>45</sup> In the Statement of Objectives, section 7.0, of the contract with Duca Consulting International for M&E services.

<sup>46</sup> *Ibid.*

<sup>47</sup> In an email of September 10, 2008.

## FINDINGS FOR FUTURE PROGRAMMING IN SÃO TOMÉ

This evaluation has disclosed a number of important areas in which the DT appears to have made little if any progress during the course of TCP implementation. Because each of these areas constituted an objective of the TCP, they represent shortcomings in the success of the program.

- The robustness, reliability, and accessibility of data have improved little, if at all.
- Organizational management—structure, information flows—remains unchanged.
- The accounting system has not visibly improved.
- Interagency e-communications remain at best a slow work in progress.
- No internal trainers have emerged as a result of the TOTs.
- The regulatory environment for business matriculation has changed little.

Fortunately, each deficiency also represents an opportunity for future assistance. The absence of significant progress in these areas of primary focus in the TCP suggests a reassessment of approach to assistance to the DT or to any agency in São Tomé and Príncipe. To be useful, any re-examination must appraise the competence of agency personnel, the political environment, and the Government's own priorities.

Despite these shortcomings, there has been visible progress and changes in attitude. The physical working environment has greatly improved, and needs for computers and related equipment have been fulfilled. The growth in audits and collections shows positive signs of being sustained.

Changes in attitude are less palpable but no less important. Responses from senior DT staff during the present field evaluation indicated that they needed breathing space to re-assess their own experience with the TCP. Relieved of the constant influx of consultants and free from continual external pressure, they have been able to look back pragmatically at the program. They told the Evaluation Team of a new appreciation for the efforts and dedication of the Project Manager and of many of the OTA experts, and they spoke of being able to reflect on and take advantage of the useful contributions made. They also suggested that the TCP helped create an impetus (*embalo*) for change and improvement.

The need for breathing space has not passed, but the impetus will not last indefinitely. Respecting the one and seizing the opportunity afforded by the other are keys to success in near-term future programming for São Tomé. The next assessment and planning teams must comprise a core of experienced individuals with relevant expertise, Portuguese-language fluency, and deep familiarity with the shared culture of the countries known across the Continent as PALOPs—*Países Africanos de Língua Oficial Portuguesa*, the Portuguese-speaking countries of Africa.

Finally, it may prove very informative to repeat the survey of taxpayer perceptions conducted by Duca Consulting International in early 2008. If this survey is to be repeated, it should follow the same format and be conducted no later than the first semester of 2012.

## ANNEX 1: PERSONS CONSULTED<sup>48</sup>

### **Government of São Tomé and Príncipe**

Ms. Elza Cardoso, President, National Statistics Institute  
Mr. Carlos Castro, Secretary, International Cooperation, Ministry. of Finance  
Mr. Albano deDeus, MCC Coordinator  
Ms. Heng dosSantos, Public Relations Officer, National Statistics Institute  
Mr. Agostinho Fernandes, Minister of Planning (former Director of Taxes)  
Mr. Raul Jorge, Programmer, IT Division, Ministry of Finance  
Mr. Américo Oliveira, Minister of Finance  
Ms. Irma Salvaterra, Director, Guiché Único  
Ms. Ângela Viegas, Supervisory Economist, Central Bank (former Minister of Finance)

### **Tax Administration (Direção dos Impostos)**

Mr. Jaime Bruzaca, Head, Audits Section  
Mr. Olinto Costa, Enforced Collections  
Mr. Nilton Cravid, Head, Collections Section  
Ms. Alda Daio, Director  
Mr. Salvador Fonseca, Administrative and Public Relations  
Mr. Fernando Pontes, Head, IT Division Ministry Finance  
Mr. Diallo Santos, Head, Technical and Administrative Section (former Director)

### **Office of Technical Assistance, U.S. Department of Treasury**

Mr. Arthur Aron, Technical Advisor  
Mr. Americo BrasCarlos, Trainer and Technical Advisor  
Mr. John Devlin, Technical Advisor  
Mr. William Hein, Program Officer  
Mr. Joe Hook, Technical Advisor  
Mr. Joe Meade, Technical Advisor  
Mr. Charles Peoples, Project Manager  
Mr. William Remington, Associate Director  
Mr. Art Salazar, Technical Advisor  
Mr. Bill Shannon, Technical Advisor  
Ms. Beverly Stowell, Technical Advisor  
Mr. James Templeton, Technical Advisor

### **Millennium Challenge Corporation**

Mr. Malik Chaka, Director Threshold Programs  
Ms. Sophia Sahaf, Senior Program Officer

### **Other**

Mr. Nelson Assunção, Economic Attaché, U.S. Embassy  
Ms. Nisreen Farhan, IMF  
Mr. Luis Quintaneiro, PicatFin Project Manager

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<sup>48</sup> This list comprises only individuals consulted or directly interviewed during the course of the end term evaluation; it does not necessarily include names from previous field work. The listings are alphabetical, not hierarchical.

## ANNEX 2: TCP LOGICAL FRAMEWORK

<b>Component 1A (Increased Filing of Required Declarations through Dissemination of Tax Information and Routinization and Simplification of Procedures)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b><u>Activity / Input</u></b>	<b><u>Outputs</u></b>	<b><u>Outcomes</u></b>	<b><u>Targeted Indicator</u></b>
<p>Review of law to determine where regulations are needed; Assistance in drafting regulations; Assistance in drafting of procedures; Training staff in content of new law and in internal procedures, with particular attention to taxpayer service staff. Assistance in media dissemination of information regarding new tax requirements. Assistance in forms design to reflect tax law changes; Training of trainers identified to perpetuate training capacity</p>	<p>All relevant regulations, forms and procedures regarding new tax legislation, which simplify to the maximum extent taxpayers’ requirements and the ease with which they understand those requirements;</p> <p>Full set of media “messages” supported by a media plan.</p> <p>Trained cadre of trainers having technical and communications / training skill. At least 15% of staff will be qualified as trainers.</p>	<p>Increased awareness and observance of tax requirements reflected in increasing the numbers of tax returns filed from approximately 2000 to 2300 annually.</p>	<p>Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.</p>

<b>Component 1B (Increase in Numbers of Properly Registered Taxpayers through Improved Integrity of Taxpayer Registration)</b>			
<b>MCC Indicator: Fiscal Policy</b>			
<b>Activity / Input</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
Study to estimate the number of and liabilities of unregistered individuals and businesses.	Establishment of baseline and targets for number of unregistered individuals and businesses and their liabilities.	Increased number of registered, active individual taxpayers from 3700 to a number based on the study.	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.
Analyze the current process for taxpayer registration and recommend means of: <ul style="list-style-type: none"> <li>• Detecting and registering unregistered taxpayers;</li> <li>• Eliminating duplicate registrations;</li> <li>• Using third party records to identify unregistered or misregistered taxpayers;</li> <li>• Enforcing registration requirements.</li> </ul>	Recommended action plan for São Tomé and Príncipe to follow to improve integrity of the registration process.	Increased number of registered, active business taxpayers from 1190 to number based on the study.  Increased number of registered, active individual taxpayers from 3700 to number based on baseline study.	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.
Assist in implementation of the recommendations.	May involve: <ul style="list-style-type: none"> <li>• Creation of Business Master File of all identifying information regarding each unique business taxpayer;</li> <li>• Creation of Individual Master File of all identifying information regarding each unique individual taxpayer;</li> <li>• Matching reports indicating potential registrants deduced from other data sources compared with the master files; means of registering detected unregistered taxpayers.</li> <li>• May involve providing systemic means of inter-agency information sharing.</li> </ul>	Increased number of registered, active business taxpayers from 1190 to number based on baseline  Increased number of registered, active individual taxpayers from 3700 to number based on baseline study.  Increased number of registered, active business taxpayers from 1190 to number based on baseline	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.

<b>Component 1C (Increased Revenues through Effective and Fair Implementation of Tax Procedure Codes)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Input / Activity</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
<p>Tax Procedure Code reduced to operating procedures for tax officers;</p> <p>Review of the new Procedure Code with regard to whether it reflects appropriately the relative rights and duties of taxpayers and the taxing authority;</p> <p>Training of trainers identified to perpetuate training capacity;</p> <p>Training of tax officers in how to apply new rights and duties under new Procedure Code.</p>	<p>Written procedures and training materials brought to existence;</p> <p>Training classes held for all relevant tax officers on rights and duties under new Procedure Code;</p> <p>Trained cadre of trainers having technical and communications / training skill. At least 15% of staff will be qualified as trainers.</p> <p>Recommendations, if warranted, for amendments to perfect the Procedure Code.</p>	<p>Tax officers apply powers of Tax Procedure Code.</p> <p>If warranted, amendments enacted to Procedure Code.</p>	<p>Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.</p>

<b>Component 1D (Assured Administrative Informational Infrastructure through Assurance of Sound Taxpayer Accounting Process)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Input / Activity</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
<p>Analysis of current process of taxpayer accounting.</p>	<p>Determination of soundness or recommendations for modification.</p>	<p>Sound (from the standpoint of usefulness, accessibility, and accuracy) process of maintaining taxpayer accounts.</p>	<p>Fiscal Policy. (A sound accounting system is a precondition to the effectiveness of other interventions. Supports achievement of tax revenue increase of 15% across the nine subcomponents)</p>

<b>Component 2A (Increased Numbers of Enforced Registrations, Audits and Collection of Arrears by Strengthening Informational Infrastructure)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
Activities / Inputs	Outputs	Outcomes	Targeted Indicator
<p>Purchase of equipment and creation of a network capable of receiving and applying data from other agencies.</p> <p>May require programming assistance so as to enable use of the data to identify additional unregistered taxpayers and select appropriate returns for audit.</p>	<p>Data received from other agencies and made accessible to the revenue authority.</p>	<p>Achieving outputs and outcomes under subcomponents 1B, 2B, 2C, and 2D.</p>	<p>Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.</p>

<b>Component 2B (Achieve Collection of Additional Dobras from Accumulated Tax Arrears through Improved Process Management and Technical Skill)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Activities / Inputs</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
Analysis of form of organization, workflow, data availability.	Re-organization, where appropriate, of the collections function, with appropriate division of labor, and work / information flow (including flow of management information).	All activities under this subcomponent are collectively expected to increase revenues by 30 billion dobras over two years.	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.
Analysis of management information and management roles. Consulting and recommendations regarding access to management information and exercise of management roles.	Improved definition of role of collections management and access to information to fulfill that role.		
Recommendations regarding effective collection procedures, which would be documented in a procedures manual	Collections procedures and collections operations manual		
Training on established collections technique and procedures. Training of trainers.	Trained collections staff and trainers to carry on development of collections training.		

<b>Component 2C (Increase in Registrations, Declarations Filed and Taxes Paid Due to Detection of Non-Filers)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Activities / Inputs</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
Analysis of alternative approaches to identify non-filers and corrective actions	Written recommendations regarding registering non-filers and determining their tax liabilities for non-file periods. Roster of non-filing taxpayers.	All activities under this subcomponent are collectively expected to increase revenues by 30 billion dobras over two years.	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.

<b>Component 2D (Increased Revenues through Improvements in the Audit Process)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Activity / Input</b>	<b>Output</b>	<b>Outcome</b>	<b>Targeted Indicator</b>
Analysis and Recommendations on organization of audit process and management systems / information.	Written recommendations concerning organization of audit process and management systems/ information and on-going consultation regarding their implementation.	Cumulative outcome under this component: Increased number of audits performed. (100 percent). Increased audit revenues (50 percent).	Fiscal Policy: Tax Revenue increases by 15% across the nine subcomponents.
Analysis and recommendations regarding selection of declarations for audit.	Written recommendations regarding selection of declarations for audit; on-going consultation regarding their implementation.		
Assistance in creation of audit manual and training on application of audit manual procedures;  Training of trainers identified to perpetuate training capacity	Audit manual; trained auditors on use of audit manual;  Trained cadre of trainers having technical and communications / training skill. At least 15% of staff will be qualified as trainers.		

<b>Component 2E (Increased Revenue as a Result of On-Site Access to Taxpayer Records)</b>			
<b>MCC Indicator: <i>Fiscal Policy</i></b>			
<b>Activity / Input</b>	<b>Outputs</b>	<b>Outcomes</b>	<b>Targeted Indicator</b>
Acquisition of five motorcycles or motor scooters and two automobiles.	Deployment of vehicles in conducting registration, audit and collection activities.	An average of at least ten additional enforcement actions per day consisting of: registration canvasses; on site audit visits; on site collection visits.	5% increase in overall tax revenues due to increases in registrations, audits, and collections using vehicles.

<b>Component 4 (Improving the Business Environment)</b>			
<b>MCC Indicators: <i>Days to Start a Business and Cost of Starting a Business</i></b>			
<b>Activity/Input</b>	<b>Output (2 years)</b>	<b>Outcome (2 years)</b>	<b>Targeted Indicator</b>
<p>Draft legislation that will:</p> <ul style="list-style-type: none"> <li>• Eliminate the need to apply for advertising of the incorporation notice in the official gazette and advertising of the incorporation notice in a national newspaper.</li> <li>• Eliminate the requirement to notarize the company statutes.</li> <li>• Allow for submission of documents and records in digital or computer-generated paper form.</li> <li>• Eliminate the requirement that all companies apply for a commercial operations permit, retaining the requirement only for lines of business that may pose an environmental or health risk.</li> <li>• Provide policy justification for enactment of the recommended legislation and meet with and make presentations to decision-makers in support of enactment.</li> <li>• Draft work procedures and recommendations for organizational restructuring for implementation of the amended legislation.</li> <li>• Conduct training concerning the revised work procedures and legislation</li> </ul>	<p>Draft legislation in proper form and content that would, if enacted reduce the time to start a business to 63 days or less and significantly and correspondingly reduce the cost to start a business.</p> <p>Support documents (presentations, talking points, etc.) to further the enactment of the proposed legislation.</p> <p>Documented, repeatable work procedures and recommended organizational structure to provide for smooth and effective implemented of the streamlined start-up process.</p> <p>Training materials and trained administrative staff relative to revised work procedures</p>	<p>Enacted statutes, implemented effectively, that reflect the activities and outputs.</p>	<p>Reduction in the time to start a business to 63 days or less. Include baseline number of days.</p> <p>The cost will be reduced to 18% of income per capita. Baseline please.</p>

## ANNEX 3: REVISED MATRIX<sup>49</sup>

### COMPONENT 1A: INCREASED FILING OF DECLARATIONS

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b>Objectives</b>			
(i) Review of law to determine needed regulations complete	(i) Professional comments on entirety of tax law with appropriate recommendations	(i) Written report	(i) None
(ii) Assistance in drafting regulations and procedures provided	(ii) New drafts written in Portuguese according to recommendations of review	(ii) The new drafts and OTA written comments on new drafts	(ii) none
(iii) Staff trained in content of new law and procedures	(iii) Full staff participation and passing scores on Level 2.	(iii) Trainer report; attendance lists; Level 2 exams and grades	(iii) Appropriate training and conditions provided.
(iv) Information regarding new tax requirements disseminated thru media	(iv) All major points covered in media messages	(iv) newsclips; recordings of broadcasts (all translated to Eng or verified by professional)	(iv) none
(v) Forms designed to reflect tax law changes	(v) All changes incorporated into user-friendly forms	(v) The forms in Portuguese and English	(v) none
(vi) Training of trainers completed	(vi) Trainers pass written and demonstrative exams showing acquisition of KSA.	(vi) Trainer report; attendance lists; Level 2 exams and grades	(vi) Qualified individuals identified and recruited
<b>Outcomes</b>			
(i) Procedures simplified	(i) Numbers of procedures for filing decreased by <>	(i) Count of before and after procedures	(i) none
(ii) Taxpayers' awareness of requirements increased	(ii) Taxpayer responses to survey	(ii) Survey data	(ii) survey conducted
(iii) Taxpayer filings increased	(iii) numbers of filings	(iii) DT records	(iii) none
(iv) Tax revenue increased by 15%	(iv) amount of tax revenue	(iv) DT and MinFin records	(iv) No serious economic downturns

<sup>49</sup> The explanatory notes for changes may be found in the Duca Consulting Phase II report.

**COMPONENT 1B:  
INCREASE IN NUMBERS OF REGISTERED TAXPAYERS**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p><b>Objectives</b></p> <p>(i) Study on numbers of unregistered taxpayers complete</p> <p>(ii) Taxpayer registration process analyzed</p> <p>(iii) Recommendations of analysis implemented</p>	<p>(i) Study fixes baseline numbers and liabilities of unregistered taxpayers.</p> <p>(ii) Action plan provides specific recommendations for detecting evasion, eliminating duplicate registration, enforcing requirements, and others</p> <p>(iii) Reports showing the implementation details followed for each recommendation</p>	<p>(i) Review of study</p> <p>(ii) Review of written action plan</p> <p>(iii) Review of reports</p>	<p>(i) Availability of reliable data</p> <p>(ii) None</p> <p>(iii) DT agrees with recommendations</p>
<p><b>Outcomes</b></p> <p>(i) Numbers of businesses registered with DT increase according to predictions</p> <p>(ii) Numbers of individuals registered with DT increase according to predictions</p>	<p>(i) Numbers increase to a figure commensurate with estimates from the study.</p> <p>(ii) Numbers increase to a figure commensurate with estimates from the study.</p>	<p>(i) DT records</p> <p>(ii) DT records</p>	<p>(i) The study is complete and the data considered accurate</p> <p>(ii) The study is complete and the data considered accurate</p>

**COMPONENT 1C:  
INCREASED FISCAL REVENUES**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b>Objectives</b>			
(i) Tax Procedure Code revised	(i) Code reduced to operating procedures for DT officers;	(i) The written revision	(i) None
	Code reflects rights and duties of taxpayers and DT	Comparison of Code with international best practices	
(ii) DT staff trained in new Code	(ii) All appropriate staff attend training	(ii) Attendance lists	(ii) None
	All staff meet minimum acceptable grade in Level 2.	Scores on L2 test	
(iii) Adequate numbers trained as trainers in new Code and procedures	(iii) 15% of DT staff receive training	(iii) Attendance lists	(iii) None
	Those accepted as Trainers passed Level 2 for the training.	Scores on tests	
(iv) Warranted recommendations for amendments put forth	(iv) The recommendations make sense in the context of a modern Code for STP	Comparison of text with best practices	(iv) None
<b>Outcomes</b>			
(i) Powers in new Code applied by DT staff	(i) DT staff demonstrate their understanding and use of powers in all sections	(i) Direct observation; Review of procedures followed	(i) None
(ii) Approved amendments incorporated in Code	(ii) The legal procedures for incorporating amendments complete	(ii) Copy of promulgated Code with Amendments	(ii) The Ministry approves

**COMPONENT 1D:  
INFORMATIONAL INFRASTRUCTURE ASSURED**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p><b>Objectives</b> (i) DT accounting system for taxpayer records analyzed</p>	<p>(i) Analysis contains determination of strengths and weaknesses of current system and makes recommendations based on known best practices and conditions in STP</p>	<p>(i) Consultant report</p>	<p>(i) None</p>
<p><b>Outcomes</b> (i) Accounting system revised appropriately</p>	<p>(i) New system incorporates the justifiable recommendations and reflects best practices</p>	<p>(i) Expert review of revised system</p>	<p>(ii) Hardware/software available for using system</p>

**COMPONENT 2A:  
INCREASED NUMBERS OF ENFORCED REGISTRATIONS, AUDITS, AND  
COLLECTIONS**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p><b>Objectives</b></p> <p>(i) Computers and peripherals installed</p> <p>(ii) Desired interagency network functional</p> <p>(iii) Desired programming completed</p>	<p>(i) Projected numbers of computers functional at DT work stations</p> <p>(ii) DT staff exchanging information with other office and ministries</p> <p>(iii) DT capable of indentifying unregistered taxpayers through the program;</p> <p>Program makes automatic selection of returns for audit based on built-in risk management criteria</p>	<p>(i) Purchase receipts; physical verification; registration of equipment</p> <p>(ii) In-loco verification with design of data exchange</p> <p>(iii) Testing to see how the program finds unregistered taxpayers</p> <p>Examination of criteria for program selection; in loco testing of program</p>	<p>(i) None</p> <p>(ii) Other agencies have similar capability through a closed network or open WAN</p> <p>(iii) Skills for creating the programming available; reliable information available and accessible</p>

**COMPONENT 2B:  
IMPROVED PROCESS MANAGEMENT**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p><b>Objectives</b></p> <p>(i) Work flow and internal DT organization analyzed</p> <p>(ii) Internal DT organization changed according to recommendations from study</p> <p>(iii) Data availability determined</p> <p>(iv) Management information systems analyzed</p> <p>(v) Collection procedures improved</p> <p>(vi) Training on collections techniques delivered</p> <p>(vii) Trainers trained for delivering training on improved collection procedures</p>	<p>(i) Expert studies and recommendations conform to recognized best intl. practices.</p> <p>(ii) Organization chart reflects changes</p> <p>(iii) Report showing all relevant data and indicating where and how to access them; report also indicates lacuna in data</p> <p>(iv) Expert report complete with detailed descriptions of information location and flow within the database program</p> <p>(v) Written manual prepared</p> <p>Enhanced methods and increased collections attributable to the procedures</p> <p>(vi) All relevant staff have successfully completed the training</p> <p>(vii) Adequate numbers of people successfully trained as trainers in the modules delivered</p>	<p>(i) Review of the expert reports</p> <p>(ii) Review of chart In loco observation</p> <p>(iii) Review of the expert reports</p> <p>(iv) Review of the expert reports</p> <p>(v) Review of manual</p> <p>Review of data and relevant information</p> <p>(vi) Attendance records Trainer report Level 2 scores</p> <p>(vii) Attendance records Trainer report Level 2 scores</p>	<p>(i) None</p> <p>(ii) The recommendations are accepted by the DT and the Ministry of Finance</p> <p>(iii) None</p> <p>(iv) None</p> <p>(v) None</p> <p>Collections increase</p> <p>(vi) None</p> <p>(vii) None</p>

**COMPONENT 2C:  
IMPROVED IDENTIFICATION OF AND APPROACH TO NON-FILERS**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b>Objectives</b>			
(i) Innovative method of identifying non-filers developed	(i) roster of non-filers complete or advanced	(i) Expert examination of the method Review of roster	(i) Method effective and accepted by DT and Ministry of Finance
(ii) Corrective actions taken	(ii) Non-filers notified by DT Arrears begun to be collected Registrations increase	(ii) Notification letters Data on collections Data on registrations	(ii) None DT has resources to collect

**COMPONENT 2D:  
IMPROVED AUDIT PROCEDURES**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b>Objectives</b>			
(i) Analysis of audit procedures and policies complete	(i) Report includes revised procedures and justification and recommendations for selection of declarations to audit	(i) Review of report	(i) None
(ii) Audit manual written	(ii) Manual includes full description of procedures and flow charts	(ii) Review of manual	(ii) None
(iii) Training in audit procedures delivered	(iii) All relevant DT staff successfully complete training program	(iii) Attendance records Level 2 scores	(iii) None
(iv) Trainers trained	(iv) Adequate numbers of people successfully trained as trainers in the modules delivered	(iv) Attendance records Trainer report Level 2 scores	(iv) None
<b>Outcome</b>			
(i) Number of audits increased		(i) DT records	(i) None

**COMPONENT 2E:  
ON-SITE ENFORCEMENT ACTIONS**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b>Input</b> (i) Five motorcycles and two vehicles acquired	(i) Vehicles garaged at DT facility	(i) purchase records On-site verification	(i) None
<b>Objectives</b> (i) Vehicles effectively deployed	(i) Minimum of 10 site visits for enforcement purposes conducted daily	(i) Written records of the vehicle use: kms traveled, sites visited with names, addresses; Conclusions of visit	(ii) Vehicles actually purchased and delivered adequate resources for fuel and maintenance provided

**COMPONENT 4:  
BUSINESS START-UP COSTS AND TIME DECREASED**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<b><u>Objectives</u></b>			
(i) Appropriate legislation drafted	(i) Legislation eliminates following requirements: Publication in gazette Publication in newsprint Notarization of statutes Need for license/permits except for environmental or health  Legislation provides policy/legal justification for recommendations	(i) The draft legislation as submitted to Parliament	(i) The Ministers of Commerce and of Finance have approved the legislation
(ii) Organizational restructuring designed	(ii) Design includes revised procedures for Directorate of Commerce and DT	(ii) Design incorporated in draft legislation	(ii) The Ministers of Commerce and of Finance have approved the design
(iii) Training on new procedures delivered	(iii) All relevant Dir of Commerce and DT staff successfully complete training program	(iii) Attendance records Trainer report Level 2 scores	(iii) None
<b><u>Outcomes</u></b>			
(i) Legislation passed	(i) Laws, decrees, or ordinances reflect accurately the contents of the draft	(i) Final laws or decrees	(i) Parliament passes the legislation
(ii) Time and costs decreased	(ii) New business can operate legally within 63 days or less and costs reduced to 19% GDP/Capita	(ii) Official records Interviews with new businesses World Bank <i>Doing Business</i>	(ii) The laws officially promulgated