

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Programs Department (East)
Division III

TA NO./NAME: 2606-MON: Strengthening the Taxation System			TA AMOUNT APPROVED: \$343,000		
			REVISED AMOUNT:		
EXECUTING AGENCIES: General Department of National Taxation			TA AMOUNT UNDISBURSED: \$15,043	TA AMOUNT UTILIZED: \$327,957	
DATE:	APPROVAL:	SIGNING:	FIELD:	CLOSING:	
	9 July 1996	24 July 1996	17 February 1997	ORIGINAL: 31 July 1998 ACTUAL: 20 January 1999	

Background and Rationale

Mongolia has reorganized its tax administration as part of the institutional reforms in its transition towards a market economy. The General Department of National Taxation (GDNT) is an independent agency reporting to the Cabinet through the Finance Minister, and is responsible for administration of all direct and indirect taxes except customs duties. There has been a long-standing fiscal deficit in Mongolia from the pre-transition period, which has continued in the post transition years. There is considerable scope to improve the fiscal situation through improved tax compliance and broadening the tax base. Despite substantial progress made in legislation and organization, GDNT staff were not trained in the needs of tax administration in a market economy, particularly in a self assessment system and in administering taxes for new areas and forms of economic activity. The government requested assistance from the Bank in strengthening the GDNT training capacity, and to provide training to Mongolian officials on tax collection strategies (including taxpayer services), tax audit and tax dispute resolution.

TA Objectives and Scope

The TA objective was to strengthen the taxation system of Mongolia, which would contribute to building Government capacity, make the taxation system more transparent, and put tax revenues on a more predictable footing.

TA Inputs Evaluation

The Bank selected the TA Consultants from a short list of qualified bidders because of the quality of its proposal and the experience of proposed personnel. The Consultants demonstrated a high performance quality and were fully knowledgeable in their field as they prepared the manuals and delivered the required training courses, provided additional training for Mongolian trainers and delivered a detailed report on the current tax administration system in Mongolia with recommendations on how it could be improved. The Consultant also managed the supply of English language training by external providers, procurement of equipment for the training center, and a period of placement with the Netherlands tax administration for selected Mongolian officials. The Consultant satisfactorily implemented the TA as planned, and the final report was considered by the Bank to be satisfactory. The Bank participated at inception, mid-project and final tripartite reviews.

TA Outputs Evaluation

The GDNT Training Center accepted the comments made by the Consultant that changes were necessary in the approach to training personnel for tax administration work. To some extent these changes have been implemented in a new training programme for new entrants into the tax administration. However, these changes in training would need to be complemented by wider changes in recruitment, management and organization to achieve an efficient tax administration. Recommendations have been made by the Consultant and these are concurred in by the GDNT. The TA recommendations are useful inputs for TA 2931-MON: Program Preparation for Governance Reform, and the Director General of GDNT appreciated the high quality assistance provided by the Consultant.

TA Overall Assessment/Rating

The implementation of the TA was generally successful. Recommendations were appropriate towards building a tax administration capable of meeting the challenges of an evolving market economy.

Major Lessons Learned

The TA supported the building of a firm foundation for an effective tax administration through the creation of an efficient training function. However, further support will be necessary to help the GDNT to meet the needs of improving tax compliance and broadening the tax base, and in establishing a rule based taxation system. Attention will also have to be paid to the need for a change in the mind-set of tax administrators, and their continued training after the initial training on induction.

Follow-up Actions and Recommendations

Strengthening of the tax administration is a key element of establishing good governance in Mongolia through improving accountability and promoting predictability and transparency. GDNT will need further support within the framework of recommendations made by the Consultants in their Final Report for legal, organizational and technical follow up programs.

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