



## Tax Administration (P127807)

EUROPE AND CENTRAL ASIA | Tajikistan | Governance Global Practice |  
IBRD/IDA | Specific Investment Loan | FY 2013 | Seq No: 10 | ARCHIVED on 29-Jun-2017 | ISR28771 |

Implementing Agencies: Tax Committee, Ministry of Finance, Ministry of Finance

### Key Dates

#### Key Project Dates

Bank Approval Date:31-Oct-2012

Effectiveness Date:08-Feb-2013

Planned Mid Term Review Date:30-Jun-2015

Actual Mid-Term Review Date:04-Nov-2014

Original Closing Date:31-Dec-2017

Revised Closing Date:31-Dec-2019

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective (PDO) is to reform the tax administration to become more efficient and effective in collecting revenue, enhance the level of voluntary compliance, and improve the quality of taxpayer services. Specifically, the project aims to: (i) reduce the administrative cost of collecting revenue to make the Tax Committee a more efficient institution; (ii) strengthen the effectiveness of the Tax Committee to fight tax evasion and reduce the size of the shadow economy; (iii) reduce contact between tax officials and taxpayers to reduce avenues for corruption and create conditions for increased level of voluntary compliance; and (iv) provide good quality taxpayer services that would help reduce the compliance burden for taxpayers, thus improving the business environment and competitiveness.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components

Name

Institutional development:(Cost \$2.20 M)

Operational development:(Cost \$1.80 M)

IT Infrastructure and system development:(Cost \$12.40 M)

Project Management:(Cost \$1.60 M)

### Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory

Overall Risk Rating

● Substantial

● Substantial

## Implementation Status and Key Decisions

### Component 1. Institutional Development

**The TC has terminated the contract with the consulting company assisting with implementing institutional development (QCBS-01).**

Institutional development includes reforms in four major areas: (i) organization, management and integrity; (ii) human resource management; (iii) training management capacity building; and (iv) implementation of the human resource management information system. The consultant submitted nine required reports, two of which were not accepted: those on integrity and organizational structure and monitoring and assessing the effectiveness of tax offices. To complete those two important reports, the TC has hired an individual consultant who has already submitted one out of two reports.

**Human Resources Management Information System (HRMIS).** The contract for the new HRMIS system was signed in August 2016 and the staff of the successful bidder have completed approximately 70 percent of the customization. TC staff have been significantly involved in the customization and indicate that they will be able to maintain the application once the vendor has completed their work and that they will be able to apply updates to the base application (1C) as they are released by the vendor. It is expected that the new HRMIS system will be deployed in late July 2017 and be rolled out across the TC in August.

**A new department on analysis of tax data has been established.** It is expected that the department will analyze and systematize all incoming tax data and provide analytically processed information to TC management and other departments. To strengthen capacity of a newly established department, TC is hiring an international consultant to provide training to the staff of department.

### Component 2. Operational Development

**Part of the reports required under this component have been delivered by consultants.** Reports include analysis and recommendations for changes in the areas of tax policy analysis and revenue forecasting, internal audit and appeal, and taxpayer services. However, the majority of reports submitted by consultant (Ernst&Young) on taxpayers' registration, tax audit, and enforced collection have not been approved by TC due to their poor quality. It is likely that TC will terminate the services of the current consulting firm and hire an individual consultant to complete the analysis and provide recommendations on changes on those important areas of tax administration.

**Call Center.** Funding is provided to set-up a modern call center with up to ten seats in the old training building. The contract for the supply and installation of the equipment for the call center was signed in April 2017 and it is expected that the new call center will be operational later this year. TC reports that 12,263 hotline queries were answered in 2016, which is significantly higher than the 7,338 queries in 2015. It is expected that 1,000 questions/responses will be introduced into the system, which will be functioning on 7/24 basis.

**The Appeal Council was established in TC on March 3, 2015.** The Council consists of 11 TC officials. Over 2016, the Council considered 15 taxpayers' complaints. 7 decisions were taken in favor of TC, 7 in favor of taxpayers and 1 in favor of both parties.

### Component 3. IT Infrastructure Modernization

**The TC continues to expand its electronic service offerings providing an increasing electronic suite of services as an interim solution until the new IT System (Integrated Tax Management Information System – ITMIS) is introduced as part of this project.** The number of registrants for e-filing of declarations has increased to approximately 47,000 (up from 32,000 in October 2016) which represents approximately 74.6 percent of the taxpayers who could file electronically. All e-filing taxpayers file all declarations electronically (i.e.: once they convert to e-filing they cannot file any of the 10 declaration types on paper). The TC's e-invoicing system is now fully operational and has been integrated into the VAT e-filing system allowing the taxpayers VAT return to be partially pre-populated based upon e-invoice purchases and sales. There have been reports of some difficulties processing submissions during peak periods that likely can be addressed by deploying some of the servers identified for the ITMIS system early as these servers were identified to host the e-filing system in the TARP project. The TC continues to expand its use of "kiosk" systems that are placed in TC offices to allow taxpayers without computers or internet access to e-file.

While visiting Khujand, the mission team was informed that in the Khujand Medium Taxpayer Office which has 1,200 taxpayers, e-filing is 100 percent; in the Khujand City office (which deals with small taxpayers) which has over 8,000 individual taxpayers and 2,400 small enterprises, e-filing is almost 90 percent among legal entities. All 240 public sector entities file their returns electronically.

**The new Data Centers (DC) became operational last year and all production services are now hosted in the primary data center in Dushanbe.** The TC maintains a small monitoring staff in an office area attached to the DC; all other development and maintenance activities occur from the IT teams' offices in the Headquarters building.

**The Disaster Recovery (DR) center in Khujand, visited during the field visit, is operational and contains the disaster recovery data storage devices along with its own operations staff responsible for its monitoring.** The center will be equipped with servers as part of the ITMS process and at that time will be fully functional as a disaster recovery center.



**The ITMIS procurement is being retendered.** The original procurement only attracted four bidders and all were assessed as not meeting tender requirements. The tender document has been revised and submitted to the Bank for No Objection in late May. The revised tender document relaxes the requirement to provide a COTS solution and will now allow bidders to propose a custom built system that meets the TC's requirements. It is expected that the RFP will be published by the mid July 2017. TC had requested a two phase tendering process, which would provide TC the opportunity for more thorough review of technical proposals of bidders and selection of product that meets TC's expectation. In a best case scenario, the TC plans to complete the tender evaluations by December 2017. The new system is targeted to be operational<sup>[1]</sup> starting in March 2019 with the full system available by November 2019. However, due to failure of earlier November 2016 bidding for acquiring ITMIS and related loss of time, the Bank team believes that TC decision to go to a lengthier two-stage bidding process will have a direct implication on the risk of having to re-request a project extension beyond the RVP-approved one over a two-year period from end - December 2017 to end - December 2019. With that in mind, TC should submit to the Bank a detailed plan of mitigation measures aimed at addressing the potential delay in implementing ITMIS.

**With the delivery of such a large IT system late in the project, it is advisable to have the ability to obtain additional vendor support beyond warranty repairs for a period of at least six months after it is fully implemented.** The TC has indicated that it is planning to reserve project funds for a "maintenance" fund. This likely will require the project to be extended by six – nine months to provide for this disbursement (if it is required). A decision about this will be made in late 2018 once the ITMIS supplier has started work.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● Substantial
Macroeconomic	--	● High	● High
Sector Strategies and Policies	--	● Substantial	● Substantial
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Substantial	● Substantial
Fiduciary	--	● Substantial	● Substantial
Environment and Social	--	● Low	● Low
Stakeholders	--	● Substantial	● Substantial
Other	--	● Substantial	● Substantial
Overall	--	● Substantial	● Substantial

## Results

### Project Development Objective Indicators

#### ► Increase in Voluntary Compliance: the total number of active taxpayers (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	161,000.00	286,628.00	262,239.00	201,500.00
Date	30-Jun-2012	30-Sep-2016	01-May-2017	31-Dec-2019

#### ► Improved taxpayer service: average time to comply (Hours, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	226.00	209.00	209.00	180.00
Date	31-Dec-2011	30-Sep-2016	01-May-2017	31-Dec-2019

#### ► Increased Efficiency: average tax revenue collected per tax official (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	TJS 2.1 million	TJS 3.4 million	TJS 4.7 million	TJS 2.9 million

Date	31-Dec-2011	30-Sep-2016	01-May-2017	31-Dec-2019
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▲ % of taxpayers legal entities filing electronically (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	50.40	90.40	70.00

▷ Amount of tax arrears as a percentage of total annual tax collection (excluding Barqi Tojik) (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	13.80	10.50	8.10	10.00

▷ Share of revenue collected by Large Taxpayer Inspectorate (LTI) (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	43.60	42.90	44.10	60.00

▶ Enhanced Effectiveness: tax gap as measured by VAT productivity (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.37	0.30	0.38	0.42
Date	31-Dec-2011	30-Sep-2016	30-Sep-2016	31-Dec-2019

▲ Enhanced Effectiveness: tax gap as measured by CIT productivity (Number, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.03	0.12	0.04	0.06

► Adjustment as a result of audit per auditor (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	184.00	832.30	754.90	280.00
Date	31-Dec-2011	01-Jan-2016	01-May-2017	31-Dec-2019

Overall Comments

Intermediate Results Indicators

► Component 1: Implementation of Human Resource Management Information System (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No HRMIS available	Bids for the HRMIS is completed and supplier has been selected. It is expected that HRMIS will be fully operational by July 2017.	The contract for the new HRMIS system was signed in August 2016 and the staff of the successful bidder have completed approximately 70 percent of the customization. TC staff have been significantly	System fully operational

involved in the customization and indicate that they will be able to maintain the application once the vendor has completed their work and that they will be able to apply updates to the base application (1C) as they are released by the vendor. It is expected that the new HRMIS system will be deployed in late July 2017 and be rolled out across the TC in August.

Date	05-Sep-2012	01-Nov-2016	01-May-2017	01-Aug-2017
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► Component 1: Building training facilities (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Training center not present	Training Center in the Sughd Region has been equipped. The new building of Training Center in the Kulob Region is operational. Training Center in Khorog will be operational in early 2017.	Training Center in the Sughd Region has been equipped. The new building of Training Center in the Kulob Region is operational. Training Center in Khorog will be operational in end 2017.	Training center fully equipped
Date	05-Sep-2012	01-Nov-2016	01-May-2017	01-Jun-2017

► Component 1: Training strategy approved and implemented (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Training provided in ad hoc manner	The consulting company has helped TC with developing the Training Strategy. It is expected that the Strategy will be adopted in early 2017 and later implemented.	The consulting company has helped TC with developing the Training Strategy. It is expected that the Strategy will be adopted in mid 2017 and later implemented.	Training strategy and curriculum design developed
Date	05-Sep-2012	01-Nov-2016	01-May-2017	29-Dec-2017

► Component 1: Organizational review, work force review, organizational restructuring, staff redeployment (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Organizational plan for HQ submitted to government	The new organizational structure was approved by the Government on July 2012 and currently is being implemented.	The new organizational structure was approved by the Government on July 2012 and currently is being implemented.	Organizational review, workforce review, organizational restructuring and staff redeployment completed
Date	05-Sep-2012	01-Nov-2016	01-May-2017	31-Dec-2019

► Component 2: Amount of tax arrears as a percentage of total annual tax collection (excluding Barqi Tojik) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	13.80	10.50	8.10	10.00
Date	31-Dec-2011	30-Sep-2016	01-May-2017	31-Dec-2019

► Component 2: Share of revenue collected by Large Taxpayer Inspectorate (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	48.00	42.90	44.10	60.00
Date	31-Dec-2011	30-Sep-2016	01-May-2017	31-Dec-2019

► Component 2: Percent of taxpayers legal entities filing electronically (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.05	50.40	90.40	70.00
Date	31-Dec-2011	30-Sep-2016	01-May-2017	31-Dec-2019

► Component 2: Development of Call Center (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Manual system available	As per the tax committee, during 2016, the number of queries answered was 12,263, which is significantly higher than 7,800 queries answered in 2015. The monitoring of queries shows that a large part of the questions deal with e-filing, VAT invoice and liquidation. The project will support the further development of the Call Center by providing call tracking and other relevant software and equipment.	Funding is provided to set-up a modern call center with up to ten seats in the old training building. The contract for the supply and installation of the equipment for the call center was signed in April 2017 and it is expected that the new call center will be operational later this year. TC reports that 12,263 hotline queries were answered in 2016, which is significantly higher than the 7,338 queries in 2015. It is expected that 1,000 questions/responses will be introduced into the system, which will be functioning on 7/24 basis.	Call center operational
Date	05-Sep-2012	30-Sep-2016	01-May-2017	31-Dec-2019

► Component 3: Data Center established (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Supports current legacy system	The new Data Centers (DC) became operational in mid-September 2016 with the successful completion of the migration of all operational systems from the old server room in the Headquarter building to the new Data Center in Dushanbe. TC maintains a small monitoring staff in an office area attached to the DC. All other development and maintenance activities occur from the IT teams' offices in the Headquarter building.	The new Data Centers (DC) became operational in 2016 and all production services are now hosted in the primary data center in Dushanbe. The TC maintains a small monitoring staff in an office area attached to the DC; all other development and maintenance activities occur from the IT teams' offices in the Headquarters building. The Disaster Recovery (DR) center in Khujand, visited during the field visit, is operational and contains the disaster recovery data storage	Data center fully operational

			devices along with its own operations staff responsible for its monitoring. The center will be equipped with servers as part of the ITMS process and at that time will be fully functional as a disaster recovery center.	
Date	05-Sep-2012	30-Sep-2016	01-May-2017	30-Dec-2016

► Component 3: Implementation of Integrated Tax Management Information System (ITMIS) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Existing tax system has limited capacity	The ITMIS procurement document has been approved and published at the end of October 2016. This is an international tender with two phases and is expected to be completed by September 2017. The new system will be operational in March 2019 with the full system available by September 2019.	The ITMIS procurement is being retendered. The original procurement only attracted four bidders and all were assessed as not meeting tender requirements. The tender document has been revised and submitted to the Bank for No Objection in late May. The revised tender document relaxes the requirement to provide a COTS solution and will now allow bidders to propose a custom built system that meets the TC's requirements. It is expected that the RFP will be published by the end of June. This exact mechanism for the international tender is being discussed with the TC; the TC had requested a two phase tendering process but due to time constraints the Bank has asked them to consider using a one phase process with a financial and technical evaluation. In a best case scenario, the TC plans to complete the tender evaluations by December 2017. The new system is targeted to be operational starting	ITMS deployed and fully operational

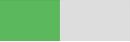


			in March 2019 with the full system available by November 2019.	
Date	05-Sep-2012	30-Sep-2016	01-May-2017	02-Sep-2019

## Overall Comments

## Data on Financial Performance

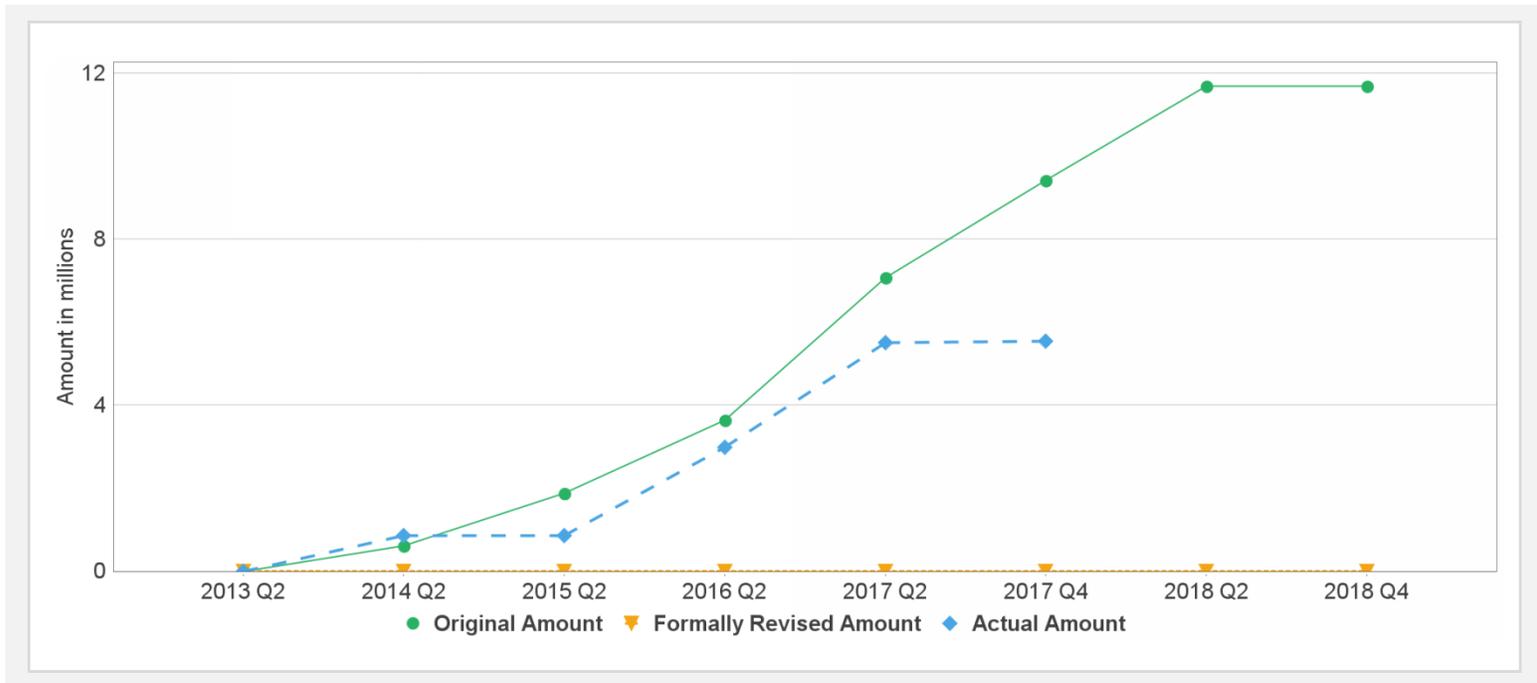
### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P127807	IDA-H8100	Effective	XDR	11.90	11.90	0.00	5.55	6.35	 47%

### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P127807	IDA-H8100	Effective	31-Oct-2012	14-Nov-2012	08-Feb-2013	31-Dec-2017	31-Dec-2019

### Cumulative Disbursements



## Restructuring History

Level 2 Approved on 27-Feb-2017

## Related Project(s)

There are no related projects.