DOCUMENT OF THE WORLD BANK

REPORT NO.: RES31910

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
TAX ADMINISTRATION MODERNIZATION PROJECT
APPROVED ON JULY 3, 2012
TO
GOVERNMENT OF ARMENIA

GOVERNANCE
EUROPE AND CENTRAL ASIA

Regional Vice President: Cyril E Muller
Country Director: Mercy Miyang Tembon
Senior Global Practice Director: Edward Olowo-Okere
Practice Manager/Manager: Daniel J. Boyce
Task Team Leader: K. Migara O. De Silva, Davit Melikyan
I. BASIC DATA

**Product Information**

<table>
<thead>
<tr>
<th></th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project ID</td>
<td>P111942</td>
</tr>
<tr>
<td>Original EA Category</td>
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<tr>
<td>Approval Date</td>
<td>03-Jul-2012</td>
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<tr>
<td>Current Closing Date</td>
<td>15-Apr-2018</td>
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**Organizations**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
</tr>
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<tbody>
<tr>
<td>Government of Armenia</td>
<td>State Revenue Commitee</td>
</tr>
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</table>

**Project Development Objective (PDO)**

The Project development objective (PDO) is to modernize Armenia’s tax administration to (i) increase voluntary tax compliance, (ii) reduce tax evasion, (iii) reduce compliance costs; and (iv) increase administrative efficiency. This objective will be achieved by:

- introducing modern, integrated information technology to support SRC operations;
- improving data exchange between the SRC and other agencies to enhance better risk management and targeting of compliance activities (“third party information”);
- reengineering and automation of business processes to improve efficiency and effectiveness; and
- expanding eGovernment, including e-filing and e-payments to lower the compliance burden for the private sector.

**Summary Status of Financing**

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Closing Date</th>
<th>Net Commitment</th>
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<td>IDA-51140</td>
<td>03-Jul-2012</td>
<td>09-Jul-2012</td>
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<td>12.00</td>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. Project Status: The project supports comprehensive tax administration reforms in Armenia. These reforms aim to improve taxpayer compliance and broaden the tax base, while enhancing the business climate through more efficient tax procedures that reduce compliance costs for taxpayers. The project finances critical investments in information and communication technology (ICT) infrastructure to enable business process improvements, expand the use of e-governance, and introduce a more targeted, risk-based compliance strategy based on voluntary compliance. Parallel reforms of the tax policy framework were pursued simultaneously with the preparation of a new Tax Code which went into effect on January 1st, 2018, providing the legal basis for a modern and transparent system of tax administration. The project has made significant implementation progress so far: as of March 13, 2018, TAMP has disbursed and committed approximately 90 percent of the total project amount. All PDO indicators are on track and most targets have already been achieved or exceeded. Financial Management arrangements under the project remain adequate and acceptable to the Bank, and there are no overdue audits under the project.

2. Summary of Proposed Changes: Ministry of Finance (MoF) of Armenia sent a letter to the World Bank on March 01, 2018, requesting an extension of the current project deadline of April 15, 2018 to September 30, 2018. The State Revenue Committee (SRC) and the MoF require additional time until September 30, 2018, to complete the bidding process for the Tax Audit Case Management (TACM) system, which is one of the most important assignments of the TAMP. The TACM includes components such as case selection, annual planning, audit execution, quality assurance, and features which facilitate feedback on the results of audits to a risk-based assessment system, so that risks are better identified and tax auditors are assigned to each case through random selection. Hence the TACM will automate all important functions which are currently performed manually, thereby significantly increasing the transparency and accountability of the tax administration. Feedback received from TACM will indicate the accuracy of audit selection and the controls introduced in the TACM workflow will further enhance transparency. Once fully implemented, this assignment will, among other things, facilitate periodic evaluations of audits and their impact on taxpayer compliance.

3. Reason for the proposed extension of the current project closing date: The initial bid announcement carried out in the last quarter of 2017 resulted in the submission of bidding proposals which did not meet the technical requirements. The potential bidders were expected to have the technical capacity to implement an enhanced system to (i) improve tax audits; (ii) conduct big data analysis; and (iii) include a feedback mechanism for the Taxpayer 3 system which is already in place under TAMP. The State Revenue Committee (SRC) requests an extension of the current project closing date till September 30, 2018, to complete the procurement and implementation of the proposed TACM system.

4. Measures to prevent further delays in implementing TACM once the project is extended: The TTL agreed with the Chairman of SRC and the TAMP project management team that the following measures will be taken during the procurement of TACM to avoid any further delays: (i) change qualification requirements to allow broader participation; (b) allow joint ventures of up to 3 companies (consortium) to apply; (c) SRC team meet with the IT Union to advertise/reach out to more potential bidders through the Union; (d) shorten the bid announcement to 4 weeks;
and (e) complete the evaluation process within a strict deadline (preferably in a week) once the bids are received. In addition, the TTL agreed with the SRC Chairman that the proposed extension will be the last extension of the TAMP.

### III. DETAILED CHANGES

#### LOAN CLOSING DATE(S)

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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</thead>
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