INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 12.7 MILLION (US$17.5 MILLION EQUIVALENT)

AND A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 12.7 MILLION (US$17.5 MILLION EQUIVALENT)

TO THE

KYRGYZ REPUBLIC

FOR A

TAX ADMINISTRATION AND STATISTICAL SYSTEM MODERNIZATION PROJECT

FEBRUARY 6, 2020

Governance Global Practice
Poverty and Equity Global Practice
Europe and Central Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2019)

Currency Unit = Kyrgyz Som

KGS 69.79 = US$ 1

US$ 0.014 = KGS 1
SDR 0.72 = US$ 1

FISCAL YEAR
January 1 - December 31

Regional Vice President: Cyril E. Muller
Country Director: Lilia Burunciuc
Regional Director: Lalita M. Moorty
Practice Manager: Daniel J. Boyce, Salman Zaidi
Task Team Leader(s): Nataliya Biletska, Saida Ismailakhunova
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPR</td>
<td>Business Process Reengineering</td>
</tr>
<tr>
<td>CAPI</td>
<td>Computer-Assisted Personal Interviewing</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CIT</td>
<td>Corporate Income Tax</td>
</tr>
<tr>
<td>CPF</td>
<td>Country Partnership Framework</td>
</tr>
<tr>
<td>DAs</td>
<td>Designated Accounts</td>
</tr>
<tr>
<td>D-CASA</td>
<td>Digital Central Asia-South Asia Initiative</td>
</tr>
<tr>
<td>ECA</td>
<td>Europe and Central Asia</td>
</tr>
<tr>
<td>EEU</td>
<td>Eurasian Economic Union</td>
</tr>
<tr>
<td>FM</td>
<td>Financial Management</td>
</tr>
<tr>
<td>GAMSO</td>
<td>Generic Activity Model for Statistical Organizations</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIZ</td>
<td>German Agency for International Cooperation</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>GoKR</td>
<td>Government of the Kyrgyz Republic</td>
</tr>
<tr>
<td>GRS</td>
<td>Grievance Redress Service</td>
</tr>
<tr>
<td>GSPPM</td>
<td>Generic Statistical Business Process Model</td>
</tr>
<tr>
<td>HB</td>
<td>Household Book</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>IDPS</td>
<td>Intrusion Detection and Prevention Software</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>IFRs</td>
<td>Interim Financial Reports</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISNAK</td>
<td>Information System for Tax Administration of Kyrgyz Republic</td>
</tr>
<tr>
<td>ISR</td>
<td>Implementation Status and Results Reports</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KGS</td>
<td>Kyrgyz Som</td>
</tr>
<tr>
<td>KGSTAT</td>
<td>Kyrgyzstan Implementation of the National Strategy for Development of Statistics Project</td>
</tr>
<tr>
<td>LAN</td>
<td>Local Area Network</td>
</tr>
<tr>
<td>MoE</td>
<td>Ministry of Economy of Kyrgyz Republic</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance of Kyrgyz Republic</td>
</tr>
<tr>
<td>MTDP</td>
<td>Medium-Term Development Program “Unity, Trust, Creation” for 2018-2022</td>
</tr>
<tr>
<td>NSC</td>
<td>National Statistical Committee of the Kyrgyz Republic</td>
</tr>
<tr>
<td>NSC Institute</td>
<td>Institute of Statistical Research and Capacity Building of NSC</td>
</tr>
<tr>
<td>NSOs</td>
<td>National Statistical Offices</td>
</tr>
<tr>
<td>NSS</td>
<td>National Statistical System</td>
</tr>
<tr>
<td>ODIN</td>
<td>Open Data Inventory</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PDO</td>
<td>Project Development Objective</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PII</td>
<td>Personally Identifiable Information</td>
</tr>
<tr>
<td>PIT</td>
<td>Personal Income Tax</td>
</tr>
</tbody>
</table>
PMU  Project Management Unit
POM  Project Operations Manual
POS  Point of Sales
QCBS  Quality Cost Based Selection
RF  Results Framework
RFB  Request for Bids
SAI  Supreme Audit Institution
SAN  Storage Area Network
SDGs  Sustainable Development Goals
SECO  Swiss State Secretariat for Economic Affairs
SDR  Special Drawing Right
SNA  System of National Accounts
SOE  Statement of Expenses
STEP  Systematic Tracking of Exchange in Procurement
STS  State Tax Service under the Government of the Kyrgyz Republic
TA  Technical Assistance
TADAT  Tax Administration Diagnostic Assessment Tool
TASSMP  Tax Administration and Statistical System Modernization Project
ToR  Terms of Reference
TP  Twinning Partnership
TWG  Technical Working Group
VAT  Value Added Tax
VPN  Virtual Private Network
WAN  Wide Area Network
WB  World Bank
WTO  World Trade Organization
TABLE OF CONTENTS

DATASHEET ........................................................................................................................................ 1

I. STRATEGIC CONTEXT ....................................................................................................................... 6
   A. Country Context .......................................................................................................................... 6
   B. Sectoral and Institutional Context ............................................................................................ 7
   C. Relevance to Higher Level Objectives ..................................................................................... 10

II. PROJECT DESCRIPTION .................................................................................................................... 11
   A. Project Development Objective .............................................................................................. 11
   B. Project Components .................................................................................................................. 12
   C. Project Beneficiaries .................................................................................................................. 15
   D. Results Chain ............................................................................................................................ 17
   E. Rationale for Bank Involvement and Role of Partners .............................................................. 19
   F. Lessons Learned and Reflected in the Project Design ............................................................... 19

III. IMPLEMENTATION ARRANGEMENTS ............................................................................................. 20
   A. Institutional and Implementation Arrangements ...................................................................... 20
   B. Results Monitoring and Evaluation Arrangements .................................................................. 22
   C. Sustainability ............................................................................................................................. 22

IV. PROJECT APPRAISAL SUMMARY .................................................................................................. 24
   A. Technical, Economic and Financial Analysis (if applicable) ..................................................... 24
   B. Fiduciary .................................................................................................................................... 25
   C. Legal Operational Policies ......................................................................................................... 27
   D. Environmental and Social ......................................................................................................... 27

V. GRIEVANCE REDRESS SERVICES .................................................................................................. 27

VI. KEY RISKS ....................................................................................................................................... 27

VII. RESULTS FRAMEWORK AND MONITORING ............................................................................. 30

ANNEX 1: Implementation Arrangements and Support Plan ................................................................. 43

ANNEX 2: Detailed Project Description ............................................................................................. 56
## BASIC INFORMATION

<table>
<thead>
<tr>
<th>Country(ies)</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyz Republic</td>
<td>Tax Administration and Statistical System Modernization Project</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
<th>Environmental and Social Risk Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>P163711</td>
<td>Investment Project Financing</td>
<td>Low</td>
</tr>
</tbody>
</table>

## Financing & Implementation Modalities

- [ ] Multiphase Programmatic Approach (MPA)
- [ ] Contingent Emergency Response Component (CERC)
- [ ] Series of Projects (SOP)
- [ ] Fragile State(s)
- [ ] Disbursement-linked Indicators (DLIs)
- [ ] Small State(s)
- [ ] Financial Intermediaries (FI)
- [ ] Fragile within a non-fragile Country
- [ ] Project-Based Guarantee
- [ ] Conflict
- [ ] Deferred Drawdown
- [ ] Responding to Natural or Man-made Disaster
- [ ] Alternate Procurement Arrangements (APA)

## Expected Approval Date

<table>
<thead>
<tr>
<th>Expected Approval Date</th>
<th>Expected Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-Feb-2020</td>
<td>30-Sep-2025</td>
</tr>
</tbody>
</table>

**Bank/IFC Collaboration**

No

**Proposed Development Objective(s)**

To improve effectiveness of tax collection and the national statistical system.
The World Bank
Tax Administration and Statistical System Modernization Project (P163711)

### Components

<table>
<thead>
<tr>
<th>Component Name</th>
<th>Cost (US$, millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1. STS Institutional Development</td>
<td>2.07</td>
</tr>
<tr>
<td>Component 2. STS Operational Development</td>
<td>14.49</td>
</tr>
<tr>
<td>Component 3. NSC Institutional Development</td>
<td>4.80</td>
</tr>
<tr>
<td>Component 4. NSC Data Development</td>
<td>11.82</td>
</tr>
<tr>
<td>Component 5. Project Management</td>
<td>1.82</td>
</tr>
</tbody>
</table>

### Organizations

Borrower: Kyrgyz Republic
Implementing Agency: State Tax Service, National Statistical Committee

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$, Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>35.00</td>
</tr>
<tr>
<td>Total Financing</td>
<td>35.00</td>
</tr>
<tr>
<td>of which IBRD/IDA</td>
<td>35.00</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>0.00</td>
</tr>
</tbody>
</table>

#### DETAILS

World Bank Group Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (US$, Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Development Association (IDA)</td>
<td>35.00</td>
</tr>
<tr>
<td>IDA Credit</td>
<td>17.50</td>
</tr>
<tr>
<td>IDA Grant</td>
<td>17.50</td>
</tr>
</tbody>
</table>

### IDA Resources (in US$, Millions)

<table>
<thead>
<tr>
<th>Source</th>
<th>Credit Amount</th>
<th>Grant Amount</th>
<th>Guarantee Amount</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Kyrgyz Republic  |  17.50  |  17.50  |  0.00  |  35.00  
National PBA   |  17.50  |  17.50  |  0.00  |  35.00  
**Total**      |  **17.50**  |  **17.50**  |  **0.00**  |  **35.00**  

**Expected Disbursements (in US$, Millions)**

<table>
<thead>
<tr>
<th>WB Fiscal Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>0.00</td>
<td>0.60</td>
<td>4.40</td>
<td>7.00</td>
<td>10.00</td>
<td>10.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Cumulative</td>
<td>0.00</td>
<td>0.60</td>
<td>5.00</td>
<td>12.00</td>
<td>22.00</td>
<td>32.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

**INSTITUTIONAL DATA**

**Practice Area (Lead)**
- Governance

**Contributing Practice Areas**
- Poverty and Equity

**Climate Change and Disaster Screening**
This operation has been screened for short and long-term climate change and disaster risks

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Political and Governance</td>
<td>● High</td>
</tr>
<tr>
<td>2. Macroeconomic</td>
<td>● Substantial</td>
</tr>
<tr>
<td>3. Sector Strategies and Policies</td>
<td>● Moderate</td>
</tr>
<tr>
<td>4. Technical Design of Project or Program</td>
<td>● Substantial</td>
</tr>
<tr>
<td>5. Institutional Capacity for Implementation and Sustainability</td>
<td>● High</td>
</tr>
<tr>
<td>6. Fiduciary</td>
<td>● High</td>
</tr>
<tr>
<td>7. Environment and Social</td>
<td>● Low</td>
</tr>
<tr>
<td>8. Stakeholders</td>
<td>● Moderate</td>
</tr>
<tr>
<td>9. Other</td>
<td></td>
</tr>
</tbody>
</table>
10. Overall

COMPLIANCE

**Policy**
Does the project depart from the CPF in content or in other significant respects?

[  ] Yes  [✓] No

Does the project require any waivers of Bank policies?

[  ] Yes  [✓] No

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

<table>
<thead>
<tr>
<th>E &amp; S Standards</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment and Management of Environmental and Social Risks and Impacts</td>
<td>Relevant</td>
</tr>
<tr>
<td>Stakeholder Engagement and Information Disclosure</td>
<td>Relevant</td>
</tr>
<tr>
<td>Labor and Working Conditions</td>
<td>Relevant</td>
</tr>
<tr>
<td>Resource Efficiency and Pollution Prevention and Management</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Community Health and Safety</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Biodiversity Conservation and Sustainable Management of Living Natural Resources</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Cultural Heritage</td>
<td>Not Currently Relevant</td>
</tr>
<tr>
<td>Financial Intermediaries</td>
<td>Not Currently Relevant</td>
</tr>
</tbody>
</table>

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).
Legal Covenants

Sections and Description
Schedule 2 of the Financing Agreement. Section 1. Part A.2. Notwithstanding the provisions of Section I.A.1 immediately above, the Recipient shall cause the Project Implementing Entities to hire, not later than three (3) months from Effective Date, a disbursements specialist, a procurement specialist, an office manager/translator and a M&E specialist, all with terms of reference and qualifications acceptable to the Association and as further described in the POM.

Schedule 2 of the Financing Agreement. Section 1. Part A.4. The Recipient shall cause the Project Implementing Entities to, not later than sixty (60) days from the Effective Date, install or update, as needed, an accounting software capable to support the Association’s and the Project Implementing Entities’ reporting and accounting requirements; all of the above in accordance with terms of reference acceptable to the Association.

Conditions

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness</td>
<td>Article V of the Financing Agreement. Section 5.01. The additional effectiveness conditions are: (a) the Project Operations Manual has been prepared and adopted by the Project Implementing Entities, in form and substance satisfactory to the Association; (b) each of the Project Implementing Entities has (i) hired a PMU manager, one financial manager and one senior procurement specialist, and (ii) established PMUs with resources and terms of reference satisfactory to the Association.</td>
</tr>
</tbody>
</table>
I. STRATEGIC CONTEXT

A. Country Context

1. The Kyrgyz Republic is a land-locked country, with a gross national income per capita of US$ 1,220 and a population of 6.4 million in 2018.¹ The country has considerable economic potential based on its natural resource endowments such as mineral reserves, and good possibilities for the development of hydropower, agricultural production, and tourism. The Kyrgyz Republic is significantly more market-oriented and economically liberal than its Central Asian neighbors. Its geographic location, coupled with the accession to the World Trade Organization (WTO) in 1998 and Eurasian Economic Union (EEU) in 2015, could potentially help attract significant investments from the immediate region. Currently, however, the country’s poverty headcount rate remains quite high: 22 percent of the population lives below the national poverty line, and a larger group currently above the poverty line remains at risk of falling back into poverty.

2. The growth of the Gross Domestic Product (GDP) averaged 4.5 percent per annum between 2000 and 2018 despite suboptimal fiscal performance and significant year-over-year volatility in GDP growth. Economic growth has been largely dependent on gold and the inflow of remittances. Remittances are among the highest in the world at nearly 27 percent of GDP in 2018. Macro-fiscal policies have not facilitated increases in private investment. Following fiscal consolidation in 2001-2008, the Government of the Kyrgyz Republic (GoKR) pursued fiscal expansion to mitigate the social impact of external and internal shocks. This expansion fueled the widening of fiscal deficits to 6.3 percent of GDP in 2016. Recent cuts in capital spending coupled with increased revenues reduced the fiscal deficit to 1.6 percent of GDP in 2018. Public debt sharply increased to 67.3 percent of GDP by 2015, but then declined to 56 percent in 2018 as the GoKR delayed some foreign-financed investment projects. However, despite the recent narrowing of the fiscal deficit and decline in public debt, the Kyrgyz Republic remains vulnerable.

3. The geography and topography make the Kyrgyz Republic extremely susceptible to natural hazards. Available data suggests that the economic loss from natural hazards is between 0.5 and 1.3 percent of annual GDP. The country experiences 3,000 to 5,000 earthquakes every year and has 5,000 potentially active landslide sites with more than 10,000 homes located in landslide-prone areas. The Jalal-Abad, Osh, Batken, Chui, Issyk-Kul, and Talas regions face the highest risk of floods and mudflows. The increasing frequency of adverse conditions associated with climate change will exacerbate the Kyrgyz Republic’s vulnerability and reduce the ability to manage extreme events unless the appropriate adaptation measures are put in place.²

4. The GoKR recognizes the importance of improving tax administration and modernizing the national statistical system to address economic and fiscal challenges. It views the strengthening of domestic resource mobilization as an integral part of its efforts to finance priorities in public expenditure such as infrastructure, education, health and social protection and to support sustainability of public finances. The GoKR is also aware that to increase efficiency in public spending, it needs reliable and timely statistical information on service delivery by sector. Furthermore, the GoKR considers tax administration reform and enhancing capacity of the national statistical system as essential elements of improving the investment climate to support economic growth and

¹ Source: World Development Indicators.
private sector development. Lowering compliance costs for individual and business taxpayers, increasing equity in tax collections, improving the transparency and quality of statistical information, and reducing the reporting burden for respondents can facilitate private investment decisions and support business conditions conducive for economic growth and job creation.

B. Sectoral and Institutional Context

5. The Kyrgyz Republic National Development Strategy for 2018-2040 (Vision 2040) identifies tax administration and national statistical system reforms as priority reform areas and emphasizes the need for timely and reliable data in advancing the country’s economic wellbeing, social welfare, governance and sustainability. As part of Vision 2040, the GoKR aims to reduce the share of the shadow economy and improve domestic resource mobilization to finance social and economic priorities. To achieve this objective, the GoKR’s Medium-Term Development Program “Unity, Trust, Creation” for 2018-2022 (MTDP), which operationalizes Vision 2040, seeks to comprehensively reform the country’s tax administration. Similarly, Vision 2040 emphasizes the pivotal role of digital transformation in the reform processes and sets forth the compulsory inclusion of a digital agenda in all conceptual and strategic frameworks. Since data lies at the core of evidence-based policymaking and digitalization, the national statistical system faces the challenge of the digital transformation in data collection and processing. Further, Vision 2040 emphasizes the increased need for quality statistical data and analysis in several policy areas, ranging from healthcare to forests, biodiversity, agriculture, tourism, and information and communications technology (ICT). The GoKR has thereby demonstrated a strong commitment to reforming tax administration and national statistical systems by putting these reforms at the center of its reform agenda.


7. The STS is responsible for administering and collecting direct and indirect taxes at the national and the local level, and Value Added Tax (VAT) on goods and services traded within the EEU. The core taxes accounted for 12.3 percent of GDP in 2018 and include VAT, Corporate Income Tax (CIT) and Personal Income Tax (PIT). In 2019 the GoKR transferred collection of contributions from the Social Fund to the STS. Tax reforms in the past have yielded substantial gains in revenue collection. Total tax revenue, excluding social security contributions, increased from 16 percent of GDP in 2005 to 20.6 percent in 2014. However, total tax revenue as a share of GDP has been slightly below that level in recent years (Table 1).

---

3 VAT on goods and services traded with countries other than the EEU members is collected by the State Customs Service.
The STS risk management is limited to audits and does not prioritize risks by tax outcomes. Other processes continue to create processes for filing and paying taxes made paying taxes easier by implementing an online platform for filing and paying taxes. But tax compliance costs.

### Table 1. Kyrgyz Republic: Tax and Social Contribution Revenues in 2014–2018 (in nominal values and as share of GDP)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KGS, millions</td>
<td>% of GDP</td>
<td>KGS, millions</td>
<td>% of GDP</td>
<td>KGS, millions</td>
</tr>
<tr>
<td>Total</td>
<td>104,696.9</td>
<td>26.1</td>
<td>108,754.9</td>
<td>25.2</td>
<td>120,440.0</td>
</tr>
<tr>
<td>Corporate income tax (profit tax)</td>
<td>5,708.5</td>
<td>1.4</td>
<td>5,822.9</td>
<td>1.4</td>
<td>5,701.5</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>7,133.4</td>
<td>1.8</td>
<td>7,802.4</td>
<td>1.8</td>
<td>8,552.0</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>22,057.8</td>
<td>5.5</td>
<td>24,099.1</td>
<td>5.6</td>
<td>26,559.0</td>
</tr>
<tr>
<td>Value added tax</td>
<td>32,663.4</td>
<td>8.2</td>
<td>33,220.8</td>
<td>7.7</td>
<td>39,297.0</td>
</tr>
<tr>
<td>Excise tax</td>
<td>6,334.4</td>
<td>1.6</td>
<td>7,756.9</td>
<td>1.8</td>
<td>9,058.9</td>
</tr>
<tr>
<td>International trade taxes</td>
<td>13,771.1</td>
<td>3.4</td>
<td>9,684.3</td>
<td>2.2</td>
<td>13,809.3</td>
</tr>
<tr>
<td>Other taxes</td>
<td>17,028.3</td>
<td>4.2</td>
<td>20,367.9</td>
<td>4.7</td>
<td>17,462.3</td>
</tr>
</tbody>
</table>

Source: Kyrgyz Ministry of Finance data

8. A tax administration diagnostic assessment, carried out by the World Bank in 2016 using a Tax Administration Diagnostic Assessment Tool (TADAT), reported significant weaknesses in the Kyrgyz Republic’s tax administration system: outdated tax administration business processes coupled with a lack of full automation of core tax administration processes, an unstructured approach to compliance and institutional risk management, limited accuracy of key data in the taxpayer registration database, and limited rollout of e-filing. The STS lacks compliance risk management across key tax administration functions and proactive measures to ensure accurate reporting. Compliance risk management is limited to audits and does not prioritize risks by tax, compliance obligations and taxpayer segments. The STS does not have information on revenue losses because it does not apply any methods to estimate them from inaccurate reporting, such as estimation of a VAT gap, and there is no risk-based verification system in place for VAT refunds. The STS’ limited risk management practices lead to an inadequate focus on large taxpayers while significant resources are assigned to the assessment of small taxpayers and minor compliance matters. The STS conducted 6,593 field audits in 2018 which generated net taxes assessed per field audit in the amount of Kyrgyz som 1.7 million. At the same time, the STS carried out 2,366 desk audits which generated net assessed taxes per desk audit of Kyrgyz som 3.2 million. In addition, the assessment revealed that the STS lacks strategic focus, skills and tools to monitor tax compliance as well as the performance and accountability of tax administration.

9. Ineffective tax administration operations also hamper the STS’ efforts in tackling the informal economy. According to official NSC data, the size of the shadow economy is 23.6 percent of GDP, while experts estimate its size at 37 percent of GDP.\(^4\) Due to weak tax administration, the burden of taxation rests disproportionately on a small number of formal firms, in turn incentivizing informality. While the STS has improved some aspects of the interface with taxpayers, its largely outdated business processes continue to create an excessive compliance burden for individual and business taxpayers. According to the 2020 Doing Business report, the Kyrgyz Republic made paying taxes easier by implementing an online platform for filing and paying taxes. But tax compliance costs

---

\(^4\) Eurasian Development Bank (2019). Study of the Non-observed Economy in the Kyrgyz Republic.
have remained high. The number of tax payments for businesses at 26 is significantly above the Europe and Central Asia (ECA) region average of 14.4 and the OECD average of 10.3. Furthermore, it takes on average 220 hours to complete tax requirements in the Kyrgyz Republic, in contrast to the ECA Region average of 213 hours and the OECD average of 158 hours. Finally, the tax administration system in the Kyrgyz Republic lags significantly behind in processing refunds and handling audits, scoring 37.4 in the post-filing index, whereas the ECA average is 68.2, and the OECD average is 86.7.

10. Complex and outdated core business processes inhibit the STS from moving forward with modernization. As a result, the STS’ automation efforts have yielded limited efficiency gains and improvements in tax administration processes and the quality of taxpayer services.

11. The National Statistical Committee’s (NSC’s) Development Strategy for 2020-2024 is aligned with the GoKR’s Vision 2040.\(^5\) It envisions significant steps toward digitalization, greater utilization of administrative data (including data on tax revenues, based on the government systems interoperability), streamlining of the National Statistical System (NSS) institutional relations and settings, and improvements in statistical education.\(^6\) Vision 2040 promotes evidence-based policy making as a prerequisite to achieve the country’s economic and social development priorities. This requires improvement in economic and social policy making, which in turn depends on the overall quality and comprehensiveness of the underlying evidence base. The NSS is not fully equipped to deliver the needed information in a timely manner to policy and decision makers.

12. The NSC has taken important steps for the NSS to become a fully-fledged system which collects, processes and disseminates social and economic indicators based on international standards. However, the improvement of the NSS is a continuous process, and at each stage of development the system faces new challenges. With changes in the data ecosystems and introduction of new requirements, a data revolution is taking place, initiating new challenges in data processing, transmission, and dissemination in an open, user-friendly manner. New players such as private sector “big data” generators come into the picture and modify the boundaries of official statistics. In addition, the need to measure progress towards the Sustainable Development Goals (SDGs) places new requirements on the NSS in data collection, processing and calculation of new indicators, adding to the challenges the Kyrgyz statistical system is already facing.

13. The World Bank’s newly released indicator – Statistical Performance Index (SPI) – yields a score of 75.5 for the Kyrgyz Republic in 2018 (Scale 0 – 100, 100 being the best score), which suggests the need for continued strengthening of the NSS. With respect to indicators of maturity (coverage and openness) of a national statistical system, the 2018/19 Open Data Inventory (ODIN) places the Kyrgyz Republic in 70th place (out of 178 countries) with an overall score of 50 out of a maximum of 100.\(^7\) The NSC also cannot release data of high granularity due to

---

\(^5\) The strategy is under consideration and approval being drafted by the Statistical Methodology Council. An approval is expected to take place soon.

\(^6\) NSS comprises official statistical activity of the NSC and other producers of official statistics (structural units of state bodies, and local self-governments engaged exclusively or primarily in production and dissemination of official statistics) in close collaboration with respondents, administrative data providers, and users of official statistics.

\(^7\) In the Kyrgyz Republic, coverage scores are higher than openness scores, meaning that when data is made publicly available, it is often not made available in open formats, with open licensing, or with metadata. The Kyrgyz Republic’s coverage is 53 compared to an openness score of 44. Openness scores and coverage scores are not independent because data availability and comprehensiveness are key factors in openness. ODIN is a quantitative toll for assessing the openness of official statistics. The ODIN scores indicate that data is published in nearly every category, except crime and justice statistics and energy use. Even when data is published, in many social and environmental categories, it is not disaggregated. On the other hand, openness of data is lacking in all categories, meaning that compliance with open
inefficient surveys and an outdated administrative data collection system. The lack of data prohibits the Government from using data to target the most vulnerable segments of population at rayon, city and rural self-government levels (local self-government). In addition, a lack of data granularity hampers the creation of a full-fledged platform for SDGs monitoring and evaluation and hinders the strategic principle of “no one left behind” from being pursued.

14. Restructuring and streamlining of the NSC at the center and in the regions is needed to support smoother and uninterrupted statistical operations. The NSC is lagging in the use of contemporary methods of data collection and application of current international standards and methodologies. It needs to revamp and introduce a unified data collection, transmission, processing, storage, and dissemination system by introducing new information technology (IT)-based data systems. These systems will also support generation of higher data granularity needed to develop evidence-based policies at subnational and municipal levels. Comprehensive work by the NSC is also needed to obtain agreement within the Government and key data users on the outputs of the NSS, periodicity of indicators, and granularity of data required for decision-making and development of economic and social policy.

15. Moreover, as the new Law on Official Statistics has been approved, many associated decrees need to be modified; some of them could be dropped and new ones adopted. Further digitalization in data collection will require changes in the institutional and organizational structure of the NSC and NSS most likely to a two-level statistical system. This will improve the statistical system at the ground level (including for those who collect and compile statistics on municipalities), and will strengthen the top level of the system, where the methodologies are developed and official statistics are produced.

16. The GoKR has requested World Bank financing to support modernization of tax administration and the national statistical system. It requested support for the STS reform program in the areas of modernizing tax administration business processes, enhancing IT infrastructure, and improving taxpayer services. The GoKR also requested support for the NSC reform program focused on enhancement of NSS processes and requirements to modernize data collection, processing, storage, dissemination, and application for policy making, and to improve the capacity of the human resources of the statistical system.

C. Relevance to Higher Level Objectives

17. The TASSMP is aligned with the World Bank Group’s Country Partnership Framework (CPF) for FY2019-2022 which seeks to support the Kyrgyz Republic in strengthening foundations for inclusive, private sector-led growth. The TASSMP will the first and second focus areas of the CPF: strengthening institutions for improved macro management; enhancing conditions for private investment and diversification; and promoting digitalization and development of the e-economy. The tax administration components of the Project will support and strengthen institutions for better fiscal management and improve effectiveness of tax collection. The TASSMP will also lower the compliance burden for taxpayers through modernization and digitalization of tax administration,

---

8 Law No. 82, dated July 8, 2019.
and thus contribute to a better investment climate and private sector development. The statistical components of the Project will contribute to digitalization and development of e-economy through introduction of electronic data collection for poverty measurement. The TASSMP will support far-reaching reforms of the NSC identified and initiated under the Kyrgyzstan Implementation of the National Strategy for Development of Statistics Project (KGSTAT, P144874).\textsuperscript{10} It will enhance the national statistical system, enabling the Government to use better data for evidence-based policymaking. The Project will also support improvements in the calculation of the multidimensional poverty index and important macro indicators, as well as collect data for calculation of SDG indicators. Moreover, improved quality and timeliness of the national statistical data supported by the TASSMP will facilitate private investment decisions.

18. The TASSMP is linked to the broader World Bank engagement in the Kyrgyz Republic which focuses on digital innovation. The GoKR’s Digital Central Asia-South Asia Initiative (D-CASA, P160230), supported by the World Bank, will establish a general framework and infrastructure for e-government in the Kyrgyz Republic. The objective of the D-CASA project is to “increase access to more affordable internet, crowd-in private investment in the information and communications technology sector and improve the Government’s capacity to deliver digital government services”. The TASSMP is closely aligned with the D-CASA project and will utilize the infrastructure being deployed by D-CASA as it becomes available to support the modernization process and digitalization efforts in tax administration and the national statistical system.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

19. To improve effectiveness of tax collection and the national statistical system.

PDO Level Indicators

20. Key results indicators for improving effectiveness of tax collection and measuring improvements in the statistical system performance and its successful modernization include:

(a) Reduced VAT gap;
(b) Additional net taxes assessed per field audit;
(c) Reduced time required with paying taxes as reported in Doing Business;
(d) Overall efficiency gain, i.e., reduced time between completion of data collection and release of key statistical indicators (such as GDP, Financial, External Trade, and Poverty and Income statistics) to the public; and
(e) Openness of official statistical data across 21 data categories: ODIN score.

\textsuperscript{10} The successful implementation of the earlier KGSTAT project supported by a grant from the World Bank gave a much-needed boost to the capacity of the national statistical system. Re-tooling of the NSS was initiated under KGSTAT, while the continuation and completion is planned under the TASSMP.
B. Project Components

21. The TASSMP supports institutional reforms and capacity building on tax administration and statistics that are anchored in Vision 2040’s digital agenda. The Project includes five components: STS Institutional Development, STS Operational Development, NSC Institutional Development, NSC Data Development, and Project Management. The World Bank team developed the Project’s components in close collaboration with management and staff of the STS and the NSC. Areas of Project support on tax administration will involve creating a taxpayer-friendly tax administration system that provides high quality online services. Areas of Project support on statistics will focus on operationalization of the new Law on Official Statistics, the national statistical system’s progress toward digitalization, greater utilization of administrative data based on the government systems interoperability, streamlining of the system’s institutional relations and settings, improvements in statistical education, and an upgrade of the underlying IT hardware and software infrastructure. The TASSMP activities build on the technical assistance on tax reform provided by the World Bank, as well as the achievements and agenda set by the recently completed KGSTAT project. A detailed description of the Project’s components is provided in Annex 2.

22. **Component 1. STS Institutional Development (US$2.07 million):** The component will support initiatives to reduce the compliance burden for taxpayers and improve human resources capacity of the STS which are necessary to align with international good practices in tax administration, enhance the strategic focus and performance of STS management (including change management), and strengthen the STS internal control and integrity function. Component 1 requires the following inputs: consultancy, software, hardware, training/workshops, and operating costs. This component will include the following sub-components:

23. **Sub-component 1.1: Taxpayer Services (US$1.08 million).** This sub-component will reduce the compliance burden for taxpayers by improving the quality of existing services and new services provided by the STS based on international good practices. It will provide support to improve taxpayer services through the following: (i) the modernization of taxpayer services to increase the taxpayers’ awareness of revenue laws and procedures, taxpayers’ rights and obligations, including *inter alia* the provision of comprehensive services for taxpayers and the upgrade of the contact (call) center; and (ii) strengthening internal and external STS communications.

24. **Sub-component 1.2: Strategic Management and Staff Management including Internal Control and Integrity (US$0.99 million).** This sub-component focuses on enhancing the skills of the human resources of the STS. It will provide support to enhance strategic management and staff management of the STS through the following: (i) strengthening the management process for the STS covering all organizational levels and the monitoring system for assessing the STS’ performance; (ii) improving human resource management and capacity building; (iii) improving the internal control and integrity function; and (iv) developing and implementing a change management strategy.

25. **Component 2. STS Operational Development (US$14.49 million):** The component will support modernization of the STS operational functions towards increased effectiveness by implementing new streamlined business processes and enhancing the existing tax administration IT system. Component 2 require the following inputs: consultancy, software, hardware, training/workshops, and operating costs. This component will include the following sub-components:
26. **Sub-component 2.1. Modernization of the STS Operational Functions (US$1.83 million).** This sub-component is the heart of tax administration reforms and will involve a comprehensive, deep and systematic business process reengineering (BPR). It will provide support for: (i) carrying out of business process reengineering to enable institutional, legal and procedural improvements of tax administration; and (ii) implementation of a tax compliance management system, including the development of methodologies and strengthening of the tax administration capacity in functional areas, including, *inter alia*, taxpayers’ registration, tax return and payment processing, enforcement and compliance, tax audit, risk analysis, appeals process, and business analytics.

27. **Sub-component 2.2. IT System Modernization (US$12.66 million).** This sub-component will upgrade the STS tax administration IT system (ISNAK) and enable improved information exchange with entities through the existing Kyrgyz interagency information exchange system, Tunduk. It will provide support for: (i) improving the STS tax administration IT system; (ii) upgrade of and development of requirements for the IT infrastructure to support the upgraded STS tax administration IT system; (iii) development of the STS staff capacity to ensure operation of the enhanced STS tax administration IT system; and (iv) development of protocols and agreements enabling sharing of information between the STS and other government bodies and third parties through the existing information exchange system.

28. **Component 3. NSC Institutional Development (US$4.80 million):** This component will support the modernization of the NSS and enhancement of human resources capacity in statistics. This will require the following inputs: consultancy and training/workshops, including those provided through a twinning partnership (TP), software, hardware, and operating costs. The component will include the following sub-components:

29. **Sub-component 3.1. Modernization of the NSS (US$1.92 million).** This sub-component will support modernization of the national statistical system through: (i) reviewing and drafting the statistical system’s legal and regulatory framework to provide support for the implementation of the Law on Official Statistics; (ii) modification of the institutional structure of the NSC’s headquarters and regional units; and (iii) enhancement of NSC business processes and the national statistical system by introducing the generic statistical business process model.

30. **Sub-component 3.2. Development of human capacity (US$2.88 million).** This sub-component will provide support for development of human capacity through: (i) developing curricula and university program courses in official statistics for universities; (ii) improving the human resources management system of NSC; and (iii) development of capacity in the Institute of Statistical Research and Capacity Building of NSC to apply international statistics standards and methodologies in all areas of statistics.

31. **Component 4. NSC Data Development (US$11.82 million).** This component will support the improvement of statistical infrastructure that will enable management of large data warehouses, collection of data via electronic means and secure transmission, storage, and dissemination of the data in open data formats. This will require the following inputs: consultancy and training/workshops, including those provided through the TP, software, hardware, and operating costs. This component will consist of the following sub-components:

32. **Sub-component 4.1. Data collection and dissemination (US$2.28 million).** This sub-component will provision support for data collection and dissemination through: (i) carrying out analyses and changes in the data collection process with a view to reducing the number of forms and indicators collected; (ii) improving the statistical databases and calculation methodologies in main areas of statistics; (iii) improving the data dissemination in an open and user-friendly format, as well as, capacity building in the NSC to analyze data and
The World Bank
Tax Administration and Statistical System Modernization Project (P163711)

present it to users with metadata, basic manipulation tools, and explanations.

33. **Sub-component 4.2. Enhancement of the statistical and IT infrastructure (US$9.54 million).** This sub-component will provide support for: (i) enhancement of the statistical infrastructure of NSC’s headquarters and regional and local offices; (ii) enhancement of the statistical infrastructure to conduct population, agricultural and economic censuses; (iii) digitalization of the Rural Household Register (RHR); (iv) improving the capacity of municipal civil servants responsible for collecting statistics at the local (cities and villages) level; and (v) enhancement of technological capacity and IT infrastructure to support data collection, processing, dissemination and secure network management through provision of software, equipment and technical assistance.

34. **Component 5. Project Management (US$1.820 million).** This component will provide support for: Project management, implementation, and monitoring, evaluation, and reporting, including in the areas of financial management, Project audits, and financing of Operating Costs, procurement, disbursement, and social and environmental protection for Project Management Units in the (i) STS and (ii) NSC.

35. **Climate co-benefits.** The Project will generate climate co-benefits by moving the STS operations to online document management and away from keeping voluminous paper records. The Project will also produce climate co-benefits by moving the NSC from paper to electronic data collection and dissemination. A document management and imaging system planned for an e-library will considerably reduce paper usage at the NSC. These will result in climate co-benefits in the form of energy saving due to decreased printing and copying of documents. The upgraded IT infrastructure will generally be more energy efficient. All these modernization initiatives will contribute to a reduced carbon footprint. In addition, virtualization and the hyper-convergent technologies that are planned for the NSC servers will utilize their idle capacity and thus will reduce the need for more servers. Likewise, the Project will support a disaster recovery center that provides for an opportunity for adaptation climate co-benefits with a backup for tax and national statistics IT systems infrastructure in the event of climate-related natural disasters. Moreover, the Project will support further improvements in the SNA environmental accounts to help in framing the Government’s environmental policies and enable the Government to make data-informed policy decisions and report to citizens on the environmental outcomes of the implemented policies.\(^{11}\)

36. **Citizen engagement.** The Project has been designed to support mechanisms for citizen engagement. It will finance periodic taxpayer satisfaction surveys to facilitate independent feedback from a wide range of taxpayer segments on their experience with taxpayer services. These surveys will follow earlier taxpayer satisfaction surveys supported through the World Bank technical assistance, thereby facilitating comparisons. The tax administration components of the Project will use these survey results to inform tax administration activities such as taxpayer services and other tax administration operations. Results from surveys measuring taxpayer satisfaction with services such as the STS website and call center will be regularly monitored in the Project’s results framework. In addition, the STS will consult on major initiatives undertaken as part of this Project with a Civil Advisory Council established under the STS. Under the statistical components, the NSC will make statistical data publicly available to improve transparency and accountability, encourage public debate on economic, financial and social issues, and enhance citizen engagement in policy development and allocation of public resources. Under Component 3 of the Project, support will be provided to strengthen the Statistical Advisory Council established by Presidential Decree No. 54 dated March 7, 2014, to facilitate semi-annual consultations between data producers and data users to share their needs, ideas, recommendations, and feedback. The Project will rely

---

11 The 2040 Concept on Development of Forest Industry in the Kyrgyz Republic was approved by Government Decree No. 231 dated May 27, 2019.
on this platform to directly engage with citizens in the process of the strategic planning, implementation, monitoring of statistics and activities supported by the Project. The Project will adopt innovative civic technologies to conduct a user satisfaction survey on a rolling basis on the NSC website and through mobile applications. This mechanism will seek user feedback on key dimensions of statistical data services: (i) importance, relevance, accessibility, visibility and readability of data products and services; (ii) user-friendly features of the NSC website (relevance of the content, ease of navigation and search); (iii) transparency, independence, credibility and reliability of the NSC as an institution; (iv) professionalism of NSC staff; and (v) feedback on effectiveness of the NSC engagement with beneficiaries. The NSC will discuss feedback with the Statistical Advisory Council for the purpose of adapting processes and will post survey results and actions taken in response on the NSC website semi-annually. An online feedback mechanism will also function as a grievances redress mechanism, allowing data-users to provide comments or lodge complaints. The Project will facilitate regular monitoring and establish response times. Indicators, baselines and end targets to measure citizen engagement processes and progress of user satisfaction are included in the results framework presented in Section VII.

37. **Gender.** An assessment of gender disparities at the NSC shows that a gender gap exists in favor of women: 73 percent of all staff at the NSC headquarters and territorial offices (including city, oblast and rayon levels) are women (see Table 2). The gender gap, however, is different for managerial positions at territorial statistical offices where only 26 percent of managerial positions are occupied by women. There is currently no gender-disaggregated data available on the interaction of taxpayers with the STS. Results of the planned taxpayer satisfaction surveys will be disaggregated by gender. Under Component 3, the NSC program of human resource development and capacity building will pay attention to gender sensitive employment and training policies to reduce gender disparities among existing NSC staff and new staff hired during the lifetime of the TASSMP. Implementation of capacity building is expected to benefit NSC staff at all levels and thereby reduce the gender disparity through merit-based recognition and promotion of staff. In particular, the professional level of staff at oblast and rayon levels will be increased through training in professional disciplines and management, facilitating promotion of professional staff (which is already predominantly female) to managerial positions. The NSC’s surveys will be improved to allow for more disaggregated data by gender, age, and territory. Improved municipal statistics will also provide policy makers with gender disaggregated data. Indicators, baseline and end targets to track improvement in gender disparities among staff and new hired staff are defined in the results framework in Section VII.

| Table 2. NSC Staff Distribution by Gender as of November 2019 (in percent) |
|---------------------------------|--------|--------|
| Managerial, professional – top management in regional and local offices | Female | Male |
| Non-managerial, professional staff in regional and local offices | 79     | 21    |
| All staff headquarters and regions | 73     | 27    |

Source: NSC data

C. Project Beneficiaries

38. The Project’s beneficiaries are Kyrgyz taxpayers and the Kyrgyz public at large. Business and individual taxpayers will benefit directly from the TASSMP supported tax administration reforms that lower tax compliance
costs, improve taxpayer services, and streamline business processes of the STS. Businesses, non-governmental organizations and citizens will also benefit from the modernized national statistical system that will be able to reduce reporting burden and provide readily accessible, quality and timely information on different aspects of the Kyrgyz economy and society. Kyrgyz businesses, as well as foreign investors, will be able to rely on better statistical data for making informed investment decisions. Kyrgyz businesses and citizens will also benefit indirectly from operational effectiveness of the STS and reliable statistical data from the NSS that together will contribute to increasing the level and the quality of public spending on social and infrastructure needs. In addition, the Government and the implementing agencies of the Project—the STS and the NSC—are direct beneficiaries. The Government benefits from improved effectiveness and efficiency of the tax administration and the national statistical system while the STS and the NSC benefit from an improved working environment.
D. Results Chain

**Component 1:**
STS Institutional Development

- Management developed a strategic focus in managing the STS;
- Modernization of taxpayer services;
- STS human resource function reformed.

**Component 2:**
STS Operational Development

- Support for procedural and other institutional changes to achieve significant efficiency improvements through implementing business process re-engineering;
- Modernization of the IT systems and further development of the tax administration software to support new business procedures.

**Impact/Higher Level Outcome:**

- Strengthened institutions for improved macro management,
- Enhanced conditions for private investment and diversification,
- Promoted digitalization and development of the economy.

(CPF objectives)

**Output**

- Staff trained in strategic management, planning techniques, accountability system, quality assurance and control, and internal control systems;
- Increased number of e-services for taxpayers;
- Taxpayers reporting that the experience of taxpayer services: i) STS website; ii) STS call center, has improved;
- Improved e-filing rate for payroll (PAYE) withholding tax;
- Taxpayers reporting satisfaction with their interaction with the tax administration.

**Intermediate Outcomes**

- Increased net taxes assessed per desk audit;
- Decreased number of payments required according to World Bank Doing Business Paying Taxes indicator;
- Increased hours in training on field audit techniques on average per auditor per year;
- Improved on-time filing rate for payroll (PAYE) withholding tax;
- Improved on-time filing rate for VAT;
- Improved case management process for enforcement and tax collections;
- Taxpayer segment-focused measures in the STS Annual Business Plan and Plan of Measures to Increase State Tax Revenue;
- Improved process for compliance risk management.
- Risk-based VAT refund claims automation

**Outcomes/PDO**

- Improved effectiveness of tax collection: Taxpayer friendly/Reduced compliance burden for taxpayers (through reduced time with paying taxes)
- Improved effectiveness of tax collection: Reduced VAT gap, increased additional net taxes assessed per field audit
**Component 3: NSC Institutional Development**
- Regulatory reforms and enforcement decrees issued;
- Duplicative oblast-level functions eliminated;
- New business processes for statistical data using GSBPM international standards implemented;
- New courses in official statistics and data science and related specializations introduced in local universities;
- HR management, HR systems and support modernized in NSC;
- International standards and methodologies in statistics utilized and capacity built through external training for NSC staff and statisticians in line ministries;
- Gender disparity reviewed and corrective action implemented

**Component 4: NSC Data Development**
- Periodicity, granularity and duplication of data collected by other ministries/agencies analyzed. As a result, number of surveys reduced and optimized. Collection of data for SDGs introduced;
- National Accounts data converted to SNA 2008 standard; compilation of statistics of all areas of economic statistics improved; poverty lines computation improved;
- More data disseminated as open data in open formats, including providing metadata, methodologies and analytical tools to data users;
- Links to government registers created. Census and other data used to update government registers in STS and other ministries;
- Long term plans for censuses developed; census data used to improve estimation of socio-economic indicators;
- Household Books digitized; capacity of municipal staff improved in compiling these statistics;
- New and modern IT hardware and software procured and implemented; software developed to (a) automate business processes and work-flows in NSC; (b) digitalize all data collection forms; (c) data processing; (d) facilitate and acquire data using Tunduk; and data dissemination over the web.

**Component 5: Project Management**
- PMU established and functional;
- Efficient internal and external stakeholder communication and coordination maintained.

**Intermediate Outcomes**
- At least 15 decrees issued by the government to enforce legal and regulatory reforms on statistics
- Gender gap reduced
- University level curricula in universities in the Kyrgyz Republic to have special courses in Official Statistics and Data Science
- Improved user satisfaction and time required to respond to citizen requests
- Supporting components 1-4; flexible and targeted interventions to ensure coordinated and a successful implementation

**Outcomes/PDO**
- Improved effectiveness of NSS: Overall efficiency gain (i.e. reduced time between completion of data collection and release of key statistical indicators to the public)
- Improved effectiveness of NSS: Openness of official statistical data across 21 data categories: ODIN Score
E. Rationale for Bank Involvement and Role of Partners

39. The World Bank has accumulated significant experience and expertise in reforming tax administrations and statistical systems over several decades. The Bank is the leading donor on tax administration reform in ECA with on-going and recently closed projects in Bulgaria, Croatia, Moldova, Romania, Russia, Tajikistan, and Ukraine, among others. Also, the Bank is the only institution which finances and helps design and manage large statistical capacity development and restructuring programs. Over time, the Bank has actively supported statistical operations in the ECA region with loans and grants to Armenia, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, and Ukraine, among others.

40. The World Bank’s involvement facilitates focus, coordination, and discipline, and brings significant international experience to the Project. Clients recognize that World Bank support to the procurement of ICT services and equipment helps mitigate fiduciary risks and results in improved quality of bidders. Additionally, both the modernization of tax administration and statistical systems need more than investment in ICT. At the core of reforms is the modernization of business processes and functions, and the inclusion of change and project management. Finally, the World Bank is in a unique position, given its experience and expertise, to combine statistical and tax administration modernization, and reap the benefits of synergizing these two reform initiatives.

F. Lessons Learned and Reflected in the Project Design

41. Administration and statistical system reforms were considered. These lessons include:

   (a) *High-level political commitment to reforms are important for effective implementation of the planned reforms.* TASSMP’s objectives, scope and activities are anchored in the GoKR’s reform plans. The Project is aligned with Vision 2040, the NSC’s Development Strategy for 2020-2024, and the STS’ Development Strategy for 2019-2021. The Project is strongly aligned with the GoKR’s D-CASA Initiative. The TASSMP will complement D-CASA objectives and build on existing open data initiatives within the Government.

   (b) *Engaging key stakeholders during project preparation and implementation is key to ensure ownership and achievement of results.* Ownership of the Project was reinforced with the early engagement of STS and NSC management and technical teams in the identification and design of the Project’s activities and components. During project implementation, taxpayers and users of the national statistics will be engaged through satisfaction surveys conducted by the STS and the NSC to gather feedback on the perception and effectiveness of tax administration and statistical system reforms financed by the TASSMP.

   (c) *Institutional reforms are informed by robust institutional and capacity assessments.* Good diagnostic data and a review of the STS and the NSC structures, operations and functions were all important inputs for the design of the TASSMP. The 2016 TADAT assessment provided the necessary diagnostic of weaknesses and gaps in the Kyrgyz Republic’s tax administration system that are being addressed in the TASSMP. For the NSC, the design was informed by the results of the recently closed successful KGSTAT project, namely recommendations provided in the final Twinning Partnership report, project completion report and by human resource management consultants engaged under KGSTAT.
(d) Reform process should be accompanied by change management efforts to ensure the achievement of the desired reform results. The TASSMP envisions change management and communication strategies to build credibility and a coalition for change among all relevant internal and external stakeholders.

(e) Investments in ICT are more effective when based on a sound institutional, organizational and operational framework. While investments in ICT and digitalization are important, the STS and NSC modernization focuses on institutional, operational, and management and staff capacity enhancement to enable transformational reforms and provide the environment to maximize the benefits of the ICT investments.

(f) Project activities should be aligned and coordinated with support provided by other partners, fostering sustainability. The Project was designed in coordination with other partners and donors (particularly the International Monetary Fund (IMF) and bilaterals, such as the Swiss State Secretariat for Economic Affairs (SECO) and the German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ), to ensure complementarity and avoid duplication. This collaborative arrangement will be continued with regular consultations during implementation support missions. The TP with managerially and technically strong international partners will also promote a lasting partnership that exceeds the life of the Project.

(g) Integrity is a critical foundation for the development of sound tax administration and statistical systems. The design of the TASSMP emphasizes strengthening institutional and data integrity in tax administration, as well as the use of international standards and methodologies to improve international comparability of Kyrgyz statistics and the integrity of the national statistical system.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

42. The STS and the NSC will be responsible for the management and implementation of the TASSMP. The Project implementation arrangements will include a Project Management Unit (PMU) at each agency. Both the STS and the NSC will create mechanisms for coordination across the Government to support implementation of TASSMP activities that require collaboration with ministries and other government agencies. A Project Operational Manual (POM) will be prepared to assist project implementation. The POM will set forth the Project’s overall operating, fiduciary, and decision-making procedures and its results monitoring arrangements.

43. The STS and the NSC will carry out fiduciary functions, such as procurement and financial management, for activities under tax administration and statistical components of the Project with support of their respective PMUs. The fiduciary functions include planning and budgeting, accounting, financial reporting, external auditing, preparation of disbursement (withdrawal) applications and submission to the World Bank, funds flow, and internal controls. In consideration of the NSC’s previous experience of implementing the Bank financed KGSTAT project, the NSC will be responsible for the consolidation of the TASSMP annual budget and its submission for approval through the state budgetary system, as well as the consolidation of the Project’s financial statements, based on information provided by the STS for its components. In addition, the NSC will be responsible for arranging the audit of the overall Project. Annex 1 provides more details on institutional and implementation arrangements.

44. Implementation arrangements for the tax administration components of the TASSMP are designed to ensure cross-departmental coordination internally within the STS and externally with the Prime Minister’s Office.
and other stakeholders, covering external coordination and accountability, project management functions, and the management of specific project activities. Implementation of project activities supporting the modernization of the STS will require close coordination with other donor and state funded projects (e.g., the D-CASA project, the GoKR’s e-fiscalization initiative).

45. The STS will be responsible for the day-to-day management and implementation of the Project’s tax administration components. It will host the PMU for implementation of tax administration modernization activities. A designated STS Deputy Chair will serve as a Project Coordinator, overseeing work of the STS PMU on a day-to-day basis. The Project Coordinator will serve as a focal point for communication with the World Bank team on project related issues.

46. The Project Coordinator will be supported by a Project Manager who will head the STS PMU operations. The STS PMU will assist the STS with coordination of Project activities, contract management, monitoring and evaluation and reporting functions under the Project. The STS PMU will be staffed on a full-time basis with a senior procurement specialist, a procurement specialist, a financial manager, a disbursement specialist, a monitoring and evaluation specialist, and an office manager who will be responsible for administrative and interpretation services. The Bank will provide additional training to PMU staff to ensure sufficient capacity to manage and implement the Project, including capacity for change management and World Bank safeguards requirements.

47. The existing STS Senior Management Committee which is led by the STS Chairman and includes the senior management team will ensure that activities are coordinated across functions and are not implemented in a fragmented manner. Technical Working Groups (TWG) within the STS will be established, as required, to provide technical inputs and supervision for the day-to-day implementation of project activities under each component and sub-component with the support of the PMU. The TWGs will support and advise the PMU in drafting of Terms of References (ToRs) and technical specifications for bidding documents, participate in technical evaluation panels, and supervise the execution of consulting services in their respective areas, as well as provide inputs to the PMU on results achieved in their area of responsibility.

48. Implementation arrangements for the statistical components of the TASSMP are designed similarly, i.e., to ensure cross-departmental coordination internally within the NSC and externally with the President and Prime Minister’s Offices and key government stakeholders. Coordination also must be done with ministries and agencies which report to and receive statistical information from the NSC for policymaking. Implementation of project activities supporting the ongoing transformation of the NSC and the national statistical system will also require close coordination with other donor funded projects.

49. The NSC will be responsible for the day-to-day management and implementation of the statistical components of the TASSMP. The PMU at the NSC will be set up to coordinate and support the overall implementation of the Project’s statistical components. The NSC PMU will report to the Project Coordinator appointed by the NSC Chairperson. The Project Coordinator will oversee day-to-day work of the PMU and will serve as the focal point with the World Bank and other project related issues. The PMU will also manage reporting and auditing activities and ensure compliance with the procurement, disbursement, and financial management policies and procedures. The functions of this office will include expenditure management and monitoring and evaluation of the statistics part of the Project. The NSC PMU will include a Project Manager, a financial manager, two procurement specialists, a disbursement specialist, a monitoring and evaluation specialist, and an office manager who will provide administrative and interpretation services.

50. Important additional responsibilities of the NSC PMU will be preparation and submission of the Project’s annual budget consolidation for all components, based on information provided by the STS for its components,
and submission for the approval through the state budgetary system. It will also consolidate the overall Project’s annual financial statements, based on inputs provided by the STS for its components, and manage the external audit of the Project.

51. The Statistical Advisory Council established by Presidential Decree No. 54 dated March 7, 2014 will provide strategic direction for and prioritization of the implementation of the statistical components of the Project.

52. Technical Working Groups, formed from members from NSC departments and statistics units of the relevant ministries and agencies, will be established to provide technical advice and expertise on issues related to implementation of the Project as well as provide input to the PMU on results achieved in their area of responsibility. The TWGs will report to the NSC Chairperson. Advice will also be sought from data user groups.

53. It is proposed to implement capacity building activities of the Project, particularly those requiring international consultants, through a TP. Experience from various statistical capacity building projects in other countries and the KGSTAT project in the Kyrgyz Republic, showed that a TP between the NSC and a consortium comprised of private sector consultancies and statistical offices from good practice countries, provides for a higher quality and more sustainable approach than hiring several consulting firms or individual consultants. In the long-term this could allow building a lasting partnership between statistical agencies that will endure beyond the Project’s life. In addition, the greater use of private-public partnerships of statistical offices of developed countries and private consultancies through a TP will help reduce the risk of implementation of capacity building that could be constrained by the lack of expertise and technical assistance.

B. Results Monitoring and Evaluation Arrangements

54. A results framework with project-specific indicators and actionable monitoring arrangements will support adequate and timely monitoring of project implementation and achievement of the Project’s results. Both PMUs will set up monitoring and evaluation (M&E) systems to regularly monitor progress towards achievement of outputs and outcomes, in accordance with the results framework provided in Section VII.

55. Semi-annual implementation and performance reports focusing on the achievement of targets set in the results framework will be due one month after each reporting period. These reports will draw on technical inputs from members of the TWGs. Progress reports will be prepared by the PMUs, endorsed by the Project Coordinators and approved by the STS and NSC Chairpersons. The approved progress reports will be shared with the World Bank and the Ministry of Finance before implementation support missions to guide the discussion of key issues affecting project implementation.

C. Sustainability

56. Sustainability of improvements in tax administration supported by the Project depends on two important elements: the GoKR’s high-level political commitment to increasing the effectiveness of tax collection and lowering the compliance burden for taxpayers; and the STS’ buy-in and ownership of the reform agenda. At the political level, commitment from the President’s Office and Prime Minister’s Office are driving this reform as reflected in Vision 2040. At the technical level, the STS’ Development Strategy for 2019-2021, which informed the Project’s activities, demonstrates the agency’s ownership of the agenda and commitment to implementing the reform. The STS has also showed commitment to this Project through the active participation of management and key staff in its preparation.
57. The low capacity of STS staff and potential high turnover of staff due to low salaries may affect the sustainability of the reform beyond this Project. A recent increase in remuneration of STS staff has partially mitigated this risk. The change management and capacity-building activities and implementation arrangements put in place by the Project are expected to deepen ownership of and commitment to the reform within the STS. Change management approaches, including communication strategies and stakeholder workshops and consultations, will seek to ensure commitment of all staff during project life and motivate them to continue beyond Project closure. Capacity building activities to meet the demands of new competencies and needs of the STS as identified by the BPR recommendations, as well as training of staff in new methodologies and practices introduced with the reform, will accompany the BPR and the overall reform. The HRM review of the STS envisaged by the TASSMP (Component 1) will enable identification of main skills and competencies needed in the new institutional context.

58. The Project’s sub-components 3.1, 4.1 and 4.2, which address the improvement of the legal framework and organization of statistics, strengthening technological capacity, ICT technologies, upgrading and expanding statistical infrastructure, and modernizing production and dissemination of statistical data, have low sustainability risks. These activities constitute institutional changes and upgrading of production capacity and therefore will be sustained as part of routine NSC operations.

59. Sustainability is a concern in relation to strengthening statistical human resources capacity. Hence, activities of the Project are designed with focus on implementing capacity building activities in tandem with human resource system improvement. While capacity in the central office of the NSC is moderate, the staff capacity at regional and local offices, in particular those producing municipal statistics, is much lower. Sustainability of the Project may be affected by turnover and low salaries of experienced NSC staff, which has been addressed (mitigated) by the recent increase in staff remuneration (salaries were increased on average by 30-40 percent). The Project nevertheless is expected to deliver sustainable results by providing additional intensive training to the regional and local staff and statistical cadre of ministries to be delivered by local and international experts. The Project may also propose a rotation of key staff within the NSC and within the national statistical system, thus ensuring that multiple staff are able to perform certain crucial activities. Project-related training and capacity-building will also target a relatively large group of staff. Most important is the changing of work processes and introduction of modern technology in the daily operations of the NSC and other data-producing institutions that can make jobs at all levels of the NSS more attractive and satisfying. This will decrease the number of people prematurely leaving the system and will help sustain the reform process.

60. The TP is another strategy that fosters sustainability. A twinning partner in the form of a well-established statistical agency (or a suitable consulting firm) can provide systematic and programmatic assistance to the NSC in capacity-building in the long run. Likewise, building a statistical education program at local universities provides a more disciplined framework for long-term capacity building in the national statistical system. Graduates of such programs would be available to work at either NSC or another agency and therefore build sustainable statistical capacity.

61. A major part of this Project rests on the sustainability of the IT hardware and software, internet connectivity to rayons and remote areas for data collection, and on the software applications to be developed to support the old and new business processes and products, including improved statistical methodologies underlying them. Investments in hardware and software should normally last at least 7-8 years with periodic upgrades to hardware and software. To address sustainability of the software applications, in-house staff with expertise and data management and production responsibilities would be trained on software use and maintenance. All major and minor changes to the software would be centrally controlled through automated processes and produce an audit trail. Hardware and software at primary and secondary data centers and archive
facilities would be supported by the NSC IT staff with assistance from local vendors. Provision for operational and maintenance support for new hardware and software during project implementation is also included in the budget.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

62. **Technical.** The STS operations are cumbersome and outdated, and staff lack skills necessary to ensure adequate tax compliance. These factors hinder modernization of the tax administration that would enable effective and efficient tax revenue collection and decrease compliance burden for taxpayers. The technical design of the TASSMP’s tax administration components draws on World Bank global experience in implementing tax administration reforms. The institutional and operational modernization of the STS through a comprehensive, deep and systematic BPR, targeted to improve all functional areas of tax administration, based on risk management and relying on data analytics and advanced IT tools, will be directed to support the STS’ efforts to align its operations with international good practices. Enhancement of the ISNAK will support the BPR effort. The STS will more efficiently use tax information from third parties, including government agencies and key private sector institutions, to apply a comprehensive compliance risk management approach in its operations. The Project will also provide the STS tools and training necessary to improve its focus on noncompliant taxpayers.

63. In addition, the Project’s design reflects an emphasis on modernization of taxpayer services, including better quality of the existing services and new services and communication channels, which will enable the reduction of taxpayer compliance burden. The STS digital transformation is an important element in the process of bringing the tax administration closer to citizens, with the expansion of e-services for taxpayers, simplification of filing and additional options for payment of taxes, fewer tax audits and less time needed to interact with tax officials. Bringing services closer to taxpayers will help improve voluntary tax compliance.

64. The technical design of the statistical components of the Project is based on a detailed analysis of strengths and weaknesses of the national statistical system, development priorities stipulated in the NSC’s Development Strategy, KGSTAT project documents and other earlier evaluations conducted by the World Bank, GIZ, Statistics Norway and other partners. The proposed developments in management of statistical agencies, statistical infrastructure, and statistical operations and the choice of technology are appropriate to the NSC’s needs and capabilities, and in line with international good practices and standards. It will also employ internationally accepted models like the GAMSO and GSBPM.\(^1\)

65. **Economic and financial analysis.** The TASSMP will generate significant benefits to taxpayers and the Government, mainly in the form of efficiency gains. Quantifying such benefits depends on the availability and reliability of data. This analysis provides estimates of benefits and costs using data obtained from the STS, the IMF World Economic Outlook database, and the World Bank Doing Business Report. Taxpayers will benefit from the

---

\(^{1}\) GAMSO describes and defines the activities that take place within a typical statistical organization. It extends and complements the GSBPM by adding additional activities needed to support statistical production. Details can be found at [http://www1.unece.org/stat/platform/display/GAMSO/Generic+Activity+Model+for+Statistical+Organizations](http://www1.unece.org/stat/platform/display/GAMSO/Generic+Activity+Model+for+Statistical+Organizations)

GSBPM describes and defines the set of business processes needed to produce official statistics. It provides a standard framework and harmonized terminology to help statistical organizations to modernize their statistical production processes, as well as to share methods and components. Details can be found at [http://www1.unece.org/stat/platform/display/GSBPM/Generic+Statistical+Business+Process+Model](http://www1.unece.org/stat/platform/display/GSBPM/Generic+Statistical+Business+Process+Model)
modernization and simplification of business processes and streamlined compliance procedures which will lower compliance costs for individuals and businesses. This will be the result of the Project enabling expansion of e-services for taxpayers, simplification of filing and additional options for payment of taxes, fewer tax audits and less time needed to interact with tax officials. Benefits to the Government include the improved effectiveness of tax collection and the increased STS capacity to ensure tax compliance. The STS efficiency gains will result from business process optimization and modernization of the tax administration IT system. The STS will more efficiently use tax information from third parties, including government agencies and key private sector institutions, to apply a comprehensive compliance risk management process to its operations. The economic analysis considers direct costs, such as the Project’s investment, STS staff time devoted to implementation of the Project’s tax administration components, and the operation and maintenance costs of the enhanced tax administration IT system. The estimated economic net present value (NPV) is US$67.7 million and economic rate of return is 279.6 percent. The financial analysis considers benefits in the form of improved tax collection in addition to the STS efficiency gains. Financial costs are the same as economic costs. The estimated financial NPV is US$10.7 million and an internal rate of return is 90.8 percent. The estimates are based on an 8 percent discount rate and cover 15 years, including five years for implementation of the Project.

66. The statistical components are not amenable to a cost-benefit analysis. Statistics is a public good and therefore it is for the Government to provide it to users for free. The economic benefits from the Project, however, will derive from three main sources. First, existence of data will enhance the potential for evidence-based decision-making, at policy, program and project levels. In particular, it is important for development of better-informed regional development strategies, including better targeted government interventions and data-driven decision making at the municipal level. Second, an improved statistical system of the Kyrgyz Republic will enable the Government and international community to target, measure and track results of national development programs and plans and measure achievement of the SDGs. Third, efficiency will be improved from better allocation of resources and more effective implementation of planned and ongoing development programs. National statistics are generally financed from tax revenue and aid. There is only very limited potential for cost recovery, mainly through data dissemination, including sale of publications and producing “non-standard” reports that require additional human and other resources. To foster demand and encourage use of statistics, the costs of reports are kept to a minimum. Therefore, only marginal financial returns are expected from statistical components of the Project.

B. Fiduciary

(i) Financial Management

67. The financial management assessment of the Project was performed in May 2019 in accordance with the Financial Management Manual for World Bank Investment Project Financing Operations, effective March 1, 2010; revised February 10, 2017. Overall, financial management arrangements at the STS and the NSC are adequate to implement the Project and meet the minimum requirements of the Bank’s Policy and Directive on Investment Project Financing subject to the following condition: (i) the development and adoption by the STS and the NSC of a POM acceptable to the Bank, which include the Project’s financial management arrangements (an effectiveness condition); (ii) hiring by the STS and NSC of a financial manager, with relevant knowledge and experience in World Bank financial management and disbursement policies and procedures (an effectiveness condition to establish PMUs), and (iii) within 60 days of the project effectiveness, both the STS and the NSC will have installed/updated accounting modules specifically for project accounting, which include functionality for automatic generation of
the project financial reports and Statements of Expense (SOE) (a dated covenant).13

68. Two separate sets of project management-oriented unaudited Interim Financial Reports (IFRs) will be used for monitoring and supervision of the implementation of the Project’s components by the STS and the NSC. The format of the IFRs have been confirmed during the assessment and will include: (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activity, (iii) Designated Account Statements, (iv) a Statement of the Financial Position, and (v) an SOE Withdrawal Schedule. The entities will produce IFRs every calendar quarter throughout the life of the Project. These financial reports will be submitted to the Bank within 45 days of the end of the quarter. The first IFRs will be submitted after the end of the first full quarter following the initial disbursement.

69. There are no pending audits under the closed Bank-financed KGSTAT project implemented by the NSC. The auditor issued unmodified (clean) opinions on the financial statements of the projects implemented by the NSC, with no critical recommendations in the management letters. In consideration of previous successful experience in implementation of a closed Bank-funded project, the NSC will be responsible for consolidation of the Project’s annual financial statements based on inputs received from the STS for its part of the Project’s activities. The audit of the Project’s annual financial statements will be conducted (i) by independent private auditors acceptable to the Bank, hired based on ToRs acceptable to the Bank and procured by the NSC, and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The annual audits of the Project’s financial statements will be provided to the Bank within six months of the end of each fiscal year and at project closing. The cost of project audits will be financed from the proceeds of the Project.

70. The Borrower has agreed to disclose the audit reports for the Project within one month of their receipt from the auditors and acceptance by the Bank by posting the reports on the website of the STS and/or the NSC or other official websites of the Borrower. Following the Bank’s formal receipt of these reports from the Borrower, the Bank will make them publicly available according to World Bank Policy on Access to Information.

71. The country has made some progress in ease of doing business but weaknesses in its public financial management (PFM) system persist. According to the 2020 Doing Business Survey, the Kyrgyz Republic was among the bottom rated ECA countries and scored modestly vis-à-vis many other high-income and middle-income countries (80th out of 190) on the ease of doing business.14 Further, according to the 2018 Transparency International Corruption Perception Index, the Kyrgyz Republic was ranked 132nd out of 180 countries.15 The latest Public Expenditure and Financial Accountability (PEFA) report, conducted in 2014, found that several critical PFM elements such as internal controls, external audit performed by the Supreme Audit Institution (SAI), and financial reporting remained weak. While some elements of the country’s PFM system, such as the budget system, will be used for the Project, project-specific systems at the STS and the NSC will be used for other PFM elements, including accounting, financial reporting, internal controls, and funds flow. The Project’s Designated Accounts (DAs) will be opened in a commercial bank(s) acceptable to the Bank.

(ii) Procurement

---

13 The hiring of another financial manager by STS is an effectiveness condition for the Project Preparation ECAPDEV grant. Meanwhile, if for any reason the STS does not manage to hire the financial manager (and hence the preparation grant does not become effective), the hiring of the financial manager should be done as part of a project effectiveness condition to establish the STS PMU.

14 https://www.doingbusiness.org/en/rankings

15 https://www.transparency.org/cpi2018
72. The activities under the Project will be subject to the World Bank’s new procurement framework. All procurements will be conducted through the procedures as specified in the World Bank Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing: Goods, Works, Non-Consulting and Consulting Services, dated July 2016; revised November 2017 and August 2018 (Procurement Regulations). The Project will also be subject to the World Bank Anti-Corruption Guidelines, dated July 1, 2016. The procurement and contract management processes will be tracked through the Systematic Tracking of Exchange in Procurement (STEP) system. As required by the Procurement Regulations, a Project Procurement Strategy for Development (PPSD) has been developed on which a Procurement Plan was in turn prepared. A detailed description of procurement arrangements and a summary Procurement Plan are provided in Annex 1.

C. Legal Operational Policies

<table>
<thead>
<tr>
<th>Projects on International Waterways OP 7.50</th>
<th>Triggered?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects in Disputed Areas OP 7.60</td>
<td>No</td>
</tr>
</tbody>
</table>

D. Environmental and Social

73. The TASSMP is an institutional reform project that will provide efficiency gains within the Government’s tax administration and statistical systems. There are no civil works envisaged and the Project includes training of staff but does not anticipate any loss of employment. Therefore, no negative environmental or social impacts are expected, and the corresponding risks are rated Low. In compliance with the Bank’s Environmental and Social Framework, an Environmental and Social Commitment Plan was prepared and publicly disclosed.

V. GRIEVANCE REDRESS SERVICES

74. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit [http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service](http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service). For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

VI. KEY RISKS
75. The overall risk rating for the proposed Project is substantial due to high political and governance, fiduciary, institutional capacity for implementation and sustainability risks, and substantial macroeconomic and technical risks.

76. **Political and governance.** The political and governance risks are rated high. The Kyrgyz Republic has experienced frequent changes in the Government in recent years, including changes at the level of the Prime Minister, ministers and other decision makers that affect Government’s policy decisions. Potential changes in the Government may lead to shifts in priorities and impact decision-making processes and affect implementation of the planned tax administration and national statistical system reforms. In addition, governance remains a significant challenge for the Kyrgyz Republic. According to the Worldwide Governance Indicators, the Kyrgyz Republic falls well behind average performance in key dimensions, including rule of law, control of corruption, and political stability, relative to other low- and middle-income countries. Implementing the transformation of the STS and the NSC will potentially require adjustment to the legal and regulatory frameworks under which they operate. High level political commitment to the tax administration and statistical reform agendas will help mitigate the political risk. As reflected in the Vision 2040, commitment from the Kyrgyz Republic President’s Office and Prime Minister’s Office have driven such reforms. Moreover, the Project design envisages specific mitigation measures, including developing and implementing the program for strengthening integrity and internal control in the STS, as well as change management and communication with external stakeholders, to minimize the governance risk. Ongoing policy dialogue on tax administration and statistical system reforms with key decision makers in the GoKR will also help mitigate this risk.

77. **Macroeconomic.** The macroeconomic risk is rated substantial. The country’s macroeconomic stance is affected by weak transmission mechanisms against the backdrop of low monetization of the economy and a large informal economy. The Kyrgyz Republic’s growth performance remains vulnerable to developments in its major trading partners in the region. Achievement of PDOs related to tax administration reforms may be challenging in case the macroeconomic position deteriorates. Tax administration reforms will help mitigate macroeconomic risks by improving tax revenue collection. Reduced compliance costs for taxpayers and the improved timeliness and quality of the statistical data will enable informed policy-making and private investment decisions, which will in turn contribute to business conditions conducive for economic growth and job creation.

78. **Technical.** The technical risks are substantial and are related to the modernization of the STS and NSC IT systems. Modernization requires significant technical capacity to define business process requirements for upgrading the IT systems and to implement new business process requirements. The STS and the NSC have implemented reforms in the past with a marginal business process redesign. Modernization of the STS and the NSC business processes and IT systems will be a complex task for both agencies. Mitigation measures include the provision of international IT consultants to help prepare technical specifications and implement the upgrade of the IT systems. In addition, the STS will be able to utilize a Project preparation grant to conduct preparatory analyses for a high-level design of its enhanced IT system. Moreover, there is significant ownership of the reform agendas both within the STS and NSC as noted above.

79. Other risks that can impact the NSC’s IT systems modernization and implementation include:

   (a) Development of statistical data systems involves designing and implementing large software systems which faces standard project management risks (i.e., delays and cost escalations due to changes in specifications (scope creep), and unforeseen issues in software testing, integrating and implementing

---

16 The Law on Official Statistics is approved, and further improvements to the statistical system’s legal and regulatory framework will be needed to support its implementation.
multiple custom and off-the-shelf applications). This risk can be minimized, to a great extent, by not making the systems renewal purely an IT project but rather by involving the users (statisticians and economists from the NSC) in lead roles of project management and implementation.

(b) IT staff, such as software architects and developers, data center experts – network engineers, information security, server and data administrators – have skills that are in demand, and as a result can have a high turnover due to lower levels of compensation than the private sector. This risk can cause major setbacks in a multi-year project if IT staff leave mid-stream. Such risks can be mitigated by having backup arrangements in the roles and responsibilities of key IT staff and offering career advancement opportunities and other incentives, such as training opportunities, both locally and abroad.

(c) New business processes expected in this Project for data collection and data transfer to the NSC headquarters (HQ) over secure channels will require broadband internet links between rayons and the NSC HQ. This connectivity effort is being implemented under the World Bank D-CASA project. Close coordination with the D-CASA project and selecting pilot rayons for testing these data transfer links to the NSC HQ early on would help mitigate this risk.

80. **Institutional Capacity for Implementation and Sustainability.** The risks related to institutional capacity are rated high and include a lack of technical and managerial staff capacity to support the implementation of comprehensive reforms which are expected to impact the agencies’ organizational culture. Senior management within the STS and the NSC shares a view that tax administration and the national statistical system face formidable challenges, including inadequate progress in modernizing business processes and IT systems and a lack of technical skills in the agencies. While the NSC has recently completed a World Bank grant financed KGSTAT project, the STS has limited experience in managing donor financed projects. Low capacity of STS staff and potential high staff turnover due to low salaries, as well as low capacity of staff at NSC regional and local units may pose additional challenges to project implementation. Moreover, resistance to organizational change poses a significant challenge, as STS and NSC staff at lower organizational levels may not share commitment to modernization. Capacity building, hiring of highly competent PMUs, and an effective internal and external communication strategy will support project implementation to mitigate these risks. Component 5 of the Project allocates resources for project management capacity building and will finance consultants to support project management, implementation planning, and training activities. The Project includes capacity building activities to be implemented in tandem with human resource system improvements, designed with project sustainability in mind. The Project envisages gathering of feedback on the change management process through regular staff surveys. It also includes support for targeted communications with internal and external stakeholders, including citizen engagement, that will explain the rationale for reforms and address resistance to reforms. This will also include an emphasis on capacity building of staff at the STS field offices and the NSC territorial offices.

81. **Fiduciary.** Fiduciary risks are rated high. Procurement of IT may pose high fiduciary risks to the Project. In addition, the overall financial management risk for the Project is assessed as Substantial, with the Inherent Risk and Control Risk also assessed as substantial due to the complex implementation arrangements involving two implementing entities, one of which (STS) has no experience in the World Bank financial management and disbursement policies and procedures. The World Bank will work closely with the STS and the NSC to ensure a transparent competitive process for procurement of consulting services, IT systems, and tools. In addition, the agencies will contract experienced project managers and procurement specialists, financial managers with relevant knowledge and experience in the Bank’s financial management and disbursement policies and procedures. The Project also includes resources for the STS and the NSC to hire consultants with the requisite experience.
## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

**COUNTRY:** Kyrgyz Republic  
Tax Administration and Statistical System Modernization Project

### Project Development Objectives(s)

To improve effectiveness of tax collection and the national statistical system.

### Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>DLI</th>
<th>Baseline</th>
<th>Intermediate Targets</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improve effectiveness of tax collection</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of VAT gap (Percentage)</td>
<td></td>
<td>13.20</td>
<td>12.70</td>
<td>12.00</td>
</tr>
<tr>
<td>Net taxes assessed per field audit (thousand som) (Text)</td>
<td></td>
<td>1,726.00</td>
<td>1,800.00</td>
<td>1,900.00</td>
</tr>
<tr>
<td>Time required to comply with taxes - World Bank Doing Business Paying Taxes sub-indicator (Hours)</td>
<td></td>
<td>220.00</td>
<td>215.00</td>
<td>205.00</td>
</tr>
<tr>
<td><strong>Improved effectiveness of the national statistical system</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall efficiency gain: reduction of time time between completion of data collection and release of key statistical indicators to the public (Text)</td>
<td></td>
<td>90 days</td>
<td>80 days</td>
<td>66 days</td>
</tr>
</tbody>
</table>
## Openness of Official Statistics: Measures Coverage and Openness of Data Across 21 Data Categories, Using the Open Data Inventory (ODIN) (Text)

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>DLI</th>
<th>Baseline</th>
<th>Intermediate Targets</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>2018/19 score of 50</td>
<td>52.00</td>
<td>56.00</td>
</tr>
</tbody>
</table>

## Intermediate Results Indicators by Components

### Component 1: STS Institutional Development

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>DLI</th>
<th>Baseline</th>
<th>Intermediate Targets</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff trained in strategic management, planning techniques, accountability system, quality assurance, quality control, and internal control systems out of total management staff (disaggreg. by gender) (Percentage)</td>
<td>0.00</td>
<td></td>
<td>80.00</td>
<td></td>
</tr>
<tr>
<td>e-Services for taxpayers (Number)</td>
<td>22.00</td>
<td></td>
<td>27.00</td>
<td></td>
</tr>
<tr>
<td>Taxpayers reporting that the experience of taxpayer services: i) STS website; ii) STS call center, has improved (Text)</td>
<td>Baseline will be available in June 2020 after completion of taxpayer satisfaction survey</td>
<td>Improvement by 10 percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e-Filing rate for payroll (PAYE) withholding tax (Percentage)</td>
<td>23.80</td>
<td></td>
<td>45.00</td>
<td></td>
</tr>
<tr>
<td>Taxpayers reporting satisfaction with their interaction with the tax administration (Text)</td>
<td>Baseline will be available in June 2020 after completion of taxpayer satisfaction survey</td>
<td>Improvement by 20 percent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Component 2: STS Operational Development

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>DLI</th>
<th>Baseline</th>
<th>Intermediate Targets</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net taxes assessed per desk audit (thousand som) (Number (Thousand))</td>
<td>3,167.30</td>
<td></td>
<td>3,848.00</td>
<td></td>
</tr>
<tr>
<td>Payments required – WB Doing Business Paying Taxes indicator (Payments) (Number)</td>
<td>26.00</td>
<td></td>
<td>23.00</td>
<td></td>
</tr>
<tr>
<td>Indicator Name</td>
<td>DLI</td>
<td>Baseline</td>
<td>Intermediate Targets</td>
<td>End Target</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>-----</td>
<td>----------</td>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hours in training on field audit techniques on average per auditor per year (disaggregated by gender) (Number)</td>
<td></td>
<td>0.00</td>
<td></td>
<td>8.00</td>
</tr>
<tr>
<td>On-time filing rate for payroll (PAYE) withholding tax (Percentage)</td>
<td></td>
<td>80.20</td>
<td></td>
<td>87.00</td>
</tr>
<tr>
<td>On-time filing rate for Value Added Tax (VAT) (Percentage)</td>
<td></td>
<td>93.80</td>
<td></td>
<td>97.00</td>
</tr>
<tr>
<td>Improved case management process for enforcement and tax collections (Text)</td>
<td></td>
<td></td>
<td></td>
<td>The case management system is in place and the majority of routine enforcement activities are conducted using this system.</td>
</tr>
<tr>
<td>Taxpayer segment-focused measures in the STS Annual Business Plan and Plan of Measures to Increase State Tax Revenue (Text)</td>
<td></td>
<td></td>
<td></td>
<td>STS Annual Business Plan and Plan of Measures to Increase State Tax Revenue do not currently have measures by taxpayer segment</td>
</tr>
<tr>
<td>Improved process for compliance risk management (Text)</td>
<td></td>
<td></td>
<td>STS does not have a Compliance Risk Management Board</td>
<td>Compliance Risk Management Board or equivalent established and operational within the STS</td>
</tr>
<tr>
<td>Risk based VAT refund claims automation (Text)</td>
<td></td>
<td></td>
<td>No risk based verification procedures for VAT refund claims</td>
<td>Risk based verification procedures for VAT refund claims developed and used</td>
</tr>
</tbody>
</table>

**Component 3: NSC Institutional Development**

<p>| Decrees issued by the Government to enforce legal and regulatory reforms on statistics (Text) |     | No decrees issued on official statistics | At least 15 decrees issued by the Government |
| University level curricula in local universities, including courses in Official Statistics, and Data Science (Text) |     | No courses exist in local universities in Official Statistics | At least one University level course in Official Statistics |
| Gender disparity in staff count by gender at NSC: top level female managers at the oblast and rayon level (Percentage) |     | 26.00 | 28.00 | 33.00 |
| Gender disparity in new staff hired during the project at NSC (Text)         |     | n/a | | The newly recruited staff maintain a less than 15% disparity by gender |</p>
<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>DLI</th>
<th>Baseline</th>
<th>Intermediate Targets</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 4: NSC Data Development</strong></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>World Bank Statistical Performance Indicator (Text)</td>
<td></td>
<td>75.5 in 2018</td>
<td></td>
<td>Improvement by 10 points</td>
</tr>
<tr>
<td>Digitization of surveys using CAPI - reduction of paper-based questionnaires and surveys (Text)</td>
<td></td>
<td>About 25% surveys are digitalized</td>
<td></td>
<td>At least 75% of surveys are digitized.</td>
</tr>
<tr>
<td>Overall data users satisfaction (Percentage)</td>
<td></td>
<td>38.00</td>
<td></td>
<td>60.00</td>
</tr>
<tr>
<td>Time required to respond to citizen requests received through the NSC website (Days)</td>
<td></td>
<td>14.00</td>
<td>13.00</td>
<td>11.00</td>
</tr>
</tbody>
</table>

### Monitoring & Evaluation Plan: PDO Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Definition/Description</th>
<th>Frequency</th>
<th>Datasource</th>
<th>Methodology for Data Collection</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of VAT gap</td>
<td>The indicator measures improvement in the effectiveness of tax collection. The reduction of the VAT gap would serve as an indicator of improved tax compliance through higher effectiveness of tax administration as a result of modernization of the STS. The baseline has been calculated using latest published data.</td>
<td>Baseline; at mid-term review; in last year of project</td>
<td>STS data on VAT collection; National Accounts data</td>
<td>Data obtained from STS and National Statistical Committee</td>
<td>World Bank, STS and National Statistical Committee</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description</td>
<td>Frequency</td>
<td>Source</td>
<td>Data Source</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------</td>
<td>--------------</td>
<td>---------------------------</td>
<td></td>
</tr>
<tr>
<td>Net taxes assessed per field audit (thousand som)</td>
<td>The indicator measures improvement in the effectiveness of tax collection. Increased additional net taxes assessed as a result of field audit will measure improved effectiveness of audit planning process (risk based) and quality of audit. The indicator will measure additional net tax assessed per field audit calculated by adjusting additional tax assessed for the amount of the reduction of assessed tax due to administrative or court appeals.</td>
<td>Annual</td>
<td>STS</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td>Time required to comply with taxes - World Bank Doing Business Paying Taxes sub-indicator</td>
<td>The indicator measures lowering of compliance burden for taxpayers. As improved business processes and taxpayer services would lead to less time required to prepare, file and pay (or withhold) CIT, VAT, labor taxes, including payroll taxes and social contributions (in hours per year).</td>
<td>Annual</td>
<td>Doing Business reports</td>
<td>Data obtained from Doing Business reports</td>
<td>World Bank</td>
</tr>
<tr>
<td>Overall efficiency gain: reduction of time between completion of data collection and release of key statistical indicators to the public</td>
<td>This indicator measures elapsed time between completion of data collection and release to public of key statistical indicators (such as GDP, Financial, External Trade and Poverty and Income) to the public. To compute efficiency gains, a reference or baseline ‘elapsed time’ data would be required for a few of the business processes used in the current production cycles of NSC. A few representative indicators (e.g. GDP, Poverty &amp; Income, etc.) can be used to compute a broader or overall efficiency gain. A weighted average (equal weights) of efficiency gains of such representative indicators can be used to compute the overall efficiency gain. The new workflow management system would also programmatically compute such elapsed times for business process activities of other indicators or data</td>
<td>Baseline; at mid-term review, in last year of project</td>
<td>National Statistical Committee (NSC) data</td>
<td>Data obtained from NSC</td>
<td>NSC</td>
</tr>
<tr>
<td>Indicator Name</td>
<td>Definition/Description</td>
<td>Frequency</td>
<td>Datasource</td>
<td>Methodology for Data Collection</td>
<td>Responsibility for Data Collection</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Openness of official statistics: measures coverage and openness of data across 21 data categories, using the Open Data Inventory (ODIN)</td>
<td>The indicator measures coverage and openness of data across 21 data categories, using the Open Data Inventory (ODIN) — a quantitative tool.</td>
<td>Annual</td>
<td>Open Data Watch</td>
<td>Data obtained from Open Data Inventory</td>
<td>World Bank and NSC</td>
</tr>
<tr>
<td><strong>Monitoring &amp; Evaluation Plan: Intermediate Results Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff trained in strategic management, planning techniques, accountability system, quality assurance, quality control, and internal control systems out of total management staff (disaggred. by gender)</td>
<td>Staff trained in strategic management, planning techniques, accountability system, quality assurance, quality control, and internal control systems out of total management staff (disaggred. by gender). Formal training provided through the project. Consulting TOR’s include the initial training and establishing training courses that are subsequently given by trained STS staff.</td>
<td>Annual from the first year of the project implementation.</td>
<td>Training records maintained by STS HR</td>
<td>Data gathered through analysis of HR records</td>
<td>STS</td>
</tr>
<tr>
<td>e-Services for taxpayers</td>
<td>Electronic services provided to taxpayers (e.g. e-filing, web services, taxpayer cabinet services)</td>
<td>Annual from the first year of the project implementation.</td>
<td>STS ICT inventory of services plus services administered by taxpayer services</td>
<td>Data gathered from ICT and taxpayer services</td>
<td>STS</td>
</tr>
<tr>
<td>Taxpayers reporting that the experience of taxpayer services: i) STS website; ii) STS call center, has improved</td>
<td>Taxpayers reporting that the experience of taxpayer services: i) STS website; ii) STS call center, has improved. Survey of small and medium sized companies to be carried out annually during At least every two years.</td>
<td>At least every two years</td>
<td>Taxpayer survey</td>
<td>Data gathered through taxpayer surveys</td>
<td>STS</td>
</tr>
<tr>
<td>Metric</td>
<td>Description</td>
<td>Reporting Period</td>
<td>Data Source</td>
<td>STS</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
<td>------------------</td>
<td>-------------</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Taxpayers reporting satisfaction with their interaction with the tax administration</td>
<td>Survey of small and medium sized companies to be carried out at least every two years during implementation of the project to provide data on satisfaction of taxpayers (businesses) with their interaction with the STS. Baseline will be available when the taxpayer satisfaction survey concludes in June 2020.</td>
<td>At least every two years</td>
<td>Taxpayer survey</td>
<td>STS</td>
<td></td>
</tr>
<tr>
<td>Net taxes assessed per desk audit (thousand som)</td>
<td>The indicator measures improvement in the effectiveness of tax collection. Increased additional net taxes assessed as a result of desk.</td>
<td>Annual</td>
<td>STS</td>
<td>STS</td>
<td></td>
</tr>
<tr>
<td>e-Filing rate for payroll (PAYE) withholding tax</td>
<td>The indicator measures increase in e-filing rate for payroll (PAYE) withholding tax by employers.</td>
<td>Annual</td>
<td>STS IT System</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td>Payments required – WB Doing Business Paying Taxes indicator (Payments)</td>
<td>The indicator measures lowering of compliance burden for taxpayers. As improved business processes and taxpayer services would lead to less time required to prepare, file and pay (or withhold) CIT, VAT, labor taxes, including payroll taxes and social contributions (in hours per year).</td>
<td>Annual</td>
<td>Doing Business reports</td>
<td>Data obtained from Doing Business reports</td>
<td>World Bank</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Hours in training on field audit techniques on average per auditor per year (disaggregated by gender)</td>
<td>Formal training provided through the project. Consulting TOR’s include the initial training and establishing training courses that are subsequently given by trained STS staff.</td>
<td>Annual from the first year of the project implementation</td>
<td>Training records maintained by STS HR</td>
<td>Data gathered through analysis of HR records</td>
<td>STS</td>
</tr>
<tr>
<td><strong>On-time filing rate for payroll (PAYE) withholding tax</strong></td>
<td>The indicator will measure increase in on-time filing rate of payroll (PAYE) withholding tax by employers</td>
<td>Annual</td>
<td>STS IT System</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>On-time filing rate for Value Added Tax (VAT)</strong></td>
<td>The indicator will measure increase in on-time filing rate of Value Added Tax</td>
<td>Annual</td>
<td>STS IT System</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td><strong>Improved case management process for enforcement and tax collections</strong></td>
<td>This indicator measures the establishment of a comprehensive case management process for enforcement and tax collections.</td>
<td>At project mid-term review; in last year of project</td>
<td>STS management reports</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td><strong>Taxpayer segment-focused measures in the STS Annual Business Plan and Plan of Measures to Increase State Tax Revenue</strong></td>
<td>This indicator measures the increased use of taxpayer segmentation to target the STS compliance management efforts.</td>
<td>At project mid-term review; in last year of project</td>
<td>STS management reports</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td><strong>Improved process for compliance risk management</strong></td>
<td>This indicator measures the movement of STS towards using risk management and incorporating it into their day-to-day and strategic operations.</td>
<td>At project mid-term review; in last year of project</td>
<td>STS management reports</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td><strong>Risk based VAT refund claims automation</strong></td>
<td>This indicator measures the introduction of risk based automatic evaluation of refund claims.</td>
<td>At project mid-term review; in last year of project</td>
<td>STS management reports</td>
<td>Data obtained from STS</td>
<td>STS</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description</td>
<td>Data Obtained From</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrees issued by the Government to enforce legal and regulatory reforms on statistics</td>
<td>The indicator reflects the number of decrees issued Baseline; at mid-term review; in last year of project</td>
<td>NSC Data obtained from NSC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University level curricula in local universities, including courses in Official Statistics, and Data Science</td>
<td>The indicator reflects the number of university level courses in Official Statistics, and Data Science introduced Baseline; at mid-term review; in last year of project</td>
<td>NSC and Ministry of Education Data obtained from NSC and Ministry of Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender disparity in staff count by gender at NSC: top level female managers at the oblast and rayon level</td>
<td>This indicator will take a count of the total staff broken down by gender. It would be further broken down into two categories – Managers – a) department managers at the NSC HQ including MCC, Professional staff (Economists, Statisticians and IT Professionals) and b) Others (non-professional, non-managerial Staff). This count will be taken at the HQ, oblasts and at rayon levels and aggregated at oblast and rayon levels Baseline, at mid-term review, in last year of project</td>
<td>NSC Data obtained from NSC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender disparity in new staff hired during the project at NSC</td>
<td>This indicator will take a count of the total new staff hired in the Professional and</td>
<td>NSC Data obtained from NSC</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Managerial streams broken down by gender. It would be further broken down into three categories – NSC HQ, oblasts and rayons.

World Bank Statistical Performance Indicator
World Bank Statistical Performance Indicator measures 4 dimensions (Methodology, Standards and Classifications (MSC); Censuses and Surveys (CS); Availability of Key Indicators (AKI), and Dissemination Practices and Openness (DPO))

Digitization of surveys using CAPI - reduction of paper-based questionnaires and surveys
The indicator reflects the level of digitalization in data collection and reduction in paper-based questionnaires and surveys

Overall data users satisfaction
The indicator measures 6 statistical data service quality dimensions, including (i) importance, relevance and accessibility of data products and services, (ii) visibility and readability of data products and services, (iii) NSC website’s relevance and searchability, (iv) modernity
of the website’s design, including its visual clarity and readability, (v) transparency and independence, credibility and reliability of the NSC as institution, (vi) professionalism of NSC staff

| Time required to respond to citizen requests received through the NSC website | Time required to respond to citizen requests received through the NSC website | Annual | NSC | As reported by NSC | NSC |
ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Kyrgyz Republic
Tax Administration and Statistical System Modernization Project

1. Project implementation arrangements have been designed to ensure the highest possible degree of political ownership within STS and NSC, similar structures to manage the TASSMP financed tax administration and statistical system reforms and project implementation, and agency technical level ownership for project results and activities.

2. The STS and NSC will be responsible for the management and implementation of the TASSMP. The Project’s implementation arrangements will include PMUs at each implementing agency. Both agencies will initiate mechanisms for coordination across the Government as needed to support implementation of TASSMP activities that require collaboration with ministries and other government agencies.

3. The STS and the NSC will be responsible for the implementation of the procurement and financial management functions for their respective activities, including planning and budgeting, accounting, financial reporting, external auditing, funds flow, and internal controls. In addition, taking into consideration previous experience with the implementation of the Bank financed project, the NSC will support the overall Project’s annual budget consolidation for all components, its submission for the approval through the state budgetary system, consolidation of the Project’s annual financial statements, and arrangement of the project audit. The STS will provide necessary information to the NSC for these tasks. Each agency will perform procurement for its respective components.

Implementation Arrangements

4. Implementation arrangements for the tax administration components of the TASSMP are designed to ensure cross-departmental coordination internally within the STS and externally with the Prime Minister’s Office and other stakeholders, covering high level policy and strategic direction, external coordination and accountability, project management functions, and the management of specific Project activities. Implementation of the Project’s activities supporting the modernization of the STS will require close coordination with other donor and state funded projects.

5. The STS will be responsible for the day-to-day management and implementation of the Project’s tax administration components and for housing the PMU for implementation of tax administration modernization activities. A designated STS Deputy Chair will serve as a Project Coordinator, overseeing work of the STS PMU on a day-to-day basis. The Project Coordinator will serve as a focal point for communication with the World Bank team on project related issues.

6. The Project Coordinator will be supported by a Project Manager who will head the STS PMU operations. The STS PMU will assist the STS with coordination of the implementation of Project’s activities, contract management, monitoring and evaluation, and reporting functions under the Project. The STS PMU will also be staffed on a full-time basis with a senior procurement specialist, a procurement specialist, a financial manager, a disbursement specialist and an office manager who will be responsible for administrative and interpretation services. A project management adviser to support project implementation will be hired on a part-time basis. The Bank will provide additional training to PMU staff to ensure sufficient capacities to manage and implement the Project, including change management and the World Bank safeguards requirements.

7. The STS PMU will perform the following key functions:
   - Procurement and financial management of the tax administration components;
8. Technical Working Groups within the STS will be established, as required, to provide technical inputs and supervision for the day-to-day implementation of Project’s activities under each component and sub-component with the support of the PMU. The TWGs will, jointly with the PMU, draft ToRs and technical specifications for bidding documents, participate in evaluating bidding proposals, and supervise the execution of consulting services in their respective areas as well as provide inputs to the PMU on results achieved. The existing STS Senior Management Committee which is led by the STS Chairman and includes the senior management team will ensure that activities are coordinated across functions and are not implemented in a fragmented manner. The STS will hold consultations with the Civil Advisory Council established under the STS on major tax administration reform initiatives.

Figure 1: Implementation Arrangements for Tax Administration Project Components

### STS Senior Management Committee (existing)
(STS Chairman, Project Coordinator, and STS Senior Management)
- Overall management of project: program preparation and implementation
- Coordination of reform and modernization activities in various structures of the STS
- Approval of budgets, procurement plan, work plans, implementation plans, reports, and ToRs
- Monitoring of project implementation

### Project Management Unit (PMU-Tax)
(Project Manager reporting to STS Deputy Chairperson who serves as Project Coordinator)
- Day-to-day project management
- Prepare project budgets and work plans
- Ensure compliance with World Bank Procurement Regulations, prepare ToRs, bidding documents in coordination with Working Groups, evaluation reports, draft contracts
- Ensure compliance with World Bank financial management and reporting requirements
- Provide inputs to the NSC PMU for consolidation of budget and financial reporting

### Technical Working Groups (existing/new)
(Officials of the respective STS departments and regional officials concerned with the specific activities / Project’s components)
- Advise on developing ToRs and technical specifications for activities in their respective areas
- Participate in bid evaluation as technical members of the Evaluation Committee
- Supervise the execution of work of consulting services and goods in their respective areas

### Civil Advisory Council under the STS
- Discuss and provide feedback on main reform initiatives
9. In a similar vein, implementation arrangements for the statistical components of the TASSMP are designed to ensure cross-departmental coordination internally within the NSC and externally with key government stakeholders responsible for high level policy and strategic direction as well as ministries and agencies which report statistical information to the NSC and receive statistical information from the NSC for policy making. Implementation of Project’s activities supporting the ongoing transformation of the NSC and the national statistical system will also require close coordination with other donor funded projects in this area. The implementation arrangement of the NSC components is designed using successful experience and lessons learned from the recently completed KGSTAT project as well as from other project experiences.

Figure 2. Implementation Arrangements for Statistical Project Components

10. The NSC will be responsible for the day-to-day management and implementation of the statistical components of the TASSMP. The PMU at the NSC will be set up to coordinate and support the overall implementation of the Project’s statistical components. The NSC PMU will report to the Project Coordinator, appointed by the NSC Chairman from amongst the NSC senior management. The Project Coordinator will oversee the PMU on a day-to-day basis. The PMU will also manage reporting and auditing activities and ensure compliance with the procurement, disbursement and financial management policies and procedures, and monitoring and evaluation of the Project’s statistical activities. The NSC PMU will fulfill the following key functions:

- Procurement and financial management of the statistics components;
• Interact with relevant NSC departments and its regional and local offices on project implementation issues, including coordination of Project’s activities implemented under the TP;
• Provide support to the Technical Working Groups;
• Interact with relevant government bodies (ministries and agencies) on project implementation issues;
• Manage a program of monitoring and evaluation for the Project;
• Prepare and update project plans (quarterly, semiannual and annual plans);
• Prepare progress reports and submit to the NSC management, Technical Working Groups and the World Bank;
• Interact with the World Bank and other donors;
• Ensure communication and publication of project results, in particular on the NSC website (project portal)
• Prepare Project’s annual budget consolidation for all components, based on inputs provided by the STS for its components, and submission for the approval through the state budgetary system, as well as for consolidation of the Project’s annual financial statements, based on inputs provided by the STS for its components, and
• Make arrangements for Project audit.

11. The NSC PMU will include a Project Manager as well as a financial manager, a senior procurement specialist, a procurement specialist, a disbursement specialist, a monitoring and evaluation specialist, and an office manager who will be responsible for administrative and interpretation services. All other aspects of the Project would be implemented by relevant NSC staff and other key selected ministries and agencies with the assistance of local and international consultants.

12. The Statistical Advisory Council includes representatives of different data user groups. The Statistical Advisory Council will provide strategic direction for and prioritization of the implementation of the Project. It will monitor and evaluate the Project progress on a semi-annual basis and propose recommendations for improvements as needed.

13. The Technical Working Groups will be established to provide technical advice and expertise on issues related to implementation of the Project and provide inputs to the PMU on results achieved. The TWGs will report to the NSC Chairperson. The TWGs will be a platform for technical coordination of the project implementation. Development partners with a particular interest in statistics and contributing to the implementation of the Project can participate in these working groups as observers. A list of contributing development partners will be developed and updated regularly. The TWGs would be chaired by a senior official of the NSC and include members from the NSC, line ministries, development partners and civil society. The TWGs will discuss key statistical development issues related to the project implementation, mobilization of resources needed, program prioritization, monitoring and coordination. The TWGs will meet at least twice a year. The PMU will help the TWGs organize their semiannual meetings and provide necessary administrative and secretarial support for those events. Coordination of Project’s activities with other multilateral and bilateral development agencies is important to avoid duplication and inefficient use of funds. Regular coordination meetings will be held with key stakeholders, including development partners and relevant government agencies if needed, in addition to regular semiannual meetings of the TWGs.

14. Based on the successful experience of the KGSTAT project implementation, the twinning partnership is proposed for international consulting and technical advisory services and training activities. The TP provides necessary technical expertise in a “one-stop-shop” for the development of modern and efficient statistical systems with the structures, human resources and management skills needed to produce and disseminate statistics that are in line with the internationally accepted standards. The main feature of the TP is that it is based on a mutually agreed and detailed work program to meet the Project’s objectives and to deliver specific results that are clearly identified.
15. In addition, the NSC as an implementing agency could select a twinning partner (a consortium comprised of private sector consultancies and well-established statistical agencies) through competitive bidding (more likely using the quality cost-based selection – QCBS procurement method) to carry out most of the consulting and training activities based on detailed ToRs prepared by NSC that are acceptable to the Bank. In this way, the national statistical system of the Kyrgyz Republic will acquire the best possible expertise in a single package. This will help significantly reduce the transaction time and costs. It will also facilitate timely implementation of such a comprehensive and complex project by providing, in a sense, one-stop-shop for expertise. The twinning partnership will also help ensure proper sequencing of project activities.

16. The Project will be implemented following the POM which will be developed and adopted before project effectiveness. The POM will lay out the Project’s overall operating, fiduciary and decision-making procedures and its results monitoring arrangements. The POM will set the framework of rules based on which the STS PMU and the NSC PMU will manage the Project according to the World Bank regulations for financial management and procurement. The POM will also include written job descriptions for each member of the two PMU teams that clearly define responsibilities, lines of supervision, and limits of authority. An appropriate training program which will include World Bank procurement management procedures will be designed and will start at project effectiveness to ensure that the Project’s teams within STS and NSC are active and ready to operate.

17. The Project will support consulting services for monitoring and evaluation studies, Project reviews and the revision of the POM; and necessary furniture and equipment for the PMUs of the STS and the NSC if needed. Other operating costs such as office supplies, communications, etc. will also be covered by the Project.

**Financial Management**

18. The financial management arrangements in place at both the STS and the NSC were reviewed in May 2019 and were assessed as adequate for the Project’s implementation subject that the following condition are met: (i) development and adoption by the STS and the NSC of a POM acceptable to the Bank, which will include the Project’s financial management arrangements (an effectiveness condition); (ii) hiring by the STS and NSC of a financial manager each, with relevant knowledge and experience in the Bank financial management and disbursement policies and procedures (effectiveness condition to establish PMUs), and (iii) within 60 days of the project effectiveness, both the STS and the NSC will install accounting modules specifically for the project accounting, which will have a functionality for automatic generation of the Project’s financial reports as well as SOEs (dated covenant).

19. The Project’s financial management assessment confirmed the following: (i) the NSC’s Head of the Financial Unit has gained some experience in implementing the Bank-financed KGSTAT project, although assistance to be provided by a financial manager with relevant experience and knowledge in the Bank financial management and disbursement policies and procedures, as well as in the state budget processes and procedures will still be essential for the Project; (ii) the audits of the closed Bank-financed project implemented by the NSC revealed no major issues; and (iii) the IFRs on the closed project implemented by the NSC were generally received on time and found to be acceptable to the Bank. On the other hand, the STS has no past experience in implementation of Bank-financed projects.

20. There are overall adequate planning and budgeting capacities at both implementing entities. It has been agreed that the NSC will be responsible for the Project’s annual budget consolidation for all components, including inputs provided by the STS for its components, and submission for the approval through the state budgetary system. Moreover, there are overall adequate internal control systems in place at both implementing entities for the project implementation. These functions and processes will be described in the POM. The Project envisages support to the STS internal audit function to enhance its internal control function and capacity. The NSC does not have an internal audit
21. Cash basis will be applied for the Project accounting, and IPSAS “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC will be used for the Project’s financial reporting.

22. Two separate sets (for respective components to be implemented by the STS and the NSC separately) of project management-oriented Interim Unaudited Financial Reports (IFRs) will be used for the project monitoring and supervision. The format of the IFRs have been confirmed during assessment and will include: (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activity, (iii) Designated Account Statements, (iv) a Statement of the Financial Position, and (v) SOE Withdrawal Schedule. The entities will be producing IFRs every calendar quarter throughout the life of the Project. These financial reports will be submitted to the Bank within 45 days of the end of each calendar quarter. The first IFRs will be submitted after the end of the first full quarter following the initial disbursement.

23. The NSC will be responsible for the consolidation of the Project’s annual financial statements based on inputs received from STS for its part of the Project’s activities. There are overall adequate auditing arrangements at the NSC. There are no pending audits for the recently closed project implemented by the NSC. The auditors issued unmodified (clean) opinions on the financial statements of the closed Bank-financed project implemented by the NSC, with no critical recommendations in the management letters.

24. The audit of the Project’s annual consolidated financial statements will be conducted by independent private auditors acceptable to the Bank, using ToRs acceptable to the Bank and procured by the NSC, and according to the International Standards on Auditing (ISA) issued by the IAASB of the IFAC. The annual audits of the Project’s financial statements will be provided to the Bank within six months after the end of each fiscal year, and at the project closing. The cost of the project audit will be financed from the proceeds of the Project.

25. The STS and the NSC have agreed to disclose audit reports for the Project within one month of their receipt from the auditors and acceptance by the Bank by posting the reports on the websites of the STS or the NSC or other official websites of the Borrower. Following the Bank’s formal receipt of these reports, the Bank will make them publicly available according to World Bank Policy on Access to Information.

26. The overall financial management risk for the Project is assessed as Substantial, with the Inherent Risk and Control Risk also assessed as Substantial, given the complex implementation arrangements involving two implementing entities, one of which (STS) has no relevant knowledge and experience in the World Bank financial management and disbursement policies and procedures and in implementing the Bank financed projects.

27. Separate Designated Accounts will be opened for the Project: two DAs (one for IDA Credit and another for IDA Grant funds) to be managed by the STS for components to be implemented by the STS, and two DAs to be managed by the NSC for components to be implemented by the NSC. The DAs will be opened in US$, in a commercial bank(s) acceptable to the Bank. The SOE-based disbursement method will be applied for the Project. Project funds will flow from the Bank, either: (i) via the DA, which will be replenished on the basis of SOEs or full documentation; or (ii) on the basis of direct payment withdrawal applications and/or special commitments, received from the implementing entities. Withdrawal applications documenting funds utilized from the DAs will be sent to the Bank at least every three months. The following disbursement methods may be used under the Project: Reimbursement, Advance, Direct Payment and Special Commitment. The DAs’ ceilings for each DA as well as the detailed instructions on withdrawal of project proceeds will be provided in the Disbursement and Financial Information Letter (DFIL).

**Procurement**

28. **Applicable Procurement Framework:** The activities under the Project will be subject to the World Bank’s New
Procurement Framework. All procurement of contracts will follow the procedures specified in the World Bank’s Procurement Regulations for IPF Borrowers – Procurement in Investment Project Financing: Goods, Works, Non-Consulting and Consulting Services, dated July 2016, revised in November 2017 and August 2018. The Project will also be subject to the World Bank’s Anti-Corruption Guidelines, dated July 1, 2016. The procurement and contract management processes will be tracked through the Systematic Tracking of Exchange in Procurement (STEP) system.

29. **Summary of Project Procurement Strategy for Development**: As required by the World Bank’s Procurement Regulations, a PPSD has been developed based on which Procurement Plans have been prepared setting out the selection methods to be followed by the borrower during project implementation in the procurement of goods, non-consulting and consulting services financed by the World Bank. The procurement approaches for key packages has been determined in the PPSD as described in the following paragraphs.

**Procurement approach for key goods and non-consulting services contracts**

- PCs, printers, office software, scanners and associated network equipment at the central and territorial level. Upgrade of primary data center including power and air conditioning, communication and server equipment (cost estimate USD 5,560,497) will be procured through a Request for Bids (RFB) method.
- Upgrade of the ISNAK – acquiring new modules and upgrading existing modules (cost estimate USD 5,776,320) – will be procured through the RFB method.
- Primary modular data center, Local Area Network (LAN), and call center equipment (cost estimate USD 1,641,500) will be procured through the RFB method.
- Secondary and backup data center equipment (cost estimate USD 1,515,900) will be procured through the RFB method.
- Computer equipment for the NSC, hyperconverged server solution for primary data center and data analysis software (cost estimate USD 1,581,500) will be procured through the RFB method.
- Distance learning system including classroom equipment for the NSC Institute, office equipment for the NSC (cost estimate USD 630,000) will be procured through the RFB method.

**Procurement approach for key consultancy contracts**

- Consulting services to conduct the Business Process Reengineering for the STS operational areas (cost estimate US$ 1,727,000) will be selected through a Quality- and Cost-based Selection (QCBS) method.
- Consulting services to assess the feasibility of upgrading the equipment and infrastructure of the primary data center and developing requirements for a disaster recovery (business continuity) center (cost estimate US$ 770,220) will be selected through the QCBS method.
- Twinning partnership (cost estimate US$ 8,510,000) will be selected through the QCBS method.
- Consulting services for the detailed technical design of and support in the tender processes, including the development of technical specifications, design estimates for software and hardware (estimate cost US$ 506,000), will be selected through the QCBS method.
- Consulting services for the development of software for administrative data exchange and collection, statistical data quality management and improvement of municipal statistics (estimate cost US$ 863,000) will be selected through the QCBS method.

**Key conclusions from the conducted market analysis**

- There is market capability to meet the procurement needs for the ICT agenda; however, the regional aspects also make the local market more attractive for new, larger entrants who may be eager to establish a presence in Central Asia, starting from the Kyrgyz Republic. However, the Government should be cognizant of the fact
that the tenders for shared government platforms would need to be structured in a way to attract international players.

- The STS and the NSC have limited experience with structuring and issuing Bid Documents (BDs) in accordance with the World Bank format. Both parties agreed on the need to bring in experienced procurement specialists and technical advisers with such experience, as well as development of close relationships with the World Bank’s technical and procurement specialists.
- The Government realized that additional efforts would be required in terms of continuous consultations with the industry, careful approach to development of procurement documentation, and deliberate efforts to widely advertise tenders to ensure appropriate levels of participation by both local and international vendors.

30. **Procurement risks analysis.** A procurement capacity assessment was performed by the Bank using the Procurement Risk Assessment and Management System. Based on the assessment, the Project’s procurement risk is rated as High. Summary of the risks is presented below:

<table>
<thead>
<tr>
<th>Risk Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of experience with World Bank projects: STS and NSC procurement departments have no experience in implementing World Bank financed projects.</td>
</tr>
<tr>
<td>Potential procurement delays: experience with past and on-going projects in the country show frequent procurement delays due to poor planning.</td>
</tr>
<tr>
<td>Limited competition: past experience shows that procurement processes have not attracted sufficient competition.</td>
</tr>
<tr>
<td>Inadequate contract management and lower-than-required quality of procured equipment.</td>
</tr>
<tr>
<td>Perceived high level of corruption as measured by Transparency International. Overall procurement environment is unsuitable for effective procurement.</td>
</tr>
</tbody>
</table>

31. **Preliminary risk mitigation measures:** To mitigate the risks, the following actions have been identified:

<table>
<thead>
<tr>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The NSC and STS will create separate PMUs for the Project with competitively selected staff.</td>
</tr>
<tr>
<td>Careful procurement planning and realistic scheduling; advanced preparation of technical specifications or TORs; close Bank supervision and monitoring, particularly from the country offices.</td>
</tr>
<tr>
<td>Careful procurement packaging to foster competition; wide and early advertising; proactive search and contact with potential suppliers or consultants.</td>
</tr>
<tr>
<td>More emphasis and training on appropriate contract management; regular physical inspections by Bank supervision mission.</td>
</tr>
<tr>
<td>Close supervision by the Bank staff in both technical and procurement aspects.</td>
</tr>
</tbody>
</table>

32. **Use of National Procurement Procedures.** In accordance with paragraph 5.3 of the Procurement Regulations, when approaching the national market (as specified in the Procurement Plan tables in STEP), procurement under World Bank financed operations may be carried out in accordance with a Single-Stage Bidding method set forth in the Public Procurement Law of the Kyrgyz Republic dated April 3, 2015 No 72 (the “PPL”) with amendments dated November 18, 2016 No. 182, December 10, 2016 No. 195, February 14, 2017 No. 25, May 30, 2017 No. 93, March 29, 2018 No. 32, January 11, 2019 No. 4, June 26, 2019 No. 76, provided that such arrangements continue to meet requirements of the paragraph 5.4 of the Procurement Regulations and the following conditions:

- The request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting
contracts, confirming application of, and compliance with, Bank Anti-Corruption Guidelines, including without limitation the Bank’s right to sanction and the Bank’s inspection and audit rights;

- Bidding documents, including contract forms, acceptable to the Bank shall be used. Bidding documents shall include provisions, as agreed with the Bank, intended to adequately mitigate against environmental, social, health and safety (ESHS) risks and impacts.
- The Bidding process shall not be cancelled solely on the reason that minimum bid price is larger than the amount allocated by procuring entity for the procurement.
- There shall be no preference applied during procurement of goods and works.
- Implementing agency shall have an option to publish procurement notice without disclosing cost estimate.

33. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Borrower, such arrangements shall be subject to paragraph 5.5 of the Procurement Regulations. Other national procurement arrangements such as a Simplified Method (Request for Quotation) may be applied on the same conditions stated above for procuring limited quantities of readily available off-the-shelf goods or simple civil works of small value. In addition, not less than three quotations shall be requested to ensure competition.

34. **Training and Operating Costs:** The Project will finance the operating costs of two PMUs including PMU personnel (project managers, procurement specialists, financial managers, monitoring and evaluation specialists, and office managers who will provide administrative and interpretation services) comprising mainly of salaries and fees, office operations, and travel and subsistence expenses. PMU personnel will be selected on the basis of experience, qualifications, and capability to carry out the assignment. The selection shall be carried out through the comparison of the relevant overall capacity of at least three qualified candidates among those who have expressed interest in the assignment. Detailed procedures will be outlined in the POM. PMUs will develop a detailed training plan and prepare annual operational budget for the Bank team’s review and clearance. Operating costs and training will be financed as per annual budget approved by the Bank.

35. **Record keeping:** All records pertaining to award of tenders, including bid notification, register pertaining to sale and receipt of bids, bid opening minutes, bid evaluation reports and all correspondence pertaining to bid evaluation, communication sent to/with the Bank in the process, bid securities, and approval of invitation/evaluation of bids would be retained by respective agencies and uploaded in the STEP.

36. **Disclosure of procurement information:** The following documents shall be disclosed: (a) a Procurement Plan and updates; (b) an invitation for bids for goods and works for all contracts; (c) request for expression of interest for selection/hiring of consulting services; and (d) contract awards for goods, works, non-consulting and consulting services. Disclosure at community level will be made in social and public administrative areas easily accessible to the public and at project/activity sites.

37. The following details shall also be published in the United Nations Development Business and Bank’s external website: (a) an invitation for bids for procurement of goods and works following open international market approaches; (b) request for expression of interest for selection of consulting services following open international market approaches; and (c) contract award details of all procurement of goods and works and selection of consultants using open international market approaches.

38. **Fiduciary oversight by the Bank and procurement supervision:** The Bank shall “prior review” contracts as per prior review thresholds set in the Project Procurement Strategy for Development and the Procurement Plan. All contracts not covered under prior review by the Bank shall be subject to post review during implementation support missions and/or special post review missions, including missions by consultants hired by the Bank. Two half-yearly missions are envisaged for procurement support and supervision of the Project.
Table 1.1 Summary Procurement Plan for Tax Administration Components of TASSMP

<table>
<thead>
<tr>
<th>Contract Description</th>
<th>Estimated Cost (US$)</th>
<th>Procurement Method</th>
<th>Procurement Approach</th>
<th>World Bank Review (Prior/Post)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Procure PCs, printers, office software, scanners and associated network equipment at the central and territorial level (annually). Upgrade of primary data center including power and air conditioning, communication and server equipment (annual)</td>
<td>5,560,490</td>
<td>RFB</td>
<td>open international</td>
<td>Prior</td>
</tr>
<tr>
<td>2. Upgrade the ISNAK -- acquire new modules and upgrade existing modules.</td>
<td>5,776,320</td>
<td>RFB</td>
<td>open international</td>
<td>Prior</td>
</tr>
<tr>
<td>3. Video for CA and 2 centers</td>
<td>148,500</td>
<td>RFB</td>
<td>open national</td>
<td>Post</td>
</tr>
<tr>
<td>4. Procurement of contact (call) center software and associated hardware to provide 20 seat capability</td>
<td>229,460</td>
<td>RFB</td>
<td>open national</td>
<td>Post</td>
</tr>
<tr>
<td>5. Procure audit working paper and case management software and training in its use</td>
<td>140,250</td>
<td>RFB</td>
<td>open national</td>
<td>Post</td>
</tr>
<tr>
<td><strong>Consulting services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Consulting services to conduct the Business Process Reengineering for STS operational areas.</td>
<td>1,727,000</td>
<td>QCBS</td>
<td>open international</td>
<td>Prior</td>
</tr>
<tr>
<td>7. Contract for a consultant or firm to assess the feasibility of upgrading the equipment and infrastructure of the primary data center and developing requirements for a disaster recovery (business continuity) center.</td>
<td>770,220</td>
<td>QCBS</td>
<td>open international</td>
<td>Prior</td>
</tr>
<tr>
<td>8. Project audit</td>
<td>110,000</td>
<td>LCS</td>
<td>open international</td>
<td>Post</td>
</tr>
<tr>
<td><strong>Low-value packages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other low-value goods</td>
<td>226,160</td>
<td>RFQ</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Other low-value consulting services</td>
<td>1,962,180</td>
<td>CQS, IC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Other low-value trainings</td>
<td>224,620</td>
<td>AP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Project management</td>
<td>624,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>17,500,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 1.2. Summary Procurement Plan for Statistical Components of TASSMP

<table>
<thead>
<tr>
<th>Contract Description</th>
<th>Estimated Cost (US$)</th>
<th>Procurement Method</th>
<th>Procurement Approach</th>
<th>World Bank Review (Prior/Post)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Electronic archiving software</td>
<td>250,000</td>
<td>RFB</td>
<td>Open national</td>
<td>Post</td>
</tr>
<tr>
<td>2. Primary modular data center, LAN and call center equipment</td>
<td>1,641,500</td>
<td>RFB</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>3. Secondary and backup data center equipment, data and network security software, video surveillance equipment, data warehouse software; operations and maintenance</td>
<td>1,515,900</td>
<td>RFB</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>4. Workstations, laptops, office software and related computer equipment for the NSC at the central, regional and rayon levels; hyperconverged server solution for the primary data center; and data analysis software packages</td>
<td>1,581,500</td>
<td>RFB</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>5. Distance learning system, incl. classroom equipment for the NSC Institute, office equipment for NSC staff at the local level (furniture for improvement of working conditions)</td>
<td>630,000</td>
<td>RFB</td>
<td>Open international</td>
<td>Post</td>
</tr>
<tr>
<td><strong>Consulting services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Twinning partnership</td>
<td>8,510,000</td>
<td>QCBS</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>7. Firm to prepare the detailed design of and development of tender documentation for SW/HW</td>
<td>506,000</td>
<td>QCBS</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>8. Software for administrative data exchange and collection, statistical data quality management and improvement of municipal statistics</td>
<td>863,000</td>
<td>QCBS</td>
<td>Open international</td>
<td>Prior</td>
</tr>
<tr>
<td>9. Project audit</td>
<td>150,000</td>
<td>LCS</td>
<td>Open international</td>
<td>Post</td>
</tr>
<tr>
<td><strong>Low value packages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Other low-value goods</td>
<td>31,200</td>
<td>RFQ</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Other low-value consulting services</td>
<td>221,000</td>
<td>CQS, IC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Trainings</td>
<td>948,900</td>
<td>AP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Project management</td>
<td>651,100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>17,500,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Implementation Support Plans

40. The strategy for project implementation support has been designed to mitigate specific project implementation risks, taking into account the political economy context, as well as the risks and challenges identified in lessons learned. The key features of the implementation strategy are addressed below.

41. **Policy Dialogue.** The Project addresses the central issues in tax administration and statistical system reform agenda of the Kyrgyz Republic. Some of these issues will be addressed in dialogue in the context of the Project. The Country Management Unit (CMU) will be closely involved in the policy dialogue and follow up on key issues. The Project implementation support team will work closely with the team supporting implementation of the Digital CASA project to leverage on the IT infrastructure that this project will put in place for the Government.

42. **Technical and Change Management Support.** The Bank team has provided the STS and the NSC with technical advice on specific design elements and the overall approach to change management. The Bank team will provide regular support on change management, including advice on communications, stakeholder consultations, and the sequencing of the reforms. The Bank team will liaise closely with the Project’s PMUs to ensure change management issues are in the forefront. The Project will support change management through training and capacity building.

43. **Results Monitoring.** Regular implementation support missions will assist the STS and the NSC in tracking progress towards the achievement of the intended project results and will advise on adjustments in project design and the reform strategy required to support the achievement of the Project’s objectives. This will ensure that outputs translate into real outcomes in terms of more effective tax administration and statistical systems.

44. **Procurement.** During project implementation, the Bank’s procurement specialist will provide regular supervision, in line with the Bank’s Procurement Framework. Procurement implementation support by the Bank will include: providing training to the PMUs; providing detailed guidance on the Bank’s Procurement Regulations; reviewing procurement documents and providing timely feedback; and monitoring procurement progress against the Procurement Plans. Post reviews will be carried on selected contracts subject to post review. Contract deliverables will be physically inspected as appropriate and feasible. In addition, there will be close and regular communication between PMUs and World Bank procurement and technical specialists.

45. **Financial Management.** The Bank will conduct a financial management implementation support mission within a year of the project effectiveness and then at appropriate intervals. In addition, the regular IFRs and annual project audit reports will be reviewed by the Bank. As required, a Bank-accredited financial management specialist will assist in the implementation support and supervision process.

46. The Bank team will maintain continuity and a regular dialogue with government counterparts on all relevant operational, technical and policy issues. There will be at least two formal implementation support missions per year. A country-based staff is part of the Bank team to ensure implementation support on the ground at all times vis-à-vis the risks identified. Likewise, technical specialists based in and out of country will be available (remotely or physically) as often as possible to ensure timely and adequate implementation support is provided.
### Implementation Support Plan and Resource Requirements

<table>
<thead>
<tr>
<th>Time</th>
<th>Focus</th>
<th>Skills Needed</th>
<th>Resource Estimate (US$/year)</th>
<th>Partner Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>First twelve months</td>
<td>Selection of key consultancies on (i) modernizing operations and organization; (ii) building basic design; (iii) upgrading data center equipment; (iv) twinning partnership</td>
<td>TTLs, Procurement Specialist, FM Specialist; two IT experts; Public Sector Specialist; Statistician; two local consultants</td>
<td>190,000</td>
<td>Participation in implementation support on a day-to-day basis and formal visits</td>
</tr>
<tr>
<td>12-55 months</td>
<td>Implementation of (i) modernization of operations and organization, (ii) IT modernization, including administrative data exchange and collection, (iii) change management</td>
<td>TTLs, Procurement Specialist, FM Specialist; two IT experts; Public Sector Specialist; Statistician; two local consultants</td>
<td>190,000</td>
<td>Participation in implementation support missions same as above</td>
</tr>
<tr>
<td>56-60 months</td>
<td>Change management. Completion of Project’s activities. Data collection and preparation for the ICR.</td>
<td>TTLs, Procurement Specialist, FM Specialist, two IT experts, Public Sector Specialist, Statistician, two local consultants.</td>
<td>130,000</td>
<td>Participation in implementation support missions and as needed</td>
</tr>
</tbody>
</table>

### Skills Mix Required

<table>
<thead>
<tr>
<th>Skills Needed</th>
<th>Number of Staff Weeks</th>
<th>Number of Trips</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTL Project Management and Support (including TTL and co-TTL)</td>
<td>16 weeks</td>
<td>2 missions per year</td>
<td>Physical inspection may require trips that will be identified during implementation</td>
</tr>
<tr>
<td>Procurement Specialist</td>
<td>10 weeks</td>
<td>None, based in country</td>
<td></td>
</tr>
<tr>
<td>FM Specialist</td>
<td>8 weeks</td>
<td>2 missions per year</td>
<td></td>
</tr>
<tr>
<td>Public Sector Specialist</td>
<td>5 weeks</td>
<td>2 missions per year</td>
<td></td>
</tr>
<tr>
<td>Statistician</td>
<td>5 weeks</td>
<td>2 missions per year</td>
<td></td>
</tr>
<tr>
<td>IT expert support (including Tax IT Expert and Statistics IT Expert)</td>
<td>8 weeks</td>
<td>2 missions per year</td>
<td></td>
</tr>
<tr>
<td>Local consultants (including Tax Consultant and Statistics Consultant)</td>
<td>12 weeks</td>
<td>On call, on the ground</td>
<td>Physical inspection may require trips that will be identified during implementation</td>
</tr>
</tbody>
</table>
ANNEX 2: Detailed Project Description

COUNTRY: Kyrgyz Republic
Tax Administration and Statistical System Modernization Project

1. The TASSMP is an institutional reform project comprising five components: STS Institutional Development; STS Operational Development; NSC Institutional Development; NSC Data Development; and Project Management. Areas of project support on tax administration will involve creating a taxpayer friendly tax administration that provides high quality online services and relies on IT-enabled risk-based enforcement of tax compliance, enabling the STS to improve the effectiveness of tax collection. Areas of project support on statistics will include the operationalization of the new Law on Official Statistics and associated regulatory reforms, the digitalization of administrative data, IT modernization, improved interoperability of government systems and streamlining of business processes for greater data utilization, as well as improvements in methodologies and capacities to bring NSC services up to international standards.

2. This description details the tasks and activities of the tax and statistics components that are required to achieve the Project’s objectives.

COMPONENT 1: STS INSTITUTIONAL DEVELOPMENT.

3. Complex and outdated core business processes inhibit the STS from moving forward with modernization. As a result, the STS automation efforts have yielded limited efficiency gains and improvements in tax administration processes and the quality of taxpayer services. The component will help enhance the strategic focus of management, increase attention to integrity, strengthen staff management and training, and improve the analytical capacity required to support strategic management within the STS to institute a modern tax administration. It will support institutional and organizational development, enhance strategic focus and planning capacity; strengthen executive, managerial, technical, and operational capacity; and includes the introduction of an enhanced monitoring system to assist in the management of the STS’ performance. It will also support initiatives to reduce the compliance burden for taxpayers with process changes that will limit the requirement for face-to-face interactions with STS staff and allow taxpayers to communicate with the STS through a variety of channels. The component will enhance the skills of the STS leadership in managing this significant change as the organization transitions to a modern tax administration. This component will finance the following:

Sub-component 1.1: Taxpayer Services

4. This sub-component will finance activities to improve taxpayers’ awareness of tax laws, procedures, and rights and obligations and thus reduce the compliance burden to taxpayers; upgrade a modern contact (call) center to provide advanced services to taxpayers; and strengthen external and internal communications. An outreach initiative will be implemented to inform taxpayers of the changes in the way the modernized STS operates and to provide assistance with the new functionality that will be available to use to interact with the STS (e.g. delivery channels, enhancements to the taxpayer cabinet, issue audits, etc.). This sub-component includes the following activities:

i. Review the current taxpayer services offered by the STS, including all forms and publications and the use of existing delivery channels (e.g. counter service, call center, website, written inquiries, etc.). Propose new taxpayer services and delivery channels, as required, based on international good practices.
ii. Review the relationship between the STS headquarters and territorial offices to strengthen the delivery of taxpayer services. Recommend necessary changes in organization and in the information (including delivery channels) to provide streamlined timely and responsive service to taxpayers and the public.

iii. Identify staffing needs and profiles to meet the demand for taxpayer services, both at headquarters and at local offices.

iv. Develop a segmented approach to taxpayer services programs to meet the different needs of taxpayers.

v. Propose measures to allow management to oversee and improve service delivery.

vi. Develop curricula and training materials for Taxpayer Services staff covering the tax legal framework, procedures, and inter-personal communication skills. Deliver training to taxpayer services staff.

vii. Implement, monitor, and publish performance standards of select taxpayer services.

viii. Continue and refine the public communication campaigns to maintain awareness and promote taxpayer services that were created during the technical assistance initiative along with new functions developed as part of this Project.

ix. Continue the periodic surveys that the technical assistance initiative funded to continue to obtain taxpayer feedback on STS performance, compliance, and other areas such as: procedures, information provided, access to STS, treatment by STS personnel, professionalism of STS staff, use of information about revenues collected, and transparency, integrity, and equity issues for the remaining duration of the Project.

x. Review the communication strategy on issues of interest for STS staff and management.

xi. Prepare paper- and web-based information for dissemination and internal communications.

xii. Conduct STS staff feedback surveys to track perception of STS’ managers and staff regarding the level of professional skills in selected functional areas and provide recommendations for improvement.

xiii. Acquire and install kiosk queue management equipment (which will include displays for each counter and large screen TV for status of queues) for select higher volume offices.

xiv. Upgrade the software and hardware in the contact (call) center to allow for an interface to the ISNAK and to handle additional seats.

Sub-component 1.2. Strategic Management and Staff Management including Internal Control and Integrity

5. This sub-component focuses on enhancing staff skills for a modernized STS. It will focus on four areas: strategic planning capacity, staff management, change management, and internal controls including integrity initiatives. It will finance the following activities:

1.2(a): Strategic Focus and Planning Capacity

i. Strengthen the management process for the STS covering all levels of the agency, including accountability, monitoring, internal control, and security/security management.

ii. Enhance the monitoring system used to assess the STS’ performance.

iii. Expand the management information to be extracted from the current and enhanced ISNAK to assist STS management in the operation of the STS. This information will be available (in appropriate detail
and format) to each level of the STS and will be used for operational monitoring, control and will provide baseline information for planning.

iv. Assess management processes and prepare an executive training program to strengthen STS’ management capacity. The management training program would cover, at a minimum, the following subjects: principles of general strategic management; strategic planning techniques; accountability system; quality assurance and quality control; and internal control systems.

1.2(b): Staff Management and Training

v. Conduct a comprehensive review of HR policies and workforce planning and strategy.

vi. Expand the workforce planning and strategy that the technical assistance initiative has defined for the STS, taking into account the need for new competencies, analysis of the workforce composition by gender and skills distribution and position in institution as developed through the Business Process Reengineering under Tax Component 2. This will also include developing the migration path to restructure STS’ rayons and oblasts to accommodate accepted BPR recommendations.  

vii. Review the STS training strategy developed by the technical assistance initiative to include assessment of capacity needs in terms of staffing, equipment, location, and requirements for developing an ongoing program of training to meet new competencies and to match current and future needs of the STS as identified by the BPR recommendations.

viii. Develop annual training plans to support the implementation of the Project as well as STS’ ongoing needs.

ix. Assess the training effectiveness for STS’ management and prepare a permanent training program for top and middle managers based on the materials developed under the Project.

x. Prepare curricula and coordinate training to meet the needs of all components over the life of the Project, including training materials, seminars, and case studies for the Project (see individual components).

xi. Develop training curriculum for training of new STS staff to ensure they have a broad understanding of the functions that the STS performs. Deliver the first session that will train the trainers.

xii. Purchase of technical and training equipment for training use in the existing STS’ training centers and distance learning (e.g. video-conference facilities for the training centers).

1.2(c): Internal Control and Integrity Function (including Internal Audit)

xiii. Analyze the existing requirements of the internal control function and its capacity to manage integrity according to international and regional best practices. Prepare recommendations to improve the capacity of the internal control function to proactively detect corruption and develop a program to further strengthen integrity within the STS. Develop a plan for reform.

xiv. Develop internal control manuals necessary to implement the proposed reform. Enhance internal control procedures for the STS’ activities and acquire the required equipment.

---

17 It is anticipated that BPR will have recommendations to deal with the decentralized nature of some functions within STS that likely will be concentrated at Oblast and possibly HQ levels to reflect the “whole of taxpayer operations” throughout the country and no longer require taxpayers to only deal with “their” Rayon.
xv. Develop risk analysis criteria to be included in the ISNAK to support internal investigations and internal control activities.

xvi. Ensure implementation and monitoring of audit trails, as well as other control and corruption detection mechanisms.

xvii. Develop a continuous training program for internal control and staff integrity, including elaboration of training materials and training on internal control and investigation techniques, according to the STS’ needs.

1.2(d): Change Management

xviii. Acquire the services of a senior level change management practitioner, who will assist in: (a) establishing the change function in project implementation, developing a change readiness assessment, and (b) developing a change management strategy, including communications, and procedures to monitor change.

xix. Deliver change management training and coaching to provide the necessary tools and methods to ensure successful management of project implementation as designed.

COMPONENT 2: STS OPERATIONAL DEVELOPMENT.

6. The activities within this component will support new streamlined business processes and increased operational effectiveness of the STS with an improved legal framework to institute a modern tax administration. The enhancements to the existing ISNAK will increase compliance and responsiveness to the STS and taxpayers’ information needs. This component consists of two sub-components: modernization of the STS operational functions, and enhancement of the ISNAK to reflect the new requirements based upon the BPR and establishment of an enhanced automated data exchange with other entities.

Sub-component 2.1: Modernization of STS Operational Functions

7. The activities in this sub-component will involve the comprehensive, deep and systematic BPR. This sub-component will finance the following activities:

2.1(a): Registration Processing

i. Revise current procedures for taxpayers’ registration (legal and physical persons) to simplify the process where appropriate, including within the territorial offices. Enhance processes used to validate taxpayer information with other government entities and establish procedures for the identification of active and inactive taxpayers. Ensure that improved procedures reflect best practices of tax administrations.

ii. Recommend improvements to the management reporting requirements for registration, non-active taxpayers, and collection statistics, as well as taxpayer accounting and tracing, and compulsory registration/liquidation of entities which have not been registered and have not submitted tax returns and reports on social security contributions.

iii. Develop requirements for business processes on registration and liquidation of entities to be enhanced in the ISNAK.

---

18 The term taxpayers as used in this project includes social fund participants.
### 2.1(b): Tax Return and Payment Processing

i. Promote electronic filing of tax returns, payments and other communications with taxpayers (e.g. taxpayer portal, the STS web site, etc.).

ii. Improve procedures for payment processing, matching, and attribution to taxpayer sub-accounts in co-operation with the Treasury and the commercial banks.

iii. Review legal authorities for processing and requiring electronic returns; in addition, ensure the appropriate legal authority exists to issue notices (notifications) from the ISNAK.

iv. Propose an expanded interface to provide taxpayers with multi-channel electronic notification.

v. Review arrangements for data interchange with other government bodies and ensure contribution to national coordination efforts. Establish a common protocol for encrypted data transmission with other government bodies and third parties.

vi. Develop business requirements for the return and payment processing processes to be enhanced in the ISNAK.

vii. Analyze the training needs of the returns and payment processing units, develop a permanent training program for the staff, and deliver initial training in processing, including training of the unit’s trainers.

### 2.1(c): Enforcement and Compliance

i. Review operating procedures for enforcement and compliance activities to incorporate international best practices including the review of current regulations, rules, and procedures for the management of arrears and enforced collection. Prepare recommendations to improve the effectiveness of enforcement and compliance operations. Develop manuals for enforcement and compliance activities. Establish criteria for determining the amounts that should be subject to write-off according to the probability of recovery of these amounts.

ii. Prepare algorithms for the ranking of risk of non-compliance and enforcement priority (e.g. potential size of revenue at risk, probability of failure to comply or follow-up on commitments to pay outstanding amounts, etc.).

iii. Analyze the training needs of the enforcement and collections units, develop a permanent training program for the staff, and deliver initial training in recovery of arrears and arrears management along with enforced return filing; including training of the unit’s trainers.

iv. Develop business requirements for the enforcement and compliance processes to be included in the ISNAK.

v. Training in effective mining of data from the data warehouse for risk assessment and other needs.

### 2.1(d): Tax Audit (including Cameral Control, Tax Raids)

i. Prepare, based on operational needs and international good practice, a set of recommendations to promote a high level of uniformity in the application of the legal framework by STS inspectors.

ii. Provide expert support in the use of risk-based selection of taxpayers for all taxpayer types and economic sectors.

iii. Prepare algorithms for the detection of non-compliance trends (segmented by large-, medium- and small-size legal taxpayers, wealthy individuals, and other taxpayers) to be used within the current ISNAK risk engine used for audit case selection.
iv. Develop a statistical methodology for quality assurance of the risk-based audit selection. The objective of this methodology will be to ensure that the risk management parameters within the risk engine are actually selecting proper taxpayers for audit and tune the risk selection algorithms to deliver better selection of cases.

v. Utilize a risk-based refund audit approach and a mechanism for assessing the quality of the decisions made based on the refund audit risk management.

vi. Enhance the preparation of the annual and quarterly audit planning processes. Review field audit procedures and strategy to fully coordinate with the audit plan.

vii. Review the relevant legislation on “issue” audits and other requirements to allow the STS to reduce the requirement for comprehensive audits. This review will include recommendations for new methods of auditing (e.g. remote auditing, etc.) to be supported in legislation.

viii. Develop and/or update manuals for industry-specific audits in coordination with the relevant authorities with interest in the economic sector and in relevant topics such as transfer pricing and e-commerce.

ix. Develop a permanent training program for inspectors and deliver extensive training, including: (i) develop curriculum and training materials to take full advantage of the audit software and (ii) training in audit techniques, covering general audit, forensic audit, specialized economic sectors, and specialized audit techniques (e.g. cash registers, etc.), including on-going training in the law and regulations that affect audits.

x. Develop business requirements for the tax audit processes to be enhanced in the ISNAK.

2.1(e): Appeals (Objections) Process

i. Review current regulations, rules, and appropriate procedures for the management of appeals and objections and prepare recommendations to ensure unified application of appeals/objections operations. Develop a manual for appeals/objections activities. Develop a database of appeals decisions to assist the unit in rendering future decisions.

ii. Revise operating procedures to incorporate best practices and develop requirements for computer-based assistance to the management of the entire appeals process. Revise procedures to ensure that both the STS and taxpayers are well informed of the appeals process through electronic access.

iii. Analyze the training needs of the appeals and objections staff, develop a permanent training program for the staff and deliver initial training in the use of the tools available through the current IT system, including training of the trainers.

iv. Develop business requirements for the appeals (objections) process to be included in the ISNAK.

2.1(f): Analytical Processes

i. Continued work in enhancing the STS’ skills in tax revenue estimation will assist in planning specific initiatives to increase taxpayer compliance and to keep existing taxpayers compliant. Included in this activity is establishing the protocol to be used to estimate the effect of tax expenditures (e.g. revenue forgone due to tax incentives) on the tax revenue and the VAT gap.

ii. Review organizational placement of the analytical unit, its roles and responsibilities; define information needs and flows to ensure automated collection of data needed to carry out policy
analysis and compliance and distribution studies; prepare departmental plan; define strategic targets for the duration of the Project;

iii. The technical assistance initiative will develop the methodology to perform the VAT gap calculation and will undertake initial training of STS staff to perform the calculation every year.\textsuperscript{19} Additional support to guide and assist STS staff in following the methodology will be provided as part of this Project for years 3 through 5 (after the technical assistance initiative completes).

\textbf{2.1(g): Legal Framework}

i. This activity includes the review of tax administration legislation and regulations/decrees and the development of proposals for improvements to ensure consistency with the STS operational needs and international best practice. Building on the initial legal review undertaken under the technical assistance initiative, this review will evaluate the effectiveness of the changes implemented based upon the technical assistance initiatives recommendations and will adjust, as required, the reliable and transparent feedback mechanism for continuous improvement of the tax administration legislation in response to Government and taxpayer requirements. This activity will also involve the review and improvement of the process of drafting regulations and decrees.

ii. Based upon the implementation of the technical assistance initiatives recommendations, review regulations to ensure internal consistency as well as consistency with primary legislation and identify gaps and ambiguities. Propose changes to facilitate online inter-agency data exchange, information matching and issuance of computerized notices.

iii. Evaluate the effectiveness of the changes introduced following the technical assistance initiative recommendations for providing legal rulings to taxpayers and provide recommendations to improve the quality, consistency and timeliness of such rulings. Develop service standards considerate of requirements established by law.

iv. Develop and implement the training program on legal changes and interpretation of tax legislations to affected MoE and STS staff. Deliver legal training courses using a train-the-trainers approach.

\textbf{Sub-component 2.2. IT System Modernization}

8. This sub-component will finance upgrade of the ISNAK, including development of specifications for an enhanced IT system based on requirements identified in the BPR and in other sub-components of the Project, its implementation and training to ensure continued smooth operation and maintenance including processes to cleanse and rationalize data in the current ISNAK. This sub-component will also finance modernization of the aging IT infrastructure, including the enterprise architecture, security and disaster recovery plans, required to support the upgraded ISNAK. This sub-component will support further development of protocols and agreements to enable sharing of information between the STS and other government bodies and third parties through the existing Kyrgyz Tunduk information exchange system. In addition, it will involve the development of the STS staff capacity to effectively mine data for risk assessment to support tax compliance.

\textbf{2.2(a): ISNAK Functional Enhancement}

i. Consolidate and rationalize the business requirements from the business needs identified in the sub-components above for inclusion in the ISNAK.

\textsuperscript{19} The VAT gap is estimated without an adjustment for the shadow economy (which is likely underestimated in the national accounts at 2.2 percent) so that any improvement will be solely attributed to an improvement in tax compliance brought about by the Project. The VAT gap calculation is an important tool to help the STS understand if its compliance and enforcement actions are having the right effect.
ii. Analyze and review the consolidated business requirements and develop the conceptual design and technical specifications for the enhancements to the ISNAK.

iii. Using these requirements, procure the technical resources to localize and implement the required system enhancements. The enhanced ISNAK will provide, at a minimum, increased online self-service via an internet portal with appropriate security, registration, return processing, payment processing, taxpayer accounting, collection, revenue accounting, case management, risk analysis, and the other required functionality based upon the business needs. It will also include integrated security, along with integration with the STS’ risk management engine and associated data warehouse and integration with an enhanced imbedded document management facility. Data cleaning in the existing system will also be included as will be the deployment of standardized processes for data interchange to and from the STS (e.g. customs information, payments from the banking system, data transfers to and from other ministries and agencies).

iv. Develop training materials to assist taxpayers in using the taxpayer portal effectively.

v. Using a train-the-trainer approach, train users in the use of the new system.

vi. Support for both on-site and off-site training ensuring continued smooth operation and maintenance of the ISNAK. This includes training IT staff in a number of software products (e.g. training in ISNAK maintenance and use of the business rules engine to adjust operations of the new system, SQL, DBA, network monitoring, SAN maintenance, etc.).

vii. Provide consulting service to strengthen STS IT management to contribute to the development of the new system, assume full ownership during the Project, and enable consistent and meaningful improvement to the system after the finalization of the Project.

viii. Commission two third party data security audits of the public facing taxpayer portal and the internal security controls within the IT system. The first audit will be conducted at the start of the Project to ensure that any deficiencies are addressed during the development of the new IT system; the second will occur near the end of the Project to ensure that there are no deficiencies in the new system.

2.2(b): IT Infrastructure to Support the ISNAK

ix. Procure the services of a consultant or firm to assess the feasibility of upgrading the equipment and infrastructure of the primary data center. The assessment will identify how to upgrade the existing primary and backup data centers along with an assessment of any hardware or configuration issues that are affecting current operations of the ISNAK. The assessment will include a determination of the suitability to house the backup data center in the new GoKR’s data center when it becomes operational until a national backup data center becomes available.20

x. Provide consulting and engineering support to develop the specifications for the primary and backup data centers.

xi. Procure equipment required to upgrade the primary data center including communication and server equipment (cabling raceways, racks, dual inter- and intra-net access points), dual electrical grids within the room and appropriate power conditioning, uninterrupted power supply along with backup and supplemental diesel generator capacity.

---

20 The ideal solution is to upgrade the primary data center while the Government of Kyrgyz Republic’s national data center is being acquired; fit up the backup data center in the national data center when it becomes available, fail-over from the STS primary to the national data center (making it the primary); and relocate the existing STS primary data center equipment that can be repurposed into the national backup data center supplementing it with the additional capacity that is required.
xii. Provide consulting support for the continued centralization of data obtained from third parties.

xiii. Recommend changes to existing data security policies and procedures; security and access software requirements.

xiv. Provide consulting support to develop the IT enterprise architecture based on Government recommendations for IT infrastructure and software environment.

xv. Implement a continuous training program for STS IT staff to be trained in the operation and monitoring of the services they are responsible for (e.g. network administration and monitoring, server and communication operating systems, DBA, security and intrusion).

xvi. Procure replacement desktop equipment (e.g. desktop or laptop, cabling, network equipment, shared printer) and required software licenses to replace end-of-life machines within the STS which are not funded for replacement by the government budget. Also includes new machines required for expansion of the enhanced ISNAK to new users.

2.2(c): Automated Data Exchange and Data Warehouse

xvii. Advisory support will be provided to develop necessary protocols for data exchange between the STS and other agencies (e.g.: statistical bodies, courts, chambers, ministries, etc.), develop an integration model and protocols for automated data exchange between the STS and other government bodies as well as private sector institutions.

Component 3. NSC Institutional Development

9. A number of regulations guiding the national statistical system activities will need to be modified in line with the new Law on Official Statistics. Further digitalization in data collection will require reforming the NSC organizational structure. It will be important to strengthen the top level of the statistical system where the main methodological work predominantly takes place, survey sampling mechanisms are developed, logistics for survey exercises planned, methodologies for data processing are created, and macro and sectoral indicators are calculated.

10. Imminent digitalization and rapidly advancing statistical methodologies require significant investment in and continuous upgrade of the statistics cadre. This will involve a broad range of activities: from developing contemporary curricula in meeting the needs of the NSC and other agencies in new skills and in improving curricula at a university level program by adding courses in statistics, to providing continuous training to all levels of NSC staff, as well as statisticians from line ministries and agencies who work at the national and rayon levels. Special attention will be paid to the training needs of staff of Ayil Okmotus (local self-governments). Furthermore, The NSC program of human resource development and capacity building will pay special attention to gender sensitive employment and training policies to reduce gender disparities among existing NSC staff and new staff hired during the lifetime of the Project. Technical staff at the NSC (statisticians, economists) have to remain abreast of technical innovations and contemporary practices in statistical methodologies, socio-economic measurements, statistical data products, and how these data are used by National Statistical Offices (NSOs) in other countries in informing, helping formulate, and evaluate policy. This will involve periodic interaction and participation through workshops, international conferences, and study tours and visits to NSOs in the region and beyond. Complexity of the sequencing and scheduling of these numerous activities and diversity of skills required for their implementation are beyond NSC capacity. Based on the international best practice, the majority of consulting activities under this

21 The Law on Official Statistics was approved on July 8, 2019.
component therefore will be combined in one procurement package under the twinning partnership (see Annex 1, Table 2, procurement package 6). This component will include two sub-components.

**Sub-component 3.1: Modernization of the NSS**

11. This sub-component will support reforms and changes in:

12. **Sub-component 3.1 (a): Legal and regulatory framework for coordination and communication within the NSS, i.e. between the NSC, producers of official statistics, providers of administrative data, respondents and users of official statistics.** After the new Law on Official Statistics was approved, many associated decrees will have to be modified, and new and appropriate regulations for statistical operations (e.g. new surveys and censuses, digitalization of historical records, etc.) by the NSC will have to be drafted and issued.

13. **Sub-component 3.1 (b): Modification of the institutional structure of the NSC at the center and the NSC units at the regional and local level.** Further digitalization in data collection and centralized data validation and error-checking at the NSC will require changes in the organizational structure. Most likely, this will result in a two-level statistical system by eliminating the oblast layer in the NSC organization, which does not add much value to the data quality assurance operations in the current functional organization. The benefit of eliminating the oblast level would be two-fold:

- Improve and strengthen the statistical system at the ground level, including staff who collect and compile statistics on municipalities and in rural households, thus empowering them with access to centralized automated software tools to check and correct data collection and data entry at source.
- Strengthen the top, or central, level of the NSC, where statistical methodologies are developed to aggregate data, mash-up data on different topics to produce newer insights using data-analytics tools and prepare socio-economic indicators of interest to the Government and the public. It will be achieved by introducing GAMSO.

18. This sub-component will support strengthening regional and local statistical offices with equipment, training and improved connectivity, including electronic archiving, distance learning system software and video conferencing capability and furniture for improved working conditions.

19. **Sub-component 3.1 (c): Enhancement of business processes in the NSC and the national statistical system by introducing the Generic Statistical Business Process Model.** “GSBPM describes and defines the set of business processes needed to produce official statistics. It provides a standard framework and harmonized terminology to help statistical organizations to modernize their statistical production processes, as well as to share methods and components. The GSBPM can also be used for integrating data and metadata standards, as a template for process documentation, for harmonizing statistical computing infrastructures, and to provide a framework for process quality assessment and improvement”.

20. This sub-component will require a study of the prevailing statistical processes within the NSC and the development of revised processes for each area of statistics. Doing so would avoid duplication of effort and simplify the operations at different levels of the NSC, thereby making the statistical system more efficient.

**Sub-component 3.2: Development of Human Capacity**

21. This sub-component will support reforms and improvements in:

22. **Sub-component 3.2 (a): Fulfillment of the NSC and other agencies needs in new skills by enhancing capacities of local universities to offer limited courses in Official Statistics in university programs.** The economics

---

22 [https://statswiki.unece.org/display/GSBPM/I.+Introduction](https://statswiki.unece.org/display/GSBPM/I.+Introduction)
students will be trained, not only in statistics and data science, but also in official statistics and evidence-based policymaking. Some of them may be able to receive hands-on training through internship programs at the NSC.

23. **Sub-component 3.2 (b): Improvement in the human resources management system**, will support further development of the system, which will allow modernization of the HR processes in the NSC (including distance learning system software and video conferencing hardware and software).

24. **Sub-component 3.2 (c): Development of capacity in the NSC Institute to apply international standards and methodologies in all areas of statistics** in the Kyrgyz socio-economic setting. The NSC Institute will be provided with necessary office equipment, electronic archiving, distance learning and video conferencing equipment and software and be therefore equipped to:

   i. Facilitate continuous training of NSC staff and other government agencies;
   
   ii. Collect and continuously update a library of materials in major areas of statistics to be used for training;
   
   iii. Engage external trainers and senior specialists from the NSC to participate in the process as trainers, in particular under the NSC’s mentorship program; and
   
   iv. Provide capacity building for all levels of NSC staff and statisticians from line ministries and agencies who work at the rayon and national level with a special attention to training needs of staff in rural municipalities.

**Component 4. NSC Data Development**

25. The NSC recognizes the need for improvement of statistical infrastructure that will enable management of large data warehouses, collection of data via electronic means and their secure transmission, storage and dissemination in open data formats. This will involve the following:

   i. Reduce burden on survey respondents through analyses and changes in the data collection process by rationalizing the frequency of surveys – particularly surveys of business enterprises, avoiding duplication of data collection, where possible, by acquiring such data from other registers, line ministries and government agencies;
   
   ii. Introduce indicators for SDGs into statistical practice, including data collection at the granularity required for compiling these indicators;
   
   iii. Exercise greater reliance on administrative data and thereby save on redundant data collection;
   
   iv. Modernize approaches to data collection using tablets and CAPI software tools;
   
   v. Conduct regular censuses;
   
   vi. Update statistical registers, and improve the statistical databases and computation methodologies in main areas of statistics;
   
   vii. Improve municipal statistics quality through digital data collection and processing, including digitalizing historical municipal records;
   
   viii. Develop a single data warehouse in the NSC, which includes administrative data, where possible;
   
   ix. Improve and engender data security and data privacy features through: (a) data anonymization, (b) codified information security policy and training, and (c) the use of security software to proactively protect data assets from malicious attacks;
x. Improve data dissemination in an open and user-friendly format, as well as build capacity in the NSC to analyze data using data manipulation tools, and present it to users with metadata, and methodological explanations.

26. These are some of the goals of the Data Development component in this Project. Activities to reach these goals will include improvements in relevant business processes in the NSC, which will be done by introducing the GSBPM already discussed in Component 3.1 above. A significant investment will also be required in the technical capacity and IT infrastructure of the NSC to collect, process and store statistical reporting, survey and census data by procuring new equipment, data transmission means, and statistical software. Similar to activities in Component 3, these will require significant and diverse skills to which the NSC does not have an easy access. Therefore, most of consulting (substantive and IT related) activities envisaged under Component 4 will be consolidated in one procurement package – the twinning partnership. Component 4 on Data Development will consist of two sub-components.

Sub-component 4.1: Data Collection and Dissemination

27. **Sub-component 4.1 (a): Analyses and changes in the data collection process with a view to reducing the number of forms and indicators collected, thus reducing the burden for respondents.** Comprehensive amount of work will have to be done by the NSC to agree within the country on the outputs of the national statistical system, periodicity of indicators and granularity of data needed for decision-making and development of economic and social policy. This sub-component will also assist in introducing the development of SDG indicators as a statistical practice, including improvement of databases and underlying calculations of these statistical indicators. As countries have committed to the SDGs, their statistical systems are automatically obligated to measure achievement of SDGs. The NSC has to plan the introduction and reporting of these indicators using methodologies and practices appropriate to their context, since materials provided by the international custodian agencies are difficult to understand and adapt to the local statistical practice.

28. The aforementioned analyses and agreements on data granularity should lead to: reduction in the number of reporting forms where possible; increase in the use of administrative data; replacement of the total coverage collection with sample surveys; and replacement of paper questionnaires by electronic means of data collection.

29. **Sub-component 4.1 (b): Improvements of the statistical databases and calculation methodologies in main areas of statistics,** including but not limited to: (i) conversion and compilation of the national accounts using the 2008 System of National Accounts; (ii) improvement of collection and compilation of price statistics and data on foreign trade, in particular between countries of the EEU; (iii) further improvement in household-survey statistics and calculation of poverty lines, including for multidimensional poverty; and (iv) improvements and optimization of collection of other statistics, including through better use of administrative data.

30. **Sub-component 4.1 (c): Improvements in data dissemination using an open and user-friendly format, as well as capacity building in the NSC to analyze data and present it to users with metadata, basic manipulation tools, and explanations.** Open data is not only a technical issue – it has its legal aspects for the terms of use of the data. Open data also imposes a requirement on the NSC to improve data quality and accessibility in commonly acceptable formats for using the data (e.g. data presented in “PDF” or “Word” formats are not considered open formats). As part of the data dissemination best practices, the NSC would have to show on their website data from other agencies and provide links to those websites. As a further consequence of implementing this sub-

---

23 Open data gives the user the ability to use or re-purpose the data, and develop any new data products, which the user can commercialize. However, a user of the open data is required to attribute the data source and hold it not liable for any misuse or misinterpretation of the data or of any indicators derived from the data.
component, NSC will be enabled to arrange seminars, presentations to media, academia and businesses with the purpose of explaining their products and raising awareness on how to read and understand statistics.

31. In the 2018/19 ODIN, the Kyrgyz Republic received an overall score of 50 out of 100. This score represents both the coverage and openness of data across 21 data categories that range from social, economic, and environmental statistics most commonly reported by countries. Kyrgyz Republic ranks second in Central Asia and 70th in the world (out of 178 countries).

32. In the Kyrgyz Republic, coverage scores are higher than openness scores, meaning that when data is made publicly available, it is often not made available in open formats, with open licensing, or with metadata. The Kyrgyz Republic’s coverage is 56 compared to an openness score of 44. Openness scores and coverage scores are not independent because data availability and comprehensiveness are key factors in openness. The ODIN scores indicate that data is published in nearly every category, except crime and justice statistics and energy use. Even when data is published, in many social and environmental categories, it is not disaggregated. On the other hand, openness of data is lacking in all categories, meaning that compliance with open data standards can be improved in all areas. Figure 1 above summarizes scores in each data category.

**Figure 2.1. Coverage and Openness Scores by Data Category**

33. Over the last three years, progress on open data in the country has remained relatively static. There are many opportunities for progress to be made, including political support for open data and interest in the value of data.

**Sub-component 4.2: Enhancement of the Statistical and IT Infrastructure**

34. This sub-component will finance equipping the modular primary data center, secondary data center, and the backup data center. The upgrades and modernization of the primary data center facilities (a server and an equipment room) as well as the secondary data center and the backup data center do not envisage any civil works. The existing facilities at the primary data center at the NSC are deemed adequate with minor refurbishing for (i) raised flooring and (ii) additional air conditioning equipment to mitigate for extreme weather conditions/climate change. This sub-component will also finance the hyperconverged server solution for the primary data center, data warehouse software, LAN and call center equipment, data and network security software, video surveillance
equipment, operations and maintenance, data analysis software packages as well as consultancy services, and relevant office equipment to improve productivity and working conditions. These investments will support the following activities:

35. **Sub-component 4.2 (a): Enhancement of the statistical infrastructure** by updating statistical registers, linking with other government registers and using data from censuses to update registers. It is important to strengthen the protocols of electronic data exchange with the registers of the State Tax Service, Ministry of Justice and other major data collection institutions (Ministry of Education, Ministry of Health, State Customs Service, National Bank of the Kyrgyz Republic and other agencies). This will involve close coordination and communication between NSC staff and line ministries and government agencies. Protocols will have to be set up for sharing data collected by such agencies with a view to minimizing redundancies in data collection. At a substantive level, these protocols and interactions of NSC staff, would foster consistency in statistical computation methodologies across other government agencies.

36. **Sub-component 4.2 (b): Conducting regular population, agricultural and economic censuses.** It is important to have a long-term plan for the censuses. The census materials should be used to update registers and improve estimation of all social and economic indicators. A major transition envisaged here is the formulation and modification of survey questionnaires and collection of responses electronically using software instead of the hard-copy versions in use at present.

37. **Sub-component 4.2 (c): Facilitation of information exchange through the Tunduk interagency information exchange system.** Tunduk provides the legal framework within which agencies can exchange data. To facilitate such data exchange, Tunduk provides secure IT infrastructure with appropriate digital authorization for data transfer, that works within the legal agreements between the parties exchanging data. Tunduk’s role will become more pronounced when the NSC starts using administrative and other data in its statistics compilation.

38. **Sub-component 4.2 (d): Improvement of municipal statistics, one of the crucial areas of statistics which provides information about the lowest levels of territorial organization.** The immediate need is to continue working on digitalization of the Household Book (HB) and improving the capacity of municipal civil servants responsible for collecting statistics at the Ayil Okmotu (local self-governments) level. Currently, the HB is not properly utilized and much information available there is collected using incomplete reporting which is not cost-effective. Municipal statistics, historically, have been in hard-copy registers. These have to be digitalized using software or these historical records will have to be manually entered in electronic files as a one-time effort. Improvements in the IT infrastructure, software and capacity of the staff, will enable an efficient way of including municipal statistics and the HB data into the statistics data warehouse.

39. **Sub-component 4.2 (e): Enhancement of technological capacity, IT infrastructure to support data collection, processing, dissemination and secure network management.** This item is a bedrock upon which the modernization of the statistical system depends and arguably one of the largest investments in the Project. The following is a list of many of the upgrades and new features to support the modernization of statistical processes, products and services provided by the NSC.

   i. **Network.** High speed Wide Area Network (WAN) to support secure connectivity between the NSC, regional centers, and the rayons has to be augmented to achieve equitable digitalization in connectivity. The LANs at the NSC, regions, and rayons will have to be upgraded, where necessary. Switches, routers, firewalls (for network security), other hardware and associated software needs to be procured. High capacity and high-speed storage area network (SAN) arrays would be needed to store and access the large volumes of data expected in the next few years. Server room that houses all the IT equipment at NSC has to be refurbished with backup power supply, voltage stabilizers, and
proper air-conditioning to preserve the server equipment and prevent fire hazards. Physical security and monitoring of the server room needs to be introduced using cameras and/or other security devices.

ii. **Servers.** More new servers are needed to replace some of the older, obsolete ones, and some to take on the additional workload of online data entry, error-checking, validation and to support the automated workflow emanating from the revised and streamlined business processes in the NSC. Also, due to the digitalization of survey data collection and entry by the rayon level statistical staff, there will be added workload on the NSC servers to support those operations. In addition, use of “virtualization” technology to maximize utilization of the physical server capacity, requires the introduction of the modern hyper-convergent technology (software-defined server management, dynamic resource allocation, and data duplication, etc.).

iii. **Data Collection, Processing and Dissemination Software.** New software would have to be architected and developed to support: questionnaire development, data entry and error-checking and correcting, data validation, anonymization of personally identifiable information (PII) and confidential data in surveys, data aggregation and computation of standard indicators, to name a few of the processing operations. Software will also be required to merge administrative and other data from non-NSC sources. For data dissemination, additional software would have to be developed that enables users to search, access, query, and download statistical data as well as survey data files, where permitted.

iv. **Productivity Tools, Geographic Information System (GIS) software.** To increase productivity, analytical tools to prepare tables, charts and maps (using GIS software) would have to be provided to NSC technical staff – economists and statisticians -- and they would have to be trained on these tools.

v. **Development of a single data warehouse in the NSC with inclusion of administrative data, municipal statistics, rural household data, etc.** The data warehouse will replace the current storage technique, where the data in the main computer center are stored in a compartmentalized way in different formats and databases, creating different software for processing each new statistical product. The single NSC data warehouse will allow for an easier storage of data and their metadata, management and exchange of data, including administrative data used for statistical purposes. It will also facilitate the use of e-library software to access survey data files, as well as other structured and unstructured data in the warehouse.

vi. Data security and privacy are a primary focus in modernizing the statistical and IT infrastructure at the NSC. Data collected through surveys, such as, household surveys, censuses, municipal statistics, business and enterprise statistics, prices etc., may contain sensitive and personally identifiable information, e.g. respondents’ names, location-addresses, age, sex, income, health, and proprietary information in case of businesses. These data need to be protected from intentional or unintentional misuse, through modern anonymization techniques to mask/obfuscate or remove PII from survey respondents – both individuals and business enterprises. The use of layered intrusion detection and prevention software (IDPS), over and above the firewall hardware/software applications that protect modern IT networks, would protect the data warehouse. Data in transit from and to Tunduk, as well as data collected and transferred by regional and local offices over the internet, would need virtual private network (VPN) channels with extra authentication. Finally, the NSC would have to codify modern data security and privacy policies for their staff and conduct periodic training for all staff working with or accessing sensitive data.

40. Software needed for the servers, for network operations and management, and for the security of the network and data assets can be procured off-the-shelf. However, software for the data processing operations
described above would, for the most part, have to be custom developed.

41. **Disaster Recovery.** Kyrgyzstan is geographically and topographically prone to natural disasters, such as earthquakes, land and mudslides and flooding due to climate induced glacier melting. However, in the Bishkek metro area, the main risk is from a possible earthquake and the disruption that entails. This project hedges this risk by building redundancies in the IT hardware and software infrastructure and operations by having a physical and remote secondary data center which mirrors the primary data center at the NSC central office. In addition, the operational and archived data would also be backed up in a data backup center that is physically separate and removed from the primary data center. The secondary data center is one kilometer away from the NSC central office and the data backup center is 42 kilometers away from the primary data center and 43 kilometers from the secondary data center. Since data is the main asset to be protected, a distance of 42 kilometers provides adequate assurance of recovery in a disaster situation.

**Component 5: Project Management**

**For Tax Administration Components**

42. The STS will put in place the STS PMU with the objective of coordinating the implementation of the tax administration components of the Project and carrying out the administration of tax administration project investments. The STS PMU will be led by the Project Manager with a core staff sufficient to manage the responsibilities of the PMU. The STS PMU will work in close coordination with the STS management as well as with the NSC PMU. The STS PMU will be provisioned with any necessary equipment and training provided to staff in the critical skills of project management, financial management, and procurement.

43. This sub-component will finance the following:
   
   i. Project management and administrative support as required during the life of the Project to manage the Project, including an international advisor to a project manager, as well as financial management, procurement and contract management, and disbursement support.
   
   ii. Project management training to provide the necessary tools and methods to ensure successful management of project implementation as designed.
   
   iii. Procurement and financial management trainings for STS / PMU staff and participation in seminars on World Bank guidelines, policies and procedures.
   
   iv. Translation services.
   
   v. Periodic project audits by an independent and qualified auditing firm.
   
   vi. Office equipment for PMU staff and consultants such as: workstations, copiers, fax, projectors, printers.
   
   vii. Operational expenditures required by the PMU to execute its responsibilities such as: internet service, phone service, postage, courier, and similar services as required.

**For Statistical Components**

44. The NSC will set up the NSC PMU with the objective of coordinating the implementation of the statistical components of the Project and carrying out the administration of project investments in the national statistical system. The NSC PMU will be led by the Project Manager with a core staff sufficient to manage the responsibilities of the PMU. The NSC PMU will work in close coordination with the NSC management as well as with the STS PMU. The NSC PMU will be provisioned with any necessary equipment and training provided to staff in the critical skills of project management, financial management, and procurement.
45. This sub-component will support the following:

   i. Administrative and project management activities during the life of the Project, as well as financial management, procurement and contract management, and disbursement support.

   ii. Procurement and financial management trainings for NSC PMU staff including on World Bank policies, procedures and guidelines.

   iii. Project management training for the PMU team including necessary software tools for successful implementation of the statistical components of the Project.

   iv. Translation services.

   v. Periodic project audits by an independent and qualified auditing firm.

   vi. Provision of office equipment – workstations, copiers, printers, fax, projectors, etc.

   vii. PMU’s operational expenditures – phone, internet service, postage, courier, copying paper, office supplies, etc.