



Revenue Mobilization Program for Results: VAT Improvement Program (VIP) (P129770)

SOUTH ASIA | Bangladesh | Governance Global Practice | Requesting Unit: SACBD | Responsible Unit: GGOES
IBRD/IDA | Program-for-Results | FY 2014 | Team Leader(s): Furqan Ahmad Saleem, Syed Khaled Ahsan

Seq No: 9 | ARCHIVED on 20-Jun-2018 | ISR32901 | Created by: Furqan Ahmad Saleem on 02-Jun-2018 | Modified by: Furqan Ahmad Saleem on 12-Jun-2018

Program Development Objectives

Program Development Objective (from Program Appraisal Document)

The PDO is to improve revenue mobilization and transparency in the VAT administration.

Overall Ratings

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

Implementation Status and Key Decisions

Project Status and Key Issues:

The restructuring has been completed and a relevant Amendment Letter has been signed by the ERD on May 16, 2018. The last implementation support mission dated August 14-27, 2017, followed by a regular engagement, focused on the issues related to the restructuring of the VIP. The Results Framework, Disbursement Linked Indicators (DLI), verification protocol and program expenditure framework have been revised in the restructuring paper. The restructured paper has 5 DLIs after merging DLI 1 and 2 to DLI 1, and 3 and 4 to DLI 3. New timelines and targets have been set against each of the DLIs. Accordingly, the revised DPP of the program has been approved on March 5, 2018.

The draft DLI verification report confirmed several achievements to date, such as implementation of the VAT online registration module, disclosure of VAT collection data, fiduciary actions, conduct of taxpayers' satisfaction survey etc, but at the same time highlighted the deficiencies to be attended in order to attain full completion of results targets.

Considerable amount of preparations is needed to enable and customize the VAT online systems to a modified set of requirements under the existing VAT legislation of 1991. The August mission agreed to disentangle the automation and simplification of processes from the implementation of the VAT Law, 2012; and thereby, pursue the implementation of VAT online system under the existing legislation of 1991. The mission notes that a considerable amount of preparations is yet needed to enable such implementation, including the revision of the existing VAT Rules and related forms to accommodate electronic filing of registration applications, monthly returns and tax payments. This would also require changes in existing registration software as the business process would be different under the 1991 VAT law. This would also need an understanding with the solution provider on the scope of the change and contractual impact. These steps are needed to complete the implementation of VAT online system that includes the online return filing, online payments, and audit and refunds modules. Besides these, the program also needs to focus on increasing the number of active taxpayers, improving the number of large taxpayers' paying their returns through online, improving online registration web-interface, leading to increasing revenues in a transparent manner etc.

For the VAT online systems to be successfully implemented, the program needs to scale-up its advocacy and engagement with the key stakeholders. The mission noted that the implementation of the VAT online return filing module is lagging due to lack of clarity on the new return form and the related rules to enable this change in the form and business process. The NBR would prefer to take this opportunity and build-in a few reforms; however, this requires deepening the engagement with the stakeholders within and outside NBR (including the business community) in a participatory manner. The mission discussed the need for a multi-pronged approach to such engagement and consultations, including the role of Program Management Consultants, IT vendor, VIP Program Management Office, and technical assistance available from the development partners.

The VAT registration system is almost complete and the online module is up and running. As of now, more than 100,000 VAT taxpayers have been registered through this online module, covering both new and existing VAT payers. The roll out of the online registration module to different field officers has begun to widen the scope of online registration. The VAT IT collection set-up has not been completed yet. This system has been developed but implementation of this system depends on proper integration with Bangladesh Bank and CGA's iBAS++ module. The process of integration between Online VAT systems and Bangladesh Bank's payment data is underway. An independent verification report has assessed the registration set-up part of the DLI 1. Besides identifying a few functionalities that are yet to be fully configured, the report has several good recommendations to improve the registration module.

Way forward:

Enable customization of the VAT online systems to a modified set of requirements under the existing VAT legislation of 1991 and to be revised VAT Rules, which would require the program to scale-up its advocacy and engagement with the key stakeholders. An intense implementation support will be provided to expedite the program implementation in the next 6 months.

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P129770	IDA-54260	Effective	USD	60.00	60.00	0.00	19.77	33.02	37%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date

Program Action Plan

Action Description	1.By no later than June 30, 2016,the Recipient shall establish Active Registered Baseline ref. to in DLR#2.1, On-line Filing Baseline ref. to in DLR#3.1 and LTU Baseline ref. to in DLR#4.1 of the table set forth in Sec. IV.A.2 of Schedule 2 to FA.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	Yearly		DLI 2: Number of active VAT taxpayers	Delayed
Comments					

Action Description	2a. The Recipient shall carry out, under terms of reference acceptable to the Association, the following independent taxpayer satisfaction surveys- 2014 survey by no later than June 30, 2015. Later agreed with GoB to comply with it by June 30, 2016.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		30-Jun-2015	DLI 4- (Now merged with DLI-3)	Completed
Comments					

Action Description	2b. The Recipient shall carry out, under terms of reference acceptable to the Association, the following independent taxpayer satisfaction surveys- 2016 survey by no later than June 30, 2017.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		01-Jul-2019	DLI 4- (Now merged with DLI-3)	Not Yet Due
Comments					

Comments	
-----------------	--

Action Description	2c. The Recipient shall carry out, under terms of reference acceptable to the Association, the following independent taxpayer satisfaction surveys- 2018 survey by no later than June 30, 2019.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		30-Jun-2020	DLI 4- (Now merged with DLI-3)	Not Yet Due
Comments					

Action Description	3.By no later than 12 months after the Effective Date, Recipient shall install, and thereafter maintain throughout the implementation of the Program, a fixed asset tracking software in the VAT Wing in order to record, track and manage assets.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	Yearly		DLI 5 - Greater transparency of the tax administration	Completed
Comments					

Action Description	4.By no later than 1 month after the Effective Date, Recipient shall form and maintain throughout implementation of the Program, a 7-member team evaluation committee, under ToR acceptable to the Association, responsible for high value IT procurement				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		30-Oct-2014	DLI 1: VAT Implementation Plan on Track	Completed
Comments					

Action Description	5.By no later than 6 months after the Effective Date, Recipient shall report and thereafter continue reporting throughout implementation of Program, on key procurement indicators agreed with the Association using Recipient's proc. monitoring systems				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		30-Mar-2015	DLI 5 - Greater transparency of the tax administration	Completed
Comments					



Action Description	6a. By no later than 3 months after the Effective Date, Recipient shall appoint under ToR acceptable to the Association and maintain throughout imp. of the Program, a focal point within ERD.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	CONTINUOUS			Completed
Comments					

Action Description	6bi. By no later than 3 months after Effective Date, Recipient shall start collecting and compiling into formats agreed with Association, and thereafter continue collecting throughout implementation of the Prog., all Prog fraud and corruption complaint				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	SemiAnnual			Completed
Comments					

Action Description	6bii. By no later than 3 months after the Effective Date, Recipient shall submit, throughout implementation of the Program, the aforementioned reports to the Association on a semi-annual basis.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	SemiAnnual			Completed
Comments					

Action Description	7a. By no later than June 30, 2015, the Recipient shall carry out training on e-waste handling to IT NBR staff.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No		30-Jun-2015		Completed
Comments					

Action Description	7b. By no later than June 30, 2015, Recipient shall start, and thereafter maintain throughout implementation of the Prog., proper record keeping of equipment purchase, reused and auctioned.				
Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	Yes	CONTINUOUS			Completed
Comments					

Action Description	8. By June 30, 2015, Recipient shall set up NBR's contact center, under terms of reference acceptable to the Association				
---------------------------	--	--	--	--	--

Responsibility	Recurrent	Frequency	Due Date	DLI#	Status
Client	No				Completed
Comments					

Risks

Systematic Operations Risk-rating Tool

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

Comments

Safeguard ratings have been reviewed by the respective environmental and social specialists. The environment risk is rated low since there is no civil works and the program is supporting VAT online systems only. On social risks, the program works on systems upgrading and technical aspects only. There are no triggers for OP 4.12 or OP 4.10. The risk rating is assessed as low.

Results

PDO Indicators by Objectives / Outcomes

Increase in VAT revenues				
► Increase in VAT revenues (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	6,868,000.00	--	6,868,000.00	9,141,000.00



Date	30-Jun-2017	--	30-Jun-2017	30-Jun-2020
►VAT Tax-GDP Ratio (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3.70	5.00	5.00	4.70
Date	12-Mar-2014	30-Jun-2017	30-Jun-2017	30-Jun-2020

Greater transparency of the tax administration				
►Greater transparency of the tax administration (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	Y	Y
Date	30-Jun-2013	--	31-Dec-2017	30-Jun-2020
►Compliance with the availability of information listed in the RTI rules and regulations (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	75.00	75.00	75.00	100.00
Date	12-Mar-2014	31-Mar-2017	31-Mar-2017	30-Jun-2020

Intermediate Results Indicators by Results Areas

Increased VAT revenues				
►IR Indicator 1.1: VAT Implementation Plan on Track (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	VAT Implementation Plan endorsed by Minister of Finance	PIP Updated and linked to DLIs	VAT Registration module implementation (65% complete) and 100,000plus registered online	At least 60,000 VAT returns are processed per month
Date	01-Jul-2013	30-Nov-2016	05-Jun-2017	30-Jun-2020
►IR Indicator 1.2: Number active VAT Taxpayers (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target

Value	80,000.00	62,000.00	100,000.00	120,000.00
Date	01-Jul-2016	30-Nov-2017	05-Jun-2018	30-Jun-2020
►IR Indicator 1.3: Percentage of large taxpayers submitting on-line returns and taxes (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	90.00
Date	01-Jul-2016	30-Nov-2016	30-Nov-2016	30-Jun-2020
►IR Indicator 1.4: Value of VAT e-payments (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	105,000,000.00
Date	01-Jul-2016	30-Nov-2016	30-Nov-2016	30-Jun-2020
►IR Indicator 1.5: Number of VAT stop filers (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	99,999.00	--	99,999.00	77,777.00
Date	01-Jul-2016	30-Nov-2016	30-Nov-2016	30-Jun-2020
►IR Indicator 1.6: Average time to process and issue tax refunds (Days, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	120.00	30.00	120.00	102.00
Date	01-Jul-2016	28-Feb-2017	28-Feb-2017	30-Jun-2020
►IR Indicator 1.7: Percent of audits per year resulting in additional tax assessments (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	20.00	--	20.00	25.00
Date	01-Jul-2016	30-Nov-2016	30-Nov-2016	30-Jun-2020

Greater transparency				
►IR Indicator 2.1: Fiduciary Action (Text, Custom)				



	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	NCB contracts are not done through e-GP. All significant audit objections resolved in more than 6 months. Non systematic submission quarterly fund utilization report to FD & complete fund release processes after each quarter.	The target has been partially met.	The target has been partially met.	75 percent of NCB contracts are done through e-GP. All significant audit objections resolved in 6 months. Submit quarterly fund utilization report to FD & complete fund release processes after each quarter.
Date	12-Mar-2014	30-Nov-2017	05-Jun-2018	30-Jun-2020
►IR Indicator 2.2: Greater taxpayer satisfaction with services (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	75.00
Date	30-Jun-2014	30-Nov-2016	30-Nov-2016	30-Jun-2020

Disbursement Linked Indicators

►DLI 1 DLI 1: VAT Implementation Plan on Track (Output, 34.50, 13%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	Baseline 2012/13- VAT Implementation Plan approved	The DLI has been partially completed.	VAT Registration module implementation (65% complete) and 100,000 plus have registered online	--
Date	--	27-Aug-2015	05-Jun-2018	--
Comments				

►DLI 2 DLI 2: Number of active VAT taxpayers (Intermediate Outcome, 8.00, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	80,000.00	--	100,000.00	--
Date	--	27-Aug-2015	05-Jun-2018	--
Comments				

▶DLI 3 DLI 3: Percentage of large taxpayers submitting online returns and tax payments (Intermediate Outcome, 7.50, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	0.00	--	0.00	--
Date	--	27-Aug-2015	05-Jun-2018	--
Comments				

▶DLI 4 DLI 4- (Now merged with DLI-3) (Output, 0.03, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	0.00	0.00	0.00	--
Date	12-Mar-2014	27-Aug-2015	05-Jun-2018	--
Comments				

▶DLI 5 DLI 5 - Greater transparency of the tax administration (Process, 5.00, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	2012/13	With the submission of quarterly fund utilization	NBR releases monthly VAT collection data on their website but not on refunds. NBR reports that the amount of refunds is negligible. A survey has been carried out and it is on NRB's website for feedback. The NBR will formally close the survey within June 2018.	--
Date	--	27-Aug-2015	05-Jun-2018	--
Comments				

▶DLI 6 DLI 6 - Fiduciary Actions (Process, 4.96, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	FY2019-20
Value	nil	--	The first of the three criteria have been met. The verification agent has verified that 70% of all NCB contracts are done through e-GP in their third report.	--



				Verification report states that the audit issues have not been resolved within the 6 months. Therefore, this DLI remains unachieved. Quarterly Fund Utilization Report has been submitted by the Program to the Internal Resources Division for FY 2016-2017. And they were cross verified by the verification agent.
Date	--	--	05-Jun-2018	--
Comments				