

TAR: TAJ 39018

# Technical Assistance to the Republic of Tajikistan for Preparing the Tax Administration Modernization and Governance Enhancement Project

July 2005

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 13 July 2005)

Currency Unit	–	somoni (TJS)
TJS1.00	=	\$0.3209
\$1.00	=	TJS3.116

## ABBREVIATIONS

ADB	–	Asian Development Bank
ICT	–	information and communications technology
MOU	–	memorandum of understanding
MSRD	–	Ministry of State Revenues and Duties
TA	–	technical assistance
USAID	–	United States Agency for International Development

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Law, economic management and public policy
<b>Subsector</b>	–	National government administration
<b>Themes</b>	–	Sustainable economic growth, governance, and capacity development
<b>Subtheme</b>	–	Financial and economic governance

## NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. During the 2005 Country Programming Mission for Tajikistan, a Tax Administration Modernization and Governance Enhancement Project (Project) and an accompanying advisory technical assistance (TA) were programmed for 2007, with a project preparatory TA programmed for 2005 to prepare the Project and TA. The TA concept paper was endorsed by the Management of the Asian Development Bank (ADB) on 27 April 2005. A TA Fact-Finding Mission visited Tajikistan during 30 May–3 June 2005 and reached an understanding with the Government on the TA impact, outcomes, cost estimates, implementation arrangements, and outline terms of references for consulting services. The TA design and monitoring framework and the problem analysis are in Appendixes 1 and 2.<sup>1</sup>

## II. ISSUES

2. Reforms and modernization of tax administration is an integral part of the Government strategy to promote private sector-led development and effectively mobilize public resources for poverty reduction and sustained economic growth. Tax collection contributes to half of the Government revenue. Therefore, an efficient and transparent tax administration supports the Government's poverty reduction strategy through (i) improved governance, and (ii) increased public resources for basic social services, which are two strategic pillars of the poverty reduction strategy. The summary poverty reduction and social strategy is attached as Appendix 3. Development of an efficient and transparent tax administration will also reinforce the ongoing customs modernization supported by ADB and thus contribute to the government's long-term goal of providing integrated customs and tax services through institutional reforms and the use of information and communications technology (ICT).

3. A four-pronged strategy was adopted by the Government to address the constraints and challenges confronting tax administration and set the enabling environment for modernization and infrastructure development: (i) Tax Code reforms and functional reorganization of tax administration, (ii) business process reengineering to reduce administrative costs and compliance cost for taxpayers, (iii) reorientation of relationship with taxpayers and improvement of staff morale, and (iv) implementation of a unified (or integrated) information system to modernize tax services infrastructure.

4. Much has been achieved in the reform of the tax legal framework and institutional structure. In 2002, the State Tax Committee and State Customs Committee were merged and became two major departments of a newly established Ministry of State Revenues and Duties (MSRD). This measure enables the Government to take a holistic approach in reforms and modernization of revenue administration, and institutionally prepare for integration of tax and customs services through ICT.

5. ADB has been the leading institution supporting customs reforms and modernization for Tajikistan, providing a program loan in 2002 to support legal and institutional reforms and a project loan and TA in 2004 to support modernization of customs services through ICT and customs border-post infrastructure development. The United States Agency for International Development (USAID) supported tax legal and institutional reforms during the same period,

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (internet edition) on 9 March 2005.

providing long-term advisory services for the revision of the Tax Code and reorganization of tax administration along functional lines rather than on the type of taxes collected.

6. The revised Tax Code was adopted by the Parliament in September 2004 and became effective on 1 January 2005. The revised Tax Code has simplified tax procedures, rationalized the tax regime, and introduced measures to broaden the base. Major changes are (i) elimination of nuisance taxes (e.g., tax holidays) and reduction of the list of tax concessions and exemption; (ii) an increase in the threshold of the value-added tax registration; (iii) a simplified tax regime, particularly for small private enterprises and agriculture business; (iv) strengthened audit and enforcement functions of MSRDC; (v) recognition of taxpayers' rights; and (vi) necessary legal provisions for the use of ICT for tax filing and collection.

7. Reorganization of tax administration along a functional line started in January 2005 with advisory support from USAID. These achievements have provided a legal and institutional foundation for modernizing tax services to improve efficiency and governance of tax administration. Additionally, pilot-testing of a taxpayer registration system in one district of the city of Dushanbe was conducted with support from USAID. The pilot system allows taxpayers in Dushanbe district to receive computer-generated taxpayer identification numbers when they register. It is the first step toward modernization of customs services through ICT. However, the system has yet to be extended to other districts and tax offices due to lack of budget provision for the initiative.

8. With USAID supporting functional reorganization and development of implementation procedures of the new Tax Code, ADB will complement USAID's effort by focusing its support on three other strategic priorities: business process reengineering, enhanced client orientation of tax services through training and consultation, and development of ICT and physical infrastructure for tax services.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Impact and Outcome**

9. The impact of the project preparatory TA is enhanced revenue collection and improved efficiency and governance of tax administration. The impact also includes (i) uniform application of the revised Tax Code through support for MSRDC's training-of-trainers program, and (ii) enhanced awareness of best practices and lessons learned from customs modernization through external training.

10. The main outcome of the TA will be a project design suitable for ADB financing. The TA outputs include (i) detailed assessments and project design; (ii) a functional ICT classroom to support the training-of-the trainers program for dissemination of the revised Tax Code and improvement of ICT literacy; and (iii) an external training seminar to distill best practices and lessons learned from tax administration modernization. Training on ADB procedures will also be provided to support project implementation.

#### **B. Methodology and Key Activities**

11. The assessments and the project design will be carried out in close consultation with the executing agency, relevant Government agencies, and private sector stakeholders. This methodology will ensure the project design takes into account the views and concerns of key

stakeholders and there is broad-based support for the modernization efforts. Development of a training and change management program is a key activity of the TA. Development of a set of performance indicators will be another key activity to ensure that the Project is result-oriented and its intended development impact is measurable. The performance indicators will be agreed upon with the executing agency upon the conclusion of the assessment. Business processing reengineering will be carried out before the architectural and technical design of the information system for tax services; this will ensure that ICT will computerize the streamlined business process, and ICT will be an agent of change in support of the broad modernization effort. The TA activities and the scope of the assessments are summarized below.

## **1. Assessments and Project Design**

12. **Business Process Reengineering.** This subcomponent includes a review of the work flows in light of recent changes in the Tax Code and regulations, and development of a detailed plan to reengineer the key business processes (e.g., collection, assessment, and enforcement) and the supporting processes (e.g., accounting and disputes settlements).

13. **ICT Plan.** The ICT plan includes (i) assessment of the existing use of ICT, and detailed design of an information system for tax services (i.e., the architecture, core application systems and supporting systems, detailed functional and technical specifications, and data and application interfaces with relevant agencies); and (ii) an investment plan providing detailed cost estimates, performance indicators, procurement package, implementation schedule, and maintenance plan.

14. **Physical Infrastructure Development Plan.** The plan will include assessing the current physical conditions of the tax administration headquarters and priority tax offices (e.g., Large Taxpayers' Office) and district offices (e.g., Dushanbe and Khudzhand); and developing a physical infrastructure plan to complement the implementation of the information system through refurbishment of buildings and construction of storage rooms for protection of tax documents and ICT equipment.

15. **Training and Change Management Program.** This subcomponent includes assessing the training needs to support the tax modernization effort, developing a training and change management program to help tax officers meet the challenges of tax modernization and adapt to the changed work environment, and supporting MSRD management to manage the changes.

## **2. Provision of Equipment for a Training Classroom**

16. This component will provide a modest amount of financial assistance for purchase of teaching equipment to support MSRD's training-of-trainers program. The training program aims to disseminate information on the newly approved Tax Code to ensure its uniform interpretation and application, and improve ICT literacy of tax officers.

## **3. External Seminar on Tax Reforms and Modernization**

17. The TA will sponsor international training for selected officials of the tax administration to gain international best practices, and share experiences and lessons learned with tax officers of the host country. The assessment and the project design will be presented in the seminar to seek comments and suggestions from host country tax officers.

### **C. Cost and Financing**

18. The cost of the TA is estimated at \$600,000 equivalent, comprising \$410,000 in foreign exchange cost and \$190,000 equivalent in local currency. ADB will provide to Tajikistan, on a grant basis, \$500,000 equivalent from the ADB-funded TA program, to finance the entire foreign exchange cost, and \$90,000 equivalent of the local currency cost. The Government's contribution of \$100,000 equivalent will cover office accommodations, provision of support staff, local communication, and logistic support for workshops and seminars. Details of the cost estimates are in Appendix 4. MSRD and the Ministry of Finance are advised that approval of the TA does not commit ADB to finance any ensuing project.

### **D. Implementation Arrangements**

19. MSRD will be the Executing Agency, and the Tax Department of MSRD will be the Implementing Agency. The TA will start in September 2005 and be completed by June 2007. All equipment to be purchased under the TA will be procured in accordance with ADB's *Guidelines for Procurement*. The mode of procurement will be direct purchase as the total costs of equipment to be procured will be less than \$100,000. The equipment will be retained by the Tax Department after the completion of the TA. An advance payment facility will be established, as workshops/training/seminars require funds prior to the conduct of the events.

20. Tentatively, the TA will finance 15 person-months international and 29 person-months domestic consulting services. The proposed international and domestic consultants (person-months are in parentheses) will include specialists in (i) business process reengineering and change management for tax administration (6 international and 10 domestic), (ii) ICT for tax services (6 international and 9 domestic), (iii) civil engineering for rehabilitation and construction of office buildings (8 domestic), (iv) project management (2 international), and (v) financial management (1 international and 2 domestic). The outline terms of reference for consultants are in Appendix 5.

21. In consultation with MSRD, ADB will select and engage a qualified firm of international consultants with domestic associates to provide services in accordance with the terms of reference using the quality- and cost-based selection method and the Biodata Technical Proposals, following ADB's *Guidelines on the Use of Consultants* and arrangements satisfactory to ADB for selecting and engaging domestic consultants. The consultants will work closely with the MSRD, relevant agencies and institutions, private sector stakeholders, and ADB staff.

## **IV. THE PRESIDENT'S DECISION**

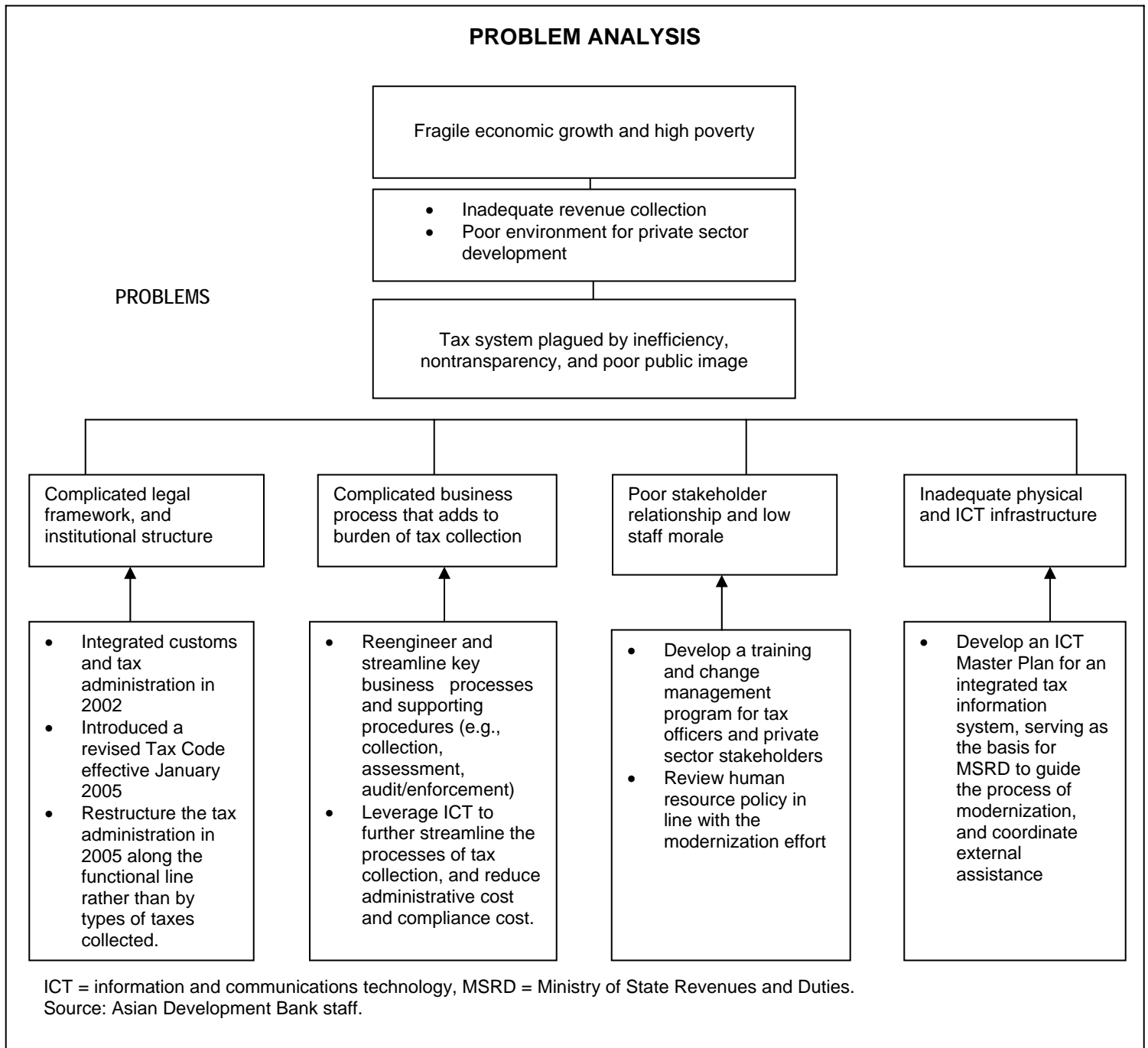
22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of the Republic of Tajikistan for preparing the Tax Administration Modernization and Governance Enhancement Project, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Enhanced revenue collection, and improved efficiency and governance in tax administration</p>	<p>Ratio of administrative costs to the tax revenue collected in selected project districts has improved compared with the national average or in districts not benefiting from the Project.</p> <p>Revenue collection as a percentage of gross domestic product (GDP) increases compared with the baseline.</p>	<p>Ministry of State Revenues and Duties' (MSRD's) internal and published reports</p> <p>Government statistics on gross national products</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Government is committed to tax administration reform and modernization</li> <li>MSRD is committed to training and change management as an integral part of the modernization plan.</li> <li>Project and technical assistance (TA) are implemented as scheduled.</li> </ul>
<p><b>Outcome</b> Project and TA design agreed with the Government</p>	<p>The Government and Asian Development Bank (ADB) sign the Memorandum of Understanding upon the conclusion of the fact-finding and appraisal missions.</p>	<p>Memorandum of Understanding</p> <p>Back-to-office reports</p>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>The project design is not suitable for ADB financing.</li> <li>ADB and the Government could not reach agreement on the project design, counterpart fund requirement, and implementation arrangements.</li> </ul>
<p><b>Outputs</b></p> <p>1. Assessment and project design are accomplished according to the terms of reference and suggestions and guidance provided during TA review missions.</p> <p>2. Training and external study conducted and lessons learned are incorporated in the project design.</p> <p>3. The training room is completed and functional and training programs conducted.</p>	<p>Final report is submitted to ADB and MSRD according to the schedule agreed upon.</p> <p>Report and Recommendation of the President (RRP) contains a session on lessons learned.</p> <p>Tax officers received training on the revised Tax Code, information and communications technology (ICT), and functional reorganization.</p>	<p>TA progress report</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>International consultants have adequate experience and requisite expertise.</li> <li>There is strong support from the Tax Department/MSRD and domestic consultants.</li> <li>Effective private sector stakeholder participation and strong support from MSRD management.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Communication and cooperation between consultants and Tax Department/MSRD are not close. ADB procedures and guidelines are not understood.</li> </ul>

<b>Activities with Milestones</b> <ol style="list-style-type: none"> <li>1. Conduct assessment and develop a plan for business process reengineering (by April 2006)</li> <li>2. Develop an ICT master plan and investment plan (by April 2006)</li> <li>3. Undertake assessment and develop an investment plan for physical infrastructure development to complement implementation of the ICT master plan (by April 2006)</li> <li>4. Develop a training and change management program to support the implementation of the ICT master plan (by April 2006)</li> <li>5. Conduct assessment and procure training equipment (by February 2006)</li> <li>6. Conduct training and external study tour (by October 2006)</li> <li>7. Conduct training on ADB procedures (by December 2006)</li> <li>8. Support fact-finding and appraisal missions (by June 2007)</li> </ol>			<b>Inputs</b> <ul style="list-style-type: none"> <li>• ADB: \$500,000 and 5 person-weeks staff time for missions and review of the TA reports.</li> <li>• Government: \$100,000</li> </ul>

ADB = Asian Development Bank, GDP = gross domestic product, ICT = information and communications technology, MSRDR = Ministry of State Revenues and Duties, TA = technical assistance  
Source: Asian Development Bank staff.



## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY (SPRSS)

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No
<b>Contribution of the sector or subsector to reduce poverty in Tajikistan:</b>			
<p>Reforms and modernization of the administration are an integral part the Government strategy to promote private sector-led development and, effectively mobilize public resources for poverty reduction and sustained economic growth. Tax collection contributes half of the Government revenue. Therefore, an efficient and transparent tax administration supports the Government's poverty reduction strategy through (i) improved governance; and (ii) increased public resources for basic social services, which are two strategic pillars of the poverty reduction strategy.</p>			

### B. Poverty Analysis

#### Proposed Poverty Classification: General intervention

<b>What type of poverty analysis is needed?</b>
<p>The Asian Development Bank (ADB) Country Strategy and Program paper for Tajikistan demonstrates that the breakup of the former Soviet Union and the consequent economic decline led to a substantial increase in the incidence of poverty in the country.</p> <p>Poverty increased dramatically in Tajikistan after 1991 with the collapse of the former Soviet Union. The World Bank's poverty assessment, the only comprehensive one available, estimates that over 80% of the 1999 population lived below the poverty line. Poverty is more pronounced in rural than in urban areas with 81% of the poor estimated to be living in rural areas. Nonincome poverty indicators are also worrisome. Families with many children and old people living alone have the highest risk of poverty. Many male breadwinners died in the civil war, leaving behind destitute families with female heads that account for almost 30% of the poor.</p> <p>The major causes of poverty in Tajikistan are (i) a decline in output, wage levels, and employment resulting from the collapse of the former Soviet Union; (ii) severance of central subsidies and fiscal adjustment, which reduced the poor's access to vital social services, health, education, and heating; and (iii) rising inequality.</p> <p>The poverty partnership agreement signed in December 2002 is consistent with the Government's Poverty Reduction Strategy Paper (PRSP) approved by Parliament in June 2002. The PRSP sets out the short-term (2002–2005), medium-term (2002–2007), and long-term (2002–2015) goals for poverty reduction in Tajikistan, and identifies three strategic pillars of poverty reduction: (i) sustained high economic growth, (ii) improved governance, and (iii) improved access to social services, in part through better targeting. The Government set up in May 2003 the PRSP Monitoring Department under the Office of the President to lead in monitoring and evaluating PRSP implementation. With ADB assistance, the State Statistics Commission established the capacity to conduct periodic reviews of poverty for public dissemination. The PRSP Progress Report for the First Year presented by the Government in February 2004 noted the decline of poverty incidence. However, to a certain extent this stems from remittances from migrant workers rather than from inclusive economic growth inside the country. Both the Government and the international development institutions recognize that it is a long-term endeavor to assist Tajikistan to achieve the goals set in the PRSP.</p>

### C. Participation Process

<b>Stakeholder analysis prepared:</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>The assessments and the project design will be carried out in close consultation with MSRD, relevant Government agencies, and private sector stakeholders. This methodology will ensure the project design takes into account the views and concerns of the key stakeholders and there is broad-based support for the modernization efforts.</p>		
<b>Is there a participation strategy?</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### D. Gender Development

<b>Strategy to maximize impacts on women:</b>
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The Project has no specific gender implications.

Has an output been prepared?  Yes  No

### E. Social Safeguards and Other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The introduction of increased automation in tax administration would be expected to result in small overall reduction in personnel. This would require some retraining of staff to undertake new duties, especially in implementing new streamlined procedures. Given the relatively high staff turnover, no compulsory redundancies are expected.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing</b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	296.00	0.00	296.00
ii. Domestic Consultants	0.00	35.00	35.00
b. International and Local Travel	25.00	5.00	30.00
c. Reports and Communications	0.00	10.00	10.00
2. Equipment for the Training Classroom	25.00	0.00	25.00
3. External Seminar and Training on ADB Procedures	35.00	0.00	35.00
4. Surveys and Consultation Workshops with Stakeholders	0.00	5.00	5.00
5. Miscellaneous Administration and Support Costs (such as translation, office equipment, printing, and secretarial support)	10.00	15.00	25.00
6. Representative for Contract Negotiations	10.00	0.00	10.00
7. Contingencies	9.00	20.00	29.00
<b>Subtotal (A)</b>	<b>410.00</b>	<b>90.00</b>	<b>500.00</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0.00	50.00	50.00
2. Remuneration and Per Diem of Counterpart Staff	0.00	10.00	10.00
3. Others (local communication and logistic support for workshops/seminars)	0.00	40.00	40.00
<b>Subtotal (B)</b>	<b>0.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Total</b>	<b>410.00</b>	<b>190.00</b>	<b>600.00</b>

Source: Asian Development Bank staff estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Consultants

#### 1. Team Leader/Tax Administration Specialist (6 person-months)

1. The tax administration specialist will carry out business process reengineering in cooperation with other team members. He/She will also work with the information and communications (ICT) Specialists to carry out the project design and the design of the accompanying technical assistance (TA) for capacity building and institutional strengthening. The main tasks are the following:

- (i) Update the sector analyses and review the tax administration's organizational structure, major changes, and reform measures introduced in the revised Tax Code and associated regulations.
- (ii) Review major tax administration processes (e.g., assessment, collection, and audit/enforcement), supporting processes (e.g., human resource policy, training, and finance) and procedures interfacing with relevant departments and government agencies (e.g., Customs).
- (iii) Consult (through workshops and survey if necessary) with major tax offices (e.g., the Large Tax Payers' Office), tax district offices (e.g., Dushanbe and Khudzhand), and private sector stakeholders to gather information, explanations of the potential impact of tax modernization, and prioritization of business process reengineering.
- (iv) In cooperation with the ICT specialists, develop a plan for business process reengineering that includes (a) detailed work flow of the recommended reengineered processes (manual and computerized), (b) necessary functional changes to adapt to the changed business processes, (c) roles and responsibilities of all parties involved in the reengineered processes, and (d) areas of computerization and phased implementation.
- (v) Conduct impact analyses to draw implications of the reengineered processes for the tax administration's organization structure, human resource policy, reduction in administrative costs, staff morale and job satisfaction, and relationship with private sector stakeholders;
- (vi) Develop training and change management program for tax officers and private sector stakeholders to help manage the changes resulting from tax modernization. The training and change management program should be as detailed as possible to target key tax stakeholders and tax officers at all levels of the tax administration including the Ministry of State Revenues and Duties (MSRD) management.
- (vii) In cooperation with the other specialists, develop a set of performance indicators and a detailed implementation schedule to monitor the performance and implementation of the integrated information system for tax services.

- (viii) Provide support for ADB missions.

**2. Information and Communications Technology (ICT) Specialist (6 person-months)**

2. The ICT specialist should cover all the knowledge and skill requirements (e.g., architecture design, applications systems development, database integration, and quality assurance) for the design of the integrated information system for tax services to implement the reengineered business process. The ICT specialist will work closely with the other specialists to ensure soundness of the design and well-sequenced implementation of the ICT Plan. Their tasks include the following:

- (i) Carry out business process reengineering in cooperation with the tax administration specialist, identify areas where ICT can be leveraged to further streamline the business process, and propose the scope and priority areas of the business process to be computerized.
- (ii) Review the legal provision for the use of ICT as stipulated in the Tax Code and Government regulations, review the pilot case of the Taxpayer Registration System, and suggest measures to improve the pilot case, and make it an integral part of the ICT plan for the integrated information system for tax services.
- (iii) Carry out the architecture design for the proposed information system.
- (iv) Carry out detailed functional and technical specifications for the application systems enabling computerization of the priority areas of the business process and supporting process.
- (v) Carry out the database design, and interfaces within the tax administration and with systems of the relevant Government agencies (e.g., Customs) and financial institutions.
- (vi) Make detailed specifications and cost estimates for the networks, software, and hardware requirements.
- (vii) Propose a detailed plan for system and data protection, disaster recovery, and quality assurance.
- (viii) Propose a detailed implementation plan that includes, among others, detailed cost estimates, procurement packages, pilot-testing, training and change management program, performance indicators, phased implementation, acceptance test standards/quality assurance, and maintenance measures.
- (ix) Together with other specialists, develop a detailed training and change management program (to be financed by the Project and accompanying TA) to (a) help tax officers adapt to the changed work environment and seize the new job opportunities for better career prospects, (b) help MSRD management manage the change, and (b) effectively communicate with private sector stakeholders on the reengineered business process and the use of ICT for tax collection and compliance.

- (x) Prepare the terms of reference for consulting services to be financed by the Project and TA in support of project implementation, capacity building, and institutional strengthening.
- (xi) Provide support for ADB missions.

**3. Financial Management Specialist (1 person-month)**

3. The specialist will undertake these tasks:

- (i) Assess financial management capacity (e.g., accounting and auditing), and provide detailed recommendations for training and project implementation purposes, including auditing and reporting requirements.
- (ii) Support other specialists in preparing detailed cost estimates and financing plan for the Project according to ADB's financial guidelines, taking into account the treatment of taxes and duties, interest charges, and physical and price contingencies.
- (iii) Prepare the fund flow arrangements, especially in relation to the imprest account and disbursement.
- (iv) Support ADB missions as required.

**4. Project Management Specialist (2 person-months)**

4. Working closely with the other specialists, the project management specialist will play an advisory role at the early stage of TA implementation to ensure that assessment and project design will be conducted in accordance with ADB's policies and procedures, and to conduct training on ADB procedures and support the fact-finding and appraisal missions. The specialist should have extensive experience in preparing and administering projects funded by international development institutions. The main tasks are the following:

- (i) Training MSRD personnel on ADB's project implementation procedures and requirements (e.g., necessary requirement for setting up an imprest account, project management office, disbursement, procurement, consulting services, reporting requirements, project performance monitoring and evaluation).
- (ii) Assist the Appraisal Mission and MSRD in preparing the project administration memorandum (PAM) as an important step for project implementation and monitoring.
- (iii) Assist MSRD in preparing advance action by finalizing the terms of reference and evaluation criteria for consulting services, and help draft necessary documents for ADB endorsement.
- (iv) Carry out other tasks related to project processing and implementation as required.

**B. Domestic Consultants (29 person months)**

5. Domestic consultants will be recruited for (i) tax administration (10 person-months), (ii) ICT (9 person-months), and (iii) financial management (2 person-months). Their terms of reference are the same as those for the international consultants. The domestic consultants will carry out the tasks under the guidance of their respective international consultants and will assist the international consultants including with translation. Additionally, a domestic civil engineer (8 person-months) will be recruited to undertake physical infrastructure assessments and prepare the project design for rehabilitating and constructing office buildings in support of the implementation of the ICT master plan. Under the guidance of the team leader, the domestic civil engineer will undertake the following tasks in cooperation with the ICT specialists:

- (i) Undertake site visits and assess the physical conditions of the tax administration headquarters and priority offices, taking into account the needs of the ICT component of the Project.
- (ii) Prepare a detailed investment plan (including architecture and technical specification) for rehabilitation (and construction as necessary) to support the ICT component of the Project.
- (iii) Prepare procurement packages and an implementation plan consistent with the plan for the ICT component.

**C. Reporting Requirements**

6. The consultants will submit the following reports to ADB:

- (i) An inception report, submitted 3 weeks after the TA starts, will provide a detailed work plan, implementation schedule, preliminary findings, and the outlines of the project document and supplementary documents (which will contain the detailed findings and the project design of the project components). The inception report will serve as a background paper for discussions among MSRD, ADB, and consultants during the TA Inception Mission.
- (ii) An interim report, submitted 3 months after the TA starts, will provide the first draft of the project document and supplementary documents. The report will be discussed among MSRD, ADB, and the consultants during an ADB TA Review Mission to determine the necessary amendment, and the scope of remaining work for preparing a Project suitable for ADB financing.
- (iii) A draft final report, submitted 2 months after the interim report, will provide revised project documents and supplementary documents according to the terms of reference and the direction given at the ADB TA Review Mission.
- (iv) The final report will be submitted within 2 weeks after receiving comments from MSRD and ADB.
- (v) Monthly progress reports as requested.