

The KYRGYZ REPUBLIC

State Tax Service and National Statistical Committee Tax Administration and Statistical System Modernization Project (P163711)

STAKEHOLDER ENGAGEMENT PLAN (SEP)

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The list of terms used in this Plan

ENVIRONMENTAL AND SOCIAL STANDARDS	The 10 Environmental and Social Standards (ESSs) set out the requirements that apply to all new World Bank investment project financing enabling the World Bank and the Borrower to manage environmental and social risks of projects.
GoKR	Refers to the Government of the Kyrgyz Republic
NSC	Refers to the National Statistical Committee of the Kyrgyz Republic
PROJECT	Refers to the State Tax Service and National Statistical Committee Tax Administration and Statistical System Modernization Project
STAKEHOLDERS	Refers to individuals or groups who: (a) are affected or likely to be affected by the project (<i>project-affected parties</i>); and (b) may have an interest in the project (<i>other interested parties</i>).
STAKEHOLDER ENGAGEMENT	A continuous process in which the Project builds and maintains constructive and sustainable relationships with stakeholders impacted over the life of a project. It includes a range of activities and interactions over the life of the project such as stakeholder identification and analysis, information disclosure, stakeholder consultation, negotiations and partnerships, grievance management, and reporting to stakeholders and management functions
STS	State Tax Service under the Government of the Kyrgyz Republic
VULNERABLE GROUPS	People, especially those below the poverty line, the landless, the elderly, women and children, or other displaced persons who may not be protected through national land compensation legislation, who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected by resettlement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits.

Purpose of the Stakeholder Engagement Plan (SEP)

The overall objective of this Stakeholder Engagement Plan (SEP) is to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the preparation and operation of the proposed project. The SEP outlines the ways to identify potential different stakeholders, to develop an approach for reaching each of the sub groups, to create a mechanism by which Project Affected Parties (PAPs) and Other Interested Parties (OIPs) can raise concerns, provide feedback, or make complaints, and to minimize and mitigate environmental and social risks related to the proposed project. Overall, SEP serves the following purposes: i) stakeholder identification and analysis; (ii) planning of engagement modalities, effective communication tools for consultations and disclosure; (iii) enabling platforms for influencing decisions; (iv) defining role and responsibilities of different actors in implementing the Plan; and (iv) grievance redress mechanism (GRM).

Introduction

The Kyrgyz Republic National Development Strategy for 2018-2040 (Vision 2040) identifies tax administration reform as a priority reform area and emphasizes the need for timely and reliable data in advancing the country's economic wellbeing, social welfare, governance and sustainability. As part of the 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 the Vision 2040, seeks to comprehensively reform the country's tax administration with a view to increasing the effectiveness of tax collection and lowering the compliance burden of taxpayers. Similarly, the Vision 2040 emphasizes the pivotal role of digital transformation in the reform processes and sets out the compulsory inclusion of a digital agenda in all conceptual and strategic frameworks. Since data lies at the core of the evidence-based policymaking and digitalization concept, the national statistical system faces a challenge of adapting to the digital transformation in data collection and processing. The MTDP sets the basis for data-exchange among national statistical system actors as digital transformation rolls out. The Vision 2040, furthermore, emphasizes the increased need for quality statistical data and analysis in several policy areas, ranging from healthcare to forest, biodiversity, and agriculture.

Project Description

This project has been designed by the authorities of the Kyrgyzstan Republic and close collaboration of the Kyrgyz Republic State Tax Service and the National Statistical Committee. It includes five components. Component 1 and Component 2 will finance activities aimed to modernize tax administration in Kyrgyz Republic with a view to improving effectiveness of tax collection and reducing compliance burden for taxpayers. Component 3 and Component 4 will finance activities supporting modernization of the national statistical system of the Kyrgyz Republic with a view to improving effectiveness of national statistical system in measuring socio-economic indicators and achievement of Social Development Goals.

Component 1. STS Institutional Development

1. The component will support initiatives to reduce the compliance burden for taxpayers and, with process changes, will limit the requirement for face-to-face meetings with STS staff and allow taxpayers to communicate with the STS through a variety of channels. The component will aim to generate quick wins through improvements in taxpayer services that affect a wide range of taxpayers, such as improvements to the STS website, online taxpayer cabinet and others. It will also support the following areas: (i) enhancing the strategic focus and performance of STS management (including, attention to integrity, and change management); and (ii) improving human resource management and staff capacity which are necessary to support a modern tax administration that is aligned with international good practices. It will involve institutional and organizational development aimed at strengthening executive, managerial and technical capacity and will involve introduction of an enhanced monitoring system to assist in the management of STS performance. The component will also support strengthening of the STS internal control and integrity function to improve accountability of the STS. The component will enhance the skills of the STS management in managing significant change as the organization transitions to a modern tax administration.

Component 2. STS Operational Development

2. The activities within this component will support modernization of the STS operational functions by implementing new streamlined business processes within the STS and enhancing the existing tax administration IT system. This component involves a comprehensive, deep and systematic will require significant changes to the way STS operates to align with international good practice. The modernized business processes will reduce the need for face-to-face interaction between tax inspectors and taxpayers. The enhancement of the tax administration IT system will increase its compliance and responsiveness to the information needs of the STS and taxpayers. Activities in this component will enable lowering compliance costs for taxpayers and increasing operational effectiveness and efficiency of the STS. In turn, these will lead to improved collection of taxes, which the STS administers, at national and subnational levels.

Component 3. NSC Institutional Development

3. A number of regulations guiding NSS 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 system, where the main methodological work predominantly takes place, survey mechanisms are developed, and macro and sectoral indicators are calculated. This will also require improvements in relevant business processes in the NSC and the national statistical system by introducing a Generic Statistical Business Process Model (GSBPM). 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 to meeting needs of the NSC and other agencies in new skills and improving curricula in the university programs by adding courses in statistics, to providing continuous training to all levels of NSC staff and statisticians from line ministries and agencies who work at the rayon and the national levels. Special attention will be paid to the training needs of staff of Ayil Okmotus (local self-governments).

Component 4. NSC Data Development

4. 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 secure transmission, storage, and dissemination of the data in open data formats. This will involve, among other activities, the following: analyses and changes in the data collection process to reduce the respondent burden; introduction of indicators for Sustainable Development Goals (SDGs) into statistical practice; greater reliance on administrative data and modern approaches to data collection; conduct of regular censuses; update of statistical registers; and, improvement in the statistical databases and computation methodologies in the main areas of statistics. These, in turn will require, among other changes, improvements in municipal statistics, and the development of a single data warehouse in the NSC which would include administrative and big data, where possible. Improving data dissemination in an open and user-friendly format as well as building capacity in the NSC to analyze data and present to users with metadata, basic manipulation tools, and explanations is another goal of the project within this component. To reach these goals and complete the activities, a significant investment will be needed in the technical capacity and physical 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. Improvement in administrative data collection requires a well-functioning NSS with the NSC at the center. This is not a technical matter but an issue of interagency collaboration.

Component 5. Project Management

5. This component will finance costs associated with project management, including monitoring and evaluation and results assessment. It is expected that the project will have two Project Management Units (PMUs)—at the STS and at the NSC, with some coordination required in areas such as project progress and financial reporting, and

preparation of disbursement applications. The details of the project institutional arrangements will be developed during next missions.

Regulatory Framework

Key relevant legal provisions on disclosure of information

In the Kyrgyz Republic, in accordance with the Constitution of the Kyrgyz Republic, a number of regulatory legal acts and international treaties ratified by the Kyrgyz Republic, the basis for public access to information, including environmental information, has been determined.

The **Constitution** of the Kyrgyz Republic guarantees freedom of speech and expression, establishing that every citizen of the country has the right "to free expression and dissemination of thoughts, ideas and opinions, to freedom of literary, artistic, scientific and technical creativity, freedom of the press, transmission and dissemination of information", "the adoption of laws restricting freedom of speech and press is not allowed."

The requirements of national legislation are limited to the disclosure of information and consultations at the stage of EIA and the passage of the State Environmental Expertise. Public participation in the implementation of the field development project is governed by the following documents:

- Regulation No. 60 "On the Procedure for Conducting an Environmental Impact Assessment (EIA) in the Kyrgyz Republic" (dated February 13, 2015);
- Law of the Kyrgyz Republic No. 54 "On Environmental Expertise" dated June 16, 1999.

World Bank environmental and social standard on stakeholder engagement

The World Bank's Environmental and Social Framework (ESF) came into effect on October 1, 2018. The ESF includes Environmental and Social Standard (ESS) 10, "Stakeholder Engagement and Information Disclosure", which recognizes "the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice". ESS10 emphasizes that effective stakeholder engagement can significantly improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation. ESS10 applies to all projects supported by the Bank through Investment Project Financing. The Borrower will engage with stakeholders as an integral part of the project's environmental and social assessment and project design and implementation. According to the World Bank's ESF (June 2018), the requirements set out by ESS10 are the following:

- Borrowers will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development

process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts.

- Borrowers will engage in meaningful consultations with all stakeholders. Borrowers will provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.
- The process of stakeholder engagement will involve the following, as set out in further detail in the ESS: (i) stakeholder identification and analysis; (ii) planning how the engagement with stakeholders will take place; (iii) disclosure of information; (iv) consultation with stakeholders; (v) addressing and responding to grievances; and (vi) reporting to stakeholders.
- The Borrower will maintain and disclose as part of the environmental and social assessment, a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.

A Stakeholder Engagement Plan proportionate to the nature and scale of the project and its potential risks and impacts need to be developed by the Borrower. It has to be disclosed as early as possible, and before project appraisal, and the Borrower needs to seek the views of stakeholders on the SEP, including on the identification of stakeholders and the proposals for future engagement. If significant changes are made to the SEP, the Borrower has to disclose the updated SEP (World Bank, 2017: 99). According to ESS10, the Borrower should also propose and implement a grievance mechanism to receive and facilitate the resolution of concerns and grievances of project-affected parties related to the environmental and social performance of the project in a timely manner (World Bank, 2017: 100). For more details on the WB Environmental and Social Standards, please follow the below links: www.worldbank.org/en/projects-operations/environmental-and-socialframework/brief/environmental-and-social-standards and <http://projects-beta.vsemirnyjbank.org/ru/projects-operations/environmental-and-socialframework/brief/environmental-and-social-standards>

Brief summary of Previous stakeholder Engagement Activities

The Kyrgyz Republic Tax Administration Diagnostic Assessment (TADAT) and feedback received at the TADAT assessment dissemination event with civil society organizations (CSOs) informed preparation of the tax administration components of the project. The event involved dissemination of the TADAT assessment results and discussion with CSO representatives on problem areas in tax administration in the Kyrgyz Republic. The following CSOs participated in this event:

- International Business Council, Chamber of Commerce, Association of

Suppliers (Producers and Distributors), Customs Brokers Association, Business Club of Bishkek, Central Asia University, and the National Institute for Strategic Studies.

In addition, the design of the statistical components of the project was informed by results of the recently closed successful KGSTAT project and several stakeholder engagement activities:

- a) Recommendations of the Statistical Advisory Council were taken into account during preparation of the project. The Council includes members of the public and private sectors that advise the NSC on strategic priorities and data users needs.
- b) Consultations on the Law on Official Statistics. The draft Law went through a comprehensive review process with ministries and state agencies, the public, business associations, parliament members and gained additional international expertise from the UN Statistical Division before its submission to the Government and the Parliament hearings. The public consultations were conducted for almost eight months to ensure proper incorporation of feedbacks of data users and different stakeholders. Recommendations given during consultations were recorded and used in identification of priorities for the statistical components of the project as well as designing detailed activities.
- c) User satisfaction survey. User satisfaction survey carried out on the NSC's website regularly. The results of the survey conducted in September 2019 was used as a baseline to design project activities and helped to identify actions to strengthen the credibility and reliability of the NSC as an institution and producer of official statistics. Survey results were used to inform actions for data dissemination, including relevance, accessibility, visual clarity and readability of data products and services. Overall user satisfaction was at 38% of all respondents.

Stakeholder Identification and Analysis

Key stakeholders who are or will be informed and consulted about the project are:

- CSOs representing different taxpayer segments (e.g. small businesses, medium-sized businesses and large businesses)
- individual taxpayers and businesses

Other interested parties include:

- Line ministries
- Academia and Researchers
- Data producing companies
- NGOs
- Broader business community

- Other data producers and data users
- Media
- General public

The project will not disproportionately impact vulnerable or disadvantaged individuals or groups. On the contrary, a lack of the needed data does not allow the government to use data for targeting the most vulnerable segments of population, especially at rayon and city/village level. In addition, insufficiently granular data does not allow supporting implementation of SDGs and hinders the strategic goal—“ensuring that its principle—“no one left behind”— from being pursued.

The tax administration reforms supported by the project will improve the level playing field for businesses by tackling informality in the economy by improving taxpayer services to support voluntary tax compliance, reducing compliance costs for taxpayers, improving enforcement in tax collection, and strengthening integrity in tax administration. Decrease in economic informality will lead to better investment climate and job creation. Increased tax revenue as a result of improved tax compliance and enforced collection will enable increase in government expenditure on social and economic priorities and hence will enable better public service delivery. Vulnerable and disadvantaged individuals generally rely more on public services. Thus, this project will lead to benefits for the vulnerable and disadvantaged individuals as well as for all citizens by enabling increased spending for public services.

The project aims to ensure that data is readily accessible and available for use by different stakeholders in order to hold government accountable and have a better understanding of what has and has not been achieved. The media will play an important role by helping to sensitize the public about the activities of National Statistical System, and as a means to disseminate statistics to the general public.

Stakeholder Engagement Program

The main mechanisms of stakeholder engagement under the tax administration components of the project include: taxpayer satisfaction surveys and consultations with a Fiscal Council which is a consultative body comprised of representatives of NGOs, general public. Areas of stakeholder engagement will include taxpayer services (e.g. functionalities and information available through a taxpayer cabinet, call center) and expanded communication channels between the STS and taxpayers. In addition, major changes in tax administration practices that will be introduced with support of the project and directly affect taxpayers will be communicated to taxpayers through the STS

website, information posted on a special information board in the STS field offices, and through leaflets and posters. Such changes will also be communicated to and discussed with the Fiscal Council.

Taxpayer satisfaction surveys will help to track perception of taxpayers about the quality of taxpayer services and performance in other tax administration areas. The surveys will be conducted annually. The first two surveys will be financed by the World Bank technical assistance project, and the remaining three taxpayer satisfaction surveys will be financed by the project. The STS meetings with the Fiscal Council annually and additional meetings will be convened as needed for new tax administration initiatives.

Feedback received through taxpayer satisfaction surveys and during consultations with the Fiscal Council will inform tax administration activities such as taxpayer services and other tax administration operations.

In addition to taxpayer satisfaction surveys and consultations with the Fiscal Council, the project will finance taxpayer education activities, which will be aimed at improving knowledge and understanding of taxpayers of their tax obligations and will be designed to target different taxpayer segments.

The Stakeholder engagement program will include but not limited to the mechanisms planned for citizen engagement and other channels for active engagement. In particular, the project will use

- (a) **Statistical Advisory Council of the Kyrgyz Republic** to directly engage key stakeholders and other beneficiaries in the process of the strategic planning, implementation, monitoring of statistics and activities supported by the project.
- (b) **User satisfaction survey to identify stakeholders' feedback and needs.** The survey is conducted on a rolling basis on the NSC website and through mobile application. The survey pops up for a data user to leave feedback after using data available on the website for the first time and a follow up survey requests the returning user to provide a feedback once in a quarter. This mechanism will be used by the project to engage citizens to assess the following statistical data service dimensions: (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 an institution, and (vi) Professionalism of NSC staff.

NSC will also reach out to specific groups of stakeholders such as development partners and ministries to conduct the survey with those.

- (c) **Feedback link on the NSC website will be used to track complains/feedback/recommendations of data users.** The link is available online and allows data-users to provide written comments, questions and requests or complaints. The project will facilitate a regular monitoring of requests related to the project activities and respective NSC actions using this mechanism.

- (d) **Technical working groups will be used to provide a platform for the exchange between data producers and government organizations.** The technical working groups will be created under the project and is part of implementation arrangements.
- (e) **Development partners coordination meetings will be used to coordinate support from donors in to the statistical system and to achieve stronger outcomes.**

Resources and Responsibilities

The project includes financing for three taxpayer satisfaction surveys (the first two taxpayer satisfaction surveys will be financed by the World Bank technical assistance project) taxpayer education activities.

The STS staff responsible for taxpayer education and services will be in charge of the SEP. The STS Deputy Chairman designated as a Project Coordinator will supervise stakeholder engagement.

The project includes financing of the Stakeholder engagement program for the statistical components. The NSC staff responsible for implementation of the project will be in charge of the SEP. The NSC Deputy Chairman designated as a Project Coordinator will supervise stakeholder engagement.

Grievance Mechanism

In compliance with the World Bank's ESS10 requirement, a specific grievance mechanism will be set-up for the project. It will integrate already existing feedback mechanism that exist within National Statistical Committee and State Tax Services.

Dedicated communication materials (GRM pamphlets, posters) will be created to help project stakeholder familiarize themselves with the grievance redress channels and procedures. Internal GRM training will also take place, as needed, for project staff and contractors. The websites of STS and NSC also include clear information on how to submit feedback, questions, comments, concerns and grievances by any stakeholder; they also includes the possibility to submit grievances electronically in Russian and Kyrgyz languages.

Additional Mechanisms

World Bank Grievance Redress System. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit

complaints to existing project-level grievance redress mechanisms or the WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB 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>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Monitoring and Reporting

The results of stakeholder engagement will be reported back to stakeholder groups at the Fiscal Statistical Councils meetings and if needed other communication channels. Such can include, media, written reports, press-releases etc. The project management units in STS and NSC will also submit quarterly reports on the project progress.

Budget

The budget of this activity is currently under discussion.