Supplemental Letter No. 2

REPUBLIC OF TAJIKISTAN

November 14, 2012

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Grant No. H811-TJ
(Tax Administration Reform Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A of Section II of Schedule 2 to the Financing Agreement between the Republic of Tajikistan (the Recipient) and the International Development Association (the Association). The Recipient hereby confirms to the Association that the indicators set out in the attachment to this letter shall serve as a basis for the Recipient to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

REPUBLIC OF TAJIKISTAN

By
Authorized Representative

Attachment
• **Voluntary Compliance**: measured by increase in the number of active VAT and CIT taxpayers by 25% by the end of the project;

• **Effectiveness**: (i) reduction in the tax gap as measured by (a) increase in VAT productivity (from 0.37-0.42) and (b) 40 percent increase in CIT productivity (from 0.03-0.06)\(^1\) by the end of the project;

• **Efficiency**: measured by increase in the ratio of revenue collected per tax official by 35% by the end of the project;

• **Quality of taxpayer services**: measured by (i) improvement in perception of taxpayers regarding level of professionalism and honesty in tax administration as measured by annual gender-disaggregated taxpayer perception surveys.

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\(^1\)CIT productivity is measured as the net tax revenue to GDP divided by the statutory tax rate. VAT productivity is measured as the net tax revenue to final consumption divided by the statutory tax rate.