



Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 14 | ARCHIVED on 30-Jun-2023 | ISR56968 |

Implementing Agencies: Republic of Moldova, The State Tax Service

Key Dates

Key Project Dates

Bank Approval Date: 06-Jun-2016

Effectiveness Date: 25-Jan-2017

Planned Mid Term Review Date: 30-Jun-2020

Actual Mid-Term Review Date: 09-Jul-2020

Original Closing Date: 31-Dec-2021

Revised Closing Date: 30-Nov-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

To improve revenue collection, tax compliance and taxpayer services in the Republic of Moldova

Has the Project Development Objective been changed since Board Approval of the Project Objective?

Yes

Board Approved Revised Project Development Objective (If project is formally restructured)

To support business survival and sustain employment in the context of the COVID-19 pandemic, through temporary tax relief, and improve taxpayer services in the Republic of Moldova

Components Table

Name

Institutional development:(Cost \$0.61 M)

IT Infrastructure and system modernization:(Cost \$1.27 M)

Project management and change management:(Cost \$0.12 M)

RBF. Support Tax Policy, Tax Administration Reforms and Operational Development:(Cost \$3.00 M)

RBF. Maintaining employment and business survival in the context of COVID-19 pandemic:(Cost \$15.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Risk Rating	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

Implementation Status and Key Decisions

Progress towards the achievement of the Project Development Objectives (PDO) and overall implementation progress remain satisfactory. Four out of the five PDO-level indicators have been achieved to date. The fifth PDO-level indicator "Taxpayer satisfaction" is expected to be achieved in July 2023 upon completion of the final taxpayer survey. The STS is progressing well with the remaining investment project financing (IPF) activities, which will be completed before the closing date of November 30, 2023.



The 2022 project restructuring to change one project outcome indicator and make adjustments in the project's remaining activities has been finalized and became effective as of April 26, 2023.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Macroeconomic	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Sector Strategies and Policies	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Technical Design of Project or Program	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Institutional Capacity for Implementation and Sustainability	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Fiduciary	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Environment and Social	<input type="checkbox"/> Low	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Stakeholders	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Other	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Overall	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

Results

PDO Indicators by Objectives / Outcomes

To improve taxpayer services				
► PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	There is no a Manual on Taxpayer Services, the staff had no specific trainings.	The Manual is implemented and all eligible staff of STS located in all offices was trained	The Manual is implemented and all eligible staff of STS located in all offices was trained	The Manual is implemented and all eligible staff of STS located in all offices was trained
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	31-Dec-2020
Comments:	The PBC 4 is fully achieved and disbursed. This indicator has two results milestones. The first one 4.1. was achieved in January 2020 - the STS approved the developed Manual on taxpayer Service with its Order # 40 dated January 27, 2020. The disbursement against this result 4.1. was SDR 110,000 (US\$149,700.10).			



The second milestone 4.2 was achieved in October 2020- the STS completed the training of its eligible staff located in all offices on Taxpayer Service Manual. The MoF submitted the report with evidences on February 17, 2021. The resulted disbursement was SDR 109,797.70 (US\$156,290.44).				
►PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No tool for taxpayers' regular feedback is in place.	The e-taxpayer survey tool is in operational use	The e-taxpayer survey tool is in operational use	The tool is implemented.
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	30-Jun-2022
Comments:	<p>Completed. This PBC is aimed at reflecting the STS's efforts to improve its taxpayer services under Component 1. PBC 5 has two milestones.</p> <p>PBC 5.1. on piloting of electronic taxpayer survey tool mechanism, staff training and launch of tool's roll-out was achieved in December 2021. The STS trained its 175 tax officials, piloted the e-taxpayer survey tool during June 21-July 23, 2021, and launched the tool's roll-out on September 15, 2021. The disbursement against this first milestone was SDR 440,000 (US\$ 615,639.20). On June 8, 2023, the MoF submitted for the Bank's acceptance the evidence regarding achievement of the second milestone PBC 5.2 – "Evaluation report on roll-out results for six months of implementation" prepared by the STS. The report, inter alia, includes results of four surveys conducted during the first six months of e-survey tool implementation and results of the survey conducted in January 2023 with the help of gadgets the STS procured in September 2022 under IPF part, as well as inventory of adjustments to STS procedures/processes made in response to surveys conducted during the pilot stage (June – July 2021) and the first six-months of the roll-out (mid-September 2021-mid March 2022).</p> <p>The disbursement against this milestone is expected by end of July 2023.</p>			
►PBC: Improved the usability of the STS website (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	There are two websites available (one for information only and another one for the submission of tax declarations by taxpayers); there are some gaps in the functionality of both websites.	New STS website is used by taxpayers	New STS website is used by taxpayers	New STS website is used by taxpayers
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	30-Nov-2023
Comments:	<p>PBC 3 is fully achieved and disbursed. The STS's new single website has been operational since April 1, 2021. The MoF submitted reports with evidences on achievement of both milestones - 3.1. on the launch of the new website and 3.2. regarding the use of the website by users on September 30, 2021. These were accepted by the Bank and resulted disbursement was SDR 440,000.00 (US\$621,082.00). In 2022, the number of hits to the new single STS website (https://sfs.md/en), is 7,663,972.</p>			
►Taxpayer satisfaction (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Legal entities -76,3% and Individuals – 69,2%.	Next and final survey is under preparation and will be conducted in the	The final survey (separately for individuals and legal	Satisfaction increase - 10% (compared to baseline)



		first half of 2023 calendar year.	entities) has been conducted in April-May 2023. The reports with survey results are under preparation.	Final survey conducted with data disaggregated by gender. Results and suggested actions of the STS to address weaknesses are published on the STS website.
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	30-Nov-2023
Comments:	<p>The STS completed the procurement procedure and signed the contract for conducting the final taxpayer survey on March 17, 2023. To date, the consulting firm completed the survey of individuals and legal entities that were carried out separately. The draft report with results of the survey of individuals is already under the STS review, the draft report for legal entities is expected in June 2023. The completion of this activity with reports finalized and published is expected in July 2023.</p> <p>At the same time, the STS continues its stakeholder engagement activities aimed at improving the taxpayer's service delivery. These activities are foreseen by the STS's strategic documents, as 2021-2023 STS's Strategic Development Program, 2021-2026 Taxpayer Service Strategy, and 2020-2023 Communication Strategy (See Section 1.2 of this ISR).</p>			

Support business survival and sustain employment in the context of COVID-19 through temporary tax re				
► Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No government programs to support business continuity and sustain employment in the context of COVID-19 pandemic	Target fully achieved.	Target fully achieved.	75% of beneficiary companies that received subsidies under the payroll and expanded VAT refund mechanisms continued operation and maintained employment at 60% level compared to April 2020
Date	01-Apr-2020	20-Dec-2022	20-Jun-2023	01-Feb-2021
Comments:	<p>PBC 6 is fully achieved and disbursed. The Government has undertaken actions foreseen under PBC 6 results scheduled for 2020 and fully achieved the PBCs targets for business continuity and employment levels.</p> <p>The Bank approved MoF's reports with evidences on achievement of i) PBCs 6.1-6.4. on January 22, 2021 and ii) of PBC 6.5 on June 11, 2021. The overall disbursement under the PBC 6 is EUR 10.44 mln. (US\$ 12.49 mln.).</p>			

Overall Comments

Four out of five PDO level indicators have been completed. STS's activities aimed at improvement of taxpayer services through improving the usability of the STS website (PBC 3), strengthening the STS capacities in taxpayer service delivery (PBC 4), and introduction of electronic taxpayer survey tool (PBC 5) have been completed. The remaining activity related to the improvement of taxpayer services which is to measure the level of taxpayers' satisfaction with the STS performance is under finalization. The STS, through contracted firm, completed the taxpayer surveys covering both legal entities and individuals in May 2023 and reports with surveys results are under preparation. The completion of the activity is expected in July 2023 when finalized reports shall be published on the STS website. The Government's activities supported to achieve PBC 6 and aimed at supporting business survival and sustainment of the employment in the context of the COVID-19



pandemic through temporary tax relief were completed in June 2021 with 100% achievement of target levels for employment and business continuity.

Intermediate Results Indicators by Components

Institutional development				
▶ The Training Distance Learning System for the most important workflows developed (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	The list of training programs is not identified	All (12) identified distance learning courses to support the most important workflows were developed.	All (12) identified distance learning courses to support the most important workflows were developed.	All identified distance learning courses to support for the most important workflows are developed and updated.
Date	31-Dec-2015	20-Dec-2022	20-Jun-2023	30-Nov-2023
Comments:	<p>Achieved. The STS developed 12 distance learning programs and put them on the MOODEL platform in 2020. Three out of twelve identified training programs have been developed by STS with support from development partners, including the US Treasury (on Taxpayer Service Manual) and SIDA (under Institutional Cooperation Project (2018-2021)).</p> <p>TAMP's earlier support covered the purchasing of 45 video- conferencing equipment items to be used for distance learning of the STS employees across the whole country.</p> <p>The STS is strengthening the sustainability of results achieved under TAMP by developing new courses and continuous staff training. During the first half of 2023, STS uploaded to Moodle platform 18 new training courses - with topics and content of major importance workflows, as well as about 9 751 tax officials took different of these online trainings. Thus, the total number of online training courses reached 270 (including: video guides; course materials; video recordings of the training sessions conducted through the Skype for business application).</p>			
▶ Number of hits to the STS web-site (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,570,004.00	7,200,108.00	7,663,992.00	7,150,000.00
Date	31-Dec-2015	20-Dec-2022	20-Jun-2023	30-Nov-2023
Comments:	<p>The annual target for 2022 (7.10 million) is already achieved reaching above 7.66 million. hits, which is also surpassing the final target.</p> <p>The previous result of 10.27 hits for 2021 (with target of 7.05 million) was higher than the current one. This could be explained by the fact that in 2021 the STS continued to use its old versions (www.servicii.fisc.md & www.sfs.md) of website in parallel with the new single website https://sfs.md/ro launched on April 1, 2021, and annual data covered number of hits to all these three websites. Starting 2022, the reporting data on the number of hits is based on figures from only the new single website.</p>			
IT Infrastructure and System Modernization				



►Set foundation for future STS digital modernization strategy (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No evidence based analysis to inform future IT modernization strategy	No evidence based analysis to inform future IT modernization strategy	IT Capability Gap Assessment is in progress.	Technical Specifications for a new IT system for the tax administration are prepared
Date	22-Jun-2022	20-Dec-2022	20-Jun-2023	30-Jun-2023
Comments:	In progress. The contract for STS IT Capability Gap Assessment was signed on February 23, 2023 and is under implementation. The contract's inception stage resulted in a completed inception report. The assessment stage is under way and to be completed in July 2023 with the assessment report informing future STS IT Strategy and Roadmap, as well as ITMS development plan and recommendations. The draft STS IT Strategy and ITMS development plan as the final outputs under the contract that are expected by October 2023. The completion of indicator related activities with achievement of its targets is expected by the project closing date. In view of the lack of time and funds for the earlier planned development of technical specifications for ITMS, these will be not covered under the TAMP. Thus, evidence-based analysis to inform future IT modernization with draft of the STS IT Strategy and ITMS development plan will be the final targets for this indicator.			

RBF: Support in tax policy and tax administration reforms				
►Decrease in tax arrears (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	8.50	5.08	4.77	6.48
Date	02-Jan-2017	20-Dec-2022	20-Jun-2023	30-Nov-2023
Comments:	The annual target for 2022 (6.48) was achieved as tax arrears decreased to 4.77 percent compared to planned 6.48 percent. Actual 2022 level already surpassed the final target. This was caused by the fact that the amount of tax arrears at the end of 2022 (2,625.59 mln.lei) was lower compared to revenues collected during 2022 (55,017.04 mln.lei). Better performance of the indicator in 2022 compared with 2021 (5.08 percent) is due to the increase in revenues to the state public budget what was caused by improvements in economic activity.			
►Increased nominal value of the specific and minimal excise for all tobacco products under tariff position 240220 (PBC/DLI 1) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	Specific rates came into effect.	Specific rates came into effect.	Specific rates came into effect
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	31-Dec-2021
Comments:	This indicator was fully achieved and funds in amount of SDR 511,625.37 or equivalent of US\$ 731,762.71 were disbursed. The indicator includes three milestones. As of December 31, 2020 two results were completed, as the MoF submitted to the Parliament the draft Law on Changes to the Tax Code on November 30,2020 (1.1) and this was approved by the Parliament on December 18, 2020 (1.2). The Changes to the Tax Code came into effect from January 1, 2021 (1.3). The MoF's submitted evidence for			



PBC 1.1 and 1.2 on December 30, 2020; for PBC 1.3 - on February 2021. The Bank accepted these and relevant funds were disbursed.				
► Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Due to the legal gap in provisions which stipulates the process of debt cancellation, at the time transfer of collected VAT insolvent subject does not have liquidity and this creates budget losses.	The adopted changes to the Tax Code came into effect	The adopted changes to the Tax Code came into effect	The adopted changes to the Tax Code came into effect
Date	31-Dec-2018	20-Dec-2022	20-Jun-2023	31-Mar-2020
Comments:	This indicator was fully achieved in January 2020 and funds in the amount of SDR 476,700 or equivalent of USD 648,745.80 were disbursed on March 26, 2020.			

Support Maintaining Employment and Business Survival in the Context of COVID-19 Pandemic				
► Established legal frameworks and transparent mechanisms for implementing the temporary tax relief to businesses to mitigate for the negative fiscal impact of the COVID-19 pandemic (PBC 7) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available	Legal frameworks have been established. Report on payroll subsidies program is made public. Reports on VAT refund program awaited.	Legal frameworks have been established. Report on payroll and VAT subsidies program were made public	Legal frameworks are established and reports on implementation of Payroll Subsidies and VAT refund programs are available
Date	01-Apr-2020	20-Dec-2022	20-Jun-2023	01-Feb-2021
Comments:	This indicator was fully achieved and funds in amount of SDR2,197,500.0 or equivalent of US\$3,039,620.10 were disbursed. This PBC 7 has six milestones. Three milestones on approved legislation were completed and disbursed (US\$1.36 million) in February 2021. The fourth milestone regarding publication of the completion report on payroll subsidies program (7.4) was achieved on December 10, 2021 what resulted in disbursement of US\$0.716 million on December 21, 2021. Two remaining milestones (PBC 7.5-7.6) were achieved in July 2022 following the MoF's publication of two reports: <i>Interim report on VAT refund program implementation</i> and <i>Report on VAT refund program covering payments made for applications received from start of program until December 2020</i> on its website in both Romanian (https://mf.gov.md/ro/content/rapoarte-2) and English (https://mf.gov.md/en/content/reports-2), and submission of relevant evidence to the Bank on July 12, 2022. The Bank accepted these and funds in equivalent of US\$0.959 million. were disbursed on August 19, 2022. As the PBC 7 was fully achieved, the remainder of SDR2,546.82 (equivalent of US\$3,334) for PBCs 7.1-7.3 was also disbursed.			

Overall Comments

All intermediate results indicators are in line with their annual targets. Three non-PBC indicators (Training distance learning system, Decrease in tax arrears, and Number of hits to the STS website) have already achieved their final targets. The results achieved under indicator on training distance learning system are continuously improving. New non-PBC indicator, introduced by the 2022 TAMP restructuring, (Set foundation for future STS digital modernization strategy) is on track to be achieved with STS IT GAP Capability Assessment is under way. The report with the assessment results is expected by end of July 2023, while draft of STS IT Strategy and Roadmap, as well as ITMS development



plan and recommendations – in October 2023. All three PBC related intermediate indicators (PBC 1, PBC 2, and PBC 7) have been fully completed and disbursed.

Performance-Based Conditions

► PBC 1 Increased nominal value of the specific and minimal excise for all tobacco products under tariff position 240220 (PBC/DLI 1) (Text, Outcome, 700,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	Specific rates came into effect.	Specific rates came into effect.	--
Date	--	20-Dec-2022	20-Jun-2023	--

► PBC 2 Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2) (Text, Outcome, 650,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	Due to the legal gap in provisions which stipulates the process of debt cancellation, at the time transfer of collected VAT insolvent subject does not have liquidity and this creates budget losses.	The adopted changes to the Tax Code came into effect	The adopted changes to the Tax Code came into effect	--
Date	--	20-Dec-2022	20-Jun-2023	--

► PBC 3 PBC: Improved the usability of the STS website (Text, Output, 600,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	There are two websites available (one for information only and another one for the submission of tax declarations by taxpayers); there are some gaps in the functionality of both websites.	New STS website is used by taxpayers	New STS website is used by taxpayers	--



Date	--	20-Dec-2022	20-Jun-2023	--
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►PBC 4 PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text, Output, 300,000.00, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	There is no a Manual on Taxpayer Services, the staff had no specific trainings.	The Manual is implemented and all eligible staff of STS located in all offices was trained	The Manual is implemented and all eligible staff of STS located in all offices was trained	--
Date	--	20-Dec-2022	20-Jun-2023	--

►PBC 5 PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Output, 750,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	No tool for taxpayers' regular feedback is in place.	The e-taxpayer survey tool is in operational use	The e-taxpayer survey tool is in operational use	--
Date	--	20-Dec-2022	20-Jun-2023	--

►PBC 6 Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6) (Text, Output, 12,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	No government programs to support business continuity and sustain employment in the context of COVID-19 pandemic	Target fully achieved.	Target fully achieved.	--
Date	--	20-Dec-2022	20-Jun-2023	--

►PBC 7 Established legal frameworks and transparent mechanisms for implementing the temporary tax relief to businesses to mitigate for the negative fiscal impact of the COVID-19 pandemic (PBC 7) (Text, Outcome, 3,000,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	Legal frameworks for mechanisms to sustain tax revenue collection through	Legal frameworks have been established. Report on payroll subsidies	Legal frameworks have been established. Report on payroll and VAT	--



	support to business continuity that ensured transparency are not available	program is made public. Reports on VAT refund program awaited.	subsidies program were made public	
Date	--	20-Dec-2022	20-Jun-2023	--

Data on Financial Performance

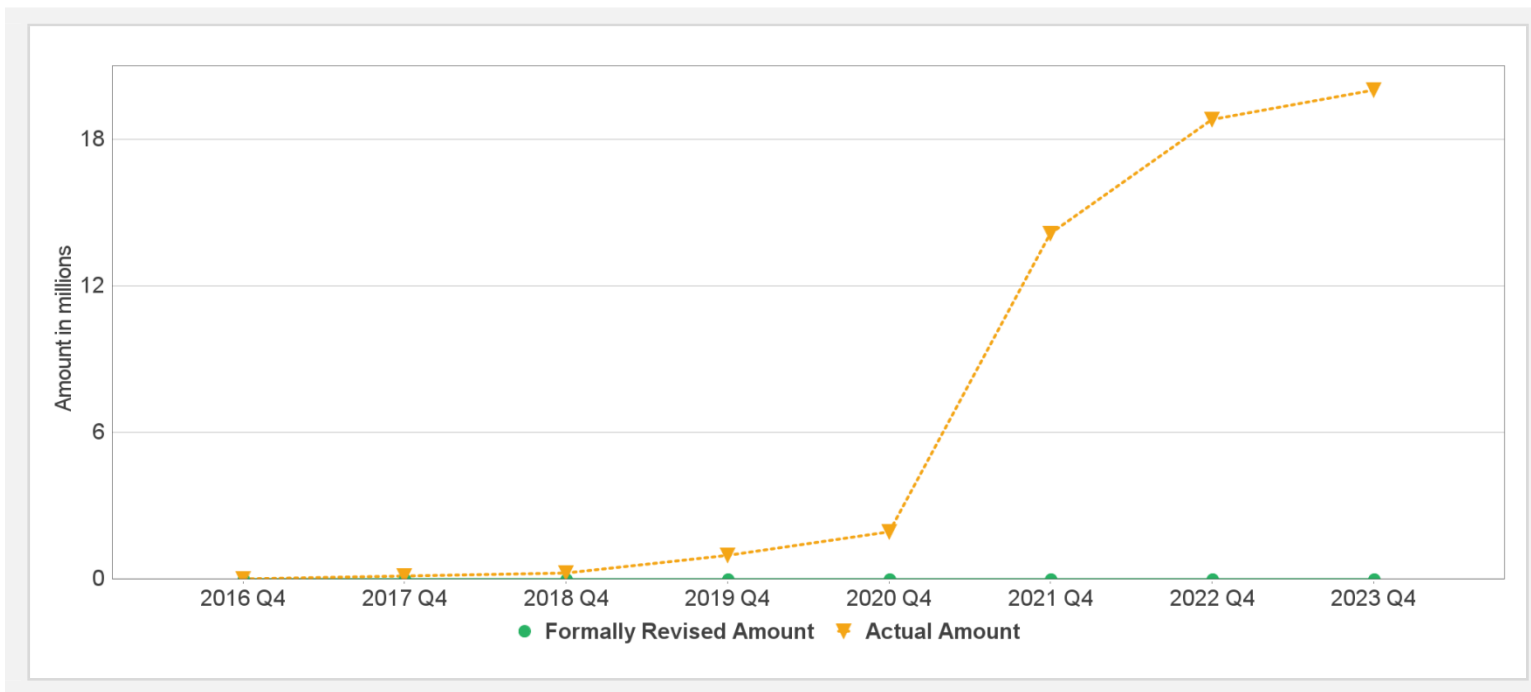
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	12.79	0.00	100%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	7.22	0.15	98%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P127734	IBRD-86250	Effective	06-Jun-2016	28-Jun-2016	25-Jan-2017	31-Dec-2021	30-Nov-2023
P127734	IDA-58290	Effective	06-Jun-2016	28-Jun-2016	25-Jan-2017	31-Dec-2021	30-Nov-2023

Cumulative Disbursements





Restructuring History

Level 2 Approved on 05-Jun-2019 ,Level 2 Approved on 14-Sep-2020 ,Level Approved on 28-Dec-2020 ,Level 2 Approved on 27-Jul-2022

Related Project(s)

There are no related projects.
