



## Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 11 | ARCHIVED on 05-Jan-2022 | ISR49595 |

Implementing Agencies: The Ministry of Finance, 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 \$0.65 M)

IT Infrastructure and system modernization:(Cost \$1.18 M)

Project management and change management:(Cost \$0.17 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

The project was restructured in 2020 to refocus towards tax-related COVID-19 response measures, and to drop support for the integrated tax management system (ITMS). The restructuring revised the project development objective and reallocated funds meant for the ITMS to a new



results-based component that supports the Government's conditional payroll and subsidy programs aimed at supporting business survival and sustaining employment.

To date, the project is progressing well and has disbursed almost 91 percent (US\$ 18.14 Million) of Bank financing. The results framework section attests to the achievements made under the seven performance-based conditions of the project. The remaining activities under Project's investment part will be revised to include STS IT Capability Gap Assessment to better align STS with e-Government development plans of the country and inform the new STS IT Strategy, and follow up activities on IT modernization.

TAMP will be restructured to replace the PDO-level indicator "Time required to comply with taxes" that relied on data from the Doing Business Report that has been discontinued by the Bank.

## Risks

### Systematic Operations Risk-rating Tool

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

## Results

### PDO Indicators by Objectives / Outcomes

To improve taxpayer services				
► Time required to comply with taxes (Hours, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	186.00	183.00	183.00	173.00
Date	31-Dec-2015	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	The indicator was based on the Doing Business Report which is discontinued. Thus, in line with the Bank's policy, this indicator will be replaced. This replacement will be processed through a restructuring.			



<b>►PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text, Custom, PBC)</b>				
	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	15-Jun-2021	23-Dec-2021	31-Dec-2020
Comments:	<p>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).</p> <p>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).</p>			
<b>►PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Custom, PBC)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No tool for taxpayers' regular feedback is in place.	The e-survey tool is developed and to be piloted in June 2021	The e-taxpayer survey tool was piloted and put into operation	The tool is implemented.
Date	31-Dec-2018	15-Jun-2021	23-Dec-2021	30-Jun-2022
Comments:	<p>In progress. 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 is completed. The STS trained its 175 tax officials, piloted the e-taxpayer survey tool during June 21-23, 2021, and launched the tool's roll-out on September 15, 2021. The full achievement of PBC 5 is expected by the second half of 2022 upon receiving STS's report on results of 6-month of e-survey tool implementation (PBC 5.2) and upon utilization of the gadgets procured under the IPF part.</p>			
<b>►PBC: Improved the usability of the STS website (Text, Custom, PBC)</b>				
	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	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	<p>PBC 3 is fully achieved and disbursed. The STS's new single website is being operational since April 1, 2021. The MoF submitted reports with evidences on achievement of both milestones - 3.1. on the launch</p>			



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 (\$621,082.00).

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. Disbursement for final milestone is in progress.	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	15-Jun-2021	23-Dec-2021	01-Feb-2021
Comments:	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. The Bank approved MoF's reports with evidences on PBC 6.1-6.4. on January 22, 2021 what resulted in US\$ 9.09 mln. disbursement. Bank's achievement confirmation letter regarding evidences for the last 6.5 milestone was issued on June 11, 2021. The final disbursement in equivalent of US\$ 2.58 mln. was made on July 1, 2021. The overall disbursement under the PBC 6 is EUR 10,44 mln. (US\$ 12,49 mln.).			

### Overall Comments

The Borrower is progressing with PDO indicators. STS's activities aimed at improvement of taxpayer services through improving the usability of the STS website (PBC 3) and strengthening the STS capacities in taxpayer service delivery (PBC 4) have been completed. The activity on introduction of electronic taxpayer survey tool (PBC 5) is under way with completion of activities under the first milestone. The piloting of the e-survey tool was completed in July 2021 and followed up with tool's roll-out starting mid-September 2021. Full completion of indicator-related activities will be by the second half of 2022. The Government's activities supported by the 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 have been completed with 100% achievement of target levels for employment and business continuity. The time required to comply with taxes, that was measured based on Bank's Doing Business Report data, will be replaced as the result of DB Report discontinuation.

### Intermediate Results Indicators by Components

Institutional development				
► Taxpayer satisfaction (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Legal entities -76,3% and Individuals – 69,2%.	Baseline survey conducted. Next and final survey will be conducted in mid 2022.	Baseline survey conducted. Next and final survey is planned	Satisfaction increase - 10% (compared to baseline)



			for the second half of 2022.	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	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	<p>STS's has started preparation of the final taxpayer satisfaction survey that currently planned to be launched by the second half of 2022. Meanwhile, 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, and 2021 Annual Plan.</p> <p>Within the second half of 2021 the STS, as a part of its citizen engagement activities contributing to the tax administration reform: i) organized public online consultations for 12 normative acts placed on STS's website; the 2021-2023 STS's Strategic Development Program finalized in July 2021 has benefited from public consultations held in early 2021; ii) conducted 47 seminars with taxpayers on issues related to legislative changes; iii) held a consultation meeting with representatives of the European Business Association, the American Chamber of Commerce, Accountant News on establishing the communicating priorities with new management. During June-July 2021 the STS piloted its newly developed electronic taxpayer survey tool aiming at receiving taxpayers feedbacks on their satisfaction with STS's specific services so that to inform needed adjustments to STS's processes to improve service delivery. The pilot helped the STS identify steps to be taken to improve existing procedures for lease registration, requesting standardized forms from STS, personal income tax returns filing using taxpayers feedbacks received. Since September 15, 2021 the e-taxpayer survey tool is being in operational use. Within this period the STS conducted surveys on i) integrity of STS employees; ii) use of electronic tax services; iii) functioning of the petition system within the STS, and launched the new one on evaluation of time used by economic agents to submit applications to the STS. Introduction of this e-taxpayer survey tool as one of a citizen engagement mechanisms shall be a valuable tool in STS's improving the quality of their services.</p>			
<p>► The Training Distance Learning System for the most important workflows developed (Text, Custom)</p>				
	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	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	<p>Achieved. The STS developed 12 distance learning programs and put them on MOODEL platform in 2020. Three out of twelve identified training programs have been developed by STS with support from development partners, including 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. During 2021 the STS uploaded to MOODEL platform 52 new training courses with topics and content of major importance for the STS and 1 428 tax officials took different trainings. Under COVID-19 pandemic circumstances, distance learning has become the norm and most efficient way of delivering training.</p>			



► Number of hits to the STS web-site (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,570,004.00	7,032,937.00	7,648,815.00	7,150,000.00
Date	31-Dec-2015	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	<p>The annual target for 2021 (7.05 mln.) was achieved and reached above 7.65 mln. hits as of early December 2021. This figure will be further updated as of December 31, 2021, but it's already surpassed the annual level as well as the end target.</p> <p>Until April 1, 2021, the reported total numbers of hits covered figures under STS's two web-sites: www.sfs.md &amp; www.servicii.fisc.md. On April 1, 2021, the STS introduced the new single website https://sfs.md/ro. Starting 2022, the reporting data on the number of hits will be based on figures from the new single website.</p>			

IT Infrastructure and System Modernization				
► Assigned tasks to inspectors are completed and monitored continuously (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	100.00
Date	01-Apr-2020	15-Jun-2021	23-Dec-2021	30-Jun-2021
Comments:	<p>This indicator will be deleted during the upcoming TAMP restructuring. The STS will drop indicator-related procurement of remote monitoring system solution, among few others IPF's activities, to ensure adequate resources for IT Capability Gap Assessment.</p>			

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	4.55	4.55	6.48
Date	02-Jan-2017	15-Jun-2021	23-Dec-2021	30-Nov-2023
Comments:	<p>Data on actual level for 2021 target (6.48) will be in 2022.</p> <p>Actual 2020 level (4.55) already surpassed the final target. This was caused by the fact that the amount of tax arrears at the end of 2020 was lower compared to revenues accumulated during 2020.</p>			
► 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	Specific rates came into effect.	Specific rates came into effect.	Specific rates came into effect



	set up in the Tax Code of Moldova in 2017			
Date	31-Dec-2018	15-Jun-2021	23-Dec-2021	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 3 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 evidences 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	15-Jun-2021	23-Dec-2021	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. Reports on implementation awaited.	Legal frameworks have been established. Report on payroll subsidies program is made public. Reports on VAT refund program awaited.	Legal frameworks are established and reports on implementation of Payroll Subsidies and VAT refund programs are available
Date	01-Apr-2020	15-Jun-2021	23-Dec-2021	01-Feb-2021
Comments:	On track. This PBC 7 has six milestones. Three milestones on approved legislation were completed and disbursed (US\$ 1.36 mln.) in February 2021. The fourth milestone regarding publication of completion report on payroll subsidies program (7.4) was also achieved and disbursed in December 2021. The MoF published completion report on its website in both <i>Romanian</i> ( <a href="https://mf.gov.md/ro/content/rapoarte-1/">https://mf.gov.md/ro/content/rapoarte-1/</a> ) and <i>English</i> ( <a href="https://mf.gov.md/en/content/reports-1/">https://mf.gov.md/en/content/reports-1/</a> ) and submitted evidence on PBC 7.4 achievement on December 10, 2021. The Bank accepted these and funds in equivalent of US\$ 0.716 mln. were disbursed on December 21, 2021. For two remaining milestones (PBC 7.5-7.6), the MoF is expected to submit drafts report on VAT refund program implementation for Bank project team's prior review by the end of December 2021. The publication of finalized reports and follow-up final disbursement of US\$1 mln. are expected by February 2022.			



### Overall Comments

All intermediate results indicators are in line with their annual targets. Two PBC related indicators (PBC 1 and PBC 2) have been fully completed. PBC 7 is near completion, with four milestones achieved and disbursed. The remaining actions require MoF's reports on the results of implementation of Government's VAT refund program (PBCs 7.5-7.6). Draft of such reports are expected at the end of December 2021 and full completion and disbursement by February 2022.

### 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	--	15-Jun-2021	23-Dec-2021	--

►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	--	15-Jun-2021	23-Dec-2021	--

►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	New STS website is used by taxpayers	New STS website is used by taxpayers	--





	declarations by taxpayers); there are some gaps in the functionality of both websites.			
Date	--	15-Jun-2021	23-Dec-2021	--

<b>►PBC 4 PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text, Output, 300,000.00, 0%)</b>				
	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	--	15-Jun-2021	23-Dec-2021	--

<b>►PBC 5 PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Output, 750,000.00, 0.00%)</b>				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	No tool for taxpayers' regular feedback is in place.	The e-survey tool is developed and to be piloted in June 2021	Developed and pilot completed. Full roll-out authorized in September 2021.	--
Date	--	15-Jun-2021	23-Dec-2021	--

<b>►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%)</b>				
	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. Disbursement for final milestone is in progress.	Target fully achieved.	--
Date	--	15-Jun-2021	23-Dec-2021	--



<b>►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%)</b>				
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--



	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available	in progress	Legal frameworks established. Public awareness campaign deployed. Report on completion of payroll subsidy program published on the STS website.	--
Date	--	15-Jun-2021	23-Dec-2021	--

### Data on Financial Performance

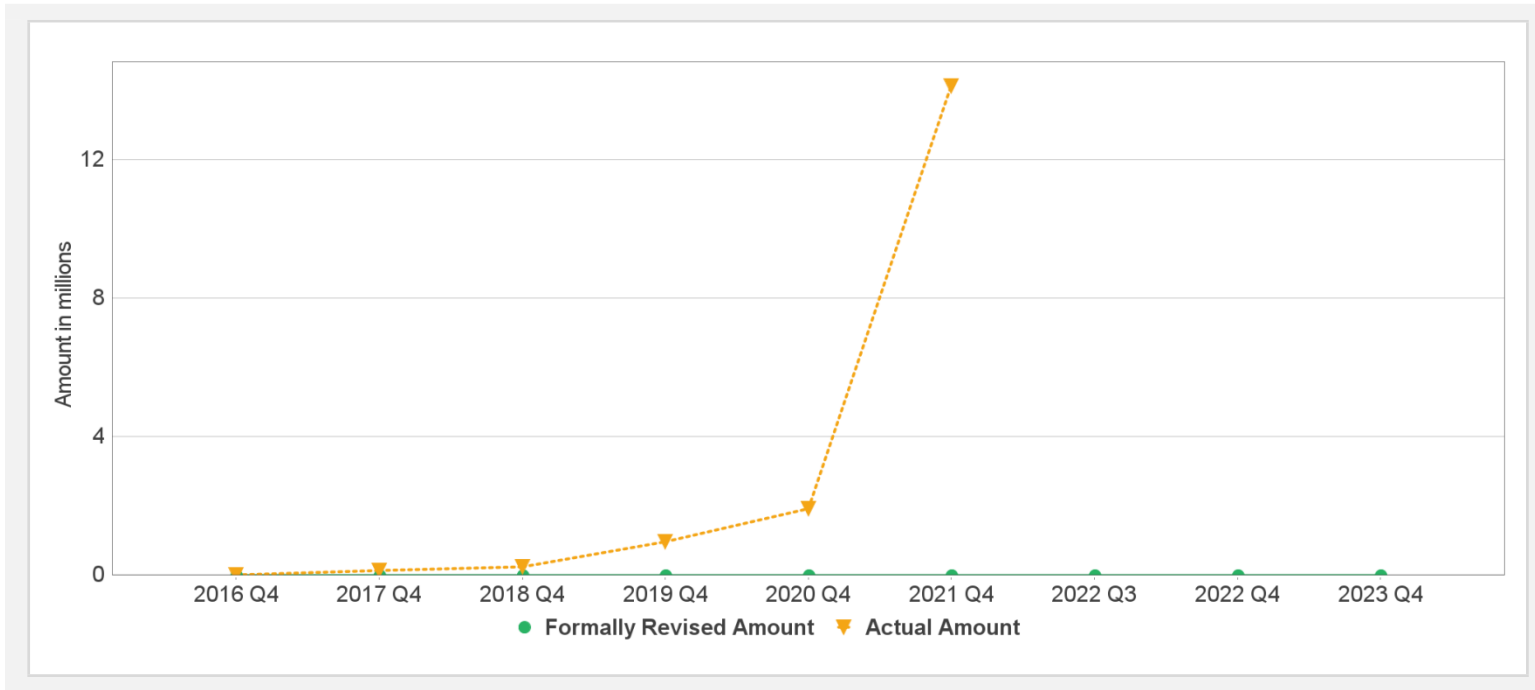
#### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	12.49	0.00	 100%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	5.65	1.80	 76%

#### 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



**PBC Disbursement**

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
--------	----------	-------------	-----	------------	--------------------	-------------------------	------------------------

**Restructuring History**

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

**Related Project(s)**

There are no related projects.