



Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 8 | ARCHIVED on 29-Jun-2020 | ISR42637 |

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:

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?

No

Components Table

Name

Institutional development:(Cost \$0.65 M)

IT Infrastructure and system modernization:(Cost \$15.76 M)

Project management and change management:(Cost \$0.59 M)

RBF:(Cost \$3.00 M)

Overall Ratings

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

Implementation Status and Key Decisions

The project became effective on January 25, 2017. The project is meant to support the implementation of an automated risk-based approach to maximize revenue collection, promote open interaction with taxpayers, and develop a fair, taxpayer-friendly approach to addressing taxpayer grievances. This will allow the State Tax Service (STS) to focus on non-compliant taxpayers, including businesses that avoid paying taxes while reducing compliance costs for taxpayers. The project will also finance the acquisition of a modern revenue management IT system. The long-term vision supported by the project is the creation of client-oriented tax administration. The modernized tax administration will improve the business environment and the country's competitiveness. Implementation of the project was delayed due to insufficient project staffing and delays in decisions about how to go forward with the IT system. In 2018, the STS established a designated Project Implementation Division and conducted a Feasibility Study on possible solutions for the Integrated Tax Management System (ITMS), which was positively evaluated by an independent international consultant. Based on that, in 2019 the Project has been restructured. TAMP restructuring provided for an extension of the Project closing date by 23 months to complete and operationalize the ITMS and the introduction of a new Results-based Financing (RBF) Component with



the revision of the Results Framework (RF). The Letters on Amendments to the Loan and Financial Agreements co-signed by the Government of Moldova on August 2, 2019 and ratified by the Parliament in October 2019 came into effect on January 16, 2020. The project has progressed with some activities under the RBF Component. This resulted in disbursements of USD 0.8 mln.

Risks

Systematic Operations Risk-rating Tool

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

Results

PDO Indicators by Objectives / Outcomes

To improve revenue collection				
► Overall efficiency of VAT collection (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	52.30	51.34	51.34	54.70
Date	31-Dec-2015	31-Mar-2020	25-Jun-2020	31-Dec-2021
Comments:	Data submitted for 3 months in 2019, according to the available information published by the National Bureau of Statistics. The indicator is on track.			
► DLI: Increased nominal value of the Specific and Minimal Excise Rates for all tobacco products under tariff position 240220 (Text, Custom, PBC)				



	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Specific rates and minimum excise rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	n/a	n/a	Increased specific rates came into effect.
Date	31-Dec-2018	31-Mar-2020	25-Jun-2020	03-Jan-2022
Comments:	<p>This DLI is aimed at reflecting the implementation of the tax policy reform actions supported by the RBF component. DLI 1 includes three Disbursement Linked Results (DLRs). Achievement of this DLI is expected to contribute to improving tax collection.</p> <p>The Ministry of Finance of Moldova, who is responsible for this DLI, was going to submit relevant changes to the Tax Code in April/May 2020 to be approved by July 2020, but the situation was changed due to COVID-19 circumstances and new timing is not clear.</p>			

► DLI: Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle. (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	31-Mar-2020	25-Jun-2020	31-Dec-2020
Comments:	<p>Archived. This DLI 2 aims to reflect the tax policy reform implementation under the RBF Component and shall contribute to improving revenue collection. DLI 2 has two Disbursement Linked Results (DLRs). This DLI has been fully achieved. The changes to the Tax Code of Moldova (Title 3, art. 93,94, 102, 115) submitted by the Government of Moldova to the Parliament on November 27, 2019 (DLR 2.1.) were approved by the Parliament on December 19, 2019 and came into effect from January 1, 2020 (DLR 2.1.). The Bank, based on the Government request disbursed against this DLI the amount of 476,700 SDRs (USD 648,745.80) on March 26, 2020.</p>			

To improve tax compliance

► Share of active taxpayers (legal entities) filing income declarations in total active taxpayer (legal entities) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	19.35	86.88	86.88	90.00
Date	31-Dec-2015	31-Dec-2019	25-Jun-2020	30-Nov-2023
Comments:	<p>The target value of 86% set for 2019 has been achieved. Overall, 115 972 active taxpayers (legal entities) filled income declarations out of total 133 487 active taxpayers in 2019.</p> <p>The income tax returns are submitted annually by the legal entities to the State Tax Service no later than March 25 of the year following the year of administration.</p>			



► Increase in additional tax assessed per audit (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	34.00
Date	31-Dec-2015	31-Dec-2019	25-Jun-2020	30-Nov-2023
Comments:	The target level for 2019 year (+20%) was not achieved (actual was + 2.0%) due to legal changes. The Law no. 180 of 26.07.2018 on Voluntary Declaration and Tax Incentive significantly limited audits on the correctness of the calculation, declaration and payment of taxes, duties and other payments related to National Public Budget. Those audits are not allowed anymore for tax periods until 1 January 2018. Therefore, the amounts calculated within the audit were significantly reduced.			
► DLI: 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.	in progress	in progress	New STS website is used by the taxpayers
Date	31-Dec-2018	31-Mar-2020	25-Jun-2020	31-Dec-2020
Comments:	The STS is in progress of selecting a firm to develop the single website. The process is at the stage of preparing a short list of firms who expressed interest in the assignment.			

To improve taxpayer services				
► Time required to comply with taxes (Hours, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	186.00	181.00	181.00	165.00
Date	31-Dec-2015	31-Dec-2019	25-Jun-2020	30-Nov-2023
Comments:	The target level of 180 set for 2019 was not achieved. The STS explained that according to the Law # 178 of 26.07.2018 the taxpayers had to comply with the new rates of social assurance contributions for the period until October 1, 2018 and after, thus adjusting the declarations submitted influenced on the time needed to comply.			
► DLI: Strengthened the capacity of 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.	DLR1 is achieved	DLR1 is achieved	The Manual is implemented and all eligible staff of STS



				located in all offices was trained
Date	31-Dec-2018	31-Mar-2020	25-Jun-2020	31-Dec-2020
Comments:	DLI 4 has two Disbursement Linked Results (DLRs). The DLR 4.1 has been achieved. The STS approved the developed Manual on Taxpayer Services by its Order # dated January 27, 2020. The disbursement against achieved DLR 4.1. amounting 110 000 SDR (USD 149,700.10) has been made on March 26, 2020.			
► DLI: 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.	Delay	Delay	The tool is implemented.
Date	31-Dec-2018	31-Mar-2019	25-Jun-2020	30-Dec-2020
Comments:	This DLI is aimed at reflecting STS's efforts to improve its taxpayer services under the RBF Component. DLI 5 has two Disbursement Linked Results (DLRs) DLR 5.1. on piloting of electronic taxpayer survey tool mechanism, staff training and launch of roll-out scheduled for end December 2019 has not yet started.			

Overall Comments

The Borrower is progressing with several DLIs. One DLI 2 on improving the tax collection has been fully achieved. At the same time, 2 out of 5 Disbursement linked results (DLR) planned for the end 2019 were achieved, while 2 others are in progress. Also, the first DLR under DLI 2, planned for end 2020 is already completed.

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. The baseline is identified as of December 31, 2018. Survey results were published on STS website in May 2019.	Baseline survey conducted. The baseline is identified as of December 31, 2018. Survey results were published on STS website in May 2019.	Satisfaction in crease - 20% (compared to baseline) 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	31-Dec-2019	25-Jun-2020	30-Nov-2023



Comments:	<p>As a follow up to 2018 Taxpayers' Satisfaction Survey, the STS developed an Action Plan (AP) for 2019-2020 calendar years (STS's Order #348 dated August 15, 2019). The Plan covers 42 specific actions within 3 general objectives: i) developing the professional skills of tax officers; ii) modernizing the taxpayer service by extending the range of e-services, and iii) modernizing the processes for servicing taxpayers. Within the reporting period the STS: i) developed a Taxpayer Service Operating Manual and updated the STS's Brand Book (Objective 1); ii) developed a series of modules of e-services, including, "Management of the entrepreneur's patent," Registration of self-employment ", " Single Account "integrated with the governmental service Mpay (Objective 2); iii) conducted 4 regional seminars with taxpayers on legislative frameworks; iv) developed and approved User Guide for individual-citizens "Online payment of taxes and fees administered by STS"; v) held five meetings of the Compliance Council with economic agents from different areas aimed at improving methods and procedures of tax administration through public-private partnership; vi) conducted series of seminars to STS employees aimed at combating corruption in the system etc. (Objective 3).</p> <p>As a part of citizen engagement activities contributing to the tax administration reform the STS hold: public consultations on draft legal and normative acts (in the Bank FY20, 30 normative acts have been put for public consultations), and thematic meetings with representatives of the business environment, civil society, non-governmental organizations and profile associations related to IT modules: "The taxpayer's electronic office", "Electronic register of employees", "e-invoice" and informed amendments to tax legislation and developing e-tax services.</p>			
▶ 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	10 identified training programs were developed.	10 identified training programs were developed.	All identified distance learning courses to support for the most important workflows are developed and updated.
Date	31-Dec-2015	31-Mar-2020	25-Jun-2020	30-Nov-2023
Comments:	<p>Achievement of this indicator will be fully assisted by SIDA whose program includes support in improving methodologies for estimating and assessing the training needs; and the development of an automated information system in order to develop and improve the career development of e-learning platform. US Treasury Advisor provides support in development of specific courses on arrears management, taxpayer services and tax control.</p> <p>The identified training programs are developed by STS, including 2 training programs which were developed with US Treasury support.</p> <p>The name of the indicator was specified as a result of project restructuring: <i>The training distance learning system for the most important workflows developed.</i></p> <p>The ongoing SIDA Institutional Cooperation Project (2018-2021) will fully support the achievement of the initially planned indicator. However, TAMP supported the purchasing of 45video- conferencing equipment items to be used for distance learning of the STS employees across the whole country.</p>			
▶ Number of hits to the STS web-site (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,570,004.00	6,944,853.00	6,944,853.00	7,150,000.00
Date	31-Dec-2015	31-Dec-2019	25-Jun-2020	30-Nov-2023
Comments:	<p>The target for 2019 (6,9 mln) was achieved.</p> <p>Currently, the report includes total number of hits from STS's two web-sites: www.sfs.md & www.servicii.fisc.md. Once a single web-site is introduced, the reporting will be based on hits to the single STS's web-site.</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	3.58	3.58	6.47
Date	02-Jan-2017	31-Dec-2019	25-Jun-2020	30-Nov-2023
Comments:	the target level for 2019 was achieved. Tax arrears at the end of 2019 were 1 399,73 mil MDL (including fines and penalties); tax revenues collected during 2019 - 39 135,05 mln. MDL.			

Performance-Based Conditions

▶ PBC 1 DLI: Increased nominal value of the Specific and Minimal Excise Rates for all tobacco products under tariff position 240220 (Text, Outcome, 700,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2021
Value	Specific rates and minimum excise rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	n/a	n/a	--
Date	--	31-Mar-2020	25-Jun-2020	--

▶ PBC 2 DLI: Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle. (Text, Outcome, 650,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	December 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.	n/a	The adopted changes to the Tax Code came into effect.	--
Date	--	31-Mar-2020	25-Jun-2020	--



►PBC 3 DLI: Improved the usability of the STS website. (Text, Output, 600,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	December 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.	in progress	in progress	--
Date	--	31-Mar-2020	25-Jun-2020	--

►PBC 4 DLI: Strengthened the capacity of STS staff to deliver taxpayer services (Text, Output, 300,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2021
Value	There is no a Manual on Taxpayer Services, the staff had no specific trainings.	DLR1 is achieved	DLR1 is achieved	--
Date	--	31-Mar-2020	25-Jun-2020	--

►PBC 5 DLI: Introduced an Electronic Taxpayer Survey Tool (Text, Output, 750,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2021
Value	No tool for taxpayers' regular feedback is in place.	delay	Delay	--
Date	--	31-Mar-2019	25-Jun-2020	--

Data on Financial Performance

Disbursements (by loan)

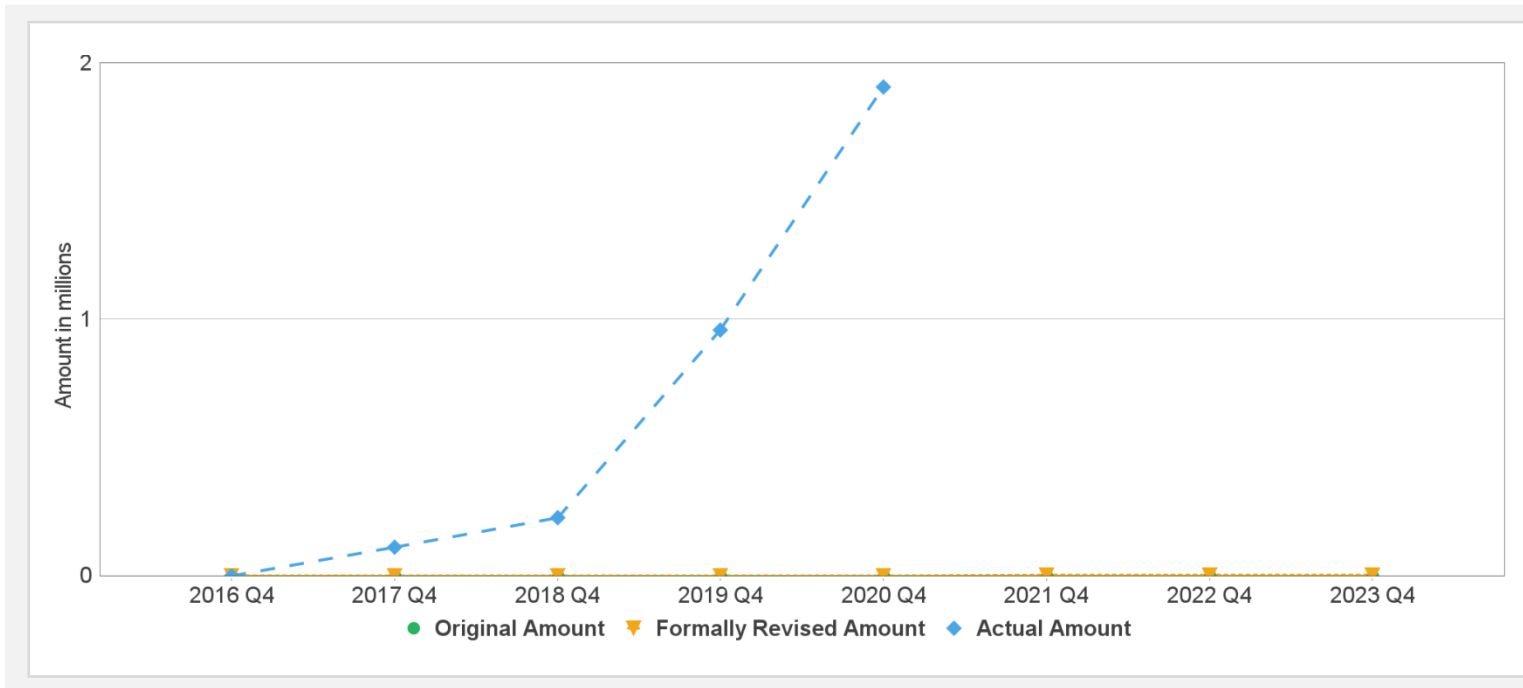
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	0.00	0.00	0%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	1.91	5.34	26%

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
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Restructuring History

Level 2 Approved on 05-Jun-2019

Related Project(s)

There are no related projects.