



Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 10 | ARCHIVED on 23-Jun-2021 | ISR47190 |

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 has significantly improved its performance and has now disbursed a total US\$14.13 Million, compared to US\$1.93 Million in the last ISR of January 2021. This is due to the results achieved against the Performance Based Conditions (PBCs), which after verification become the basis for disbursement by the Bank. The results framework section attests to the achievements made under the seven PBCs of the project.

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	31-Dec-2020	15-Jun-2021	30-Nov-2023
Comments:	The reporting data is based on 2020 Doing Business Report. There is no new publication of the Doing Business Report.			



►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	31-Dec-2020	15-Jun-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>			
►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.	In progress	The e-survey tool is developed and to be piloted in June 2021	The tool is implemented.
Date	31-Dec-2018	31-Dec-2020	15-Jun-2021	30-Dec-2020
Comments:	<p>On track. This PBC is aimed at reflecting the STS`s efforts to improve its taxpayer services under Component 1. PBC 5 has two results.</p> <p>PBC 5.1. on piloting of electronic taxpayer survey tool mechanism, staff training and launch of tool's roll-out is delayed. The STS finalized the development of the e-survey tool and plans to pilot it during June - July 2021. The report on achievement of PBC 5.1 is expected by early September 2021. The full achievement of PBC 5 with relevant disbursement is expected in 2022 upon receiving STS's report on results of 6-month of e-survey tool implementation.</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.	In progress	New STS website is used by taxpayers	New STS website is used by taxpayers
Date	31-Dec-2018	31-Dec-2020	15-Jun-2021	30-Nov-2023
Comments:	<p>PBC related activities are completed. The STS launched the new single website on April 1, 2021 and shared draft 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. The STS shall finalize both reports as per Bank's comments in June 2021 and submit them for Bank's official acceptance. The full disbursement against this PBC is expected by end June/early July 2021.</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	in progress	Target fully achieved. Disbursement for final milestone is in progress.	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	31-Dec-2020	15-Jun-2021	01-Feb-2021
Comments:	Achieved. The Government has undertaken actions foreseen under PBC 6 results scheduled for 2020 and 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 of equivalent of US\$ 2.5 mln. is expected by end of June 2021.			

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 4) is under way albeit with some delays due to COVID-19 restrictions that affected working environment. The piloting of the e-survey tool shall be completed within next few months to be followed with full scale introduction of the e-survey tool and full completion of indicator-related activities in 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 is slightly below the target, though the STS expects catching up with targets further on.

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 survey will be conducted in May 2021.	Baseline survey conducted. Next and final survey will be conducted in mid 2022.	Satisfaction increase - 10% (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-2020	15-Jun-2021	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. The AP has been completed. Though, STS continues with some ongoing activities aimed at improving the taxpayer's service delivery within STS's operational plans.</p> <p>Within the first 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 16 normative acts placed on STS's website; ii) conducted 43 seminars with taxpayers on issues related to legislative changes; iii) conducted 5 consultation meetings with representatives of the European Business Association, the American Chamber of Commerce, the National Union of Bailiffs, the Association of Banks of the Republic of Moldova regarding information system "Circulation of e-documents"; iv) held consultations with taxpayers, business community, and development partners on STS's new website and proposals received have been used in finalizing the website that has been launched on April 1, 2021.</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	12 identified training programs 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	31-Dec-2020	15-Jun-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>Courses of major importance are repeated as needed or upon the STS managements' advice. STS's HR section monitors the fiscal officials trainings through the MOODLE distance learning platform.</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>			
▶ 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	7,032,937.00	7,150,000.00
Date	31-Dec-2015	31-Dec-2020	15-Jun-2021	30-Nov-2023
Comments:	<p>The annual target for 2020 (7.0 mln.) was achieved and reached 7.03 mln.</p> <p>During the first five months of 2021 there were 3.358 mln. hits to STS's websites.</p> <p>Until April 1, 2021, the reported total numbers of hits covered figures under STS's two web-sites: www.sfs.md & 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>			



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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	31-Dec-2020	15-Jun-2021	30-Jun-2021
Comments:	This indicator could be only measured once the remote management system foreseen under TAMP second restructuring is purchased and put in place what is currently expected in first half of 2022.			

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	4.55	6.48
Date	02-Jan-2017	31-Dec-2020	15-Jun-2021	30-Nov-2023
Comments:	The target level for 2020 was achieved. Actual 2020 level surpassed both annual and final targets. 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.			

▶ 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	Law on changes to the Tax Code approved by the Parliament with effect of new specific rates on January 1, 2021.	Specific rates came into effect.	Specific rates came into effect
Date	31-Dec-2018	31-Dec-2020	15-Jun-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)				
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	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-Dec-2020	15-Jun-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	in progress	Legal frameworks have been established. Reports on implementation awaited.	Legal frameworks are established and reports on implementation of Payroll Subsidies and VAT refund programs are available
Date	01-Apr-2020	31-Dec-2020	15-Jun-2021	01-Feb-2021
Comments:	On track. The MoF has undertaken actions towards the achievement of PBC 7 results. Three milestones on approved legislation were completed and disbursed (US\$ 1.36 mln.) in February 2021. The remaining results (PBC 7.4-7.6) are the analytical reports on subsidy programs implementation are being delayed. The MoF is expected to submit drafts of three reports with evidence for Bank project team's prior review during June 2021. The subsequent final disbursements are expected by end August 2021.			

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 partly completed; further actions require MoF's reports on the results of implementation of two Government's subsidy programs (PBCs 7.4-7.6). Draft of such reports are expected in June 2021 and full completion and disbursement in August 2021.

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
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Value	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	Law on changes to the Tax Code approved by the Parliament	Specific rates came into effect.	--
Date	--	31-Dec-2020	15-Jun-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	--	31-Dec-2020	15-Jun-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 declarations by taxpayers); there are some gaps in the functionality of both websites.	In progress	New STS website is used by taxpayers	--
Date	--	31-Dec-2020	15-Jun-2021	--

►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.	DLR 4.1. is achieved; DLR 4.2 related activities are completed	The Manual is implemented and all eligible staff of STS located in all offices was trained	--



Date	--	31-Dec-2020	15-Jun-2021	--
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►PBC 5 PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Output, 750,000.00, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	No tool for taxpayers' regular feedback is in place.	In progress	The e-survey tool is developed and to be piloted in June 2021	--
Date	--	31-Dec-2020	15-Jun-2021	--

►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	in progress	Target fully achieved. Disbursement for final milestone is in progress.	--
Date	--	31-Dec-2020	15-Jun-2021	--

►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 support to business continuity that ensured transparency are not available	in progress	in progress	--
Date	--	31-Dec-2020	15-Jun-2021	--

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
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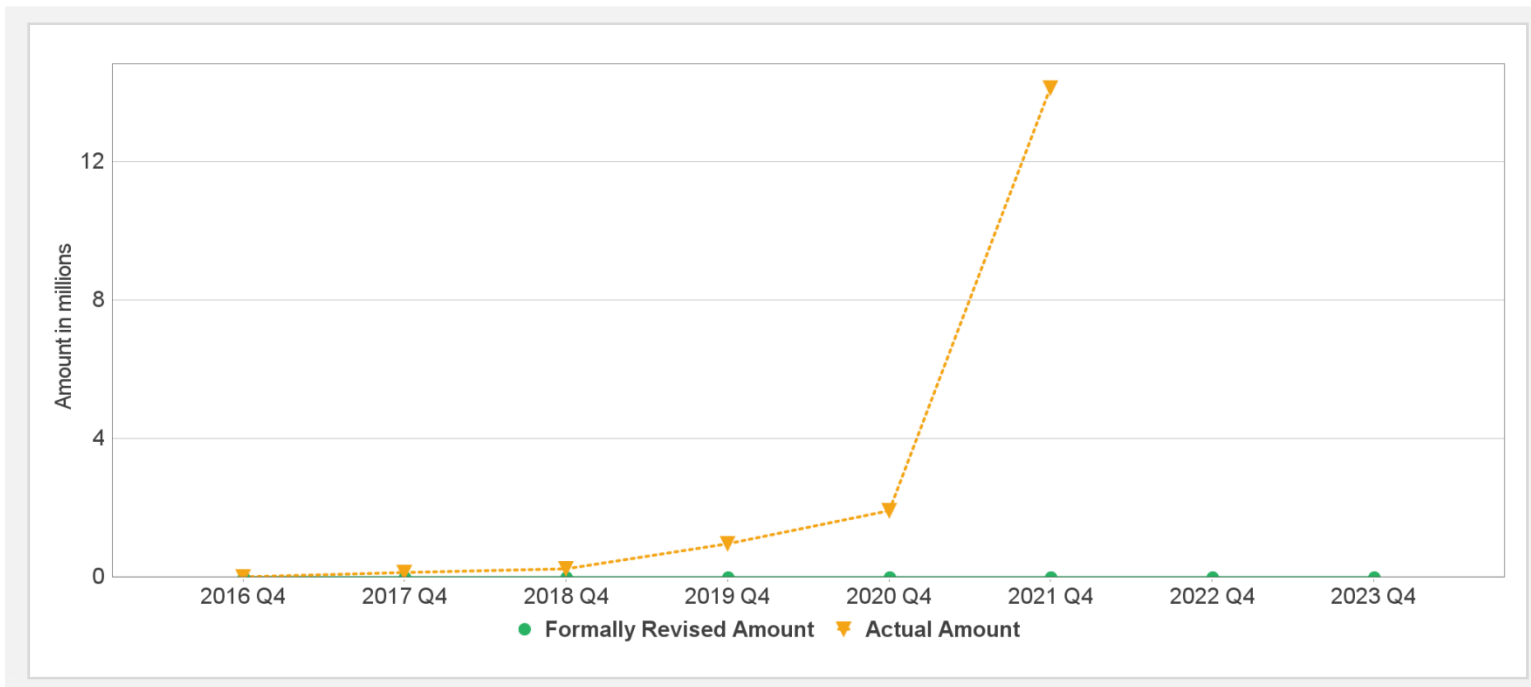


P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	9.91	0.00	<div style="width: 100%; height: 10px; background-color: green;"></div>	100%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	4.22	3.30	<div style="width: 56%; height: 10px; background-color: green;"></div>	56%

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 ,Level 2 Approved on 14-Sep-2020 ,Level Approved on 28-Dec-2020

Related Project(s)



There are no related projects.
