



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
TAX ADMINISTRATION MODERNIZATION PROJECT
APPROVED ON JUNE 6, 2016
TO
REPUBLIC OF MOLDOVA

GOVERNANCE

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DB	Doing Business
FM	Financial Management
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
IT	Information technologies
ITMS	Integrated Tax Management System
MoF	Ministry of Finance
PBC	Performance-Based Condition
PDO	Project Development Objective
RBF	Results Based Financing
SDR	Special Drawing Right
STS	State Tax Service
TAMP	Tax Administration Modernization Project
VAT	Value added tax



BASIC DATA

Product Information

Project ID P127734	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 06-Jun-2016	Current Closing Date 30-Nov-2023

Organizations

Borrower Republic of Moldova	Responsible Agency
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Project Development Objective (PDO)

Original PDO

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

Current PDO

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

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86250	06-Jun-2016	28-Jun-2016	25-Jan-2017	30-Nov-2023	12.58	12.53	0
IDA-58290	06-Jun-2016	28-Jun-2016	25-Jan-2017	30-Nov-2023	7.42	6.26	1.13



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. The Tax Administration Modernization Project (TAMP) was approved in June 2016 and restructured twice (in June 2019 and September 2020). The TAMP, financed by an International Development Association (IDA) Credit (IDA-58290) of US\$ 7.42 million and an International Bank for Reconstruction and Development (IBRD) loan (IBRD-86250) of US\$ 12.58 million, for a total Bank financing of US\$ 20 million was originally designed to improve revenue collection, tax compliance, and taxpayer services in the Republic of Moldova.
2. The TAMP was first restructured in 2019¹ to improve its performance through better aligning the Project activities with the ongoing tax policy and modernization activities, taking into consideration those supported by other donors and avoiding duplication. The 2019 restructuring introduced a Results-Based Financing (RBF) with Disbursement Linked Results (now Performance-Based Conditions (PBC)) under Component 1 “Tax Policy, Tax Administration Reform, and Operational Development”; revised the Results Framework; changed the implementation approach for the Integrated Tax Management System (ITMS) solution; and extended the Project closing date by 23 months to November 30, 2023, to complete and operationalize the ITMS. The 2019 restructuring, which came into effect on January 16, 2020, did not change the Project Development Objective (PDO). However, overall progress towards achievement of the PDO and implementation progress were downgraded to moderately unsatisfactory in the May 2020 Implementation Status and Results Report (ISR) due to implementation delays in the procurement of the ITMS and non-completion of planned activities under the non-RBF components. Specifically, the procurement of services to develop bidding documents for ITMS was suspended, making impossible further progress under Component 3: “Information Technology (IT) Infrastructure and System Modernization” which accounted for US\$ 15.76 million or 78 percent of Bank financing prior to the 2020 restructuring.
3. The second restructuring in 2020² refocused the Project from development of the ITMS towards supporting the Government’s efforts in mitigating the negative fiscal impact of COVID-19 at the request of the Ministry of Finance. The 2020 restructuring, approved in September 2020 by the Board of Executive Directors, included, inter alia, i) the introduction of a new US\$ 15 Million results based component with PBCs - Component 5 “Maintaining employment and business survival in the context of COVID-19 pandemic” - supporting the implementation of payroll and value added tax (VAT) refund subsidy programs (US\$ 3 million of the IDA financing and US\$ 12 million of the IBRD financing); ii) revision of the PDO and results framework; iii) revision of the scope and cost of project investment components; and iv) reallocation between disbursement categories, disbursement arrangements, and project management

¹ World Bank. REPORT NO.: RES34344. (June 2019)

² World Bank. REPORT NO.: RES41570 (September 2020)



arrangements. The restructuring came into effect on December 23, 2020. Following the 2020 Restructuring, progress towards achievement of the revised PDO and overall implementation progress significantly improved. Project performance was upgraded out of problem project status to fully satisfactory, as indicated in the January 2021 ISR. This satisfactory performance continues, with achievements in implementation of tax-related COVID-19 programs supported under Component 5, and other ongoing tax reforms under Component 1. Both these results-based components are nearing completion and accounting for 93 percent (US\$ 17.49 million) of total current disbursements (US\$ 18.75 million) against Bank financing as of April 30, 2022. The remaining disbursements for PBCs will be completed in the Bank's fiscal year 2023³. Most of current Investment Project Financing (IPF) activities have been completed, with US\$1.26 million disbursed.

4. With respect to the remaining IPF activities, during the December 2021 mission, the new State Tax Service (STS) leadership requested to strengthen the Project's results and prospects for sustaining them. While improving the STS's information technology (IT) capability was part of the original design of the TAMP, previous protracted action from STS led the Government in 2020 to request the cancellation of the originally planned ITMS and reallocation of the available resources of US\$ 15 million to support more urgent tax-related COVID-19 pandemic relief measures. In consideration of a renewed strategic aspiration to have an IT system that meets international good practice, STS has subsequently decided to drop four out of six planned procurement packages that have not yet been launched and re-direct the resources to conduct an STS IT Gap Capability Assessment (Assessment) and the follow-up development of technical specifications for ITMS. Activities suggested to be dropped include the procurement of: i) additional equipment for the training center, ii) computer and system operating equipment; iii) a remote monitoring system, and iv) data loss prevention solutions. The cancellation of these procurements is justified by the lack of urgent operational need by the STS. Moreover, procurement of new software and hardware need to be informed by the results of the Assessment and identified requirements of the future integrated tax management solution. All remaining and proposed new IPF activities are expected to be completed by the current closing date of November 30, 2023. The STS has already prepared the Terms of References for selecting a consulting firm to conduct the Assessment, cleared it with the Bank, and is currently coordinating with the e-Governance Agency per national regulations. The procurement for the consultancy work on the Assessment was launched in February 2022 with the contract expected to be signed in July 2022 and work completed by the end of calendar year 2022.

5. **Financial Management (FM).** The Project's financial management arrangements continue to be satisfactory, with FM risk remaining Moderate. The Project is in compliance with the financial reporting and auditing requirements: acceptable interim financial reports have been timely received and unqualified audit opinions were provided on the Project financial statements which were prepared as of December 31, 2020. Since Project effectiveness in January 2017 there were three audits of Project financial statements. The regular audit of Project financial statements for 2020 will be complemented with verification of eligible expenditures underpinning PBCs. This PBCs-related audit is underway with the report expected by July 2022. There are no overdue audit reports.

6. **Environmental and Social Safeguards.** There is no change in the safeguards policies and the Project will continue to be a category "C" post-restructuring. The Project restructuring will not involve any activities that may change such category.

³Under Component 1, the remaining milestone for PBC 5 "Introducing an electronic taxpayer survey tool" (PBC 5.2 for US\$ 150,000) is expected to be fully achieved by December 2022. Under Component 5, two remaining milestones under PBC 7 "Established legal frameworks and the transparent mechanisms for implementing the temporary tax relief to businesses to mitigate negative fiscal impact of COVID-19 pandemic" (PBC 7.5-7.6 for a total of US\$ 1 million) related to final analytical reports are expected to be completed and disbursed by July 2022.



B. Rationale for Restructuring

7. The proposed restructuring will primarily revise the results framework to replace a PDO-level indicator that is measured using World Bank Doing Business (DB) data and an intermediate indicator related to Component 3 (IT Infrastructure and System Modernization) given the changes in priority activities by the STS. A new intermediate outcome indicator for Component 3 will be introduced to capture desired outcomes from the new activities. In addition, there will be minor revisions to component costs to adequately finance the proposed new activities under Component 3. The legal description for Component 3 will require a revision to reflect the new activities.

8. Due to the discontinuation of the World Bank DB report, the proposed Level 2 restructuring aims to replace the PDO indicator “Time required to comply with taxes,” which was measured using the Doing Business data. On November 26, 2021 the Bank informed the Ministry of Finance (MoF) of the discontinuation of the DB Report and proposed to replace the DB-related indicator through restructuring. Currently, the PDO outcome area of “improving taxpayer services” is measured by four indicators - three of which are PBC-based and reflect the improvements from the tax service (supply) side; while the DB-based indicator, “Time required to comply with taxes”, reflects the improvements from the taxpayer’s (demand) side. The MoF, STS and the Bank agreed to move an intermediate indicator “Taxpayer satisfaction” to the PDO level, as a replacement for “Time required to comply with taxes” to ensure that the demand side of taxpayer service improvements is captured. The final taxpayer satisfaction survey will measure the changes in taxpayer satisfaction with STS services and performance compared to the baseline survey conducted in 2018. The final survey, similar to the baseline, will be conducted separately among legal entities and individuals focusing on questions covering access, transparency, efficiency and quality of service delivery. The STS has started preparation of the final survey which is currently planned for the second half of 2022. No modifications to the PBCs will be required.

9. **The STS has also revised the list of remaining IPF activities to provide adequate resources for the IT Capability Gap Assessment and a follow-up development of technical specifications for ITMS.** As noted above, four non-urgent procurements of hardware and software were cancelled, including the purchase of the remote monitoring system solution. Accordingly, the intermediate indicator related to the remote monitoring system linked to Component 3 (IT Infrastructure and System Modernization), “Assigned tasks to inspectors are completed and monitored continuously,” will be deleted. This indicator will be replaced by the indicator “Set foundation for future STS digital modernization strategy”. Following this revision of IPF activities, components’ coverage and cost estimates will be slightly adjusted (See Detailed Changes table below).

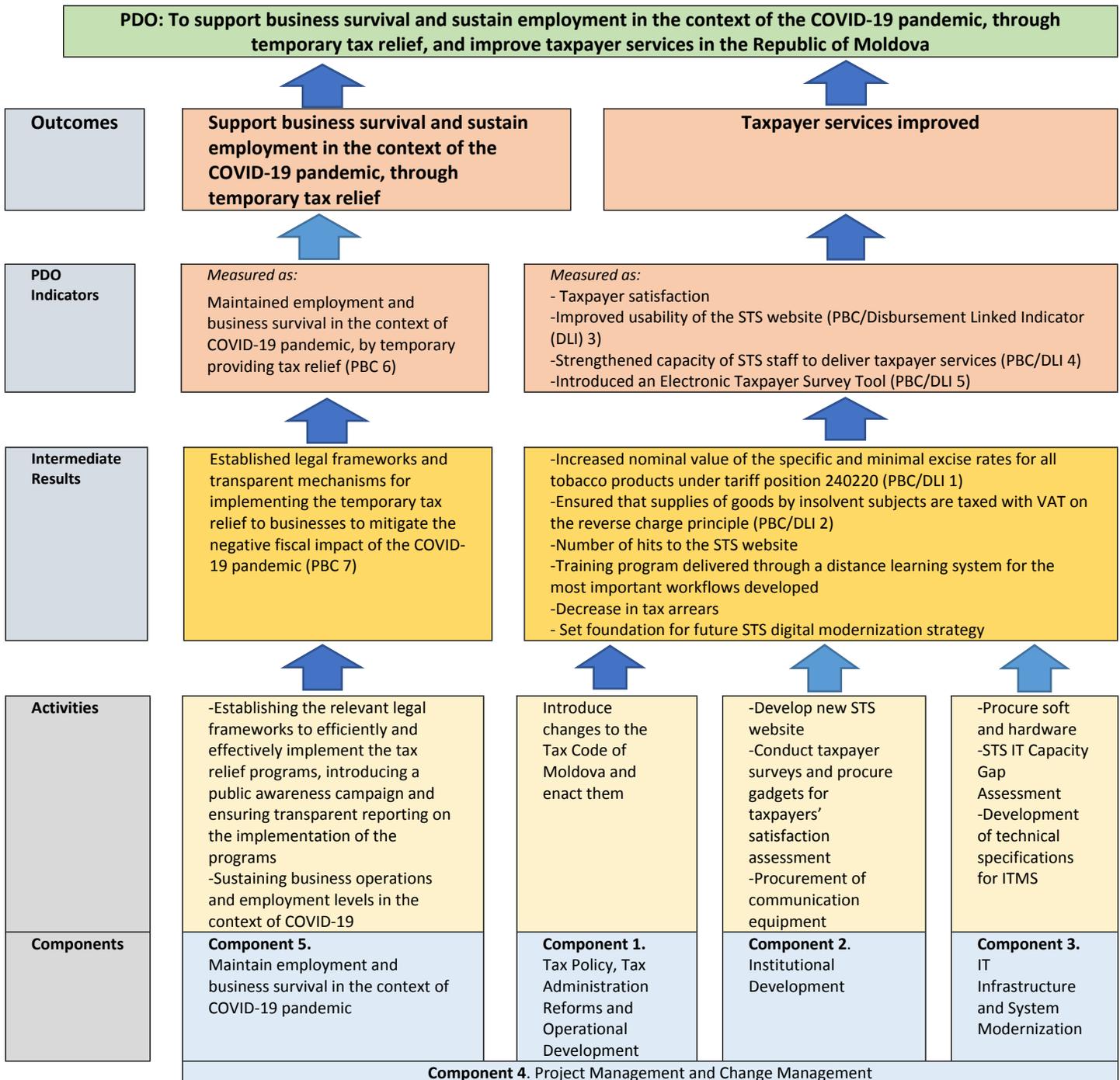
II. DESCRIPTION OF PROPOSED CHANGES

10. The proposed Level 2 restructuring requires revision to the following aspects of the Project: (a) results framework; and (b) activities within components and costs. The PDO will not be revised.

Results Framework

11. **The Results Framework** will be revised as follows: the PDO-level indicator “Time required to comply with taxes” will be replaced with “Taxpayer satisfaction”, upgraded from an intermediate outcome level. Another intermediate indicator “Assigned tasks to STS inspectors are completed and monitored continuously” will be dropped and replaced by a new indicator “Set foundation for future STS digital modernization strategy”. Figure 1 below presents the Project’s updated results chain and is reflected in the revised results framework below.

Figure 1. TAMP: Results Chain / Theory of Change



Components and Costs

12. The existing Components 1 (Support Tax Policy, Tax Administration Reforms and Operational Development), and Component 5 (Maintaining employment and business survival in the context of COVID-19 pandemic) will remain unchanged.

13. The allocated amount to Component 2 (Institutional Development) will be reduced from US\$ 0.65 million to US\$ 0.61 million. The Component will no longer support the procurement of equipment for the training center as originally



stated in the Procurement Plan, and relevant funds will be assigned to Component 3. It is noted that the Project previously funded videoconferencing equipment and laptops to support training delivery, which are considered adequate at this time by the STS.

14. Component 3 (IT Infrastructure and System Modernization) activities will be revised and cost allocation increased from US\$ 1.18 million to US\$ 1.27 million. The funds intended for the procurement of: i) remaining computer and system operating equipment, ii) the remote monitoring system, and iii) a data loss prevention solution, as stated in the Procurement Plan following the 2020 restructuring, will be re-directed towards two new activities under Component 3: i) STS IT Capability Gap Assessment that will inform a new STS IT Strategy and its implementation roadmap, and ii) based on the Assessment, development of technical specifications for ITMS. The Project description in the Legal Agreements will need to be amended to include these two new activities. Specifically, the legal description for Component 3 will be revised to read as follows:

“Part 3. IT Infrastructure and System Modernization

Provision of support for (i) the purchase and installation of tax administration modernization tools, including the provision of relevant hardware and software, and training regarding, its functions, and (ii) the carrying out of a capability gap assessment to the STS IT and the development of technical specifications for an integrated tax management system.”

15. The scope of Component 4 (Project Management and Change Management) will remain unchanged but the cost allocation will be reduced from US\$ 0.17 million to US\$ 0.12 million. The remaining US\$ 0.05 million will be assigned to Component 3. The STS utilizes its own staff to perform most of the functions envisaged under project management. The remaining activities are the annual financial audits and remaining funds are sufficient for these purposes.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓



Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Institutional development	0.65	Revised	Institutional development	0.61
IT Infrastructure and system modernization	1.18	Revised	IT Infrastructure and system modernization	1.27
Project management and change management	0.17	Revised	Project management and change management	0.12
RBF. Support Tax Policy, Tax Administration Reforms and Operational Development	3.00	No Change	RBF. Support Tax Policy, Tax Administration Reforms and Operational Development	3.00
RBF. Maintaining employment and business survival in the context of COVID-19 pandemic	15.00	No Change	RBF. Maintaining employment and business survival in the context of COVID-19 pandemic	15.00



The World Bank

Tax Administration Modernization Project (P127734)

TOTAL

20.00

20.00



Results framework

COUNTRY: Moldova

Tax Administration Modernization Project

Project Development Objectives(s)

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

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
To improve taxpayer services									
Time required to comply with taxes (Hours)		186.00	181.00	180.00	180.00	178.00	175.00	173.00	173.00
<i>Action: This indicator has been Marked for Deletion</i>									
<i>Rationale: Dropped following the discontinuation of the Doing Business report.</i>									
PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text)	PBC 4	There is no a Manual on Taxpayer Services, the staff had no specific trainings.	Manual on taxpayer services is developed and adopted by STS (DLR 4.1)	All eligible staff of the STS, located in all offices, are trained (DLR 4.2).					The Manual is implemented and all eligible staff of STS located in all offices was trained
PBC: Introduced an Electronic Taxpayer Survey Tool (Text)	PBC 5	No tool for taxpayers' regular feedback is in place.	Pilot of the electronic taxpayer survey mechanism is completed and training courses for the designated	Evaluation report on Roll-out results for six months of implementation (DLR 5.2).					The tool is implemented.



Indicator Name	PBC	Baseline	Intermediate Targets						End Target	
			1	2	3	4	5	6		
			staff to support the roll-out are conducted, and the roll-out is initiated (DLR 5.1)							
PBC: Improved the usability of the STS website (Text)	PBC 3	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.	Single STS website launched with at least the following new features: - support to requirements of people with special needs; - single STS web page which allow taxpayers to submit income statements electronically through their personal account created on the site; - STS website is synchronized with the state websites through the automated information exchange (open data);	Use of STS website by taxpayers within 1 month of its launch						New STS website is used by taxpayers



Indicator Name	PBC	Baseline	Intermediate Targets						End Target	
			1	2	3	4	5	6		
			- new searching system which will reflect the final version of the legal documents, specifying all amendments and additions; - feedback mechanism is available through the online (chat).							
Taxpayer satisfaction (Text)		Legal entities - 76,3% and Individuals – 69,2%.	Baseline survey conducted with data disaggregated by gender, results and suggested actions of the STS to address weaknesses are published on the STS website.	Legal entities – 83,9% and Individuals – 76,1%. Satisfaction increase - 10% (compared to baseline) Mid-project survey conducted with data disaggregated by gender; results and suggested actions of the STS to address weaknesses are published on the STS website.					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.	



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Action: This indicator is New		<p>Rationale: <i>This indicator is being adopted to replace the Doing Business Indicator on Time Required to Pay for Taxes and, more importantly, to capture the demand side (taxpayer perspective) of the desired outcome of improving taxpayer services. This indicator was originally an intermediate indicator and is now being upgraded to a PDO level indicator.</i></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)	PBC 6	No government programs to support business continuity and sustain employment in the context of COVID-19 pandemic	At least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries until August 1, 2020 continue to operate in August 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.1)	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism up to August 31, 2020 continue to operate in September 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.2)	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism from September 1-30, 2020 continue to operate in October 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.3)	At least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries continue to operate in October 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.4)	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism from October 1 to November 30, 2020 continue to operate in December 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.5)	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	



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Institutional development									
Taxpayer satisfaction (Text)		Legal entities - 76,3% and Individuals – 69,2%.	Baseline survey conducted with data disaggregated by gender, results and suggested actions of the STS to address weaknesses are published on the STS website.	Legal entities – 83,9% and Individuals – 76,1%. Satisfaction increase - 10% (compared to baseline) Mid-project survey conducted with data disaggregated by gender; results and suggested actions of the STS to address weaknesses are published on the STS website.					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.
<p>Action: This indicator has been Marked for Deletion</p> <p>Rationale: Upgraded to a PDO level indicator.</p>									
The Training Distance Learning System for the most important workflows developed (Text)		The list of training programs is not identified	Seven training courses to support the distance learning training programs identified by	Ten training courses to support for the distance training programs identified by domains are	Twelve training courses to support the distance training programs identified by domains are	Training courses with topics and content of major importance for STS placed on the platform and			All identified distance learning courses to support for the most important workflows are



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
			domains are developed.	developed	developed	available for training.			developed and updated.
Number of hits to the STS web-site (Number (Thousand))		3,570,004.00	3,900,000.00	6,900,000.00	7,000,000.00	7,050,000.00	7,100,000.00		7,150,000.00
IT Infrastructure and System Modernization									
Assigned tasks to inspectors are completed and monitored continuously (Percentage)		0.00							100.00
Action: This indicator has been Marked for Deletion	Rationale: Deleted because the activity contributing to the achievement of this indicator will no longer be pursued.								
Set foundation for future STS digital modernization strategy (Text)		No evidence based analysis to inform future IT modernization strategy	Completion of IT Tax Gap Capability Assessment for the tax administration						Technical Specifications for a new IT system for the tax administration are prepared
Action: This indicator is New	Rationale: To support efforts in defining the future IT modernization strategy for STS.								
RBF: Support in tax policy and tax administration reforms									
Decrease in tax arrears (Percentage)		8.50	6.68	6.67	6.48	6.48			6.48



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Increased nominal value of the specific and minimal excise for all tobacco products under tariff position 240220 (PBC/DLI 1) (Text)	PBC 1	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	The Government of Moldova submitted to the Parliament a draft Law on Changes to the Tax Code aimed at increasing the specific rate and the minimum rate for both cigarettes with filter and without filters on minimum 15% each for the year 2021 comparing to the excise rates from 2020 (DLR 1.1)	The Parliament approved the Law (DLR 1.2)	Increased specific rates came into effect (DLR 1.3)				Specific rates came into effect
Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2) (Text)	PBC 2	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	The Government submitted to the Parliament a Draft Law on Changes to the Tax Code of Moldova (Title 3, art 93,94,102,115) (DLR 2.1)	The Parliament adopted the Changes to the Tax Code and they come into effect. (DLR 2.2.)					The adopted changes to the Tax Code came into effect



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
		creates budget losses.							
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)	PBC 7	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available	Regulation on implementation of subsidies for the payment of allowances/salaries is approved and among others includes measures of eligibility verification and grievance mechanisms (DLR 7.1)	Regulation on implementation of subsidies based on expanded VAT refund mechanism is approved and among others includes measures of eligibility verification and grievance mechanisms (DLR 7.2)	Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing (DLR 7.3)	Completion report on the implementation of Payroll Subsidies program is made public (DLR 7.4)	Interim report on VAT Refund program implementation is published (DLR 7.5)	Report on VAT refund program covering payments made for applications received from start of program until December 2020 is published (DLR 7.6.)	Legal frameworks are established and reports on implementation of Payroll Subsidies and VAT refund programs are available

Performance-Based Conditions Matrix

PBC 1	Increased nominal value of the specific and minimal excise for all tobacco products under tariff position 240220 (PBC/DLI 1)			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	700,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017			
December 2019	The Parliament approved the Law (DLR 1.2)		350,000.00	50% of DLI1 allocation;1.75% of total financing.
December 2020	Increased specific rates came into effect (DLR 1.3)		140,000.00	20% of DLI1 allocation;0.7%of total financing.
December 2021			210,000.00	30%of DLI1 allocation;1.05% of total financing.
August 2020			0.00	
September 2020			0.00	
October 2020			0.00	
November 2020			0.00	
February 2021			0.00	
PBC 2	Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2)			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	650,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	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.			
December 2019	The Parliament adopted the Changes to the Tax Code and they come into effect. (DLR 2.2.)		455,000.00	70% of DLI2 allocation;2.275% of total financing.



December 2020		195,000.00	30% of DLI2 allocation, 0.975% of total financing.
December 2021		0.00	0%
August 2020		0.00	
September 2020		0.00	
October 2020		0.00	
November 2020		0.00	
February 2021		0.00	

PBC 3		PBC: Improved the usability of the STS website		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	600,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	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.			
December 2019	Use of STS website by taxpayers within 1 month of its launch		450,000.00	75%of DLI3 allocation; 2.25% of total financing.
December 2020			150,000.00	25%of DLI3 allocation; 0.75% of total financing.
December 2021			0.00	0%



August 2020			0.00	
September 2020			0.00	
October 2020			0.00	
November 2020			0.00	
February 2021			0.00	
PBC 4	PBC: Strengthened the capacity of the STS staff to deliver taxpayer services			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	300,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	There is no a Manual on Taxpayer Services, the staff had no specific trainings.			
December 2019	All eligible staff of the STS, located in all offices, are trained (DLR 4.2).		150,000.00	50%of DLI4 allocation; 0.75% of total financing.
December 2020			150,000.00	50%of DLI4 allocation; 0.75% of total financing.
December 2021			0.00	0%
August 2020			0.00	
September 2020			0.00	
October 2020			0.00	
November 2020			0.00	



February 2021			0.00	
PBC 5	PBC: Introduced an Electronic Taxpayer Survey Tool			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	750,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No tool for taxpayers' regular feedback is in place.			
December 2019	Evaluation report on Roll-out results for six months of implementation (DLR 5.2).		600,000.00	80%of DLI5 allocation;3% of total financing.
December 2020			150,000.00	20%of DLI5 allocation; 0.75% of total financing.
December 2021			0.00	0%
August 2020			0.00	
September 2020			0.00	
October 2020			0.00	
November 2020			0.00	
February 2021			0.00	



PBC 6	Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6)			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	12,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No government programs to support business continuity and sustain employment in the context of COVID-19 pandemic			
December 2019	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism up to August 31, 2020 continue to operate in September 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.2)		0.00	
December 2020	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism from September 1-30, 2020 continue to operate in October 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.3)		2,500,000.00	20,8% of DLI 6 allocation; 12,5% of the total financing
December 2021	At least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries continue to operate in October 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.4)		0.00	
August 2020	At least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism from October 1 to November 30,		0.00	



	2020 continue to operate in December 2020 and maintain reported employment on at least 60% level compared to April 2020 (DLR 6.5)			
September 2020		2,000,000.00	16,7% of DLI 6 allocation; 10% of the total financing	
October 2020		2,500,000.00	20,8% of DLI 6 allocation; 12,5% of the total financing	
November 2020		2,500,000.00	20,8 % of DLI 6 allocation; 12,5% of the total financing	
February 2021		2,500,000.00	20,8% of DLI 6 allocation; 12,5% of the total financing	
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)			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Text	3,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available			
December 2019	Regulation on implementation of subsidies based on expanded VAT refund mechanism is approved and among others includes measures of eligibility verification and grievance mechanisms (DLR 7.2)		0.00	
December 2020	Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing (DLR 7.3)		500,000.00	16,7% of DLI 7 allocation; 2,5% of the total financing



December 2021	Completion report on the implementation of Payroll Subsidies program is made public (DLR 7.4)	0.00	
August 2020	Interim report on VAT Refund program implementation is published (DLR 7.5)	300,000.00	10% of DLI 7 financing; 1,5% of the total financing
September 2020	Report on VAT refund program covering payments made for applications received from start of program until December 2020 is published (DLR 7.6.)	300,000.00	10% of DLI7; 1,5% of the total financing
October 2020		700,000.00	23% of DLI67 allocation; 3,5% of the total financing
November 2020		700,000.00	23% of DLI7 allocation; 3,5% of the total financing
February 2021		500,000.00	16,7% of DLI7 allocation; 2,5% of the total financing

Verification Protocol Table: 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)
Description	This indicator will measure the increase of nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 for the year 2021 by at least 15 percent compared to the excise rates from 2020. This is aimed to reduce the consumption of tobacco products and increase the budget revenues
Data source/ Agency	The Ministry of Finance of Moldova/ Official Gazette.
Verification Entity	World Bank
Procedure	<ol style="list-style-type: none"> 1. For DLR1.1, review of evidence that the draft Law has been submitted to and is registered in the Parliament. 2. For DLR1.2, review of evidence that the Parliament adopted the Law and is published in the official gazette. 3. For DLR 1.3, review of evidence that the mentioned rates came into effect.



PBC 2	Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2)
Description	Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle.
Data source/ Agency	The MoF/ Official Gazette
Verification Entity	The World Bank
Procedure	For DLR 2.1, review of evidence that the draft Law has been submitted to and is registered in the Parliament. For DLR 2.2, review of evidence that the Parliament adopted the Law that is published in the official gazette and all mentioned changes came into effect.
PBC 3	PBC: Improved the usability of the STS website
Description	This indicator measures the improvement of the STS's website functionality and usability.
Data source/ Agency	STS
Verification Entity	World Bank
Procedure	For DLR3.1, review reports produced by the STS including accessing the website and testing its new features. For DLR3.2, review reports produced by STC on use of the web-site which should include as minimum: number of visits, number of feedback received, number of tax declarations submitted.
PBC 4	PBC: Strengthened the capacity of the STS staff to deliver taxpayer services
Description	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.
Data source/ Agency	STS



Verification Entity	World Bank
Procedure	For DLR4.1., review evidence of STC adoption of the Manual on Taxpayer Services. For DLR4.2, review reports produced by the STS on staff being trained on the Manual.
PBC 5	PBC: Introduced an Electronic Taxpayer Survey Tool
Description	This indicator measures the improvement of taxpayer services through introduction of electronic taxpayer survey tool. Obtaining in-depth information on taxpayers' satisfaction degree will help STS to improve and optimize its tax services provided.
Data source/ Agency	STS
Verification Entity	World Bank
Procedure	For DLR5.1, review evidence of the STS's Order on the conduct of a Pilot of the Electronic Taxpayer Survey Tool and STS 's Report on the Pilot to document the feedback mechanism piloted, the analysis of the feedback and adjustments made to improve the STS's business processes. For DLR5.2, review of evidence of the STS's Order on the system's roll-out and the STS's report on the six-months implementation experience (including an inventory of adjustments made based on the survey results).
PBC 6	Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6)
Description	Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief
Data source/ Agency	The Ministry of Finance of Moldova
Verification Entity	The World Bank
Procedure	For DLR 6.1. – review of MoF's report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries until August 1, 2020 continued to operate in August 2020 and maintained reported employment on at least 60% level compared to April 2020.



	<p>For DLR 6.2. - review of MoF’s report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism up to August 31, 2020 continued to operate in September 2020 and maintain reported employment on at least 60% level compared to April 2020.</p> <p>For DLR 6.3. - review of MoF’s report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism up during September 1-30, 2020 continued to operate in October 2020 and maintain reported employment on at least 60% level compared to April 2020.</p> <p>For DLR 6.4. - review of MoF’s report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries under the Payroll Subsidies Program continued to operate in October 2020 and maintained reported employment on at least 60% level compared to April 2020.</p> <p>For DLR 6.5. - review of MoF’s report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies based on expanded VAT refund mechanism from October 1 to November 30, 2020 continued to operate in December 2020 and maintain reported employment on at least 60% level compared to April 2020.</p> <p>PBC Targets will be paid as follows:</p> <ol style="list-style-type: none"> 1. Pay 100% of PBC price if 100% of target results are achieved for both business continuity and staffing level (i.e., 75% of business continuity + 60% of staffing level) 2. Pay 80% of PBC price if at least 80% of target results are achieved for both business continuity and staffing level (i.e., minimum 60% of business continuity + minimum of 48% of staffing level) 3. Pay 60% of PBC price if at least 60% of target results are achieved for both business continuity and staffing level (i.e., minimum 45% of business continuity + minimum of 36% of staffing levels)
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)
Description	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
Data source/ Agency	The Ministry of Finance of Moldova
Verification Entity	The World Bank
Procedure	For DLR 71. - review of an evidence provided by the MoF that the Regulation on subsidizing enterprises and non-commercial organizations, residents of the Republic of Moldova, which have established technical and / or stationary unemployment due to the epidemiological situation (COVID-19) is approved, published and include measures of eligibility verification and grievance mechanisms;



For DLR 7.2. - review of an evidence provided by the MoF that the Regulation on implementation of subsidies based on expanded VAT Refund mechanism is approved and includes measures of eligibility verification and grievances mechanisms;
For DLR 7.3. - review of the MoF report with evidences confirming the implementation of i) a public awareness campaign about Payroll Subsidies and VAT refund programs and ii) support to taxpayers. The evidences should include links to the websites of the MoF/STS, other web sources and/or official magazines /newspapers with publication of rules and procedures, established call lines, etc.

For DLR 7.4. - review of completion report produced and made public by the MoF on the implementation of Payroll Subsidies Program;

Reports shall include, inter alia, summary information used for determining the subsidy, and total number of applicants and actual beneficiaries, size and type of enterprise, number of employees, number of complaints received, and actions taken based on the established mechanism of grievances.

For DLR 7.5. - review of an interim report produced by MoF/STS on implementation of VAT Refund Program.

The report shall include, inter alia, summary information used for determining the subsidy, and total number of applicants and actual beneficiaries, size and type of enterprise, number of employees, number of complaints received, and actions taken based on the established mechanism of grievances.

For DLR 7.6. - review of completion report produced and made public by the MoF on the implementation of VAT Refund program from its start until December 2020.

The report shall include, inter alia, summary information used for determining the subsidy, and total number of applicants and actual beneficiaries, size and type of enterprise, number of employees, number of complaints received, and actions taken based on the established mechanism of grievances.



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Tax Administration Modernization Project (P127734)
