



Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 12 | ARCHIVED on 23-Jun-2022 | ISR51800 |

Implementing Agencies: Republic of Moldova, The State Tax Service

Key Dates

Key Project Dates

Bank Approval Date: 06-Jun-2016

Effectiveness Date: 25-Jan-2017

Planned Mid Term Review Date: 30-Jun-2020

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

Original Closing Date: 31-Dec-2021

Revised Closing Date: 30-Nov-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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

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

Yes

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

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

Components Table

Name

Institutional development:(Cost \$0.65 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, which launched in 2017 and was restructured in 2019 and 2020, is progressing well. Most of the activities are completed and almost 94 percent (US\$18.79 million) of the Bank financing has been disbursed to date.



Both results-based components are nearing completion with three remaining milestones to be achieved by the end of 2022. The results framework section attests to the achievements made under the seven performance-based conditions of the project.

The remaining activities under the Project's investment part, including i) State Tax Service (STS) Information Technology (IT) Capability Gap Assessment that will inform the new STS IT Strategy, and follow up activities on IT modernization, ii) procurement of gadgets for e-taxpayer survey tool, and iii) a project-funded final taxpayer survey, are at the vendor selection stage and expected to be implemented by the end of 2022.

The Project has an outcome indicator (Time required to comply with taxes) based on the Doing Business Report which has been discontinued by the Bank. In line with the Bank's policy, this indicator will be replaced. This replacement is being processed through a restructuring.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	High	Substantial	Moderate
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	23-Dec-2021	22-Jun-2022	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 is being processed through a restructuring.			
►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	23-Dec-2021	22-Jun-2022	31-Dec-2020
Comments:	The PBC 4 is fully achieved and disbursed. This indicator has two results milestones. The first one 4.1. was achieved in January 2020 - the STS approved the developed Manual on taxpayer Service with its Order # 40 dated January 27,2020. The disbursement against this result 4.1. was SDR 110,000 (US\$ 149,700.10). The second milestone 4.2 was achieved in October 2020- the STS completed the training of its eligible staff located in all offices on Taxpayer Service Manual. The MoF submitted the report with evidences on February 17, 2021. The resulted disbursement was SDR 109,797.70 (US\$ 156,290.44).			
►PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No tool for taxpayers' regular feedback is in place.	The e-taxpayer survey tool was piloted and put into operation	The e-taxpayer survey tool is in operational use	The tool is implemented.
Date	31-Dec-2018	23-Dec-2021	22-Jun-2022	30-Jun-2022
Comments:	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. PBC 5.1. on piloting of electronic taxpayer survey tool mechanism, staff training and launch of tool's roll-out was achieved in December 2021. The STS trained its 175 tax officials, piloted the e-taxpayer survey tool during June 21-July 23, 2021, and launched the tool's roll-out on September 15, 2021. The disbursement against this first milestone was SDR 440,000 (US\$ 615,639.20). The full achievement of PBC 5 is expected by the end 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 to be procured under the IPF part.			
►PBC: Improved the usability of the STS website (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	There are two websites available (one for information only and another one for the submission of tax declarations by taxpayers); there are some gaps in the functionality of both websites.	New STS website is used by taxpayers	New STS website is used by taxpayers	New STS website is used by taxpayers



Date	31-Dec-2018	23-Dec-2021	22-Jun-2022	30-Nov-2023
Comments:	PBC 3 is fully achieved and disbursed. The STS's new single website has been operational since April 1, 2021. The MoF submitted reports with evidences on achievement of both milestones - 3.1. on the launch of the new website and 3.2. regarding the use of the website by users on September 30, 2021. These were accepted by the Bank and resulted disbursement was SDR 440,000.00 (\$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.	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	23-Dec-2021	22-Jun-2022	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 achievement of i) PBCs 6.1-6.4. on January 22, 2021 and ii) of PBC 6.5 on June 11, 2021. The overall disbursement under the PBC 6 is EUR 10.44 mln. (US\$ 12.49 mln.).			

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 and ongoing activities on the e-survey tool roll-out started in mid-September 2021. Full completion of indicator-related activities is expected by the end of 2022. The Government's activities supported to achieve PBC 6 and aimed at supporting business survival and sustainment of the employment in the context of the COVID-19 pandemic through temporary tax relief were completed in June 2021 with 100% achievement of target levels for employment and business continuity. 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 is planned for the second half of 2022.	Next and final survey is under preparation and planned for the second half of 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	23-Dec-2021	22-Jun-2022	30-Nov-2023
Comments:	<p>STS's has started preparation to the final taxpayer satisfaction survey that currently planned to be launched in 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.</p> <p>Within the first half of 2022 the STS, as a part of its citizen engagement activities contributing to the tax administration reform: i) organized public online consultations for 11 normative acts placed on STS's website of which 10 has already been adopted; ii) conducted 436 seminars with taxpayers and tax collectors from Local Public Administration Authorities on issues related to legislative changes and fair application of local taxes; iii) held 9 consultation meetings with Accountant News on various topics, including such as i) improving the electronic services provided; ii) proposals to complete the Generalized Basis of Tax Practice; iii) correct application of tax legislation.</p> <p>In the use of new e-taxpayer survey tool, one of a citizen engagement mechanisms, STS launched two one-month surveys of taxpayers' satisfaction with STS services related to the process of receiving income tax returns from individuals and legal entities in early May 2022. The results of the surveys will inform follow-up improvements in the process of voluntary tax compliance and reducing the burden on taxpayers. Since the launch of operational use of the e-taxpayer survey tool in mid-September 2021, the STS has completed four surveys on i) integrity of STS employees; ii) use of electronic tax services; iii) functioning of the petition system within the STS, and iv) evaluation of time used by economic agents to submit applications to the STS</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	23-Dec-2021	22-Jun-2022	30-Nov-2023
Comments:	<p>Achieved. The STS developed 12 distance learning programs and put them on the MOODEL platform in 2020. Three out of twelve identified training programs have been developed by STS with support from development partners, including the US Treasury (on Taxpayer Service Manual) and SIDA (under Institutional Cooperation Project (2018-2021)).</p> <p>TAMP's earlier support covered the purchasing of 45 video- conferencing equipment items to be used for distance learning of the STS employees across the whole country.</p> <p>The STS is strengthening the sustainability of results achieved under TAMP by developing new courses and continuous staff training. At the beginning of 2022, the STS had 55 distance learning courses uploaded to the MOODEL platform. During the first half of 2022, the STS developed 5 new training courses and updated 2 existing ones, as well as 3 831 of STS's tax officials took different of these online trainings.</p>			



► Number of hits to the STS web-site (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,570,004.00	7,648,815.00	10,272,997.00	7,150,000.00
Date	31-Dec-2015	23-Dec-2021	22-Jun-2022	30-Nov-2023
Comments:	<p>The annual target for 2021 (7.05 mln.) was achieved reaching above 10.27 mln. hits and also surpassing the final target. This summary number of hits included accesses to the following STS's websites: www.servicii.fisc.md - 7 600 492, www.sfs.md (old version) - 549 038, and www.sfs.md (new version) – 2 123 467.</p> <p>On April 1, 2021, the STS introduced the new single website https://sfs.md/ro. Starting in 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	23-Dec-2021	22-Jun-2022	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 a few others IPF activities, to ensure adequate resources for the 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	5.08	6.48
Date	02-Jan-2017	23-Dec-2021	22-Jun-2022	30-Nov-2023
Comments:	<p>The annual target for 2021 (6.48) was achieved as tax arrears decreased to 5.08 percent compared to planned 6.48 percent.</p> <p>Actual 2021 level already surpassed the final target. This was caused by the fact that the amount of tax arrears at the end of 2021 (2,403.7 mln.lei) was lower compared to revenues collected during 2021 (47,285.4 mln.lei). Better performance of the indicator in 2020 (4.55 percent) would require further analysis that STS will share with the Bank in the next reporting period.</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 set up in the Tax Code of Moldova in 2017	Specific rates came into effect.	Specific rates came into effect.	Specific rates came into effect
Date	31-Dec-2018	23-Dec-2021	22-Jun-2022	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 evidence for PBC 1.1 and 1.2 on December 30, 2020; for PBC 1.3 - on February 2021. The Bank accepted these and relevant funds were disbursed.			

► Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Due to the legal gap in provisions which stipulates the process of debt cancellation, at the time transfer of collected VAT insolvent subject does not have liquidity and this creates budget losses.	The adopted changes to the Tax Code came into effect	The adopted changes to the Tax Code came into effect	The adopted changes to the Tax Code came into effect
Date	31-Dec-2018	23-Dec-2021	22-Jun-2022	31-Mar-2020
Comments:	This indicator was fully achieved in January 2020 and funds in the amount of SDR 476,700 or equivalent of USD 648,745.80 were disbursed on March 26, 2020.			

Support Maintaining Employment and Business Survival in the Context of COVID-19 Pandemic				
► Established legal frameworks and transparent mechanisms for implementing the temporary tax relief to businesses to mitigate for the negative fiscal impact of the COVID-19 pandemic (PBC 7) (Text, Custom, PBC)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available	Legal frameworks have been established. Report on payroll subsidies program is made public. Reports on VAT refund program awaited.	Legal frameworks have been established. Report on payroll 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	23-Dec-2021	22-Jun-2022	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 the completion report on its website in both <i>Romanian</i> (https://mf.gov.md/ro/content/rapoarte-1/) and <i>English</i> (https://mf.gov.md/en/content/reports-1/) 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 in process of finalizing reports on VAT refund program implementation following Bank project team's prior reviews (last comments were provided on May 1, 2022). The publication of finalized reports and follow-up final disbursement of US\$1 mln. are expected by July 2022.

Overall Comments

All intermediate results indicators are in line with their annual targets. Three non-PBC indicators (Training distance learning system, Decrease in tax arrears, and Number of hits to the STS website) have already achieved their final targets. The results achieved under indicator on training distance learning system are improved. 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 finalization and publication of reports on the results of implementation of Government's VAT refund program (PBCs 7.5-7.6). Publication of finalized reports are expected by mid-June 2022 with full completion and disbursement in July 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	--	23-Dec-2021	22-Jun-2022	--

►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	--	23-Dec-2021	22-Jun-2022	--



►PBC 3 PBC: Improved the usability of the STS website (Text, Output, 600,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	There are two websites available (one for information only and another one for the submission of tax declarations by taxpayers); there are some gaps in the functionality of both websites.	New STS website is used by taxpayers	New STS website is used by taxpayers	--
Date	--	23-Dec-2021	22-Jun-2022	--

►PBC 4 PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text, Output, 300,000.00, 0%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	There is no a Manual on Taxpayer Services, the staff had no specific trainings.	The Manual is implemented and all eligible staff of STS located in all offices was trained	The Manual is implemented and all eligible staff of STS located in all offices was trained	--
Date	--	23-Dec-2021	22-Jun-2022	--

►PBC 5 PBC: Introduced an Electronic Taxpayer Survey Tool (Text, Output, 750,000.00, 0.00%)				
	Baseline	Actual (Previous)	Actual (Current)	February 2021
Value	No tool for taxpayers' regular feedback is in place.	Developed and pilot completed. Full roll-out authorized in September 2021.	The e-taxpayer survey tool is in operational use	--
Date	--	23-Dec-2021	22-Jun-2022	--

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



Date	--	23-Dec-2021	22-Jun-2022	--
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► 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	Legal frameworks established. Public awareness campaign deployed. Report on completion of payroll subsidy program published on the STS website.	Legal frameworks have been established. Report on payroll subsidies program is made public. Reports on VAT refund program awaited.	--
Date	--	23-Dec-2021	22-Jun-2022	--

Data on Financial Performance

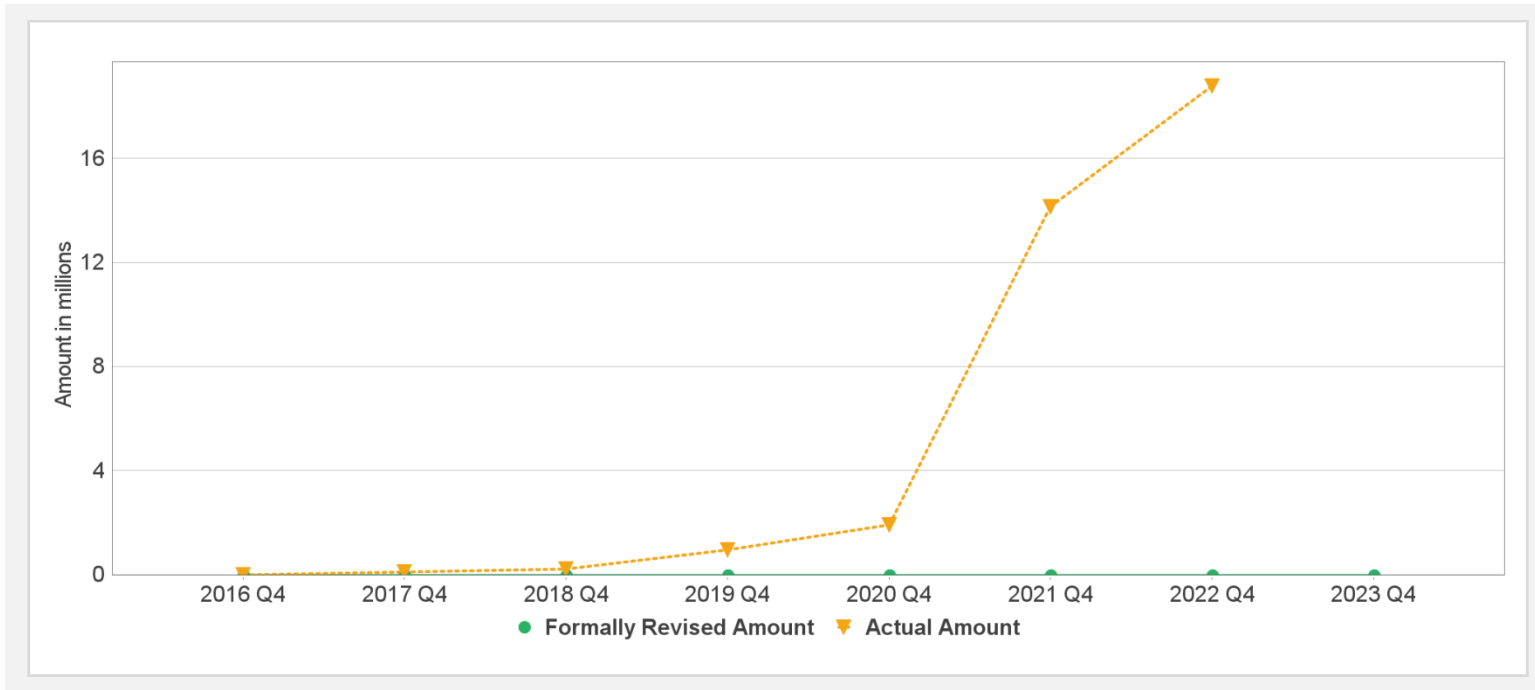
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	12.53	0.00	100%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	6.26	1.13	85%

Key Dates (by loan)

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

Cumulative Disbursements



Restructuring History

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

Related Project(s)

There are no related projects.