



Tax Administration Modernization Project (P127734)

EUROPE AND CENTRAL ASIA | Moldova | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 4 | ARCHIVED on 18-May-2018 | ISR32310 |

Implementing Agencies: Republic of Moldova, Main State Tax Inspectorate

Key Dates

Key Project Dates

Bank Approval Date:06-Jun-2016

Effectiveness Date:25-Jan-2017

Planned Mid Term Review Date:30-Sep-2019

Actual Mid-Term Review Date:--

Original Closing Date:31-Dec-2021

Revised Closing Date:31-Dec-2021

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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

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

No

Components

Name

Tax policy reform:(Cost \$1.50 M)

Institutional development:(Cost \$1.20 M)

Operational development:(Cost \$1.30 M)

IT Infrastructure and system modernization:(Cost \$15.00 M)

Project management and change management:(Cost \$1.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Unsatisfactory	● Moderately Unsatisfactory
Overall Implementation Progress (IP)	● Moderately Unsatisfactory	● Moderately Unsatisfactory
Overall Risk Rating	● Substantial	● Substantial



Implementation Status and Key Decisions

The project became effective on January 25, 2017. The project is meant to support the implementation of an automated risk-based approach to maximize revenue collection, promote open interaction with taxpayers, and develop a fair, taxpayer-friendly approach to addressing taxpayer grievances. This will allow the State Tax Service (STS) to focus on non-compliant taxpayers, including businesses that avoid paying taxes while reducing compliance costs for taxpayers. The project will also finance the acquisition of a modern revenue management IT system. The long-term vision supported by the project is the creation of client-oriented tax administration. The modernized tax administration will improve the business environment and the country's competitiveness. Implementation of the project is currently delayed due to insufficient project staffing and delays in decisions about how to go forward with the IT system.

Risks

Systematic Operations Risk-rating Tool

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

Results

Project Development Objective Indicators

► Time required to comply with taxes (Hours, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	186.00	--	181.00	165.00
Date	31-Dec-2015	--	29-Dec-2017	31-Dec-2021

Comments

The target value for 2017 was identified as 186 hours and was achieved. The actual value was 181 hours.



► Overall efficiency of VAT collection (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	52.30	51.24	53.49	54.70
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

The target value for 2017 was identified as 52,4% and was achieved. The actual value was 53,49% (Total VAT 16 ,870,100,000.0 MDL) / 20%* 15,766,611,300.0 MDL final consumption).

The baseline for the following sub-indicator *Efficiency of VAT Collection by STS (Percentage, Custom Supplement)* was not identified in the PAD correctly. The STS provided evidences and the baseline will be changed (increased) during upcoming project restructuring. The project restructuring issue is reflected in this ISR's Section # 1.2.

▲ Efficiency of VAT collection by STS (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	11.06	58.90	61.14	12.54

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	19.35	25.15	28.50	24.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments



Target value for 2017 was identified as 20% and was achieved . The actual value was 28.5% (98526 filed income declarations for 2017/ 345667 taxpayers).

► Increase in additional tax assessed per audit (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	-48.70	12.25	34.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

The target value for 2017 was identified as 10% and was achieved. The actual value was 12,25%.

Overall Comments

The client is improving on several indicators. However, those improvements are mostly based on actions taken with the government's own funds or other donors' support and cannot be directly attributed to the use of project resources.

Intermediate Results Indicators

► Share of large taxpayer audits which includes related parties, when related parties exist (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	35.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

There was no target value for 2017.



► Decrease in tax arrears (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	8.50	6.60	6.70	7.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

The target value for 2017 was identified as 8.50% and was not achieved. The actual value was 6.7%.

► Taxpayer satisfaction (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Satisfaction not measured	--	Satisfaction survey is budgeted, selection is done but contract negotiations are ongoing.	Satisfaction increase - 20% (compared to baseline) Final survey conducted with data disaggregated by gender, results and suggests actions of the STS to address weaknesses are published on the STS website.
Date	31-Dec-2015	01-Oct-2017	29-Dec-2017	30-Oct-2021

Comments

The indicator was not achieved. The target was: Baseline survey conducted with data disaggregated by gender, results and suggests actions to the STS to address weaknesses are published on the STS website. The survey was not conducted due to the significant procurement delay.

The ToR was developed for the taxpayer survey; procurement is delayed but is now expected by end FY18 for implementation in Q1 FY19.



► The Training Center capacity in permanent training program (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	The list of training programs is not identified	--	The list of training programs is not identified.	100% of appropriate STI staff have been trained in use of business functions and new tools, data disaggregated by gender
Date	31-Dec-2015	01-Oct-2017	29-Dec-2017	31-Dec-2021

Comments

There was no target value for 2017.

► Share of income tax returns filed electronically (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	39.60	43.00	45.96	60.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

The target value for 2017 was identified as 40% and was achieved. Actual value was 45.96% (45292 income tax filed electronically / 98526 field income declarations).

► Number of hits to the STS web-site (Number (Thousand), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,570,004.00	3,529,014.00	6,106,607.00	5,700,000.00
Date	31-Dec-2015	31-Dec-2016	29-Dec-2017	31-Dec-2021

Comments

The indicator was achieved. The target value for 2017 was 3,900,000 and actual was 6,106,607.



Overall Comments

The client is improving on several intermediate indicators. However, those improvements are mostly based on actions taken with the government's own funds or other donors' support and cannot be directly attributed to the use of project resources.

Data on Financial Performance

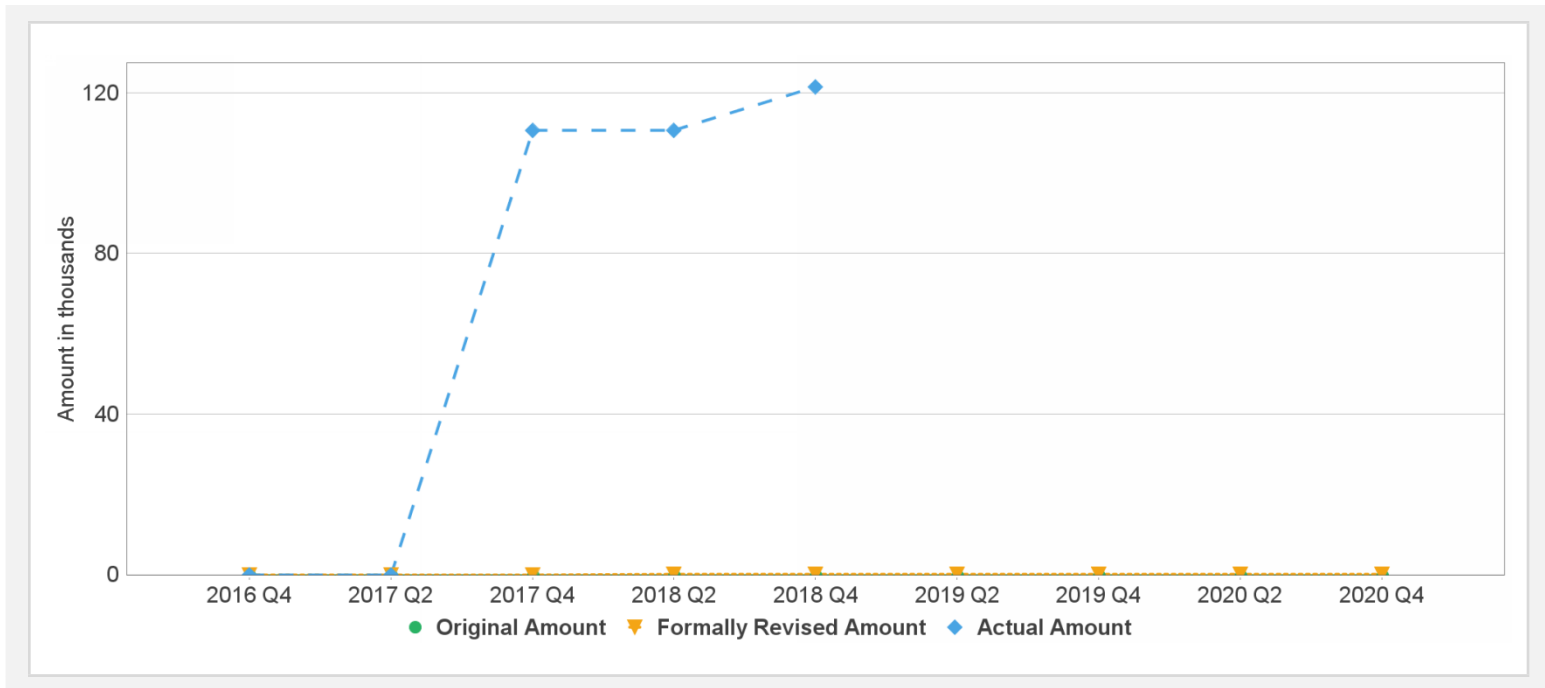
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P127734	IBRD-86250	Effective	USD	12.58	12.58	0.00	0.00	12.58	0%
P127734	IDA-58290	Effective	USD	7.42	7.42	0.00	0.12	7.58	1.6%

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	31-Dec-2021
P127734	IDA-58290	Effective	06-Jun-2016	28-Jun-2016	25-Jan-2017	31-Dec-2021	31-Dec-2021

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.