

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

**Report No.:** ISDSC8750

**Date ISDS Prepared/Updated:** 19-May-2014

**Date ISDS Approved/Disclosed:** 25-Jun-2014

## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	Moldova	<b>Project ID:</b>	P127734
<b>Project Name:</b>	Tax Administration Modernization Project (P127734)		
<b>Task Team Leader:</b>	Shilpa B. Pradhan		
<b>Estimated Appraisal Date:</b>	20-Jan-2015	<b>Estimated Board Date:</b>	07-Apr-2015
<b>Managing Unit:</b>	ECSP4	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General public administration sector (100%)		
<b>Theme(s):</b>	Tax policy and administration (90%), Public expenditure, financial management and procurement (10%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	20.00	<b>Total Bank Financing:</b>	20.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			20.00
Total			20.00
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

The development objective of the Tax Administration Modernization Project (TAMP) is to increase the effectiveness and efficiency of the tax system through strengthened voluntary compliance, reduced compliance costs, enhanced professionalism and integrity of STI staff and the use of modern technology.

The long-term vision is a tax administration with streamlined business processes supported by risk-

based compliance management, effective use of electronic communication with taxpayers, skilled and professional staff, contributing to an efficient, client-oriented tax administration characterized by fairness, honesty and transparency. The modernized tax administration will improve the business environment and thereby increase country's competitiveness.

This project supports the Government of Moldova's Tax Administration Reform Strategy for 2011-15. The strategy focuses on increasing voluntary compliance and improved service delivery to taxpayers through modernization of institutional procedures and use of modern information technology. The MoF leadership and STI top management requested the World Bank support for tax administration reform. There continues to be a high level of demand for and commitment to tax administration reform from the MoF, top management of the STI as well as buy-in from staff at the STI.

### **C. Project Description**

The proposed project seeks to modernize the working of the tax system in Moldova to benefit from an integrated, highly automated, low-discretion, risk-based structure. The project will be implemented over five years to help the GoM achieve its objectives stated in the Strategic Plan for 2011-2015. This will include organizational restructuring, business process improvement, human resource management and training, and IT infrastructure changes necessary for optimal deployment of an Integrated Tax Management systems (ITMS). The project would include financial and technical support for improving revenue collection methodologies and procedures; information technology and other technological infrastructure; training, and technical assistance to underpin STI's organization structure and management, and operational systems refinements. In addition, technical assistance would be provided to the MoF to draft a new Tax Code to replace the significantly outdated Tax Code 1998. Project components would include:

- Component 1. Tax policy and analysis. This component will finance activities to provide technical assistance for: (i) revising the Tax Code; (ii) building in-house capacity in STI for tax modeling, revenue forecasting, and tax analysis; (iii) analyzing the levels of compliance of taxpayers; (iii) evaluating the efficiency and effectiveness of the STI; (iv) recommending additional revenue measures; and (v) building in-house capacity in STI for monitoring key performance indicators.
- Component 2. Institutional Development. This component will finance (i) a comprehensive review and redesign of the organizational structure at headquarters, regional, and local offices based on the Government's regionalization plan ; (ii) implementation of the reorganization based on the regionalization plan; (iii) strengthening of capacity for strategic management and performance assessment within the STI; (iv) comprehensive review of HR policies, and development of revised work flow analysis, workforce planning and strategy; (v) development of a training strategy and curriculum for tax administration staff; (vi) purchase of technical and training equipment for the training center and distance learning system; and (vii) building capacity of STI through study tours, managerial/HR training, and language training.
- Component 3. Operational Development. Strengthened compliance management is considered to be the cornerstone of an efficient tax administration. This component will be based on the re-engineered business processes that will be undertaken during project preparation. This will make the self-assessment and risk management system work more effectively and will provide further elaboration of business processes. The component will: (i) further elaborate on business process re-engineering; (ii) strengthen skills of STI auditors, especially in the LTO, in the detection of tax frauds; (iii) enhance staff capacity for enforced collection; (iv) improve internal control and internal audit; (v) revamp taxpayer services to develop modern service delivery channels; (vi) support the development of an independent tax appeals system with database for tracking of appeal

cases; and, (viii) strengthen internal and external communications functions.

- Component 4. IT Infrastructure and System Modernization. This component will: (i) acquire and implement an ITMS; (ii) develop an integrated data management system; (iii) acquire required hardware to support the ITMS and data warehouse; (iv) provide training in the use of the ITMS; (v) establish a business continuity recovery system. The ITMS will unify IT support for all business functions including: user management, registration, returns processing, accounting, payment processing, enforcement, objections and appeals, audit, risk assessment, reporting, work flow, data warehouse and business intelligence tools, a document management system and a portal interface. The new system will provide for electronic interaction with the taxpayers. It will also provide a bi-directional link to other systems that share data with the STI including Customs Service, CNAS, and NHIF. The new system will be installed in the GoM's e-Government Center and will have data replication to a business continuity center.
- Component 5. Project Management and Change Management: This component will strengthen the STI capacity to provide timely and quality project implementation in accordance with the World Bank guidelines. The component will finance (i) national and international consultants to support procurement, financial management, project audit, and technical implementation; (ii) international advisors for IT project management, training and change management; and (iii) operating costs associated with the implementation of the Project.

**D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

**E. Borrowers Institutional Capacity for Safeguard Policies**

**F. Environmental and Social Safeguards Specialists on the Team**

**II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	No	No civil works included in the project
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	

Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 15-Oct-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

There are no safeguards triggered by this project.

### IV. APPROVALS

Task Team Leader:	Name: Shilpa B. Pradhan	
<b><i>Approved By:</i></b>		
Regional Safeguards Coordinator:	Name: Agnes I. Kiss (RSA)	Date: 23-Jun-2014
Sector Manager:	Name: Adrian Fozzard (SM)	Date: 25-Jun-2014

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.