

Supplemental Letter No. 3

REPUBLIC OF MOLDOVA

June 28, 2016

International Bank for Reconstruction and Development
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 8625-MD
Credit No. 5829-MD
(Tax Administration Modernization Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to the provisions of paragraph A.1 of Section II of Schedule 2 to the Loan Agreement of even date herewith between the Republic of Moldova (the Borrower) and the International Bank for Reconstruction and Development (the Bank) and paragraph A.1 of Section 2 to the Financing Agreement of even date herewith between the Republic of Moldova (the Recipient) and the International Development Association (the Association). The Borrower/Recipient hereby confirms to the Bank/Association that the indicators set out in the attachment to this letter shall serve as a basis for the Borrower/Recipient to monitor and evaluate the progress of the Project and the achievement of the objectives.

Very truly yours,

REPUBLIC OF MOLDOVA

By 
Authorized Representative

REPUBLIC OF MOLDOVA
(Tax Administration Modernization Project)

Project Development Objectives

PDO Statement

To improve revenue collection, tax compliance and taxpayer services

**These results are
at**

Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Time required to comply with taxes (Hours)	186.00	186	186	186	175	165					165.00
Increase in additional tax assessed per audit (Percent)	25822 MDL per audit in 2015	10	15	21	27	34					34
Share of active taxpayers filing income declarations in total registered taxpayer (Percentage)	19.35	20	21	22	23	24					24

Overall efficiency of VAT collection (Percentage)	52.3	52.4	52.7	53.3	54.2	54.7					54.7
Efficiency of VAT collection by the STS (Percentage)	11.06	11.16	11.34	11.70	12.20	12.54					12.54

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
Share of income tax returns filed electronically (Percentage)	39.60	40.00	45.00	50.00	55.00	60.00					60.00
Share of large taxpayer audits which includes related parties in cases when related parties exist (Percentage)	0.00	0.00	10.00	20.00	30.00	35.00					35.00
Number of hits to the STS web-site (Number)	3,570,004	3,900,000	4,300,000	4,600,000	5,200,000	5,700,000					5,700,000
Decrease in tax arrears (Percentage)	8.50	8.50	8.50	8.00	7.50	7.00					7.00

The Training Center capacity in permanent training program (Text)	The list of training programs is not identified	The list of training programs is identified	The identified training programs are developed	The technical capacity, including IT solutions of the Training Center is developed	The permanent training program is fully functioning	100% of appropriate STS staff have been trained in use of business functions and new tools, data disaggregated by gender					100% of appropriate STS staff have been trained in use of business functions and new tools, data disaggregated by gender
Taxpayer satisfaction (Text)	Satisfaction not measured	Satisfaction in crease - 0% Baseline survey conducted with data disaggregated by gender, results and suggests actions of the STS to address weaknesses are published on the STS website	-	Satisfaction in crease - 10% (compared to baseline) Mid-project survey conducted with data disaggregated by gender, results and suggests actions of the STS to address weaknesses are published on the STS website		Satisfaction in crease - 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					Satisfaction in crease - 20%

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Time required to comply with taxes	The indicator measures improved taxpayer services part of the PDO, as taxpayer services would lead to less time required to prepare, file and pay (or withhold) CIT, VAT, labor taxes, including payroll taxes and social contributions (in hours per year).	Annual	Doing Business	World Bank
Increase in additional tax assessed per audit	The indicator measures improved enforced compliance part of the PDO. Increased additional assessment (i.e., monetary amount assessed during audit) as a result of audit will measure improved efficiency of audit planning process and quality of audit. Better audits will lead to reduced non-compliance	Annual	STS management reports	STS
Share of active taxpayers filing income taxes out of registered taxpayers	The indicator measures improved voluntary compliance part of the PDO. Ratio of active taxpayers-economic agents filing income taxes (legal entities and individual entrepreneurs) to all registered taxpayers.	Annual	STS Management Reports	STS
Overall efficiency of VAT collection	The indicator measures improved revenue collection based on the c-efficiency of VAT (Ratio of VAT revenue to the product of the standard rate and consumption) Increases in the C-Efficiency will be used as an indicator of reducing revenue losses.	Annual	Statistical data and STS's estimates	STS
Efficiency of VAT collection by STS	The indicator measures efficiency of VAT collection by the STS domestically, netting out performance of Customs. It is	Annual	Statistical data and STS's estimates	STS

	calculated as actual VAT collection over consumption net of imports			
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Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Percentage of tax returns filed electronically	Share of corporate income tax returns filed electronically in overall number of CIT returns	Annual	STS reports	STS
Share of large taxpayer audits which includes related parties	Indicator measures share of audits that include related parties in overall number of comprehensive audits of large taxpayers in case when large taxpayers have related parties.	Annual	STS Reports	STS
Number of hits to the STS web-site (Number)	Indicator measures number of times taxpayers accessed the STS web-site.	Annual	STS Reports	STS
Decrease in tax arrears	Share of tax arrears at the end of the year in tax revenues collected during the year	Annual	STS Reports and budget execution reports	STS
The Training Center capacity in permanent training program	Number of STS staff trained with disaggregation by gender using the training program developed under the project	Annual	STS Reports	STS
Taxpayer satisfaction survey	Survey to be carried out at least three times during implementation of the project to provide data on taxpayer satisfaction including disaggregated by gender. The indicator also includes feedback from the STS to taxpayers on the results of the survey.	No description provided.	Survey	STS