



**The State Tax Service
REPUBLIC OF MOLDOVA**

Tax Administration Modernization Project (TAMP) P127734
PROJECT OPERATIONAL MANUAL

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| Developed by STS |
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ABBREVIATIONS AND ACRONYMS

| | |
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| ASL | Authorized Signatory Letter |
| DA | Designated Account |
| DL | Disbursement Letter |
| DLI | Disbursement Linked Indicator |
| DLR | Disbursement Linked Result |
| EGA | E-Governance Agency |
| EEP | Eligible Expenditure Program |
| EUR | Euro |
| FA | Financial Agreement |
| EFD | Economy and Finance Department |
| GPN | General Procurement Notice |
| IBRD | International Bank for Reconstruction and Development |
| IC | Individual Consultant |
| IDA | International Development Association |
| IFR | Interim Un-audited Financial Report |
| IPF | Investment Project Financing |
| IT | Information Technologies |
| ITMS | Integrated Tax Management System |
| LA | Loan Agreement |
| MDL | Moldovan Leu |
| MoF | Ministry of Finance |
| NCB | National Competitive Bidding |
| PBC | Performance Based Conditions |
| PDO | Project Development Objective |
| PIT | Project Implementation Team |
| POM | Project Operational Manual |
| RBF | Result Based Financing |
| SDR | Special Drawing Rights |
| SOE | Statement of Expenditures |
| STEP | Systematic Tracking of Exchanges in Procurement |
| STS | State Tax Service |
| TAMP | Tax Administration Modernization Project |
| ToR | Terms of Reference |
| VAT | Value Added Tax |
| USD | United States dollar |
| UNDB | United Nations Business Development Portal |
| WB | World Bank |

INTRODUCTION

This Project Operational Manual (POM) lays out overall operating, fiduciary, and decision - making procedures and results monitoring arrangements regarding the Tax Administration Modernization Project (TAMP), which are implemented by the State Tax Service of the Republic of Moldova (STS) under the Loan #8625-MD of the International Bank for Reconstruction and Development (IBRD/the Bank) and Credit #5829-MD of the International Development Association (IDA/Association).

1. PROJECT'S LEGAL BASIS, CONSTITUTIVE DOCUMENTS AND RESTRUCTURINGS

The legal basis for the present Operational Manual is the Financing Agreement (FA) between the Republic of Moldova and the IDA and the Loan Agreement (LA) between the Republic of Moldova and the IBRD regarding Tax Administration Modernization Project both dated June 28, 2016 as well as amendments to the Financing Agreement and the Loan Agreement dated August 2, 2019.

The FA and the LA were ratified by the Parliament of Moldova by the law no. 23 of September, 2016 and promulgated by the President of the Republic of Moldova on 19 of October, 2016. The Laws on the Ratification of the Financing and Loan Agreements have been published in the Official Gazette of the Government of Moldova and entered into force on 16 of December, 2016.

The Project was declared effective by the IBRD and IDA on January 25, 2017.

TAMP was restructured three times in 2019, 2020, and 2022 with relevant amendments to legal agreements.

The 2019 restructuring was aimed at improving TAMP performance through better aligning the Project activities with the ongoing tax policy and modernization activities taking into consideration those supported by other donors and avoid duplication. The 2019 restructuring introduced a Results-Based Financing (RBF) with Disbursement Linked Results - DLR (now Performance-Based Conditions (PBC)) Component 1 “Tax Policy, Tax Administration Reform, and Operational Development”; revised the Results Framework; changed an implementation approach for the Integrated Tax Management System (ITMS) solution; and extended the Project closing date by 23 months to complete and operationalize the ITMS. Details of the 2019 restructuring are presented in the World Bank’s (WB) [Restructuring Paper Report #RES34344](#) dated June 5, 2019 that is available at the Bank’s external site.

Restructuring related Amendment to the LA and the FA dated August 2, 2019 were ratified by the Parliament of Moldova by the law no.140 of 04 of October, 2019 and promulgated by the President of the Republic of Moldova on 18 of October, 2019. The Law on the Ratification of the Amendments to the Financing and Loan Agreements has been published in the Official Gazette of the Government of Moldova and entered into force on 1st of November, 2019. Both Amendments became effective on January 16, 2020.

The 2020 restructuring 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 as of June 13, 2020. The 2020 restructuring included, inter alia, i) the introduction of new USD 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 Government’s payroll¹ and Value Added Tax (VAT) refund² subsidy programs (USD 3 Million of

¹ Subsidies to firms that have continued to pay salaries/allowances while on technical and/or stationary unemployment status during the declared state of emergency. TAMP supported only payroll subsidy claims related to the period March 17-May 15, the first period of emergency.

² Granting firms, which are not eligible for VAT refund per provisions of the Tax Code, the right to receive subsidies based on the VAT refund mechanism (VAT subsidies), provided the companies are operating after the lifting of the first State of Emergency (May 15, 2020) until December 2020.

the IDA financing and USD 12 Million of the IBRD financing), ii) revision of the project development objective and results framework, iii) revision of the scope and cost of project investment components; and iv) reallocation between disbursement categories, disbursement arrangements, project management arrangements. Details of the 2020 restructuring are presented in the WB's [Restructuring Paper Report #RES41570 dated September 14, 2020](#) that is available at the Bank's external site.

Amendments # 2 to the FA and the LA dated November 13, 2020, were ratified by the Parliament of Moldova by the law no.207 of November 26, 2020 and promulgated by the President of the Republic of Moldova on December 4, 2020. The Law on the Ratification of the Amendments to the Financing and Loan Agreements has been published in the Official Gazette of the Government of Moldova and entered into force on December 8, 2020. Both Amendments became effective on December 23, 2020.

The 2022 restructuring was aimed at adjustment of the i) results framework due to discontinuation of the WB Doing Business report that was used to measure a Project Development Objective (PDO)-level indicator, and ii) activities within Project's components and components' cost. As the result of the 2022 restructuring PDO-level indicator "Time required to comply with taxes" has been replaced with "Taxpayer satisfaction", upgraded from an intermediate outcome level. Another intermediate indicator "Assigned tasks to STS inspectors are completed and monitored continuously" was dropped and replaced by a new indicator "Set foundation for future STS digital modernization strategy" to reflect changes in the remaining investment project financing (IPF) activities. Details of the 2022 restructuring are presented in the World Bank's [Restructuring Paper Report #RES50197](#) dated July 27, 2022 that is available at the Bank's external site.

Relevant Amendments # 3 to the FA and the LA dated on November 10, 2022 were ratified by the Parliament of Moldova by the law no 346 of December 15, 2022 and promulgated by the President of the Republic of Moldova on December 21, 2022. The Law on the Ratification of the Amendments to the Financing and Loan Agreements has been published in the Official Gazette of the Government of Moldova and entered into force on December 23, 2022.

The following legal documents (project files) are governing or affecting in a way or another Project's operation:

1. TAMP Assessment Document, including the general implementation and procurement plans;
2. Law on ratification of the Financing and Loan Agreements;
3. Law on ratification of the Amendments to the Financing and Loan Agreements;
4. TAMP Operational Manual.

This list may be amended and adjusted by the project implementation team, without prior approval by the Project Steering Committee and the WB, if necessary.

2. PROJECT OBJECTIVES, BENEFICIARIES, COMPONENTS AND KEY PROJECT INDICATORS

2.1 Development objective

The long-term vision supported by the Project 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. The modernized tax administration will improve the business environment and improve the country's competitiveness.

The original PDO of the TAMP was to improve revenue collection, tax compliance and taxpayer services.

Following the 2020 restructuring aimed at supporting the Government in implementing critical tax exemption measures that will support business operations and employment levels in the context of the COVID-19 pandemic and improve taxpayer services, the PDO has been revised to read as follows "to support the 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".

2.2 Project beneficiaries

The immediate Project beneficiaries are taxpayers (business community and individuals) who would benefit directly from support provided via two subsidy programs in addressing the negative fiscal impact of the COVID- 19 pandemic.

The Government of Moldova and its public finance institutions will benefit from improvements in the administrative efficiency of tax administration.

Also, the beneficiaries are the employees of the STS who will benefit from an improved working environment based on streamlined operations and working methodologies as well as extensive training and access to international best practices provided by the project.

2.3 Key Project indicators

The following indicators, as revised, have been agreed to monitor the implementation progress and evaluate the development impact of the Project (Results Framework is in Annex 1):

PDO-level indicators by objective:

(a) Improve taxpayer services:

- (i) Taxpayer satisfaction (upgraded from the intermediate level to replace original indicator "Time required to comply with taxes" that was dropped due to discontinuation of the Doing Business report)***;
- (ii) Improved the usability of the STS website (PBC 3) *;
- (iii) Strengthened the capacity of STS staff to deliver taxpayer services (PBC 4) *;
- (iv) Introduced an electronic taxpayer survey tool (PBC 5) *.

(b) Support business survival and sustain employment in the context of COVID-19 pandemic, through temporary tax relief

- (v) Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6) **.

Intermediate Results Indicators:

- (i) Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 (PBC 1) *;
- (ii) Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (DLI 2) *;
- (iii) 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) **;
- (iv) Number of hits to the STS website;
- (v) Decrease in tax arrears;
- (vi) The training distance learning system for the most important workflows developed;
- (vii) Set foundations for future STS digital modernization strategy***.

* Result indicators introduced by the 2019 TAMP restructuring.

** Result indicators introduced by the 2020 TAMP restructuring.

*** Result indicators introduced by the 2022 TAMP restructuring.

2.4. Project Components

The Project consists of the following parts (components):

Component 1. Tax Policy, Tax Administration Reforms, and Operational Development

This RBF Component has been introduced as a result of the 2019 restructuring and is aimed at supporting Tax Policy, Tax Administration Reforms and Operational Development. Its objective is to provide incentives for undertaking tax policy and administration reforms and achieving the PDO result: improved taxpayer services. These reforms implemented by the Government are in the areas of increasing the collection of excises and VAT, which are core tax revenues of the State Budget of the Republic of Moldova; establishment of favorable conditions for tax compliance; improving the quality of taxpayer services and strengthening institutional capacity of STS for improved taxpayer satisfaction. These are among the priority areas of the Strategic development program of the State Tax Service for the years 2021 - 2023 approved by Decision no 11 of June 30, 2021 of the Executive Council of the STS.

The RBF Component includes the provision of financing for Eligible Expenditures Program (EEP) to support the Ministry of Finance (MoF) in increasing efficiency of the tax policy and tax administration, including strengthening the operational capacity of the STS through, *inter alia*,

- (i) increasing 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 (PBC 1);
- (ii) ensuring that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (DLI 2);
- (iii) improving the usability of the STS website, through the launching of a single STS website which would, *inter alia*, (i) support requirements of people with special needs; (ii) allow taxpayers to submit income statements electronically through their personal account created on the site; (iii) be synchronized with the state web sites through the automated information exchange (open data); (iv) have a new searching system which will reflect the final version of the legal documents, specifying all amendments and additions; and (v) have a feedback mechanism through the online (chat) assistance service (PBC 3);
- (iv) strengthening the capacity of STS staff to deliver taxpayer services by developing a Manual on taxpayer services and training the STS staff on its use (PBC 4);
- (v) developing and carrying out of an electronic taxpayer survey tool (PBC 5).

The RBF Component 1 amounting SDR 2.2 million (or the equivalent of USD 3 million) is funded from IDA Credit and disbursed against EEPs upon achievement of key results –PBCs/DLIs. Detailed description and indicative timetable for the achievement of results indicators under each of five PBCs (both PCB and DLR that are not time-bound) are presented in Annex 2.

“DLR” means in respect of a given PBC/DLI, the result on the basis of the achievement of which, the amount of the Credit allocated to said result may be withdrawn in accordance with the provisions of the FA.

The PBCs/DLI related to tax policy reforms that are expected to contribute to improving tax collection and tax services are: PBC1 - increasing nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 for 2021 by at least 15 percent; and DLI 2 - supplies of goods by insolvent subjects taxed with VAT on the reverse charge principle. PBCs which will reflect the result of STS activities aimed at improving taxpayer services, compliance and strengthening STS’s institutional and staff capacity are: PBC 3 - improving the usability of the STS website; PBC 4: strengthening the capacity of STS staff to deliver taxpayer services; and PBC 5- introducing an electronic taxpayer survey tool.

Component 2. Institutional Development

Provision of support for strengthening STS performance and service delivery, including through *inter alia*: (a) the purchase and installation of technical hardware and software to support the functioning of the existing and future IT and communication systems, and training equipment; (b) the carrying out of training activities; and (c) the carrying out of regular taxpayer satisfaction surveys; and (d) the technical development and establishment of the new STS website with improved usability and broadened functionality to replace the two existing web-sites.

Two activities of the Component 2 support the achievement of PBCs under Component 1. First activity is a consultancy for development and establishment of the new STS web-site (whereas, STS shall develop the concept, technical specifications, tender documents and necessary changes of STS business processes). Second one is the procurement of specific gadgets (tablets) to support implementation of an electronic tool for assessing the degree of taxpayer satisfaction with services provided by STS.

Component 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.

The Component activities have been revised during the Project implementation to meet Government’s emergency needs and align with tax administration developments. In 2020, originally planned development and implementation of ITMS has been dropped to release USD 15 Million to support more urgent tax-related COVID-19 pandemic relief measures in 2020.

While STS continued with developing new IT modules and their integration with the rest of the system using Government own funds.

As part of the 2022 restructuring, purchases of the i) remote monitoring solution aimed at enabling the STS to conduct its key operational activities remotely, and ii) a Data Loss Prevention Solution to detect and prevent potential data breaches foreseen under the 2020 restructuring, as well as additional computer equipment were dropped due to the lack of urgent operational needs in these, and replaced with two activities - conducting STS IT Gap Capacity Assessment and development of technical specifications for ITMS. The results of the Assessment shall i) inform a new STS IT Strategy and its

implementation roadmap, and ii) show further needs in procurement of any new software and hardware for STS's IT system.

Component 4. Project Management and Change Management

- a) Carrying out of capacity building activities supporting the Borrower's/Recipient's change management process to implement the activities referred to in Parts 1, 2, 3 and 5, including: (i) the carrying out of awareness campaigns and training activities on the implementation of said reforms; and (ii) the establishment of a private sector advisory panel for citizen engagement; and
- b) Project implementation, monitoring and evaluation including: (i) the carrying out of the Project audits; (ii) the financing of Operating Costs.

Component 5. Maintaining employment and business survival in the context of COVID-19 pandemic.

This RBF component provides financing for EEP to support the implementation of Government subsidy programs to mitigate the negative fiscal impact of the COVID-19 pandemic. It has two PBCs - *“Maintained employment and business survival in the context of COVID-19 pandemic by temporarily providing tax relief”* (PBC 6) and *“Established legal frameworks and transparent mechanisms for implementing the temporarily tax relief to business to mitigate for the negative fiscal impact of the COVID-19 pandemic”* (PBC 7) - which are not time-bound and an indicative timetable for the achievement of milestones under each PBC is determined as specified in Annex 2.

The first PBC 6 is focused on rewarding the achievement of results in terms of continuity of business operations and sustained employment. 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). According to the provisions of point 6.1 of Disposition no. 16 of April 10, 2020, as well as of Article II paragraph (3) of Law no. 69 of 21.05.2020 on the establishment of measures during the state of emergency in public health and the amendment of some normative acts, the subjects of the subsidy are the enterprises and non-commercial organizations, residents of the Republic of Moldova, which have instituted technical and / or stationary unemployment, according to the provisions of art. 80 and 801 of the Labor Code of the Republic of Moldova no. 154/2003.

The size of the grant and the categories of subjects who are awarded grants during the declared state of emergency are presented in the table below.

| Category | Subsidy size | Subsidy amount |
|--|---|---|
| The subjects of the subsidy who have totally or partially ceased their activity according to the decisions of the Extraordinary National Commission of Public Health and / or the Provisions of the Commission for Exceptional Situations of the Republic of Moldova | in the amount of the paid income tax, the compulsory state social insurance contributions due by the employer, the individual compulsory state social insurance contributions and the compulsory health insurance premiums in the form of a percentage contribution due by the employer and the related employee allowance / salary granted to employees who are technically and / or stationary unemployed | The amount of the subsidy calculated at the level of employee per day of technical or stationary unemployment will not exceed the calculated amount of income tax, and other mandatory payments related to the salary for February 2020 per working day. |
| Grant subjects who have ceased their activity in whole or in part, other than those specified above | in the amount of 60% of the amount paid of the income tax, of the compulsory state social insurance contributions due by the employer, of the individual compulsory state social insurance contributions and of the compulsory health insurance premiums in the form of a percentage contribution due by employer and employee related to the allowance / salary granted to employees who are technically unemployed and / or stationary. | The amount of the subsidy calculated at the level of employee per day of technical or stationary unemployment will not exceed the amount of 60% of the calculated amount of income tax, and other mandatory payments related to the salary for February 2020 per working day. |

The second (PBC 7) is focused on incentivizing an effective and transparent implementation of the mentioned Government programs, ensuring the introduction of a broad public awareness campaign, and using grievance mechanisms. Thus, according to art. 8 of Art. I of Law no. 60/2020, regarding the establishment of measures to support the entrepreneurial activity and the modification of some legislative acts, subjects of the VAT Reimbursement Program are the enterprises that are registered as VAT taxpayers and that register VAT amounts for deduction in the subsequent period.

According to point 3 of the Regulation on VAT refunds to enterprises that are registered as VAT taxpayers and register VAT amounts for deduction in the subsequent period approved by MoF Order no.76 of 16 June 2020 (published in the Official Gazette no. 152 of 20.06.2020), the request for VAT refund is made by submitting an application, according to the model set to the General Directorate of Fiscal Administration at the place of service or to the General Directorate of Administration of large taxpayers, as the case. The application is presented on paper with the application of the holographic signature or is sent to the email address with the application of the electronic signature, at the place of service established in the Regulation.

According to point 5 of the Regulation on VAT refund to enterprises that are registered as VAT taxpayers and register VAT amounts for deduction in the subsequent period, the taxable subject, has the right to VAT refund, requested for the fiscal periods related to the VAT refund period, regardless of whether in any of these fiscal periods he registered VAT for payment to the budget, to the cumulative fulfillment of the conditions specified in the mentioned point.

Also, point 17 of the mentioned Regulation, describes the procedure for assessing the amount intended for VAT refund, and sub-point 2) of point 17 establishes that in case of requesting the VAT refund for several fiscal periods (calendar months) from the refund period, the cumulative amount of the indicators mentioned in sub-point 2) is determined for the fiscal periods for which the VAT refund is requested.

2.4.1 Project funds allocated by Components

| Component Name | Estimated Cost (US\$ M) |
|--|------------------------------------|
| Component 1. RBF. Support Tax Policy, Tax Administration Reforms and Operational Development | 3.00 |
| Component 2. Institutional Development | 0.61 |
| Component 3. IT Infrastructure and System Modernization | 1.27 |
| Component 4. Project management and change management | 0.12 |
| Component 5. RBF. Maintaining employment and business survival in the context of COVID-19 pandemic | 15.00 |
| Total | 20.00 |

2.5 Lending Instrument

The lending instrument for the TAMP is an IPF with PBC (also called as RBF). Selection of the lending instrument followed considerations of the technical needs of the STS in managing a comprehensive institutional reform. The project is financed through IDA Credit 5829-MD in an amount equivalent to five million three hundred thousand Special Drawing Rights (SDR 5,300,000) and IBRD Loan 8625-MD in amount of twelve million five hundred eighty thousand United States Dollars (USD 12,580 million or 11,099,836.77 Euro), both totaling USD equivalent of 20.00 million.

2.6 Project Implementation Period

According to the FA and LA dated June 28, 2016, Project implementation period was January 25, 2017 - December 31, 2021.

The Amendments to the FA and the LA, dated August 2, 2019, extended the closing date until November 30, 2023.

2.7 Project Mid-Term Review

Project mid-term review took place in July 2020 and informed about the Project's second restructuring.

The purpose of the mid-term review was to: (i) review the project implementation status and management arrangements; (ii) assess the achievement of PDO and planned outcomes as foreseen under the Loan and Financial Agreements; (iii) identify the existing risks and mitigation plans; and (iv) develop recommendations for needed revisions to project activities, including project restructuring.

3. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

3.1 Project's key institutions

The MoF is the Borrower of Loan and the Recipient of Credit funds. The STS is responsible implementing institution and the beneficiary of the Project. Center of Informational Technologies in Finance (CTIF) is the administrator of the tax information system. The STS shall ensure appropriate coordination internally within the STS as well as with the MoF and CTIF to achieve project objectives. CTIF took over FiscServInform's responsibilities for providing IT support to STS starting on August 1, 2018. It is responsible for managing, developing, maintaining and ensuring the functioning of information system of the STS. Representatives of CTIF are members of the Project Steering Committee.

3.2. Project Steering Committee and Project Coordinator

In February 2017, STS established by its order (last revision of the order was in June 2022) the Project Steering Committee as a high project coordinating tool to provide strategic guidance to the STS on issues related to project implementation and overall revenue administration modernization reforms and will ensure inter-agency coordination. The Committee comprises high level representatives of the key government stakeholders, including MoF, STS (Director, Heads of STS departments), CTIF, the Electronic Governance Agency (EGA) and chaired by the Director of STS. Representatives of donor and international organizations are invited as observers.

The committee meets quarterly, or as needed, to ensure the effectiveness and quality of implementation of the TAMP through the following, inter alia, tasks:

- a) monitor the project implementation actions and decide the relevant aspects related to its implementation;
- b) analyze and manage conflicts and possible risks related to the project;
- c) ensures the preparation and submission to the WB of progress reports and financial reports (representatives of the STS);
- d) ensures the fulfillment of the Committee's decisions.

The Director of STS serves as the Project Coordinator and Leader of the Steering Committee. Before November, 2021 these functions were performed by the Deputy Director of STS. The Project Coordinator oversees daily project implementation, ensures the proper communication with and decision-making processes with the institution within the project scope are in place, monitors progress and ensures timely completion of the project activities. The Project Coordinator is the focal point for the communication of the institution with the WB team on project related issues. The Project Coordinator also works closely with a resident advisor from the US Treasury who provides technical support to the STS in project implementation.

The Project Coordinator is assisted by the project implementation team (PIT) who are members of the Steering Committee (representatives of the STS) and the staff from the Strategic Development and Projects Unit within the Organization and Monitoring of Policies Implementation Department.

3.3. Private Sector Advisory Panel

STS has established a Private Sector Advisory Panel which has the role of consulting with business and civil society situations of major interest and strategic importance for the tax administration, in accordance with the conditions and requirements for membership acceptable to the WB, and as is stipulated in LA/FA. The Advisory Panel facilitates the involvement of taxpayers and citizens in the implementation of the TAMP activities. The STS summons Advisory Panel meetings as needed or at least on an annual basis to consult with the private sector on optimization of tax administration, project implementation and other related issues.

The resolution establishing the Advisory Panel was approved on April 07, 2017, by STS Order no 24 (as amended).

The renewed composition of the Advisory Panel was approved by the STS Order No. 112 of March 17, 2022, with subsequent additions. It consists of high-level representatives of key government stakeholders, including: STS (Director, Heads of STS departments), President of the Chamber of Commerce and Industry of the Republic of Moldova, Executive Director of the European Business Association from Moldova (EBA), Executive Director of American Chamber of Commerce of Moldova (AmCham), Executive Director of Foreign Investors Association, Executive Director of Alliance of Small and Medium-sized Enterprises from Moldova, Executive Director of Congress of Local Authorities from Moldova (CALM), Executive Director of Independent Expert Group Analytical Center and chaired by the Director of STS.

3.4. Results Monitoring and Evaluation

3.4.1 Progress Project Report

The STS is responsible for monitoring, evaluation and reporting on project progress and achievement of outcomes and intermediate indicators. Progress Project Reports are prepared in form and substance acceptable to the WB and include, *inter alia*, description of project implementation status, activities performed, and results achieved taking into account the Project results framework. Each Progress Project Report shall cover the period of one calendar semester, and shall be furnished to the WB not later than forty-five (45) days after the end of the period covered by such report. The reports are prepared by the PIT, approved by the Project Coordinator and forwarded to the WB.

3.4.2. PBC Monitoring, Verification and Reporting

The MoF via STS shall monitor and report to the Bank on the achievement of the PBCs, as a part Progress Project Reporting not later than in 45 days after the end of each year during the implementation of the Project, in accordance with the verification protocol.

The MoF and STS shall provide the WB with the evidence confirming the achievement of each PBC for the purpose of their verification. Specifically, the MoF shall submit appropriate draft laws, final laws approved by the Parliament and links to the official publications of those documents. The STS shall share adopted Orders and develop specific reports, which will then be reviewed and verified by the WB team. The verification protocol for PBCs is attached in Annex 3.

3.4.3 Taxpayer survey

The project will finance the implementation of 2 surveys to assess user satisfactions with STS's taxpayer services. The surveys will provide gender-disaggregated data (where feasible as in the case of individual taxpayers) and also monitor any gender differences in the feedback provided. The first survey was completed in 2018 and is used to establish a baseline for improved satisfaction of taxpayers. Second follow-up and project final survey shall be completed closely to the end of the life of the project.

4. PROCUREMENT

4.1. General Provisions

Organization and implementation of procurements under the TAMP shall ensure that “the proceeds of the loan/credit are used only for the purposes for which the loan/credit was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations”.

4.2 Documents governing the procurements

- the WB’s Guidelines “Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants”, published in January 2011, revised in July 2014 (Procurement Guidelines);
- the WB’s Guidelines "Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by WB MSTIs", published in January 2011, revised in July 2014 (Consultant Guidelines);
- latest Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits;
- provisions stipulated in the legal agreements - Financing Agreement between the Republic of Moldova and the IDA and the Loan Agreement between the Republic of Moldova and the IBRD both dated June 28, 2016, as amended; and
- Project Procurement Plan, approved with the WB.

4.3 Procurement Key persons

Overall responsibility for procurement management and coordination is with the STS, being assisted by PIT staff and Evaluation Committee.

The Evaluation Committee was established by STS order on May, 2017 with followed amendments. Thus, in May 2022, renewed composition of the Evaluation Committee was approved by the STS Order no 221. Members of the Evaluation Committees are representatives from the STS departments. The Evaluation Committee is responsible for the evaluation of proposals or CVs for consultant services, and bids/quotation for goods. PIT shall provide assistance to the Evaluation Committee in drafting of bidding documents, advertising, collection of bids/proposals/CVs, drafting of evaluation reports, drafts of contracts and their submission to the WB for preview. The Evaluation Committee may establish specific evaluation teams for the purpose of evaluation of the proposals/bids under separate procurement packages.

Filing of procurement - related documents, and records keeping under the project, is done by PIT. Procurement progress reports will be submitted to the WB as per Financing/Loan Agreements’ provisions.

Procurements of information technologies (IT) under the Project will adhere to the Government regulations. According to the Government Decision nr. 544 from November 12, 2019, the STS is the subject of the methodical requirements on IT procurements. In correspondence with the p.8 of the Methodological requirements the STS is obliged to:

- initiate the procurement of information and communication technologies/ICT in strict accordance with the planned and approved budget limits on the basis of the general procurement plan approved by the EGA in accordance with the provisions of the methodology;
- prior to the start of the procurement process, regardless of the category of its risk, agree on the reasoning of such procurement with the EGA, which will take a decision on this matter and provide recommendations regarding the justification and argumentation of the appropriateness of the procurement;

- prior to the start of the procurement process, regardless of its risk category, the STS will coordinate with the EGA the documentation related to the procurement process (announcement, terms of reference, qualification criteria, terms of reference, technical task / specification, etc.).

Additionally, STS will follow other methodological requirements depending on the procurement risk category as defined by the Government Decision.

4.4 Procurement Plan and STEP

STS developed a procurement plan for project implementation, which is submitted via the STEP.

STEP is an online tool for procurement planning and tracking to prepare, clear and update the Procurement Plan and conduct all procurement transactions under the project.

The Procurement Plan is updated as necessary to reflect the actual project implementation needs. Procurement Plan and all its updates are subject to mandatory approval by the WB.

The procurement plan includes the following information: a brief description of the contract/procurement package; selection method; estimated cost of the package, the expected procurement milestones (date (month and year) of the submission of documents for the WB's clearance, invitation to bid submission of bids, the date of contract conclusion, and contract completion date); WB's prior/post review, and any other necessary information. For the contracts concluded, contract number, actual cost and name of contracting party are specified in the PPP.

Any procurement procedure should be included in the procurement plan before the beginning of its implementation.

In order to be able to work in the STEP, STS provided the WB with all needed details on persons who shall be granted access to STEP with defining their functions and the WB created the corresponding profiles. Detailed information on STEP is presented in the STEP user manual.

As cost-related information can be entered into STEP only in USD dollars, whereas the project currency includes EURO and SDR, the STS will make corresponding conversions into USD dollars (using an exchange rate of the National Bank of Moldova as of the date of approval of an updated procurement plan).

4.5 Documentation used for procurement

For each contract financed by IBRD and IDA, different procurement methods or consultant selection methods, need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the WB in the Procurement Plan.

For procurement under the IDA and IBRD Financing, the STS will use the WB's Standard Bidding Documents, Standard Form of Consulting Contracts and Request for Proposals, and Sample Bid Evaluation Report Forms.

Also, the sample procurement documents and forms developed in ECA Region for small value procurement would be adapted to suit the Project needs for procurement as outlined in the POM.

4.6 Procurement advertising

The General Procurement Notice (GPN) will be published in the on-line edition of Development Business (UNDB Online) announcing goods and consulting services to be procured and inviting interested eligible suppliers and consultants to express interest and to request any complementary information from STS. The GPN will contain information concerning the STS, amount and purpose of the financing, scope of procurement reflecting the Procurement Plan, and the name, telephone (or fax) number, and address(es) of the STS as the institution responsible for procurement, and the

address of a widely used electronic portal with free national and international access or website where the subsequent Request for expression of Interest will be posted.

Specific Procurement Notices will be published in the on-line edition of the Development Business, and in the printed edition at the option of STS. With the use of STEP, all the procurement notices will be automatically published in UNDB Online once approved by the WB.

The local advertisements will be in the English language and, at the option of the STS, will also be in the national language. The notices should also be published on the STS web site.

The contract award publications will be done through automatic publication for contracts subject to post review once the signed contract is uploaded and the contract signing date is saved. The contract award notice will include the following information: the names of all Bidders who submitted a bid, the bid prices as read out at the public bid opening, the name of the bidder and the evaluated price for each bid that was evaluated, the name of bidders who were rejected and the reasons for rejection, the name of the winning bidder and the price offered. Information about all contracts awarded through direct contracting, irrespective of price shall be published. The procurement procedures and the Standard Bidding Documents to be used for each procurement method are presented in this POM and Procurement Guidelines.

4.7 Procurement methods

Procurement of goods and non-consulting services. Goods and non-consulting services procured under the project would include, among others, computer, communication, operating equipment, licenses for antivirus products and internal communication systems, gadgets for user satisfaction assessment system.

Goods and non-consulting services contracts below USD 100,000 may be procured through Shopping procedure in accordance with the provisions of paragraph 3.5 of the Procurement Guidelines.

The thresholds for the procurement and selection methods are presented in the Annex 4.

Methods to be applied for procurement of Goods and Non-consulting services:

- (i) ***Shopping (SH)*** procedure will be used for readily available off-the-shelf goods, including software and office and computer equipment. In line with regional policy, all items would have standard specifications, estimated to cost less US\$100,000 equivalent per contract. This procedure will be based on obtaining and comparing price offers from at least three suppliers in accordance with paragraph 3.5 of Procurement Guidelines.
- (ii) ***National Competitive Bidding (NCB)***. Goods estimated to cost less than \$1,000,000 equivalent per contract will be procured according to NCB procedures in accordance with paragraphs 3.3 and 3.4 of the WB's Procurement Guidelines using documents agreed with and acceptable to the WB;
- (iii) ***Direct Contracting***. Where certain goods are available only from a particular supplier or in cases where compatibility with existing equipment so requires goods may be procured under Direct Contracting (in accordance with para. 3.6 of the Procurement Guidelines).

Procurement of consulting services. Consulting services under the project are of various size and complexity. These would include, among others: project financial audit, taxpayer satisfaction surveys, third party review of the feasibility study, development of new website, STS IT Gap Assessment, and development of technical specifications for a new IT System etc. Selection will be done using the WB Standard Request for Proposals.

Contracts for Consulting Services will be packaged to combine related skills and services in order to make them attractive for competition and reduce the number of contracts to be administered taking

into consideration the implementation arrangements. To the extent practicable, training activities would be incorporated with consulting services contracts.

For contracts below USD 300,000 equivalent Selection Based on Consultants' Qualification method may be used in accordance with paragraph 3.7 of the Consultants' Guidelines. The short list can comprise entirely national consultants, if the contracts with the firms are below USD 300,000 equivalent.

Government officials and civil servants can be hired as individual consultants or as members of a team with financing under the IDA and IBRD Financing, provided they meet the eligibility requirement as per paragraph 1.13 (d).

The following selection methods will be used for selection of consultant services:

(iv) Selection Based on Consultants' Qualifications (CQS) will be used for contracting firms for certain assignments under all components of the project for which the value of the assignments is estimated to cost less than US\$300,000 equivalent per contract and where it is considered that a small team of specialists would be more beneficial than a single individual.

(v) Individual Consultants (IC) will be used for the employment of fiduciary and technical experts and for the hire of individual consultants (both foreign and national) for specialized activities where specific skills are needed for short period of time at scattered intervals and which would not be practical to package with the assignments for consulting firms described above.

(v) Single Source (SS) The method will be used for certain individuals, firms, or training institutions (in accordance with para 3.8 and Section V).

4.8 Frequency of Procurement Supervision

The WB Procurement Specialist will conduct routine procurement reviews and supervision. In addition to the prior review supervision to be carried out from WB offices, one supervision visit is expected to take place per year during which ex-post reviews will be conducted. The Bank team recommends to post-review at least 20 percent of contracts subject to post review. Procurement documents will be kept readily available for WB's ex-post review during supervision missions or at any other point in time. A post review report will be prepared, shared with STS and filed in the procurement post review system.

4.9 Reporting

The STS no later than December 31 of every year during the implementation of the Project, shall prepare and furnish to the WB, a procurement progress report (Procurement Report) in form and substance acceptable to the WB, which shall include, *inter alia*.

- a) description of the issues which arose during the period preceding the date of presentation of each Procurement Report, from design through planning, bidding, contract implementation and completion;
- b) a list of proposed measures and actions to be taken to resolve the issues identified under (a) above; and
- c) a proposed timeline for the implementation of said measures and actions and thereafter implement, or cause to be implemented, the proposed measures and actions under each Procurement Report in accordance with its terms and in a manner acceptable to the WB.

5. DISBURSEMENT PROCEDURES

Overall, the project disbursements are administrated by STS (processed by the Economy and Finance Department (EFD) and signed off by the STS Director) with the assistance of PIT.

The Disbursement Deadline Date is four months after the Closing Date specified in the Loan and Financing Agreements. Any amendment to this date will be communicated by the WB.

WB funds will be disbursed under the WB's standards procedures as described below. Supporting documentation for Statements of Expenditures (Annex 8) and Interim Financial Reports (Annex 7), approved by the WB, including completion reports and certificates, will be retained by PIT and the STS and made available to the WB during project supervision and implementation support missions as well as to the designated project auditors.

The Project's current closing date is 30 November 2023 and the deadline for submission of withdrawal applications is March 31, 2024, as specified in the Financing and Loan Agreements and their amendments. The conditions for disbursement are described in the Financing and Loan Agreements and Disbursement Letter (DL). Additional disbursement instructions are provided in the Loan Handbook for Borrowers dated February 2017.

The disbursement arrangements are different for regular financing envisaged for Components (Parts) 2,3 and 4 of the project (non-RBF components) and for PBC-related financing under Components (Parts) 1 and 5 of the project. These arrangements are described separately under the chapters below.

5.1. Disbursements under non - RBF Components

5.1.1 Designated Account

Once the Project enters into force, the State Treasury shall open and manage two Designated Accounts (DA) for the STS in the National Bank of Moldova through which the funds will be disbursed under Category 1 of the IBRD Loan and IDA Credit. The DA in USD and EURO will be opened and maintained under conditions acceptable to IDA and IBRD. The type of DA is Segregated. An authorization from the Ministry of Finance is needed before the DA can be opened. The ceilings for the DAs are provided in the DL: for IBRD – EUR 100,000, and for IDA – US\$ 500,000.

Apart from the DAs, a transit Moldovan Leu (MDL) account is opened in the State Treasury, so that the payments to local suppliers could be made on the same day as the project currency is converted into MDL.

5.1.2. Disbursement arrangements and supporting documentation for reporting

The following disbursement methods with related supporting documents may be used under the Credit and Loan for regular non-EEP/PBC categories:

- DA. Supporting documentation includes Statement of Expenditure (SOE) in the format provided in Attachment 2 to the DL (Annex 8).
- Direct Payment. Supporting documentation includes -copy of records (e.g. suppliers' invoices, guarantees for advance and retention payments, etc.);
- Special Commitment. Supporting documentation includes Copy of Letter of Credit.

Frequency of reporting on eligible expenditures paid from the DA is quarterly.

5.1.3 The authorized signatories and applications

The Ministry of Finance as the Borrower and the Recipient of the Project authorizes STS's officials to sign and deliver applications for withdrawal project funds under non-RBF components by signing the Authorized Signatory Letter (ASL).

The ASL prepared per template provided in the DL and providing the names and specimen signatures of STS's officials authorized to sign withdrawal applications should be furnished to the WB at the following address:

The World Bank
1 Dniproviskiy Uzviz
Kyiv, 01010
Ukraine
Attention: Country Director, ECCU2

The completed and signed applications for withdrawal, together with supporting documents, and applications for special commitments, together with a copy of the commercial bank letter of credit, shall be provided to the address indicated below:

The World Bank
Radnicka cesta 80, 9th floor
Zagreb, HR - 10 000
Croatia
Attention: Loan Department

To submit withdrawal applications and monitor disbursement information, the Project will be using secure website "Client Connection" at <http://clientconnection.worldbank.org>, to download Applications, monitor the near real-time status of the funding, and retrieve related policy, financial, and procurement information. All the disbursements shall be made in accordance with the Financing and Loan Agreements for the Project and the corresponding sources of funds.

Minimum Value of Applications.

The minimum value of applications:

- IDA 5829-MD - for Reimbursement, Direct Payment and Special Commitments is USD 80,000 equivalent.
- IBRD 8625-MD - for Reimbursement, Direct Payment and Special Commitments is EUR 20,000 equivalent.

5.2. Disbursement conditions under RBF Components.

The reimbursement of funds which the MoF and STS utilized to achieve the PBCs is the key feature of RBF mechanism. The annual current expenditures of MoF and STS (i.e., maintenance costs without capital investments) were identified as the eligible expenditures for Component 1 and partially for Component 5 of the project (PBC 7). In addition to the current expenditures of MoF and STS, for PBC 6 of the project the underlying expenditures under two subsidies programs (subsidy program related to technical and / or stationary unemployment and VAT Reimbursement Program) are considered as EEP (Annex 5).

Under the IDA Credit, payments against PBCs/DLRs will be in USD and USD value will be determined at the day of each payment by applying SDR/USD exchange rate of the WB Treasury. The payments against PBCs/DLRs covered by the IBRD loan will be made in EUR. The Bank will verify both achievement of the new PBC/DLRs and the execution of the eligible expenditures per the agreed Verification Protocol prior to disbursement. The Project proceeds against achieved PBCs/DLRs will be channeled to a specific USD or EUR Budget Account of the State Treasury, indicated by the Government.

The eligible expenditures underpinning the PBCs and DLRs will be included in the annual project audits based on Terms of Reference acceptable to the WB.

There are no minimum Value of Applications for EEP/PBC disbursements.

For each of the DLIs, PBCs and related DLRs, MoF with STS' support will be able to withdraw Credit or Loan proceeds in the amount specified for each target by presenting: (i) evidence of the achievement of the agreed results and performance-based conditions, which are subject to verification (Annex 3); and (ii) the detail of expenses incurred under agreed budget lines in accordance with the agreed template for budget execution report. The Bank's Task Team will certify the level of achievement of one or more DLIs / PBCs (against the furnished evidence/report in accordance with the verification protocol) and the corresponding amounts for reimbursement purposes denominated in SDR for DLIs / PBCs under IDA 5829-MD and denominated in EUR for PBCs under IBRD 8625-MD. The Bank's Task Team will issue the DLIs/ PBC(s) Achievement Confirmation Letter to this regard.

Withdrawal applications for Reimbursement with supporting documentation shall be signed and submitted through Bank's ClientConnection website by one of MoF's officials authorized by the relevant ASL.

5.2.1 Withdrawal condition

The disbursement for payments related to the RBF components will be conditioned on the fulfillment of PBCs (DLRs) and the amount of eligible expenditures incurred equivalent to or higher than the value of the reported PBCs (DLRs).

5.2.2 Disbursement method

The Disbursement method under the Credit and Loan will be Reimbursement and supporting documentation includes: (i) Interim Unaudited Financial Report; (ii) PBC(s) Achievement Confirmation Letter, confirming the level of achievement of PBCs and the corresponding monetary value (as per the table under Section IV.A.2 of Schedule 2 to the Financing and Loan Agreements).

5.2.3 Scalability approach for PBC 6

PBC 6 targets will be paid as follows: i) 100 percent of PBC 6 price is paid if 100 percent of target results are achieved for both business continuity and staffing level (i.e., 75 percent of business continuity and 60 percent of staffing level); ii) 80 percent of PBC 6 price is paid if at least 80 percent of target results are achieved for both business continuity and staffing level (i.e., minimum 60 percent of business continuity and 48 percent of staffing level), and iii) 60 percent of PBC 6 price is paid if at least 60 percent of target results are achieved for both business continuity and staffing level (i.e., minimum 45 percent of business continuity and 36 percent of staffing level).

Disbursements against eligible expenditures under the RBF Components will be report-based and as such will utilize the budget execution reports prepared by MoF on a regular basis (the template is included in Annexes 6.1, 6.2, 6.3.). These reports show both planned expenditures for the year and actual expenditures executed to-date and will be included in the annual project audit.

5.3 The allocation of Loan/Credit proceeded by category

IDA Credit

| Category | Amount of Credit Allocated (in SDR) | Percentage of Expenditures to be financed |
|--|-------------------------------------|---|
| (1) Goods, non-consulting services, consultants' services, Training and Operating Costs for Components 2, 3 and 4 of the Project | 902,500 | 100 % |
| (2) EEPs under Component 1 of the Project through: | | 100% of achieved |
| DLI 1: Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 | 0 | DLI/DLR amount before November 12, 2020 (date |

| | | |
|--|------------------|--|
| DLI 2: Ensured that supplies of goods by insolvent subjects taxed with VAT on the reverse charge principle | 476,700 | of Amendment letters #2) |
| DLI 3: Improved the usability of the STS website | 0 | |
| DLI 4: Strengthened the capacity of STS staff to deliver taxpayer services | 110,000 | |
| DLI 5: Introduced an electronic taxpayer survey tool | 0 | |
| <u>(3) EEPs under Components 1 and 5 of the Project through:</u> | | 100% of achieved PBC from November 12, 2020 (date of Amendment letters #2) |
| PBC 1: Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 | 513,300 | |
| PBC 2: Ensured that supplies of goods by insolvent subjects taxed with VAT on the reverse charge principle | 0 | |
| PBC 3: Improved the usability of the STS website | 440,000 | |
| PBC 4: Strengthened the capacity of STS staff to deliver taxpayer services | 110,000 | |
| PBC 5: Introduced an electronic taxpayer survey tool | 550,000 | |
| 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 | 2,197,500 | |
| TOTAL AMOUNT | 5,300,000 | |

IBRD Loan

| Category | Amount of Loan Allocated (in EUR) | Percentage of Expenditures to be financed |
|---|-----------------------------------|---|
| (1) Goods, non-consulting services, consultants' services, Training and Operating Costs for Components 2, 3 and 4 of the Project | 660,000 | 100% |
| (2) EEPs under Component 5 of the Project through: PBC 6: Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief | 10,439,836.77 | 100% of achieved PBC |
| TOTAL AMOUNT | 11,099,836.77 | |

6. FINANCIAL MANAGEMENT, ACCOUNTING AND REPORTING UNDER NON-RBF COMPONENTS OF THE PROJECT (COMPONENTS 2,3 AND 4)

STS is responsible for carrying out the financial management function of the under non-RBF components of the project, including planning and budgeting, accounting, flow of funds, financial reporting, internal control and auditing, being assisted by the PIT staff.

6.1 Organizational Arrangements

Under the given project arrangements, PIT will provide support to STS for fiduciary and technical activities necessary for the implementation and management of the TAMP, including:

- preparation of withdrawal applications for financing the project activities;
- management of the project DA;
- keeping record and maintenance of project accounts and organizing their auditing;
- preparation of financial reports for the project;
- participation in administration of bidding procedures and of contracts under the project;

- development of consolidated quarterly progress reports and submitting them to the attention of the WB not later than forty-five (45) days after the end of each quarter, submitting the first such report to the Bank no later than the end of the quarter when the first disbursement takes place.

6.2. Planning and Budgeting

Budgeting is the basic tool for financial planning, monitoring and analysis of the project activities. The budgeting process is to be handled by the accounting staff of the Economic and Finance Department of STS with the support of PIT staff, with further submission of project-related information to the Ministry of Finance.

The STS prepares its annual budget in accordance with the architecture of Moldova's budget classification system. As the Bank financed Projects are included in the overall State budget framework, the project budget will follow the established procedure for approval, budget execution reporting and monitoring at the Government level.

These include budget formulation, monthly distribution of allocations through financing plans, and monthly, quarterly and annual reporting on budget execution (separately for credits and grants). All activities that need to be covered are listed below:

1. Preparation of 3 years' expenditure and disbursement forecasts for purposes of the Medium-term budget framework;
2. Preparation of the draft Project Procurement Plan by the PIT;
3. Coordination of the Procurement Plan with the WB and the STS;
4. Annual Preparation of Expenditures Forecast by the STS and PIT finance staff;
5. Preparing by the STS and PIT finance staff of the Annual Budget for the Project Expenditures under expenditure categories and project activities;
6. Approval of the Annual Budget by the STS through the Project Steering Committee;
7. Approval of monthly distribution of allocations (for credits and grants);
8. Adjustments of annual budgets and financing plans based on project implementation progress;
9. Preparing the monthly Aggregate budget execution reports to be submitted to the MoF separate for Credits and Grants (according to formats approved by MoF);
10. Preparing the quarterly and annual budget execution reports to be submitted to the MoF (according to formats approved by MoF);

Budget execution will be monitored through the regular budget reports submitted to the MoF . Once reviewed and endorsed by the MoF , the Project budget will be included in the state budget. The approved annual budget will be entered into the accounting system and used for periodic comparison with actual results as part of the interim reporting.

6.3. Flow of funds and step sequencing

The DAs of the STS are opened in the National Bank of Moldova, separately for each source of financing within the limits established in the Project Disbursement Letter. At the same time, transit accounts shall be opened for payments in national currency (MDL).

The request for funds may be made online using "Client Connection" database. Before the first disbursement, the STS shall submit to the WB the specimen of authorized signatures for disbursement of project funds and will request access to Client Connection through the WB's local coordinator.

While executing the payments in local currency, the Treasury shall ensure the transfer of funds to local suppliers on the day when payment orders are submitted and shall submit bank statements and a copy of the payment order as confirmation that the funds reached the beneficiary's account.

The following chart reflect the general framework of documents and funds flows.

Chart 3. Sequence and flow of documents and funds under STS

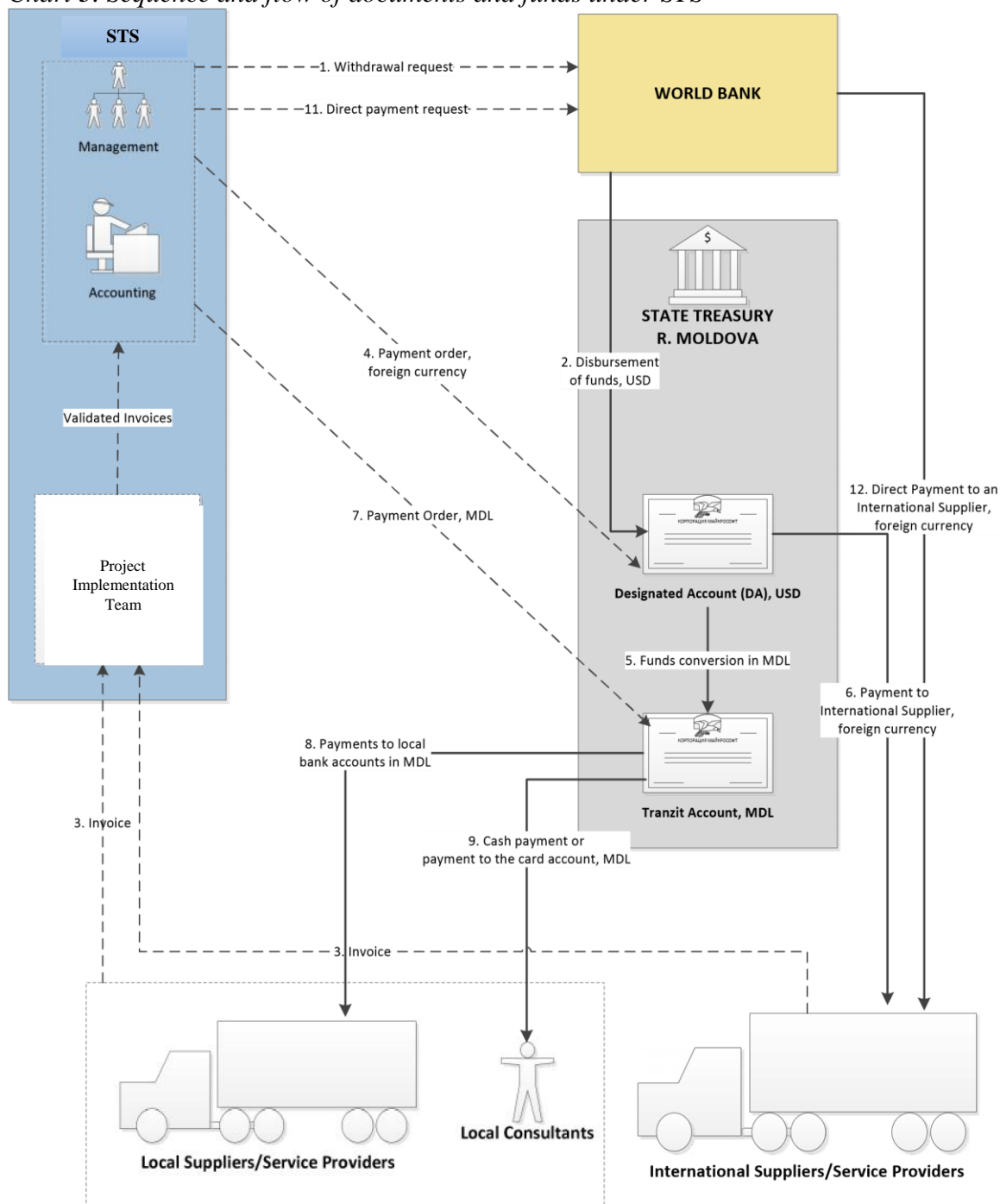


Table to Chart 3

SEQUENCE AND FLOW OF DOCUMENTS AND FUNDS

| Step | Description |
|------|--|
| 1-2 | <p>Replenishment of the Designated Account.</p> <p>As required, the STS Accountant prepares a withdrawal application [the latter is incorporated in the automated process with the project accounting software] together with relevant supporting information – Statement of Expenditure, List of payments against prior review contracts, copies of invoices, bank statements and any other documents as requested by finance providers. The withdrawal application is then reviewed and approved by the STS Director before it is sent to the WB Loan Department for the replenishment of the Designated Account. The first application for the initial deposit into the DA will be submitted as soon as the project is declared effective.</p> |

| | |
|-------|---|
| 3 -13 | <p><i>Procurement</i></p> <ol style="list-style-type: none"> 1. Contracts are signed and Invoices from suppliers and consultants are approved by the STS, as appropriate, and then are directed for payment. 2. Other invoices (i.e. project operating costs) are approved and paid by the STS. <p>Note 1: Invoices from suppliers and consultants are matched by, Project Manager and Project Coordinator, as well as by Head of Economy and Finance Department to an approved goods delivery note, or similar document, and to the original purchase order, and contract, if necessary. The Project Manager as well as Project Coordinator approves the invoice. Payments are effected in one of the following two ways, depending upon the source of financing: (i) from the WB funds – a bank payment order from the relevant DA is prepared and funds are transferred from the DA either directly to the foreign supplier or via the Transit account to the local supplier/consultant. All goods procured by the project will be received directly by the STS (with PIT's participation).</p> <p>Note 2: IDA and/or IBRD funds are not used to pre-finance other sources of funds.</p> <p>Note 4: Transit Account – the Transit Account is used for converting US\$ funds from the designated financing account into MDL, and therefore the WB funds are not kept in the Transit Account except for very brief periods of time.</p> <p>Note 5: If the small petty cash transactions are required – the reimbursement to employee is made through a debit card account. Cash is used in cases of training abroad for logistical support costs (travel expenses, etc.)</p> |
| 14-15 | <p><i>World Bank Direct Payments.</i> Direct Payment requests are sent from the STS to the World Bank Loan Department when necessary. The payment request is prepared on Form 2380 and authorized as for normal Withdrawal Applications (see above). The WB makes direct payment to the suppliers as directed.</p> |

6.4. National Accounting Policy Framework

The STS accounting policy is developed according to the provisions of the Law on Accounting no. 113-XVI from 27 April 2007, Chart of accounts and Methodological norms on accounting and financial reporting in the institutions part of the state budgetary system (approved by the Order of the Ministry of Finance no. 216 from 28th of December 2015),

Budget classification (approved by the Order of the Ministry of Finance no. 208 from 24th of December 2015) and other normative acts issued by the Ministry of Finance, as well as according to the Internal Regulations of the Economic-Financial Department from STS.

Accounting records are produced in the language of the state and transactions value is expressed in the national currency. The transactions made in foreign currency are recorded in both – the local and foreign currencies. The transactions made in foreign currency are recorded at the official exchange rate set by the National Bank of Moldova. Double entry accounting is used for accounting records. STS records the accounting elements using both principles – cash-based and accruals. The cash-based principle is applied for records related to the budget execution and the accruals principle is applied for records of revenue and actual expenditures, financial and non-financial assets, liabilities and results.

Basic accounting definitions

Non-financial assets are non-monetary, tangible and intangible assets.

Intangible assets - assets that are not physical in nature, controlled by the entity and having a useful life greater than one year in production, distribution and any other activity, as well as for administrative purposes or rent to physical or legal entities.

Tangible assets – assets that have a physical form (fixed assets, land, natural resources, etc.).

Financial assets – stocks, bonds, receivables, cash and bank deposits.

Revenue – transactions increasing the net value of assets.

Expenses – transactions reducing the net value of assets.

Net assets value – the value of an entity's assets minus the value of its liabilities.

Fixed assets – tangible assets with a useful life exceeding 1 year.

Financial instruments - assets not used in the production or for consumption purposes and held for appreciation of the cost over time.

Basic accounting principles

The basic principles of accounting are as follows:

- *going concern* – an assumption that financial statements are prepared assuming that the public authority will continue to operate in the foreseeable future;
- *accruals* - concept of accounting which requires that the accounting elements must be recognized in the accounting periods to which they relate rather than on cash basis;
- *comparability* - comparability of financial statements over different accounting periods can be ensured by the application of similar accountancy policies over a period of time;
- *dual aspect concept* - a fundamental convention of accounting that necessitates the recognition of all aspects (assets and liabilities) of an accounting transaction;
- *non-compensation* - any compensation of debt by asset elements, or revenue by expense elements is not allowed, except the compensations provided by the law;
- *consistency* – the way of presentation of the elements and their classification in the financial statements must be consistent from one accounting period to another one.

Accounting of Revenue and Expenditures

The expenditures represent the actual expenses made by the institution, confirmed by corresponding documents, including expenses for unpaid Invoices and accrued remunerations.

The revenues reflect the payments received from the sale of the standardized forms of primary documents with special regime and payments from rental of the public property.

6.5. Financial Reporting to IDA and IBRD

General provisions

STS prepares its statutory financial statements based on the provisions of the Law on Accounting and according to terms and requirements set by the Ministry of Finance. The financial statements (except the Cash Flows Statement) provides information on previous transactions on payments made and received and are prepared based on the accrual principle. the Cash Flows Statement, as compared to other financial statements, is prepared on a cash basis principle.

The financial statements shall comply with the following qualitative characteristics:

- a) *understandability* - transactions and events must be presented in the financial statements in a manner that is easily understandable by users;
- b) *relevance* - information should be relevant to the assessment of past, current and future events;
- c) *reliability* - information is reliable and faithfully represents the transitions, events, value of the assets, liabilities, revenues and expenditures and the information presented in the financial situations is complete;
- d) *comparability/consistency* - the information presented by different authorities/budgetary institutions or financial statements of one accounting period must be comparable to another.

Project management-oriented IFRs (Annex 7) will be prepared under the project. STS will produce a full set of IFRs every quarter throughout the life of the project. The format of IFRs includes: (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activity; (iii) Project Balance Sheet, (iv) Designated Account Statement; and (v) Statement of Expenditures Withdrawal Schedule. These financial reports will be submitted to WB within 45 days of the end of each calendar quarter for the quarter. The first quarterly IFRs will be submitted after the end of the first full quarter following the initial disbursement.

TAMP Interim Financial Reports are compiled on a cash basis method, as long as these are mostly related to the actual disbursements made under the Designated Accounts, and not much difference in timing appears from the due payment date until the actual payment, as well as from the date of generation of the revenue and the actual receipt of funds. As a result, no material differences would appear between financial and disbursement reports. (Note. The information produced by IFRs is used for monthly, quarterly and annual budget execution reports submitted to Ministry of Finance). The

Financial reports for statutory purposes, excluding cash flow statements, are prepared based on the accrual method.

Currency

The functional currency of the project is USD and Euro and the accounting records for the Project are in USD, Euro and MDL. As the part of project financing is provided in Special Drawing Rights, STS shall periodically reconcile the USD/SDR differences that might appear.

Fixed assets and capital items

The fixed assets held by STS are shown in the financial statements (IFRs) at cost at the moment of purchase. Since the organization does not have any commercial revenues, the accrual of depreciation does not have sense for their reconciliation with the corresponding revenues; thus, depreciation is not shown in the corresponding reports.

Foreign currency

Transactions denominated in currencies other than USD are translated at the National Bank of Moldova rates in effect on the date of such transactions. Foreign currency monetary assets and liabilities are translated at the rates in effect on the last day of the reporting period. Foreign currency non-monetary assets and liabilities are translated at historical rates.

Revenue recognition

Revenues are recognized upon receipt of funds in the designated account.

This section also summarizes agreed formats of financial reports (e.g. Project Management Reports, government reports, reports to tax authorities), information relating to the submission of the reports (specifying to whom, when and where the reports should be delivered:

a) Tax returns:

- Information regarding income tax withholding, mandatory health insurance premiums and mandatory state social insurance contributions calculated for the respective year;
- Information regarding the salary and other payments made by the employer for the benefit of the employees, as well as the payments paid to residents from other sources of income than the salary and the income tax withheld from these payments;

b) The following basic IFRs are to be produced by STS (templates are attached in the Annex 7):

- Balance sheet;
- Project sources and uses of funds;
- Use of sources by project components/activities, details on expenditures
- Designated account statement
- Project cash forecast
- Report on execution of funds under each component and/or sub-component
- Report on monitoring of the procurements.

6.6. Financial Management staff

The STS Economy and Finance Department (EFD) is responsible for statutory accounting, planning and financial analysis within STS, and it will undertake the Financial Management function of the project with the support of the Financial Management Specialist from the PIT.

STS has an adequate internal control system in place for implementation of the project, including adequate segregation of duties among its accounting staff. The division of tasks is performed according to the four eyes principle and the principle of tasks' segregation. Thus, the procedures of issuing payment orders and preparing accounting formulas are made by two different persons. At the same time, each payment document is reconciled with the grant agreement by the person making the payment order and the Head of Department.

The Head of EFD will hold primary responsibility and accountability for maintaining reliable financial arrangements for the project, including performing data import-export, monitoring use of

funds, reporting, development of record keeping methodology, training of employees and implementation of internal control measures, planning and organizing for external audit, and providing overall guidance on project related issues to the rest of staff.

The Head of EFD will be responsible for preparing financial plans and monitoring their implementation, provision of financial reports and statements to the WB, and organizing the financial audit. The Deputy Head of EFD will replace the head of the department during the absence of the latter.

The PIT will provide support in planning and monitoring the use of funds under the project, drafting payments documents, completing and submitting project financial statements to the Bank, and planning and organizing of the external audit of the project financial statements.

6.7. Accounting Software

The STS EFD shall keep records both on paper, as well as using the automated 1-C accounting software, version 8.1, developed and maintained by CTIF, ensuring permanent and timely renewal of the database with the new financial and accounting provisions.

The 1-C system capabilities will be adapted to use analytical accounts and additional signed (additional classifications related to specific accounts), and all the payments for the project related transactions will be reflected using:

- A) Categories of expenditures,
- B) Levels of project components and sub-components,
- C) Sources of funds.

Thus, the system will have the capability to generate the required information for the statements to be presented for disbursements, as well as for the IFRs. The system shall be adapted to use the information on each specific category, component or sub-component, and source of funding for budgeting purposes. The forms of the reports and statements are provided in Annex 7 of this manual. At least once a week a back-up of the files contain data shall be made and stored at the office according to a set procedure. If necessary, the 1-C accounting system maintenance services will be provided by a company having the capacity to provide such services.

6.8. Periodic Processing Schedule

The following table indicates the periodic procedures for the software operation (e.g. backup of data, maintenance of data), for manual procedures (e.g. formal reconciliation of bank account statements to project accounting records, reconciliation of IDA and IBRD disbursement records), and agreed project reporting schedules.

Table 4. Periodic Processing Schedule

| Frequency | Responsible | Process |
|---|------------------------------|--|
| Periodically, upon processing of each Withdrawal Application | STS and PIT | Checking the processed data in the <i>Client Connection</i> system with the Project records |
| Monthly (3 working days after end of the month) | STS accounting staff | Presentation of Reports on budget execution outside the Treasury system to the Ministry of Finance |
| Quarterly or more frequently, upon use of funds | STS and PIT | Preparation of withdrawal applications |
| Quarterly according to the deadline specified by the Ministry | STS accounting staff | Submission of detailed budget execution reports to MoF |
| Quarterly (within 45 days) | STS accounting staff and PIT | Submission of IFRs to the WB |

| | | |
|--|------------------------------|--|
| Annually | STS accounting staff and PIT | Following up on auditing arrangements (bidding, contracts, TORs) |
| Annually (6 months after the year end) | STS accounting staff and PIT | Sending the auditing reports to the WB |

6.9. Internal Control Procedures

A) **Control Environment** – STS has the competence and organization methods to ensure a proper control environment.

B) **Risks** – The overall project financial management staff comprises the financial management consultant from the PIT and the financial management staff of the STS EFD, therefore internal checks and reconciliation can be ensured by employees from these two organizational structures. In addition, the approval procedures of contracts, invoices and other relevant source documents by the Procurement Specialist, Project Manager and Project Coordinator can be put in place.

C) Control activities:

- *Authorization procedures:* all transactions related to procurement of works and services shall be authorized by STS.

- *Segregation of duties:* the main segregations should be performed between the Project Coordinator, the Project Manager, and the Head of EFD, and will be responsible for the support to STS in planning and administering project procurements, including monitoring the delivery of goods and services. The PIT will be responsible for providing support to STS staff with all project financial management and reporting. The Project Manager, Project Coordinator and the Head of the EFD will approve all transactions, monitor activity of the subordinated project staff, monitor their reports, etc.

D) **Information and communication** – timely and appropriate information reporting about the project implementation, projects expenditures, and sources of funds should be in place. Information should be delivered to all relevant stakeholders (WB team, STS, Ministry of Finance, project beneficiaries, etc.).

E) **Monitoring** – The proper monitoring of the project shall be organized by the WB supervision team as well as by PIT and STS specialists who shall report on any weaknesses that may appear. STS and PIT will then be responsible for elimination of the identified weaknesses.

External Control

The activity of the STS and PIT is checked and monitored by external institutions:

1. The Court of Accounts performs total and thematic controls of the use of funds both from budget allocations and project sources;
2. The Ministry of Finance continuously monitors the project's expenditures, presentation of financial reports, financing plans and operating information;
3. The WB verifies the use of project funds, payment procedures and reporting.

7. FINANCIAL MANAGEMENT, ACCOUNTING AND REPORTING UNDER RBF COMPONENTS OF THE PROJECT (COMPONENTS 1 AND 5)

7.1. Annual recurrent expenditures of MoF and STS (i.e., maintenance costs without capital investments)

The recurrent expenditures of the STS are included in its annual budget. In the third quarter of the management year, the STS elaborates the budget proposals for the following year according to the Particularities regarding the elaboration and presentation by the central public authorities of the budget proposals prepared by the Ministry of Finance, based on the provisions of the Public Finance Law and budgetary-fiscal responsibility no.181 / 2014. The budget is approved by the MoF and is included in the annual state budget.

The execution of budget allocations as well as financial reporting is carried out in accordance with the Accounting Law no.113-XVI of April 27, 2007, the chart of accounts in the budgetary system and the Methodological Norms on accounting and financial reporting in the budgetary system approved by order of the MoF no. 216 of 28.12.2015, the budgetary classification approved by the order of the MoF no. 208 of December 24, 2015 and other legislative and normative acts in force.

Payment of recurring expenses is made through the State Treasury, which is responsible for authorizing and, if necessary, carrying out the chamber control of the payment documents submitted. Major validations are performed by the automated system of the MoF and include ensuring:

- that the payments be made within the approved budgets;
- the correctness of the allocation of expenses according to the chart of accounts and the integrated budgetary classification;
- that the payments are within the limits provided in the contracts for the acquisition of goods, works and services, registered in the territorial treasuries of the MoF;
- that the correct payment procedures have been followed.

The reporting of the recurrent expenses of the STS is made half-yearly/quarterly, it is presented in electronic format in the Financial Management Information System and on paper to the MoF.

The procedures described above are also applicable in case of recurrent expenses of the MoF.

7.2. Expenditures under subsidies programs (subsidy program related to technical and / or stationary unemployment and VAT Reimbursement Program)

The procedures to be applied for two subsidies programs representing the eligible expenditures under the project will follow the regulations approved by the MoF. These procedures include the determination of the beneficiary eligibility, application modality, monitoring, accounting and reporting.

8. PROJECT AUDIT

STS is responsible for organizing regular audit of the project financial statements. The annual audits of the project financial statements will be provided to the WB within six months of the end of each fiscal year, and also at the project closing. If the period from the date of effectiveness of the loan to the end of the STS's fiscal year is no more than six months, the first audit report for the project may cover financial statements for the period from effectiveness to the end of the second fiscal year. The contract for the audit awarded during the first year of project implementation may be extended from year to year with the same auditor, subject to satisfactory performance. The cost of the audit will be financed from the proceeds of the project.

Before an auditor is contracted, the Terms of reference (TOR) shall be agreed with the WB country Financial Management Specialist, and "No-objection" is to be received from the TAMP Task Team Leader, in accordance to procurement procedures. The audit arrangements (selection and contracting of auditor, etc.) are organized by STS, being required to provide necessary support to the auditors in conducting their duties related to the audit and to sign their part of financial reports for which preparation they are responsible for. The project audit will cover the calendar year, beginning with the year when the first disbursement takes place. Each audit report is to be submitted within six months after the end of that calendar year. The list of eligible auditors is provided by the WB country Financial Management Specialist before the selection of project auditors.

In accordance with "The WB Policy on Access to Information" dated July 1, 2010, which requires that the audited financial statements are made publicly available, the project financial audit reports

would be published within sixty days after submission of the audit report to the Bank on its external website. The reports will be published at the same time on the web sites of the STS.

The financial audit will cover the project financial statements. Under the scope of the External Audit the auditors will be also required to verify the eligible expenditures underlying the PBCs and DLRs based on terms of reference acceptable to the WB.

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 | | | | | | |
|---|-------|--|---|--|----|----|----|----|--|
| | | | -1 | -2 | -3 | -4 | -5 | -6 | End Target |
| To improve taxpayer services | | | | | | | | | |
| 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 will allow taxpayers to submit income statements electronically through their personal account created on the site; - STS web site synchronized with the state web sites through the automated information exchange (open data); -new searching system which will reflect the final | Use of STS website by taxpayers within 1 month of its launch (PBC 3.2) | | | | | New STS website is used by the taxpayers |

| | | | | | | | | | |
|---|--------------|--|---|--|--|--|--|--|---|
| | | | version of the legal documents, specifying all amendments and additions; -feed-back mechanism available through the online (chat). (PBC 3.1) | | | | | | |
| PBC: Strengthened the capacity of 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 developed and adopted by STS (DLR 4.1) | All eligible staff of STS, located in all offices, are trained. (PBC 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 staff to support the roll-out are conducted, and the roll-out is initiated (PBC 5.1) | Evaluation report on Roll-out results for six months of implementation. (PBC 5.2) | | | | | The tool is implemented. |
| 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). Final project survey conducted with data disaggregated by gender, results and suggested actions of the STS to address weaknesses are | | | | | 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 |

| | | | | | | | | | |
|--|-------|--|---|--|--|--|--|---|---|
| | | | | published on the STS website. | | | | | on the STS website. |
| Support business survival and sustain employment in the context of COVID-19 pandemic, through temporary tax relief | | | | | | | | | |
| PBC: Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (Text) | PBC 6 | No government programs to support business survival 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 (PBC 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 (PBC 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 (PBC 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 (PBC 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 a 60% level compared to April 2020. (PBC 6.5) | | 75% of the beneficiary companies that received subsidies under the salary and the extended VAT refund mechanism continued to operate and maintained employment at a level of 60% compared to April 2020 |
| Intermediate Results Indicators by Components | | | | | | | | | |
| Indicator Name | PBC | Baseline | Intermediate Targets | | | | | | |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | End Target |
| Institutional development | | | | | | | | | |
| The Training Distance Learning System for the most important workflows (Text) | | The list of training programs is not identified | Seven training courses to support the distance learning training programs identified by domains are developed | Ten training courses to support the distance training programs identified by domains are developed | Twelve training courses to support the distance training programs identified by domains are developed | Training courses with topics and content of major importance for the STS placed on the platform and available for training | | | All identified distance learning courses to support for the most important workflows are developed and updated. |

| | | | | | | | | | |
|--|--------------|--|--|--|--|-----------|-----------|-----------|--|
| Number of hits the STS web-site (Number; Thousand) | | 3 570 000 | 3 900 000 | 6 900 000 | 7 000 000 | 7 050 000 | 7 100 000 | 7 150 000 | 7 150 000 |
| IT Infrastructure and System Modernization | | | | | | | | | |
| 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 |
| Tax Policy, Tax Administration Reforms, and Operational Development | | | | | | | | | |
| Decrease in tax arrears (Percentage) | | 8.50 | 6.68 | 6.67 | 6.48 | 6.48 | | | 6.48 |
| Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 | PBC 1 | Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017 | 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 by a minimum of 15 % each for the year 2021 comparing to the excise rates from 2020 submitted to the Parliament. (PBC 1.1) | The Parliament approved the Law (PBC 1.2) | Specific rates increase came into effect (PBC 1.3) | | | | Increased specific rates came into effect |
| Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle | 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 creates budget losses | Draft Law on Changes to the Tax Code of Moldova (Title 3, art 93, 94, 102, 115) submitted to Parliament (DLR 2.1) | Parliament adopted the changes to the Tax Code and they came into effect (DLR 2.2) | | | | | The adopted changes to the Tax Code came into effect |

| 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 the negative fiscal impact of the COVID-19 pandemic | 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 (PBC 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 (PBC 7.2) | Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing (PBC 7.3) | Completion report on the implementation of Payroll Subsidies program is made public (PBC 7.4) | Interim report on VAT Refund program implementation is published (PBC 7.5) | Report on VAT refund program covering payments made for applications received from start of program until December 2020 is published (PBC 7.6) | Legal frameworks are established and reports on implementation on Payroll subsidies and VAT refund programs are available |

Annex 2. Performance Based Conditions

Component 1: Performance Based Conditions, Disbursement Linked Results, Indicative Timeline for the Achievement of the DLRs under Each PBC and Allocated Amounts for Each PBC/DLR

| Performance Based Conditions | | Disbursement-Linked Results | | |
|--|--|---|--|--|
| | Baseline | Results to be achieved in Year 1 (Dec-2019) | Results to be achieved in Year 2 (Dec-2020) | Results to be achieved in Year 3 (Dec-2021) |
| PBC 1. Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 | Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017. | Draft Law on Changes to the Tax Code aimed at increasing the specific rate and the minimal excise rate for both cigarettes with filter and without filters by a minimum 15 % each for 2021 comparing to the excise rates from 2020 submitted to the Parliament. (PBC 1.1) | The Parliament approved the Law (PBC 1.2) | Specific rates increase came into effect (PBC 1.3) |
| Financing amounts: SDR 513,300 (USD 700,000) | | SDR 256,650 (USD 350,000) / 50% of PBC 1 | SDR 102,660 (USD 140,000)/ 20% | SDR 153,990 (USD 210,000)/30% |
| DLI 2. Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle | 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 | Draft Law on Changes to the Tax Code of Moldova (Title 3, art 93, 94, 102, 115) submitted to Parliament (DLR 2.1) | The Parliament adopted the Changes to the Tax Code and they came into effect (DLR 2.2) | |
| Financing amounts SDR 476,700 (USD 650,000) | | SDR 333,690 (USD 455,000)/ 70% of DLI 2 | SDR 143,010 (USD 195,000)/ 30% | |
| PBC 3. Improved the usability of the STS website | 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 that will allow taxpayers to submit income statements electronically through their personal account created on the site. - STS web site synchronized with the state websites through the automated information exchange (open data); | Use of STS website by taxpayers within 1 month of its launch (PBC 3.2) | |

| Performance Based Conditions | | Disbursement-Linked Results | | |
|---|---|---|---|---|
| | Baseline | Results to be achieved in Year 1 (Dec-2019) | Results to be achieved in Year 2 (Dec-2020) | Results to be achieved in Year 3 (Dec-2021) |
| | | - new searching system which will reflect the final version of the legal documents, specifying all amendments and additions; - feedback mechanism available through the online (chat) assistance service. (PBC 3.1) | | |
| Financing amounts: SDR 440,000 (USD 600,000) | | SDR 330,000 (USD 450,000) / 75% of PBC 3 | SDR 110,000 (USD 150,000) /25% | |
| PBC/DLI 4. Strengthened the capacity of STS staff to deliver taxpayer services | There is no a Manual on taxpayer services; the staff had no specific trainings. | Manual on taxpayer services developed and adopted by STS (DLR 4.1) | All eligible staff of STS located in all offices are trained (PBC 4.2) | |
| Financing amounts: SDR 220,000 (USD 300,000) | | SDR 110,000 (USD 150,000) /50% of PBC 4 | SDR 110,000 (USD 150,000)/50% | |
| PBC 5. Introduced an electronic taxpayer survey tool | No tool for taxpayers' regular feedback is in place | Pilot of the electronic taxpayer survey mechanism is completed and training courses for the designated staff to support the roll-up are conducted, the roll-out is initiated (PBC 5.1) | Evaluation report on Roll-out results for six months of implementation (PBC 5.2) | |
| Financing amounts: SDR 550,000 (USD 750,000) | | SDR 440,000 (USD 600,000) / 80% of PBC 5 | SDR 110,000 (USD 150,000)/20% | |
| Total | | SDR 2 200 000 USD (3 000 000) | | |

Component 5: Performance Based Conditions, Indicative Timeline for the Achievement, and Allocated Amounts for each PBCs

| Performance Based Conditions | Baseline | Indicative timeline for achievement | | | | | |
|---|--|---|---|---|--|--|--|
| | | After September 25, 2020 | After October 25, 2020 | After November 25, 2020 | After November 25, 2020 | After January 25, 2021 | |
| PBC 6. Maintained employment and business survival in the context of the COVID- 19 pandemic, by temporarily providing tax relief | No government programs to support business survival and sustain employment in the context of COVID-19 | 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 a 60% level compared to April 2020 (PBC 6.1.) | At least 75% of beneficiary firms that received subsidies for the payment of allowances / salaries until August 31, 2020 continue to operate in September 2020 and maintain reported employment on at least a 60% level compared to April 2020 (PBC 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 a 60% level compared to April 2020. (PBC 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 a 60% level compared to April 2020 (PBC 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 a 60% level compared to April 2020. (PBC 6.5) | |
| Financing amounts: USD 12,000,000 | | USD 2,000,000/ 16,7% of PBC 6 | USD 2,500,000/ 20,8% | USD 2,500,000/ 20,8% | USD 2,500,000/ 20,8% | USD 2,500,000/ 20,8% | |
| | | By August 2020 | By September 2020 | By October 2020 | By November 2020 | By December 2020 | By February 2021 |
| PBC 7. Established legal frameworks and transparent mechanisms for implementing the temporary tax relief to businesses to mitigate the negative fiscal impact of the COVID-19 pandemic | 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 (PBC 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 (PBC 7.2) | Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing (PBC 7.3) | Completion report on the implementation of Payroll Subsidies program is made public (PBC 7.4) | Interim report on VAT Refund program implementation is published (PBC 7.5) | Report on VAT refund program covering payments made for applications received from start of program until December 2020 is published (PBC 7.6) |
| Financing amounts: SDR 2,197,500 (USD 3,000,000) | | SDR 219,750 (USD 300,000) / 10% of PBC 7 | SDR 219,750 (USD 300,000) /10% | SDR 513,300 (USD 700,000) / 23% | SDR 512,750 (USD 700,000) / 23% | SDR 366,250 (USD 500,000) / 16,7% | SDR 366,250 (USD 500,000) / 16,7% |
| Total for PBC 6 and PBC 7 | | USD (15 000 000) | | | | | |

Annex 3. Verification Protocol Table

Verification Protocol Table: Performance-Based Conditions

| | |
|---------------------|---|
| PBC 1 | Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220 |
| Data source/ Agency | The Ministry of Finance of Moldova/Official Gazette |
| Verification Entity | The World Bank |
| Procedure | <i>For DLR 1.1.</i> – review of an evidence that the draft Law has been submitted to and is registered in the Parliament |
| | <i>For DLR 1.2</i> – review of an evidence that the Parliament adopted the Law and is published in the official gazette |
| | <i>For DLR 1.3.</i> – review of an evidence that the mentioned excise rates came into effect. |
| DLI 2 | Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle |
| Data Source/Agency | MoF/ Official Gazette |
| Verification Entity | The World Bank |
| Procedure | <i>For DLR 2.1.</i> - review of an evidence that the draft Law has been submitted to and is registered in the Parliament |
| | <i>For DLR 2.2.</i> – review of an evidence that the Parliament adopted the Law that is published in the official gazette and all mentioned changes came into effect |
| PBC 3 | Improved the usability of the STS website |
| Data source/Agency | STS |
| Verification Entity | The World Bank |
| Procedure | <i>For DLR 3.1.</i> – review reports produced by the STS including details on assessing the website and testing its new features |
| | <i>For DLR 3.2.</i> - review reports produced by the STS on use of the web-site which shall include as a minimum: number of visits; number of feedbacks received; number of tax declarations submitted |
| DLI 4 | Strengthened the capacity of STS staff to deliver taxpayer services |
| Data source/Agency | STS |
| Verification Entity | The World Bank |
| Procedure | <i>For DLR 4.1.</i> – review an evidence of STS adoption of the Manual on Taxpayer Services |
| | <i>For DLR 4.2.</i> – review reports produced by the STS on staff being trained on the Manual on Taxpayer Service |
| PBC 5 | Introduced an electronic taxpayer survey tool |
| Data source/Agency | STS |
| Verification Entity | The World Bank |
| Procedure | <i>For DLR 5.1.</i> – review of 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. |
| | <i>For DLR 5.2.</i> – review of an evidence of the STS`s Order on the system`s roll out and the STS`s report on the six-month 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 |
| Data source/Agency | MoF |
| Verification Entity | <i>The World Bank</i> |
| Procedure | <i>For DLR 6.1.</i> – 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 |
| | <i>For DLR 6.2.</i> - review of MoF`s report with statistical evidences confirming that at least 75% of beneficiary firms that received subsidies based on |

| | |
|---------------------|--|
| | <p>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 6 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 level) |
| PBC 7 | Established legal frameworks and transparent mechanisms for implementing temporary tax relief to businesses to mitigate the negative fiscal impact of the COVID-19 pandemic |
| Data source/Agency | MoF |
| Verification Entity | The World Bank |
| Procedure | <p>For DLR 7.1. - 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</p> <p>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</p> <p>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.</p> <p>For DLR 7.4. - review of completion report produced and made public by the MoF on the implementation of Payroll Subsidies Program;</p> <p>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.</p> <p>For DLR 7.5. - review of an interim report produced by MoF/STS on implementation of VAT Refund Program.</p> <p>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.</p> <p>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.</p> <p>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.</p> |

Annex 4. Prior Review Thresholds

Thresholds for procurement Prior Review:

| | <i>Procurement Type</i> | <i>Prior Review Threshold (USD Million)</i> |
|---|---|---|
| 1 | Works, Turnkey and S&I of Plant & Equipment | ≥5.0 |
| 2 | Goods | ≥1.5 |
| 3 | IT Systems and Non-Consulting Services | ≥1.5 |
| 4 | Consultant (Firms) | ≥0.5 |
| 5 | Consultant (Individuals) | ≥0.2 |

Procurement/Selection Method Thresholds

| | <i>Procurement /Selection Method</i> | <i>Prior Review Threshold</i> |
|---|--------------------------------------|---|
| 1 | Terms of References | All (irrespective of the threshold and review status) |

Procurement Method Thresholds

| ICB | | NCB | | Shopping | | National Consultant Ceiling |
|-------|-------|-------|-------|----------|--------|-----------------------------|
| Goods | Works | Goods | Works | Goods | Works | |
| ≥1 | ≥5 | <1 | <5 | ≤\$0.1 | ≤\$0.2 | ≤0.3 |

Annex 5. Eligible Expenditure Programs for PBCs

Eligible Expenditure Programs for the PBCs (USD)

| Budget code | Code of the Budget classification | Code of the institution | Related PBC | Title of the budget line | Actual Allocation (until June 30) | Allocation 2020, (after June 30) | Allocation 2021, (estimated) |
|-------------|-----------------------------------|---------------------------|---|--|-----------------------------------|----------------------------------|------------------------------|
| 222 | 00112 | 00325-Ministry of Finance | <i>PBC 1: Increased nominal value of the Specific and Minimal Excise Rates for all tobacco products under tariff position 240220</i> | Recurrent costs | | 490 000 | 210 000 |
| | | | <i>DLI 2: Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle.</i> | | 648 745 | | |
| 252 | 252100 | | <i>PBC 6: Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief</i> | Subsidies granted to private non - financial enterprises | | 9 500 000 | 2 500 000 |
| 114 | 114130 | | <i>PBC 7: Established legal frameworks and transparent mechanisms for implementing temporary tax relief to businesses to mitigate the negative fiscal impact of the COVID-19 pandemic</i> | Refund of value added tax | | 2 500 000 | 500 000 |
| 222 | 00112 | 15272-State Tax Service | <i>PBC 3: Improved the usability of the STS website</i> | Recurrent costs | | | 600 000 |
| | | | <i>PBC 4: Strengthened the capacity of STS staff to deliver taxpayer services</i> | | 149 700.10 | 150 000 | |
| | | | <i>PBC 5: Introduced an electronic taxpayer survey tool</i> | | | | 750 000 |

Annex 6. Templates of Reports on Execution of EEP

Annex 6.1

Report on execution of EEP (recurrent costs of the Ministry of Finance and State Tax Service)

for the period ended _____

| | | codes |
|-------------------------|-----------------|-------|
| Periodicity | | |
| Institution | | |
| Primary budget executor | | |
| Main group | | |
| Type of institution | | |
| Type of expenditure | Recurrent costs | 222 |
| Expressed in | | |

| Eligible expenditure program | Initially approved for the year | Adjusted for the year | Executed in the current reporting period | Actual expenses* | Total receivables | Total payables |
|---------------------------------|---------------------------------|-----------------------|--|------------------|-------------------|----------------|
| 222110 – Electricity | | | | | | |
| 222120 – Gaze / Gas | | | | | | |
| 222130 – Heating | | | | | | |
| 222140 – Water & sewerage | | | | | | |
| 222190 – Other utilities | | | | | | |
| 222210 – Informational services | | | | | | |

| | | | | | | |
|---|------|------|------|------|------|------|
| 222220 – Telecommunication services | | | | | | |
| 222300 – Rent | | | | | | |
| 222400 – Transportation | | | | | | |
| 222500 – Current repairs | | | | | | |
| 222600 – Professional development / training | | | | | | |
| 222710 – In-country travel | | | | | | |
| 222720 – Travel abroad | | | | | | |
| 222810 – Medical services | | | | | | |
| 222910 – Editing services | | | | | | |
| 222920 – Representation costs | | | | | | |
| 222940 – Security costs | | | | | | |
| 222970 – Banking services | | | | | | |
| 222980 – Postal services | | | | | | |
| 222990 – Services not assigned to other lines | | | | | | |
| Total | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |

* Actual expenditure are the amounts eligible for disbursements under EEP

Report on execution of EEP (*Subsidies granted to private non – financial enterprises*)

for the period ended _____

| | | |
|-------------------------|--|---------------|
| | | codes |
| Periodicity | | |
| Institution | | |
| Primary budget executor | | |
| Main group | | |
| Type of institution | | |
| Type of expenditure | | 252100 |
| Expressed in | | |

| Eligible expenditure program | Initially approved for the year | Adjusted for the year | Executed in the current reporting period | Actual expenses* | Total receivables | Total payables |
|--|---------------------------------|-----------------------|--|------------------|-------------------|----------------|
| Subsidies granted to private non – financial enterprises | | | | | | |

Report on execution of EEP (Refund of value added tax)
for the period ended _____

| | | |
|-------------------------|--|--------|
| | | codes |
| Periodicity | | |
| Institution | | |
| Primary budget executor | | |
| Main group | | |
| Type of institution | | |
| Type of expenditure | | 114130 |
| Expressed in | | |

| Eligible expenditure program | Initially approved for the year | Adjusted for the year | Executed in the current reporting period | Actual expenses* | Total receivables | Total payables |
|------------------------------|---------------------------------|-----------------------|--|------------------|-------------------|----------------|
| Refund of value added tax | | | | | | |

Annex 7. Templates of Project Interim Financial Reports

Samples of Project Financial Reports

Tax Administration Modernization Project

Project Sources and Uses of Funds As of: _____

| | Period ended | Reporting year | Cumulative from the beginning of the Project |
|---|--------------|----------------|--|
| Opening Cash Balance(s) Designated Accounts (by accounts) Other accounts (if any) Total opening cash balance(s) | | | |
| Add: Sources of Funds (by financiers and implementing agency) Designated Account Direct payments Reimbursement Against PBCs/DLIs Other accounts (if any) Total Sources | | | |
| Less: Uses of Funds (by expenditure category for each financier in accordance with Financing Agreement and by each implementing agency) Total Uses | | | |
| Closing Cash Balance(s) Designated Account and other accounts (for each account) Other accounts (if any) Total closing cash balance(s) | | | |

Tax Administration Modernization Project
Uses of Funds by Project Component/Activity (Statement of Expenditure Detail) As at: _____

| Project components/activities | Period ended | Reporting year | Cumulative from the beginning of the Project |
|---|---------------------|-----------------------|---|
| Component 1. Tax Policy, Tax Administration Reforms, and Operational Development Component 2: Institutional development Component 3: IT Infrastructure and System Modernization Component 4: Project Management and Change Management Component 5: Maintaining employment and business survival in the context of COVID-19 pandemic. | | | |
| Overall Total | | | |

Tax Administration and Modernization Project
Component 5: Maintaining employment and business survival in the context of COVID-19 pandemic

Report on eligible expenditure program *Refund of value added tax* for the period ended: _____

| Beneficiary Name | Application Submission Date | The amount of the application | The period covered by the application | The amount approved by STS | The amount paid in MDL | Date of payment | The amount in US\$ |
|------------------|-----------------------------|-------------------------------|---------------------------------------|----------------------------|------------------------|-----------------|--------------------|
| 1 | | | | | | | |
| 2 | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

Tax Administration and Modernization Project
Component 5: Maintaining employment and business survival in the context of COVID-19 pandemic

Report on eligible expenditure program *Subsidies for the payment of allowances / salaries* for the period ended: _____

| Beneficiary Name | Application Submission Date | The amount of subvention claimed in the application | The period covered by the application | The amount approved by STS | The amount paid in MDL | Date of payment | The amount in EUR |
|-------------------------|------------------------------------|--|--|-----------------------------------|-------------------------------|------------------------|--------------------------|
| 1 | | | | | | | |
| 2 | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

Tax Administration and Modernization Project

Designated Account Statement STS

(for the quarter ended XXXX.)

Designated Account № _____ in USD Bank:

USD

| | | |
|---|--|-----------------|
| Designated Account opening balance as at _____MM/DD/20xx | | <u>0</u> |
| Total Credits (add): | Advance to DA during the period | 0 |
| | | 0 |
| | | <u>0</u> |
| | | <u>0</u> |
| Total debit (less): | Refund to IDA from DA during the period | 0 |
| | Amount of eligible expenditures paid from DA during the period | 0 |
| | Funds transferred to the project account in MDL | 0 |
| | | <u>0</u> |
| Designated Account closing balance as at _____MM/DD/20xx | | <u>0</u> |

Tax Administration and Modernization Project**Designated Account Statement STS**

(for the quarter ended XXXX.)

Designated Account № _____ in EURO Bank:**EURO**

| | | |
|---|--|-----------------|
| Designated Account opening balance as at _____MM/DD/20xx | | <u>0</u> |
| Total Credits (add): | Advance to DA during the period | 0 |
| | | 0 |
| | | <u>0</u> |
| | | <u>0</u> |
| Total debit (less): | Refund to IBRD from DA during the period | 0 |
| | Amount of eligible expenditures paid from DA during the period | 0 |
| | Funds transferred to the project account in MDL | <u>0</u> |
| | | <u>0</u> |
| Designated Account closing balance as at MM/DD/20xx | | <u>0</u> |

Annex 8. Template of the Statement of Expenditures

IBRD - Statement of Expenditures (SOE)

Payments made during the period from _____ to _____

Loan No.: _____

Application No.: _____

Category No.: _____

SOE No.: _____

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|-----------------|---|---|---------------------------------------|---|------------------------|---------------------------------------|--|---------------|-----------------|---------|
| Supplier's Name | WB Contract Number in Client Connection | Type of Good or Service / Brief Description | Currency and Total Amount of Contract | Currency and Total Amount of Invoice Covered by Application | % Financed by IBRD/IDA | Amount Eligible for Financing (5 x 6) | Currency and Amount Paid from Designated Account (if Applicable) | Exchange Rate | Date of Payment | Remarks |
| | | | | | | | | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |
| TOTALS | | | | | | | | | | |

Supporting documents for this SOE retained at _____ (location)

**Tax Administration and Modernization Project
Payments Made during Reporting Period**

Against Contracts Subject to the Bank's Prior Review

| Contract Number | Supplier | Contract Date | Contract Amount | Date of WB's Non Objection to Contract | Amount Paid to Supplier during Period | WB's Share of Amt Paid to Supplier during Period |
|----------------------------|-----------------|--------------------------|------------------------|---|--|---|
| | | | | | | |

Tax Administration and Modernization Project
Balance Sheet

| | Period ended |
|-------------------------------------|---------------------|
| ASSETS | |
| | |
| Total cash | 0.00 |
| Cash under the Agreement xxx | 0.00 |
| Undisbursed balance | 0.00 |
| | |
| Cumulative expenses | 0.00 |
| Project expenses | 0.00 |
| | |
| TOTAL assets | 0.00 |
| | |
| EQUITY AND LIABILITIES | |
| | |
| Funding | 0.00 |
| Agreement xxxx | 0.00 |
| TOTAL equity and liabilities | 0.00 |