The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
REGIONAL OFFICE
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June 21, 2019

Her Excellency
Ms. Natalia Gavrilița
Minister
Ministry of Finance
7, Constantin Tănase Street
MD-2005 Chisinau
Republic of Moldova

Excellency,

MOLDOVA: Tax Administration Modernization Project
Loan No. 8625-MD
Amendment to the Loan Agreement

We refer to the Loan Agreement between the Republic of Moldova (the "Borrower") and the International Bank for Reconstruction and Development (the "Bank") dated June 28, 2016, with respect to the above-captioned Project (the "Loan Agreement"). Capitalized terms used in this amendment letter and not defined herein have the meaning ascribed to them in the Loan Agreement.

Pursuant to your letters No. 26-07/1-12 – 566 dated December 22, 2017 and No. 26-07/3-12/12394 dated October 5, 2018, requesting the Bank to amend the Loan Agreement, we are pleased to inform you that the Bank agrees to amend the terms of the Loan Agreement, as follows:

1. Schedule 1 (Project Description) to the Loan Agreement is amended to read as set forth in Attachment 1 to this Amendment Letter.

2. Section II.A.2(a) of Schedule 2 to the Loan Agreement is amended to read as follows:

> "2. (a) By September 30, 2021, or such other date as agreed by the Bank, the Borrower, through STS, shall carry out jointly with the Bank, a mid-term review of the implementation of the activities under the Project ("Mid-term Review") which shall cover the progress achieved in the implementation of the Project."

3. Unless the context requires otherwise, the capitalized terms used in the Amendment Letter of the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to the Financial Agreement as amended.

Please confirm your agreement with the foregoing amendment by signing this letter in the spaces provided below and returning one fully executed original to us. This amendment letter shall be executed in two counterparts each of which shall be an original.

The provisions set forth in this amendment letter shall become effective upon: (a) receipt by the Bank of: (i) one countersigned original; and (ii) evidence that the execution and delivery of this amendment letter on behalf of the Borrower has been duly authorized by all necessary governmental

actions; and (b) dispatch by the Bank to the Borrower of the notice of its acceptance of the evidence required herein.

Please also note that the restructuring paper dated June 5, 2019, has been disclosed on the Bank's external website as per the Bank's policy on Access to Information.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Satu Kähkönen
Country Director
Belarus, Moldova, Ukraine
Europe and Central Asia

AGREED:

REPUBLIC OF MOLDOVA

By: N. Gavrilita
Authorized Representative

Name: Natalia Gavrilita

Title: Minister of Finance

Date: 02.08.2019

Attachment 1.

SCHEDULE 1

Project Description

The objective of the Project is to improve revenue collection, tax compliance and taxpayer services in the Republic of Moldova.

The Project consists of the following parts:

Part1. Tax Policy, Tax Administration Reforms, and Operational Development

Provision of financing for EEP to support to the Borrower in increasing efficiency of the tax policy and tax administration, including strengthening the operational capacity of the State Tax Service of Moldova through, *inter alia*,

a) 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;

b) ensuring that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle;

c) improving the usability of the STS website, through the launching of a single STS website which would, *inter alia,* (i) support to 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;

d) 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; and

e) developing and carrying out of an electronic taxpayer survey tool.

Part 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's website with improved usability and broadened functionality to replace the two existing web-sites.

Part 3. IT Infrastructure and System Modernization

Provision of support for the purchase and installation of an integrated tax management system, including the provision of relevant hard and software and training regarding, *inter alia*, its functions, management reporting and document management tools.

Part 4. Project Management and Change Management

a) Carrying out of capacity building activities supporting the Borrower's change management process to implement the activities referred to in Parts 1, 2 and 3 above, 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 hiring and selection of, *inter alia*, a financial management and a procurement specialist; and (iii) the financing of Operating Costs.