M01883

AMENDMENTUL
nr. 2 la Acordul de împrumut dintre Republica Moldova şi Banca Internaţională pentru Reconstrucţie şi Dezvoltare în vederea realizării Proiectului de modernizare a administraţiei fiscale din 28 iunie 2016

Chişinău, 13 noiembrie 2020

COPIE CERTIFICATĂ
TEXT ÎN LIMBA ENGLEZĂ

THE WORLD BANK
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12-Nov-2020

His Excellency
Mr. Serghei Puscuta
Minister
Ministry of Finance
Chisinau
Republic of Moldova

Excellency,

Re: Republic of Moldova: Tax Administration Modernization Project
(Loan No. 8625-MD)
Amendment No. 2 to the Loan Agreement

We refer to: (i) the Loan Agreement (the "Loan Agreement") between the Republic of Moldova (the "Borrower") and the International Bank for Reconstruction and Development (the "Bank") dated June 28, 2016 for the above-mentioned Tax Administration Modernization Project, as amended; and to (ii) the Borrower's letter dated June 13, 2020, requesting certain amendments to the Loan Agreement. The capitalized terms used in this amendment letter (the "Amendment Letter") and not defined herein have the meanings ascribed to them in the Loan Agreement.

We are pleased to inform you that the Bank agrees to amend the terms of the Loan Agreement as follows:

1. In Schedule 1 the Project objective is amended to read as set forth in Attachment 1 to this letter.

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

3. Section I.A.1 of Schedule 2 to the Loan Agreement is amended in its entirety to read as follows:

"**A. Institutional Arrangements**

1. The Borrower shall vest the overall responsibility for the implementation of the Project in STS, and to this end, through STS, shall: (a) operate and maintain, throughout Project implementation, the Project Implementation Unit (PIU) with qualified staff in sufficient numbers, as well as adequate funds, premises, services and other resources for Project implementation, including, procurement, financial management and monitoring and evaluation, and reviewing and verifying the Annual Reports on the achievements of the PBCs and recommending corresponding payments for approval to the Borrower and the bank, all acceptable to the Bank and described in the Project Operational Manual; and (b) ensure that any staff of the PIU

financed out of the proceeds of the Loan is selected and hired in accordance with Section III of this Schedule."

4. Section II.C is added to Schedule 2 to the Loan Agreement to read as follows:

"C. PBC Monitoring and Reporting

Without limitation on its other reporting obligations under this Agreement, the Borrower shall monitor and furnish reports to the Bank on the achievement of the Performance-Based Conditions, not later than in 45 days after the end of each year during the implementation of the Project, in accordance with the verification protocol set out in the Project Operational Manual."

5. The Table under Section IV.A.2 of Schedule 2 to the Loan Agreement is amended in its entirety to read as follows:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs for the Project	660,000	100%
(2) EEPs under Part 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. Section IV.B of Schedule 2 to the Loan Agreement is amended in its entirety to read as follows:

"B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end fee;

(b) for payments made prior to the date of this Agreement;

(c) for Category 2, unless and until the Borrower has: (i) furnished evidence satisfactory to the Bank in accordance with the verification protocol set forth in the Project Operational Manual that the Borrower has achieved the respective PBC(s) set forth in Schedule 4 to this Agreement against which withdrawal is requested; and (ii) complied with the additional instructions referred to in Section IV.A of this

"Performance-Based Condition" or "PBC" means any of the conditions set out in the table in Schedule 4 to this Agreement; "Performance-Based Conditions" or "PBCs" means the plural thereof.

All the terms and conditions of the Loan Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing by signing and dating the confirmation on the enclosed copy of this amendment letter and returning it to us. This Amendment letter shall be executed in two counterparts each of which shall be an original.

This Amendment Letter shall become effective upon: (a) receipt by the Bank of: (i) one countersigned original; (ii) evidence that the execution and delivery of the Amendment Letter on behalf of the Borrower has been duly authorized by all necessary governmental action; and (iii) the updated Project Operational Manual acceptable to the Bank; and (b) dispatches by the Bank to the Borrower of the notice of its acceptance of the evidence required herein.

Please note that the restructuring paper dated 09 has been disclosed on the Bank's external website as per Bank's policy on Access to Information.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Anna Akhalkatsi

Country Manager

CONFIRMED AND AGREED:

REPUBLIC OF MOLDOVA

By: _____
Authorized Representative

Name: SERGHEI PUȘCUȚA

Title: MINISTER OF FINANCE

Date: NOVEMBER 13, 2020

Attachment 1

SCHEDULE 1

Project Description

"The objective of the Project is 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."

The Project consists of the following parts:

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

Provision of financing for EEP to support 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 tax administration modernization tools, including the provision of relevant hardware 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 ,3 and 5 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; and (ii) the financing of Operating Costs.

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

Provision of financing for EEP to support the Borrower in mitigation of negative fiscal impact of the COVID-19 pandemic.