THE WORLD BANK
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Date: November 10, 2022

His Excellency
Mr. Dumitru Budianschi
Minister
Ministry of Finance
Chisinau
Republic of Moldova

Excellency,

Re: Republic of Moldova: Tax Administration Modernization Project
(Loan No. 8625-MD)
Amendment No. 3 to the Loan Agreement

We refer to: (i) 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 (the "Loan Agreement"); and to (ii) the Borrower's letter dated May 6, 2022, 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 Loan Agreement as follows:

1. Part 3 of the Project Description set forth under Schedule 1 to the Loan Agreement is amended in its entirety to read as follows:

"Part 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, 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 indicators set out in Annex 1 to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives thereof. The indicators set out in Annex 1 of this letter replace any previous version of the same.

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) dispatch by the Bank to the Borrower of the notice of its acceptance of the evidence required herein.

Please note that the restructuring paper dated July 27, 2022 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

Inguna Dobraja
Country Manager
Moldova
The World Bank
Europe and Central Asia Region

CONFIRMED AND AGREED:

REPUBLIC OF MOLDOVA

By: _____
Authorized Representative

Name: Dumitru Budianschi

Title: Minister of Finance

Date: 10.11.2022

Results Framework

COUNTRY: Moldova

Tax Administration Modernization Project

Project Development Objective(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						End Target
			1	2	3	4	5	6	
To improve taxpayer services									
PBC: Strengthened the capacity of the STS staff to deliver taxpayer services (Text)	PBC 4	There is no Manual on Taxpayer Services, the staff had no specific training.	Manual on taxpayer services is developed and adopted by STS (DLR 4.1)	All eligible staff of the STS, located in all offices, are trained (DLR 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 (DLR 5.1)	Evaluation report on Roll-out results for six months of implementation (DLR 5.2).					The tool is implemented.

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
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 allows taxpayers to submit income statements electronically through their personal account created on the site; - STS website is synchronized with the state websites through the automated information exchange (open data); - a new search system that will reflect the final version of the legal documents, specifying all	Use of STS website by taxpayers within 1 month of its launch					New STS website is used by taxpayers

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
			amendments and additions; - feedback mechanism is available online (chat).						
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) Mid-project survey conducted with data disaggregated by gender; results and suggested actions of the STS to address weaknesses are published on the STS website.					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 on the STS website.
Support business survival and sustain employment in the context of COVID-19 through temporary tax re									
Maintained employment and business survival in the context of the COVID-19 pandemic, by temporarily providing tax relief (PBC 6) (Text)	PBC 6	No government programs to support business continuity and sustain employment in the context of the 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 Augus	At least 75% of beneficiary firms that received subsidies based on the expanded VAT refund mechanism up to August 31, 2020, continue to operate in	At least 75% of beneficiary firms that received subsidies based on the expanded VAT refund mechanism from September 1-30, 2020 continue to operate in	At least 75% of beneficiary firms that received subsidies for the payment of allowances/ salaries continue to operate in October 2020 and maintain reported	At least 75% of beneficiary firms that received subsidies based on the expanded VAT refund mechanism from October 1 to November 30, 2020, continue to		75% of beneficiary companies that received subsidies under the payroll and expanded VAT refund mechanisms continued operation and maintained

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
			2020 and maintain reported employment at at least a 60% level compared to April 2020 (DLR 6.1)	September 2020 and maintain reported employment at at least a 60% level compared to April 2020 (DLR 6.2)	October 2020 and maintain reported employment at at least a 60% level compared to April 2020 (DLR 6.3)	employment at at least a 60% level compared to April 2020 (DLR 6.4)	operate in December 2020 and maintain reported employment at at least a 60% level compared to April 2020 (DLR 6.5)		employment at a 60% level compared to April 2020

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Institutional development									
The Training Distance Learning System for the most important workflows developed (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 STS are placed on the platform and available for training.			All identified distance learning courses to support the most important workflows are developed and updated.
Number of hits to the STS website (Number (Thousand))		3,570,004.00	3,900,000.00	6,900,000.00	7,000,000.00	7,050,000.00	7,100,000.00		7,150,000.00
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						Technical Specifications for a new IT system for the tax

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
			administration						administration are prepared
RBF: Support in tax policy and tax administration reforms									
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 for all tobacco products under tariff position 240220 (PBC/DLI 1) (Text)	PBC 1	Specific rates and minimum rates by types of tobacco products as set up in the Tax Code of Moldova in 2017	The Government of Moldova submitted to the Parliament a 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 at a minimum of 15% each for the year 2021 compared to the excise rates from 2020 (DLR 1.1)	The Parliament approved the Law (DLR 1.2)	Increased specific rates came into effect (DLR 1.3)				Specific rates came into effect
Ensured that supplies of goods by insolvent subjects are taxed with VAT on the reverse charge principle (PBC/DLI 2) (Text)	PBC 2	Due to the legal gap in provisions that stipulate the process of debt cancellation, at the time transfer of collected VAT insolvent subject does not have liquidity, and this creates budget losses.	The Government submitted to the Parliament a Draft Law on Changes to the Tax Code of Moldova (Title 3, art 93,94,102,115) (DLR 2.1)	The Parliament adopted the Changes to the Tax Code and they come into effect. (DLR 2.2.)					The adopted changes to the Tax Code came into effect

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Support Maintaining Employment and Business Survival in the Context of the COVID-19 Pandemic									
Established legal frameworks and transparent mechanisms for implementing temporary tax relief to businesses to mitigate the negative fiscal impact of the COVID-19 pandemic (PBC 7) (Text)	PBC 7	Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency is not available	Regulation on the implementation of subsidies for the payment of allowances/ salaries is approved and among others includes measures of eligibility verification and grievance mechanisms (DLR 7.1)	Regulation on the implementation of subsidies based on expanded VAT refund mechanism is approved and among others includes measures of eligibility verification and grievance mechanisms (DLR 7.2)	Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing (DLR 7.3)	Completion report on the implementation of the Payroll Subsidies program is made public (DLR 7.4)	Interim report on VAT Refund program implementation is published (DLR 7.5)	Report on the VAT refund program covering payments made for applications received from the start of the program until December 2020 is published (DLR 7.6.)	Legal frameworks are established and reports on the implementation of Payroll Subsidies and VAT refund programs are available