



**AMENDMENTUL
nr. 2 la Acordul de finanțare dintre Republica
Moldova și Asociația Internațională pentru
Dezvoltare în vederea realizării Proiectului de
modernizare a administrației fiscale din 28 iunie 2016**

Chișinău, 13 noiembrie 2020



**COPIE CERTIFICATĂ
TEXT ÎN LIMBA ENGLEZĂ**



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
(Credit No. 5829-MD)
Amendment No. 2 to the Financing Agreement**

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

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

1. In Schedule 1 the Project objective is amended to read as set forth in Attachment 1 to this Amendment Letter:
2. Schedule 1 (Project Description) to the Financing 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 Financing Agreement is amended in its entirety to read as follows:

“A. Institutional Arrangements

1. The Recipient 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 Recipient and the Association, all acceptable to the

Association and described in the Project Operational Manual; and (b) ensure that any staff of the PIU financed out of the proceeds of the Credit is selected and hired in accordance with Section III of this Schedule.”

4. Section II.C to Schedule 2 is amended to read as follows:

“C. PBC Monitoring and Reporting

Without limitation on its other reporting obligations under this Agreement, the Recipient shall monitor and furnish reports to the Association 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 Financing Agreement is amended in its entirety to read as set forth in Attachment 2 to this Amendment Letter.
6. Section IV.B of Schedule 2 to the Financing 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) for payments made prior to the date of this Agreement;
 - (b) for Categories 2 and 3 respectively, unless and until the Recipient has: (i) furnished evidence satisfactory to the Association in accordance with the verification protocol set forth in the Project Operational Manual that the Recipient 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 Schedule, including furnished to the Association the interim unaudited financial reports documenting the incurrence of the Eligible Expenditures.
2. Notwithstanding the provisions of Parts A and B.1 of this Section, the amount of the Financing to be withdrawn upon verified achievement of any PBC shall correspond to the amount of the financing allocated for such PBC as set forth in the table under Section IV.A.2 of Schedule 2 to this Agreement.
3. Notwithstanding the provisions of Part B.1 of this Section, if the Association shall determine, based on the evidence furnished by the Recipient under paragraph 1 of this Part B, that any PBC that has not been achieved, the Association may in its sole discretion, by notice to the Recipient : (a) withhold in whole or in part the amount of the Financing allocated to such PBC; (b) disburse in whole or in part the amount of the Financing allocated to such PBC at any later time if and when such PBC is actually completed, to the extent that such completion remains feasible at a later time; (c) reallocate in whole or in part any withheld amount of the Financing allocated to such PBC; and/or (d) cancel in whole or in part any withheld amount of the Financing allocated to such PBC.
4. The Closing Date is November 30, 2023.”

7. Schedule 4 (Performance Based Conditions) to the Financing Agreement is amended in its entirety to read as set forth in Attachment 3 to this Amendment Letter.
8. Section 1 (Definitions) of the Appendix to the Financing Agreement is amended as follows:

(a) The following definition is amended in its entirety to read as follows:

““Project Operational Manual” or “POM” means the Recipient’s manual referred to in Section I.A.3 of Schedule 2 to this Agreement, in the form and substance satisfactory to the Association, containing, *inter alia*, detailed arrangements and procedures for the implementation, monitoring, evaluation and reporting on the Project including a verification protocol containing the technical standards and arrangements and procedures for the monitoring, reporting and verification of PBCs and confirmation of their achievement, as said manual maybe may be modified from time to time with prior approval in writing of the Association, and such term includes any schedules to the Project Operational Manual.”

(b) The following definitions are added and placed in alphabetical order, (and existing definitions are consequently renumbered to keep the alphabetical order):

“Beneficiaries” means private companies falling under the eligibility criteria and selected to become beneficiaries of the subsidies under Part 5 of the Project, all in accordance with terms defined in the Project Operational Manual.

“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 Financing Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

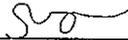
Please confirm your agreement with the foregoing by signing and dating the confirmation on the enclosed copy of this amendment letter and returning it to us. This Amendment letter shall be executed in two counterparts each of which shall be an original.

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

Please note that the restructuring paper dated 09/14/2020 has been disclosed on the Association's external website as per Association's policy on Access to Information.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

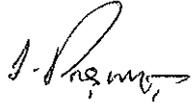


Anna Akhalkatsi

Country Manager

CONFIRMED AND AGREED:

REPUBLIC OF MOLDOVA

By: 

Authorized Representative

Name: SERGHEI PUȘCUTA

Title: MINISTER OF FINANCE

Date: NOVEMBER 13, 2020

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 Recipient 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 Recipient'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 Recipient in mitigation of negative fiscal impact of the COVID-19 pandemic.

Attachment 2

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs for the Project, except of Parts 1 and 5	902,500	100%
(2) EEPs under Part 1 of the Project through:		100% of achieved DLI/DLR amount before the date of this Amendment Letter
DLI # 1: Increased nominal value of the specific and minimal excise rates for all tobacco products under tariff position 240220	0	
DLI # 2: Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle	476,700	
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	
(3) EEPs under Part 1 and 5 of the Project through:		100% of achieved PBC from the date of this Amendment Letter
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	<u>5,300,000</u>	

SCHEDULE 4

Performance-Based Conditions

Performance Based Conditions Description	PBC/DLR achieved by December, 2019	PBC/DLR # 1.2: The Parliament approved the Law	PBC/DLR # 1.3: specific rates increase came into effect
<p>PBC/DLR # 1.1: Increased nominal value of the specific minimal excise rates for all tobacco products under tariff position 240220</p> <p>Baseline: specific rates and minimum excise rates by types of tobacco products as set up in the Tax Code of Moldova in 2017</p>	<p>PBC/DLR # 1.1: Law on Changes to the Tax Code the specific rate and the minimum rates with filter and without filters by a minimum of 15% each for the year 2021 comparing to the excise rates in 2020 submitted to the Parliament</p>	<p>PBC/DLR # 1.2: The Parliament approved the Law</p>	<p>PBC/DLR # 1.3: specific rates increase came into effect</p>
<p>PBC/DLR # 2.1: Ensured that supplies of goods by insolvent subjects have been taxed with VAT on the reverse charge principle;</p> <p>Baseline: due to the legal gap in provisions which regulates the process of debt cancellation, at the time of transfer of collected VAT insolvent subjects do not have liquidity and this creates budget losses</p>	<p>PBC/DLR # 2.1: Law on Changes to the Tax Code of Moldova (Task No. 94, 93 102, 115) submitted to Parliament</p>	<p>PBC/DLR # 2.2: Parliament adopted the Changes to the Tax Code and they came into effect</p>	<p>n.a.</p>
<p>PBC/DLR # 3.1: Improved the usability of the STS website</p> <p>Baseline: there are two websites available (one for information only and another one for the</p>	<p>PBC/DLR # 3.1: Single STS website launched with at least the following new features: - Support to requirements of people with special needs; - single STS website which will allow taxpayers to submit income statements electronically through their personal accounts created on the site; - STS website synchronized with the state web sites through the automated information exchange (open data);</p>	<p>PBC/DLR # 3.2: Launch of STS website by taxpayers within 1 month of its launch</p>	<p>n.a.</p>

submission of tax declarations by taxpayers); there are some gaps in the functionality of both websites	-new searching system which will reflect the final version of the legal documents, specifying all amendments and additions; -feed-back mechanism available through the online (chat) assistance service.			
PBC/DLI # 4. Strengthened the capacity of STS staff to deliver taxpayer services: Baseline: There is no a Manual on taxpayer services; the staff had no specific trainings	PBC/DLR # 4.1: Manual on taxpayer services developed and adopted by STS.	PBC/DLR # 4.1: All eligible staff of STS, located in all offices, are trained.	n.a.	
PBC/DLI # 5. Introduced an electronic taxpayer survey tool Baseline: No tool for taxpayers' regular feedback is in place	PBC/DLR # 5.1: 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/DLR # 5.2: Evaluation report on Roll-out results for six months of implementation	n.a.	

Performance Based Condition Description	By August 2020	By September 2020	By October 2020	By November 2020	By December 2020	By February 2021
<p>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</p> <p>Baseline: Legal frameworks for mechanisms to sustain tax revenue collection through support to business continuity that ensured transparency are not available</p>	PBC 7.1. 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 7.2. 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 7.3. Public awareness campaign and support to taxpayers in obtaining subsidies and VAT refunds are introduced and ongoing	PBC 7.4. Completion report on the implementation of Payroll Subsidies program is made public	PBC 7.5. Interim report on VAT Refund program implementation is published	PBC 7.6. Report on VAT refund program covering payments made for applications received from start of program until December 2020 is published

12-Nov-2020

H.E. Serghei Puscuta
Minister of Finance
Ministry of Finance
7, Constantin Tănase Street
MD-2005 Chisinau
Republic of Moldova

Re: IDA Credit No. 5829-MD and IBRD Loan No. 8625-MD
(Tax Administration Modernization Project)
Amendment to Additional Instructions: Disbursement Letter (DL)

Your Excellency:

We refer to the Financing Agreement and the Loan Agreement ("Agreements") between the International Development Association and International Bank for Reconstruction and Development, respectively (jointly "The World Bank" or "Bank"), and the Republic of Moldova (the "Recipient/Borrower") for the above-referenced project, both dated June 28, 2016. The Agreements provide that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Credit IDA 5829-MD ("Credit") and Loan IBRD 8625-MD ("Loan"). This letter ("Disbursement Letter" or "DL"), replaces the Disbursement Letters dated June 28, 2016 and February 5, 2020 in its entirety and constitutes the additional instructions.

I. Disbursement Arrangements, Withdrawal and Reporting of Loan and Credit Proceeds

The *Disbursement Guidelines for Investment Project Financing*, dated February 2017, ("Disbursement Guidelines") are available in the Bank's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. The Disbursement Guidelines are an integral part of this DL, and the manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below.

(i) Disbursement Arrangements

- **General Provisions** (Schedule 1). The table in Schedule 1 sets out the disbursement methods which may be used by the Recipient/Borrower, information on registration of authorized signatures, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.

(ii) Electronic Delivery

The Bank may permit the Recipient/Borrower to electronically deliver applications (with supporting documents) through the Bank's web-based portal (<https://clientconnection.worldbank.org>) "Client Connection". This option may be effected if the officials designated in writing by the Recipient/Borrower



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who are authorized to sign and deliver Applications have registered as users of “Client Connection”. The designated officials may deliver Applications electronically by completing the Form 2380, which is accessible through “Client Connection”. By signing the Authorized Signatory Letter, the Recipient/Borrower confirms that it is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Bank by electronic means. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient/Borrower. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient/Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation, available in the Bank's public website at <https://worldbank.org> and “Client Connection”; and (b) to cause such official to abide by those terms and conditions.

II. Other Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Bank’s public website and “Client Connection”. The Bank recommends that you register as a user of “Client Connection”. From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at askloans@worldbank.org.

Yours sincerely,

Anna Akhalkatsi

Country Manager



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Attachments

1. Form of Authorized Signatory Letter
2. Form of Statement of Expenditure (SOE)

Cc with copies: State Tax Service of Republic of Moldova (STS)
Project Implementation Unit (PIU)
Chisinau, Republic of Moldova

Schedule 1 : Disbursement Arrangements

Basic Information			
Credit Number	IDA 5829-MD	Country	Republic of Moldova
Loan Number	IBRD 8625-MD	Recipient/Borrower	Republic of Moldova
		Name of the Project	Tax Administration Modernization Project
		Closing Date	Section IV.B.4. of Schedule 2 to the Financing and Loan Agreements, respectively
		Disbursement Deadline Date (Subsection 3.7 **)	Four months after the Closing Date
Disbursement Methods and Supporting Documentation			
Disbursement Methods (Section 2 **)		Supporting Documentation (Subsections 4.3 and 4.4 **)	
Direct Payment		Yes	Copy of records (e.g. suppliers' invoices, guarantees for advance and retention payments, etc.)
Reimbursement		Yes	- Category 1 (Regular non-EEP/PBC categories) - Statement of Expenditure (SOE) in the format provided in Attachment 2 to the DL - Categories 2 and 3 (EEP/PBC-based category) - (i) Interim Unaudited Financial Report (IUFR) in the format so agreed in the Project Operational Manual; (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) Statement of Expenditure (SOE) in the format provided in Attachment 2 to the DL
Designated Account		Yes	
Special Commitments		Yes	Copy of Letter of Credit
Designated Accounts (Sections 5 and 6)			
Type		Segregated - Designated Account C (DA-C) for the IDA Credit managed by STS; Designated Account D (DA-D) for the IBRD Loan managed by STS	Fixed
Financial Institution - Name	National Bank of Moldova		USD (DA-C) EUR (DA-D)
Frequency of Reporting (Subsection 6.3 **)	Quarterly		500,000 (DA-C) 100,000 (DA-D)
Minimum Value of Applications (Subsection 5)			
The minimum value of applications: IDA 5829-MD - for Reimbursement, Direct Payment and Special Commitments is USD 80,000 equivalent. No minimum for EEP/PBC disbursements IBRD 8625-MD - for Reimbursement, Direct Payment and Special Commitments is EUR 20,000 equivalent. No minimum for EEP/PBC disbursements			
Authorized Signatures (Subsections 1 and 3.2 **), Instruments of Authorized Signatories, Letters Provided in Attachment 1 of this Letter, Withdrawal and Documentation Applications (Subsection 8 and 9)			
The World Bank Radnicka cesta 80, 9th floor Zagreb, HR-10000 Croatia Attention: Loans Department (WFACS)			

Prin prezenta confirm că textul alăturat este o copie certificată a Amendamentului nr. 2 la Acordul de finanțare dintre Republica Moldova și Asociația Internațională pentru Dezvoltare în vederea realizării Proiectului de modernizare a administrației fiscale din 28 iunie 2016 (Chișinău, 13 noiembrie 2020), originalul fiind depozitat la Arhiva Tratatelor a Ministerului Afacerilor Externe și Integrării Europene.




Leo MURZAC,
Șef a.i. al Direcției Drept Internațional
a Ministerului Afacerilor Externe și
Integrării Europene