



**USAID**  
FROM THE AMERICAN PEOPLE

**Business Regulatory, Investment,  
and Trade Environment Program  
(BRITE)**

# **BUSINESS REGULATORY, INVESTMENT, AND TRADE ENVIRONMENT PROGRAM**

**FOURTH QUARTERLY REPORT  
APRIL – JUNE 2013  
AID-117-I-12-00001, TASK ORDER 1**

**12 July 2013**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc..

# BUSINESS REGULATORY, INVESTMENT, AND TRADE ENVIRONMENT PROGRAM

**FOURTH QUARTERLY REPORT  
APRIL – JUNE 2013  
AID-117-I-12-00001, TASK ORDER 1**

**Contract No. AID-117-I-12-00001**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## ACRONYMS

AEI	Alliance for European Integration
AITA	Association of International Automobile Transporters
AmCham	American Chamber of Commerce
ASYCUDA	Automated System for Customs Data
ATIC	Association of Private IT Companies
BCP	Border Crossing Point
BizCLIR	Business Climate, Legal, and Institutional Reform
BIZTAR	Business Regulatory and Tax Administration Reform
BRC	Business Research Company
BRITE	Business Regulatory, Investment, and Trade Environment Program
CISC	Citizen Information and Service Center
CNAM	National Medical Insurance House
CNAS	National Social Insurance House
CPAS	Social Insurance Personal Number
CRM	Compliance Risk Model
DCFTA	Deep and Comprehensive Free Trade Agreement
DCOP	Deputy Chief of Party
DG	Director General
EBA	European Business Association
e-Gov	E-Government Center
EIF	Economic Integration Forum
EUBAM	European Union Border Assistance Mission to Moldova and Ukraine
FEZ	Free Economic Zone
FSI	FiscServInform
GOM	Government of Moldova
ICP	Inland Customs Post
IDNP	Personal Identification Number
IFC	International Finance Corporation
IMF	International Monetary Fund
LGSP	USAID Local Government Support Project
MCS	Moldova Customs Service
MOE	Ministry of Economy
MOF	Ministry of Finance
MSTI	Main State Tax Inspectorate
NBS	National Bureau of Statistics

NCFM	National Commission on Financial Markets
NCTS	New Computerized Transit System
OSS	One-stop-shop
PMEP	Performance Monitoring and Evaluation Plan
RFP	Request for Proposals
RIA	Regulatory Impact Assessment
RRS	Regulatory Reform Strategy
SIDA	Swedish International Development Cooperation Agency
SCP	Simplified Clearance Procedures
SRC	State Registration Chamber
STS	State Tax Service
TAB	Trading Across Borders (World Bank “Doing Business”)
UNCTAD	United Nations Conference on Trade and Development

# CONTENTS

Acronyms		i
Executive Summary and Program Highlights		iv
SECTION I	Project Results by Component	1
	A. Component 1: Tax Administration and Trade Facilitation	1
	B. Component 2: High-Impact Regulatory Reforms	5
	C. Component 3: Strategic Communications	6
	D. Other Program Activities	9
SECTION II	Operations and Administration	11
SECTION III	Preview of Upcoming Quarter	12
ANNEX A	Progress toward the Performance Monitoring and Evaluation Plan	A-1

## EXECUTIVE SUMMARY

After months of political stalemate, a new coalition government was formed on May 30, 2013, led by new Prime Minister Iurie Leanca, the former foreign minister under the Vlad Filat government. The new government is comprised of many of the same ministers, including Finance (Veaceslav Negruta) and Economy (Valeriu Lazar), and remains firmly committed to European integration. BRITE is hopeful that the new government, with a clear majority in Parliament and only about 18 months until new elections are scheduled, will pursue economic reforms more aggressively.

Programmatically, the project advanced a number of its activities and had some notable achievements. The new head of the State Tax Service (STS), Ion Prisacaru, has made the launch of the Online Current Account System a priority and has assigned adequate staff to work with BRITE and FiscServInform (FSI) to ensure a launch in September 2013. The Moldovan Customs Service (MCS) has agreed to undertake a number of trade facilitation measures based on BRITE recommendations, some of which were approved this quarter. BRITE also established a formal relationship with the Ministry of Economy (MOE) and the National Working Group on the Regulation of Entrepreneurial Activity by funding three full-time consultants in the Regulatory Impact Assessment (RIA) Secretariat. This quarter also saw BRITE's first activities in the regions, which included two events to introduce government e-services to businesses.

### Program Highlights and Successes

The following are highlights of the major achievements of the project over the last quarter. These and other activities are discussed in more detail later in the report.

- Concluded a formal agreement with all parties — the STS, FSI, and DAAC Systems — to finalize the development and launch of the Online Current Account System. The STS has agreed to assign the necessary tax inspectors to debug the remaining data and to work with a selection of firms to test the Current Account. Launch is planned for September 2013.
- Based on our earlier survey of firms undergoing voluntary liquidation, BRITE completed a package of amendments to simplify the fiscal aspects of liquidation. These recommendations were vetted with associations and other partners and will be submitted to the Ministry of Finance (MOF) through the STS for consideration by the government.
- The MCS signed official orders to implement several simplification measures recommended by BRITE .. These measures include eliminating the transit declaration for exports and allowing traders to use internal customs posts (ICPs) most convenient to them, while also extending their operating hours to more than double the time available to clear shipments. These were announced at the third National Customs Consultative Council meeting held in June.
- Completed the time study of key import/export processes over a one-week period at four separate border crossing points (BCPs). Results will be available in July.
- Hired three full-time consultants to continue support of the RIA Secretariat after the expiration of World Bank funding. BRITE agreed to support three consultants, while the International Finance Corporation (IFC) will fund the remaining two. In addition to supporting the RIA Secretariat and the National Working Group, the consultants will also provide expert advice to the MOE and BRITE.

- Completed semi-annual survey of 800 businesses, including a special survey of businesses' perceptions of the STS to be shared with STS management.
- Together with the e-Government Center (e-Gov) and the Moldova Chamber of Commerce and Industry (MCCI), BRITE held two regional seminars for the business community in Balti and Cahul to introduce new and pending e-services from e-Gov, the STS, and National Social Insurance House (CNAS)/National Medical Insurance House (CNAM), as well as to introduce the BRITE program and its activities.
- Launched the development of a communications strategy, action plan, and protocols with the STS. The new chief of the STS helped to form the working group that will complete the strategy with BRITE assistance, and attended the training session for the working group's members.



## SECTION I: PROJECT RESULTS BY COMPONENT

### A. Component 1: Tax Administration and Trade Facilitation

#### A1. Intermediate Result 1.1: Improved Tax Administration Reduces Administrative Burden of Paying Taxes while Increasing Revenue Collection

*Enhance human and institutional capacity of the STS.* In May 2013, the new director of the STS was appointed, Ion Prisacaru, and he immediately directed the agency back onto a path of reform. BRITE was fortunate to meet with Mr. Prisacaru early in his tenure, and established the project as a strong partner. The project agreed to field a tax administration expert for a two-week assignment in late July to meet with the STS and other stakeholders to develop a concrete action that supports the director's priorities and is consistent with the five-year STS Development Plan and previous recommendations of USAID programs, the International Monetary Fund (IMF), and others. This plan will form the basis for much of BRITE's ongoing assistance to capacity building and improved tax administration in the STS.

BRITE also learned this quarter that the Swedish International Development Cooperation Agency (SIDA) has agreed to restart its program of technical assistance to the STS, which is focused mainly on developing improved tax audit procedures. SIDA's consultant should arrive in mid-September for a one-year assignment. BRITE has agreed to coordinate its assessment with SIDA.

*Strengthen the consultative process and mechanisms between the STS and the private sector.* The last Conformity Council meeting was held in late January 2013, just prior to the departure of the previous STS director. The new director of STS has committed to reactivate this council and other public-private dialogue (PPD) activities, such as regular meetings with business and professional associations. In fact, BRITE attended the first meeting of the Conformity Council under the new director in June and agreed to support it as needed. The new director has also met with business associations and tax professionals to hear their concerns and to develop improved relations. BRITE plans to use this as an opportunity to present and discuss its recommendations for streamlining the liquidation process (discussed further below), as implementing these recommendations requires not only the STS' approval but also its advocacy.

*Work with the STS, FiscServInform, and e-Government Center to streamline tax procedures and improve communications.* Prior to the appointment of the new director of STS, BRITE's efforts to complete the Online Current Account System resulted in progress but were slowed by a lack of interest and strong leadership in STS. Very few people were dedicated to the process of detecting and correcting errors in prior years' data, especially as more errors were detected over time. The new director has since made the launch of the Current Account one of his top priorities and intends to make it a signature achievement of his first 100 days.

The director has now assigned 38 tax inspectors to review and correct the data, and the system will be tested with 77 companies. BRITE assisted by developing a testing methodology to be provided to tax inspectors and a special form for companies to complete as part of their review. By the end of the quarter, BRITE, the STS, FSI, and DAAC Systems had concluded a new agreement outlining all the steps, responsible parties, and timing required to launch the Current Account in September. Mr. Prisacaru signed the agreement on behalf of the STS and agreed to monitor its implementation. The Current Account working

group continues to meet weekly and report on progress and any issues encountered. At the request of the STS, BRITE agreed to assist the STS to monitor the testing and reporting process. Related activities aimed at ensuring a user-friendly interface, developing tutorials for businesses, and other outreach activities are discussed in more detail under Component 3.

*Identify and eliminate burdensome tax procedures and processes.* This quarter, BRITE concluded a comprehensive analysis of the voluntary liquidation process. This revealed a number of issues related to the fiscal authorities in closing a business. These issues had not been fully addressed by reforms recommended by the MOE (see Component 2), so BRITE prepared a separate package of legal and procedural amendments that aims to streamline the process both for businesses and for the STS. These were vetted with the STS and several associations and will be finalized in July. BRITE plans to work with the STS to initiate a government decision with the MOF to adopt these changes.

During the planned assignment of a short-term tax administration expert in July, mentioned earlier, BRITE will identify other tax administration reforms and validate those it has already identified, namely the introduction of a “Single Account” concept for paying taxes, simplification of the current method for calculating tax depreciation, and consolidation of legal provisions related to the calculation of contributions for social payments.

## **A2. Intermediate Result 1.2: Time and Cost of Moving Goods across Borders Reduced**

*Perform key baseline studies.* During this reporting period, BRITE concluded the next stage of the trade process mapping and analysis by timing major import/export processes at four BCPs: Leuseni, Tudora, Otaci, and Criva. Together, these four BCPs account for more than 80 percent of the value of goods traded by road and more than 70 percent of the total number of customs declarations lodged. BRITE developed a timing methodology that was eventually approved by the MCS, which instructed all BCPs to support the effort. A team of four observers spent one week at each BCP timing the movement of trucks through the various stages of clearance — wait time, process time in Customs, process time in other regulatory agencies (e.g. phytosanitary), and release. BRITE is now processing the information and should be able to present the findings in late July. BRITE also intends to begin a similar exercise at several ICPs in July.



Trade Facilitation Advisor Eduard Sirbu confers with an evaluator during the timing exercise at Otaci in May 2013.

In parallel, the MCS has conducted its own study of the legal basis that supports the process maps. As suspected, some processes have been identified which do not have a legal basis. Once the timing of all processes is complete, the MCS and BRITE will undertake to streamline select processes. Some of this work has already started as part of ongoing engagement with the MCS, and are discussed in greater detail below.

*Reactivate the national-level consultative council and engage stakeholders.* This quarter (June) marked the third meeting of the National Customs Consultative Council and the second with BRITE serving as secretariat. This meeting addressed a number of issues raised by AmCham including:

- Allowing traders/brokers to view the balance of their funds on account with Customs. Previously, this has not been allowed and has resulted in problems in clearing goods in a timely manner. The MCS agreed to implement this feature in September.
- Expanding the scope of simplified procedures to include goods under “temporary admission.” The MCS agreed to this, and a draft amendment to the government decision will be sent to the National Working Group for the Regulation of Entrepreneurial Activity.
- Clarify an earlier decision taken to expedite clearance of express mail deliveries. The MCS agreed to process Green Channel shipments in 20 minutes or less; Yellow Channel in one hour or less; and Red Channel in 3 hours or less. The previous decision stated 3 hours or less for all shipments.



Custom Service Director General Tudor Balitchi (center) speaks at the third meeting of the National Consultative Council meeting organized with the support of the BRITE Program.

The MCS also used the occasion of the council meeting to announce a package of simplification measures developed with BRITE’s assistance. These are discussed in more detail below. Finally, BRITE continued to follow up on the implementation of previous council decisions taken. One outstanding issue remains the classification of imported hardware raised by the Association of Private IT Companies (ATIC). This issue may require specialized assistance to ATIC to draft explanatory notes in cooperation with the MCS. This support may occur in July and may be funded jointly by ATIC and BRITE.

*Eliminate burdensome import-export procedures.* This quarter saw considerable progress in advancing a number of reforms and streamlining measures. BRITE, together with the resident advisor from Georgia Customs, helped draft a concept on Electronic Declaration, or paperless processing, along with a detailed implementation plan. This concept was approved by the director general of the MCS, and led to several interim decisions that have since been approved by internal order or sent to the National Working Group as draft government decisions, including:

- Elimination of the transit declaration for exports.
- Elimination of “economic control” for Green Channel shipments (i.e., checking and possibly applying different valuation methods).
- No Customs control for Green Channel shipments and process them in no more than 20 minutes. Exceptions must be documented by customs officers.
- More efficient control of Yellow Channel and Red Channel declarations.

- Partial liberalization of territorial competence of customs houses and extension of working hours:
  - Eleven large customs posts are allowed to perform any import operation, for any company, regardless of its legal address. Before, traders were required to process imports at the customs post nearest their legal residence.
  - The same 11 posts are allowed to perform export operations in the same manner.
  - Working hours of these posts have been extended 3 hours (now open 08:00-20:00) and are now operational on Saturdays and Sundays, whereas before they were closed on weekends. Some customs operations (such as like issuance of certificates of origin) are not available on weekends, but general clearance operations are.
- Export is also allowed to be performed at any border post (working hours are 24/24).
- Export of fresh fruits and vegetables is now allowed at an additional 18 small internal customs posts. Working hours of these posts have been extended one hour to 8:00 –18:00 Monday-Friday, but can operate on weekends at the request of an exporter.

In addition, BRITE helped design an electronic procedure of export and draft legal amendments to implement it. This is now being coordinated internally in the MCS, and once approved, will be sent to the National Working Group for consideration.

The package of amendments to primary and secondary legislation prepared by BRITE last quarter to improve the *Doing Business* Trading Across Borders ranking has been officially received in the MOE and is being reviewed by the RIA Secretariat, which will also conduct a formal RIA before sending it for comment to other ministries and agencies. These amendments were also revised slightly by the advisor from Georgia Customs.

*Reduce operational and clearance costs at the Giurgiulesti Port.* BRITE was approached by Danube Logistics this quarter to assist in developing new recommendations for improving the operations at the port. BRITE will meet with Danube in July to determine what assistance we can provide beyond what was provided earlier this year.

*Support capacity building in the MCS and private sector trade community.* As is clear from some of Customs' recent decisions to streamline the clearance process, the MCS has begun to change its practice and follow proper legislative drafting procedures. As of the date of this report, for example, four separate normative acts were drafted and presented to the National Working Group with an accompanying RIA and are awaiting a decision. This is dramatic improvement over the usual practice of issuing and not publishing internal orders. A consequence of this practice, however, is that the MCS does not have the skills to conduct a RIA acceptable to the National Working Group. BRITE has agreed to provide training to the MCS using the RIA Secretariat consultants. This should begin in July.

Finally, the European Business Association (EBA) completed its study of problems facing walnut exporters and presented these and their recommendations at a BRITE-sponsored roundtable in June. It was agreed among participants from the STS and the MCS that the STS will amend its "Acquisition Act" to include additional information on the origin of the walnuts purchased, thus eliminating the need for a separate document from the local mayoralty in order for the MCS to issue a certificate of origin. BRITE will continue to follow these developments with the EBA.

## B. Component 2: Other High-Impact Reform Activities

*Implement e-Government solutions to reduce administrative burdens on business and opportunities for corruption.* BRITE's cooperation with the e-Government Center was re-launched after organizing two regional events this quarter in Balti and Cahul to promote a number of existing e-services to the private sector. These are discussed in more detail in Component 3. Based on the feedback received at these regional events, e-Gov and BRITE have agreed to meet in July to identify additional e-services that could be supported jointly in Year 2 (e.g., e-reporting at the National Statistics Bureau).

*Streamline the issuance of permits at the local level.* This activity continues to be led by the USAID Local Government Support Project (LGSP) through a contract with the Business Research Company (BRC) that was awarded in May. BRITE participated in the selection process and has remained in close contact with LGSP on the progress of this initiative, particularly as it relates to business services at the local level. There have been several meetings with the Ungheni mayoralty and with selected offices providing services, including the local Architectural Bureau, which is functioning on the one-stop-shop (OSS) principle but needs vast improvement. For example, the Ungheni website lacks information on public services provided by the Architectural Bureau; there is high dependence on paper documents and no electronic registry; delays in issuing permits/authorizations due to a lengthy process of coordination with other public authorities; and the Architectural Bureau does not use a GIS system, Cadastral System, or other electronically supported services. According to BRC, there has been good cooperation by all the parties to date, and all welcome the creation of a Citizen Information and Service Center, or one-stop shop. BRITE will continue to coordinate with LGSP throughout the assessment, and, once it is complete, determine whether BRITE has a role in assisting LGSP to implement the first pilot center in Year 2.

*Develop recommendations and advocate for reforms to improve the 2014 Doing Business ranking.* Currently, the amendments to the Law on Joint Stock companies are subject to discussion among different public institutions. BRITE— together with the MOE, the National Commission for Financial Markets, and AmCham — is preparing to organize a roundtable to discuss all received comments and to prepare a final package of amendments. This activity is important in shifting significantly Moldova's ranking in the Protecting Investors area of *Doing Business*. At the same time, BRITE and the MOE are working to conclude the RIA for the package of amendments to improve Trading Across Borders, as discussed under Component 1.

*Improve the process of "Closing a Business."* BRITE presented the results of its study on voluntary liquidation of companies

(completed last quarter) at a roundtable organized jointly by BRITE, the MOE, and AmCham. More than 40 people from the public and private sectors attended the event and



BRITE Tax Advisor Lilia Tapu and Regulatory Reform Advisor Mihai Bologan present at the April 2013 roundtable on the results of the BRITE Program's study on voluntary liquidation of companies.

participated in a discussion of proposed legal amendments to improve the process of voluntary liquidation. New proposals made by BRITE to improve the fiscal aspects of liquidation were well received by the participants. It was agreed with the MOE that BRITE would pursue separately a package of amendments intended to streamline the fiscal requirements of liquidation and reduce the amount of time, cost, and uncertainty to both businesses and the STS. These are discussed in more detail in Component 1 above.

*Improve regulatory drafting and eliminate unjustified regulations.* This quarter, BRITE finalized the recruitment and hiring of three RIA consultants, who will work in the RIA Secretariat providing consultancy and expertise primarily for the National Working Group, which reviews all government decisions impacting entrepreneurship. This support is provided in partnership with the IFC, which has agreed to support an additional two consultants who will focus on sectors of interest to IFC. The three BRITE consultants — Mr. Oleg Chelaru (Team Leader), Nicolae Botan, and Lilia Dabija — will support the National Working Group in their respective areas of expertise, as well as work with the MOE and BRITE to support additional business environment reform efforts. This move considerably expands BRITE’s potential for strengthening a critical PPD mechanism, engaging in high-level policy discussions, and driving high-impact reforms.

### **C. Component 3: Strategic Communications**

#### **C1. Increased Awareness and Understanding of Business Climate Reform, Progress Achieved to Date, and New Reform Initiatives**

*Develop and implement “mini-strategies” for each reform.* The Component 3 team supports reform initiatives under Components 1 and 2 by developing communications strategies for each reform. In this quarter, the project continued its efforts on the Taxpayer Current Account System and the Customs simplified clearance procedures.

- *“Current Account” communications.* The Current Account launch has been delayed to September 2013 due to system errors. In the intervening period, the BRITE team developed an action plan for internal and external testing of the system. BRITE’s communications advisor and tax advisor developed a methodology for internal testing and training for the 38 tax inspectors who will be involved in the system’s internal testing. The project team also successfully advocated for more internal communications and training to ensure that STS staff are knowledgeable about the system. Support will include a series of regional trainings for tax inspectors in August, together with the development of video tutorials to be used by both tax inspectors and economic agents.

For external testing, the project developed a short guide for involved companies that included instructions, templates for recording detailed information on errors, and a questionnaire to gather opinions about the system and its ease of use.

- *Simplified clearance procedures.* BRITE continued to support Customs’ efforts to promote its simplified clearance procedures. Because the procedures may change, BRITE and Customs are working on web-based (or easily adaptable) communications to promote the simplified clearance procedures (SCPs). BRITE developed new, clearer content that focuses on the benefits of the SCPs for Customs’ website. In the upcoming months, the project and Customs will continue to work together to promote the SCPs to target audiences.

*Build communications capacity among key government stakeholders.* In the fourth quarter, the project's Component 3 team continued to dedicate significant time and resources to building communications capacity among its government counterparts. In addition to developing and implementing "mini-strategies" in support of BRITE-assisted reforms by working with government communicators, which provides an opportunity to learn by doing, the project launched the development of a communications strategy with the Customs Service and the STS and continued working with the MOE to develop a communications strategy in support of the draft Regulatory Reform Strategy (RRS).

- *Ministry of Economy Regulatory Reform Strategy.* At the request of the MOE's Press Office, BRITE is working with the ministry's communications team to analyze the communications component of the draft strategy, and to create a communications strategy and plan to implement this component. With the first draft nearing completion, BRITE will vet the plan with stakeholders within the MOE and other government institutions. Because the RRS calls for communications activities to be implemented by several government institutions, the project's next step will be to present the draft strategy to key agencies, including the e-Government Center and the State Chancellery, for their comments and feedback. The strategy will be circulated for government approval after adjusting and integrating proposals from the main implementers, and elements of the plan will be integrated into BRITE's Year 2 Component 3 work plan, as appropriate.
- *Moldova Customs Service.* In April, the BRITE project launched the development of an institutional communications strategy and action plan for the MCS. Working in collaboration with the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM) communications officer, BRITE held three working sessions with the media and public relations team to develop elements of the strategy. Customs has completed the draft external communications strategy (the service has elected not to finish its internal communications or crisis communications plans until after it has finished developing a new website). BRITE has reviewed and provided extensive comments on the strategy and is helping Customs to re-write sections, as needed.
- *State Tax Service.* Following the change of leadership in the STS, BRITE met with the new director to discuss how the project could support his communications-related objectives. Mr. Prisacaru puts strong emphasis on the importance of communications, in particular improving internal communications within the STS as a means for enhancing service delivery to taxpayers. Following these meetings, the process of developing the STS' strategic communications plan began, and BRITE already has held three working sessions with a team from STS. In addition, BRITE will help the STS to re-organize its communications functions under a single department.

*Develop framework for national communications campaign.* The RRS communications plan, developed by the BRITE communications team and MOE Press Service, creates the framework for a national communications campaign on reform issues. BRITE anticipates completing the strategy in the next quarter.

*Coordination with other donors.* BRITE's communications team continues to enjoy a strong, collaborative relationship with EUBAM, and the two programs worked together this quarter on Customs' communications strategy. In addition, the project also consults with the strategic communications advisor at the EU High-Level Policy Advice Mission on his efforts to develop a working group of government communicators.

## C2. Intermediate Result 3.2: Stronger, More Effective Private Sector Voice in Public-Private Dialogue on Business Climate Reforms

*Support to PPD mechanisms.* Acting as a secretariat for the Customs Service Consultative Council, BRITE made significant efforts to organize the meeting, to enhance Customs' communications on the Council's outcomes, and to improve its outreach to media. In addition, the project is working with Customs to improve how it reflects the work of the Council on its website, including updating information more regularly and including a page dedicated to results, which is in progress. BRITE also will work with Customs to ensure that processes or procedures that are reformed as a result of the Council's work are communicated to interested or affected stakeholders.

### *Regional outreach*

*meetings.* BRITE held its first regional outreach meetings in two locations: Balti and Cahul. The meetings were the result of a proposal presented by the Moldova Chamber of Commerce and Industry (MCCI) and the e-Government Center (e-Gov), which sought support to introduce the Government of Moldova's e-services to local businesses. The two events attracted approximately 100 people in total and included presentations by BRITE staff, E-Gov, the STS, CNAS, and CNAM. BRITE also met separately with



BRITE Strategic Communications Advisor Olesea Galusca presents on the Online Current Account System during a meeting of Chamber of Commerce members in Balti in late May.

business leaders and the heads of the local chambers. Participants expressed that the sessions were useful introductions to the government's e-services; however, given the complexity of the information presented, it is clear that follow-up by the relevant authorities will be necessary. The project prepared info packets on these services for MCCI to distribute to all of its members in those regions and is exploring with e-Gov and others the development of simple "how-to" videos on the e-services presented in order to reach the wider target audience.

MCCI gathered participant surveys at both events, which will help BRITE and the participating public authorities to gauge participants' feedback on whether they are more likely to use the electronic services presented, which services participants want to receive more information about, and other government services participants would like to be able to perform electronically. Based on this feedback, as well as monitoring uptake of services, the project will determine how often to hold future sessions. The results may also offer ideas for further Component 2 activities to develop new and improved e-services.

## C3. Project Communications Activities

The project continues to post regular updates to both its website and its Facebook page. The project's regional outreach events in late May also generated considerable media coverage, with stories appearing on Balti TV, Moldova One in both Balti and Cahul, and on InfoTag

and other online media in both Moldova and Romania. In addition, a story about BRITE's trade facilitation activities was published in the Customs Service's in-house magazine, VAMA, in April, and a story on Customs' Consultative Council was published in *Contabilitate si Audit* in May.

## **D. Other Program Activities**

BRITE completed its first semi-annual survey of 800 businesses this quarter. The survey also included a set of questions regarding taxpayer perceptions of their interactions with the STS. This was done at the request of STS and will help BRITE target activities aimed at improving taxpayer outreach and compliance. A summary of the main findings follows.

Key demographics: 69% of businesses are in Chisinau, 3.3% from the Left Bank of the Dniester river; 79% are VAT payers, 74% are SRLs; 34% were importers, and 13% exporters.

### Taxpayer Perceptions of STS

- The main problem reported was frequently changing legislation, contradictions in legislation, and slow response rate from STS employees.
- Most businesses (65%) consider the level of professionalism of STS employees as average and 19.6% as high.
- Most businesses (88%) have not noticed any changes in STS activity for the last 12 months.
- Half of businesses had one fiscal control over the last 12 months; 15.5% had at least two controls; only 9.2% of businesses had a negative experience during the fiscal control, while only 7% reported bribery during fiscal controls.
- The businesses consider that the facilities (chairs, tables) at Territorial Fiscal Inspectorates (TFIs) are not appropriate and could be improved.
- About 58% of respondents complained about the queues at TFIs.
- Most of the respondents who sent inquires to TFIs said that they received a professional and complete answer. Only 5% of those who sent an inquiry didn't receive an answer at all.
- Businesses are pleased with the information on [www.fisc.md](http://www.fisc.md) site and with other means of communication with STS.
- The electronic declaration service is widely used by active businesses (79.2%), while the Rapid Declaration is used by 14.7% mostly small, non-VAT businesses.

### Other Business Environment Findings

- Paying taxes is relatively easy, 3.53 on a scale between 1 and 5. The time for paying taxes is also better than average (3.59). Corruption level is very low when paying taxes (4.8).
- Improving the electronic services is the most commonly mentioned reform (2.5% of total), while the reform on income tax comes second with 1.3%.
- The law on one-stop-shops was mentioned by only 0.9% of respondents.
- Only 3 respondents could identify the application on the CNAS website when asked to name a recent reform.
- More than half of the businesses already used the application on the CNAS website to find out the CPAS number of their employees. The total awareness level is 81.8%. About 41% consider that this application is very useful for the activity of the companies, and only 7% are skeptical.

- Only 9.1% of businesses could identify at least one reform.
- Surprisingly, 41.4% of traders mentioned that they were aware of the activity of the National Customs Consultative Council
- Only 46 companies (6% of the total) have ever been part of a business association.
- During the last 12 months, 38% of companies asked for a trade authorization and 18.9% asked for a construction permit, while 6.9% asked for other types of authorizations, like a license, phyto-sanitary certificate or veterinary certificate. The easiest to obtain was the trade authorization.
- Many respondents (41.2%) consider reporting to STS much easier compared to last year, while for CNAS, only 18% report improvement and only 7% for NBS. Fewer than 3% of respondents considered that the reporting became more difficult, despite, for instance, that CNAS made one of its reports quarterly, instead of annually.
- Under a quarter of businesses said that they use e-CNAS services (24%), almost twice more than those that prepare reports by hand (14%). About 30-32% report either on digital means (CDs or memory sticks) or by providing printed forms.
- Only 19% of respondents were unaware of the e-CNAS service.
- The level of awareness about the BRITE project is 18%. Most businesses found out about BRITE from the Internet (43.4%), TV/radio (24.3%) and press releases (15.4%).
- Among the respondents that were aware of BRITE, only 17% accessed the BRITE webpage (3% of total number of respondents) and 23.5% were aware about the page, but hadn't accessed it.
- Businesses reported awareness of news about public authorities as follows: STS (62.5%), CNAM (49.9%), Ministry of Economy (43.5%), Ministry of Finance (41%) and CNAS (41.5%). Fewer businesses were aware of news on State Veterinary Service (4.3%), E-Government Center (8.6%), Licensing Chamber (14.8%), National Bureau of Statistics (17.4%), and State Registration Chamber (18.1%).
- Negative news was attributed more to the Ministry of Economy and Ministry of Finance, while positive news related more to STS, CNAM, CNAS and State Registration Chamber.

A media-impact coefficient was calculated for 11 public institutions, ranging from 1 to 10, where 1 = mostly negative news, 3 = no news, 5 = both positive and negative news, and 10 = mostly positive news.

The results from this survey led to the following rankings:

More positive: STS – 5.69, CNAM – 5.06, CNAS – 4.86.

More negative: State Veterinary Service – 3.21, E-Government Center – 3.46, Licensing Chamber – 3.71, Customs Service – 3.72, Ministry of Finance – 3.74 and Ministry of Economy – 3.77.

These data could serve as baselines for tracking the implementation of BRITE communication strategies within these institutions.

## **SECTION II: OPERATIONS AND ADMINISTRATION**

In this quarter, BRITE and USAID agreed in principle to extend the reporting period for Year 1 to September 30, 2013. This aligns the project year with the reporting period and the USAID fiscal year. A revised work plan for the whole of Year 1 (July 2012 – September 2013) was submitted separately and approved by USAID. Activities and accomplishments reported in this quarterly report reflect the structure of the revised Year 1 work plan.

In May, BRITE's deputy chief of party, Constanta Popescu, resigned from the project. The project immediately began recruiting for a replacement and has identified a highly qualified candidate whose name has been submitted to USAID for consideration and approval.

## SECTION III: PREVIEW OF UPCOMING QUARTER

BRITE is planning the following activities in the coming quarter, among others:

### Component 1:

- Launch the Taxpayer Current Account in September; train tax inspectors in its use.
- Prepare and submit government decision on improving voluntary liquidation of companies.
- Field short-term tax administration adviser; complete a work plan of activities with the STS to improve tax administration and enhance capacity in the STS; and reach agreement with USAID and director of the STS on this plan.
- Finalize government decision on introducing additional measures to streamline import/export processes and better define violations of customs procedures.
- Finalize the time release study of imports and exports.

### Component 2:

- Hold roundtable to discuss proposed amendments to the law “On Joint Stock Companies.”
- Finalize amendments for improving *Doing Business* rankings.
- Conduct RIA training for MCS.

### Component 3:

- Complete communications strategies, action plans, and communications protocols with each of BRITE’s three primary government counterparts: MOE, Customs Service, and STS.
- Launch the Current Account system, together with a press conference and media campaign, promotional materials, and development of video tutorials for both tax inspectors and end users.

## ANNEX A: PROGRESS TOWARD THE PERFORMANCE MONITORING AND EVALUATION PLAN

Proposed Indicator	Unit	Baseline	Q4Y1	Targets (by fiscal year)				Comments	
				Year 1	Year 2	Year 3	Year 4		
<b>BRITE Program Objective: Identify and Implement Business Environment Reforms Through Increased Public Private Dialogue and Improved Institutional Capacity</b>									
2	Monetized benefit of BRITE-sponsored reforms to the private sector (on an annualized basis)	mil. USD	0	<b>0.715</b>	10	30	60	100	About 55% of VAT companies use the web-application on CNAS site, i.e. about 14300 businesses at least could save at least 10 working hours annually. (14300*5USD/h*10h). For other reforms the impact will be calculated during next quarter.
3	Monetized benefit of BRITE-sponsored reforms to the public sector (on an annualized basis)	mil. USD	0	<b>0.715</b>	10	30	60	100	
<b>Component 1 – Tax Administration and Trade Facilitation</b>									
<b>Intermediate Result 1.1 – Improved tax administration reduces the administrative burden of paying taxes while increasing revenue collection</b>									
6	Index of ease of paying taxes, as an aggregate of perception of private sector concerning cost, time and corruption related to paying taxes	1..5	3.97	<b>3.97</b>	2	2.2	3.1	3.5	This indicator was calculated based on the first semi-annual survey, that revealed a very low level of corruption when paying taxes and higher than average perception of cost and time to pay taxes.
8	Number of tax regulatory and administrative procedures eliminated or improved as the result of USG assistance	#	0	<b>1</b>	3	10	17	25	Reporting for local taxes unified in one form. Current Account System for taxpayers.
<b>Intermediate Result 1.2 – Time and cost of moving goods across borders reduced</b>									
13	Index of Trading Across Borders, as an aggregate of value and weight of goods traded across borders, and the index of diversification of Moldovan imports and exports	1..5	3.15	<b>2.97</b> (Q1/2012-Q1/2013)	3	3.15	3.25	3.7	The 3 <sup>rd</sup> and 4 <sup>th</sup> quarters of 2012 registered higher level of imports over exports and a slight decrease in the physical volume of exports.
<b>Component 2 – High Impact Regulatory Reforms</b>									
<b>Intermediate Result 2.1 – High impact reforms identified and implemented, improving overall business climate in Moldova</b>									
16	Number of reforms across the reform lifecycle identified and implemented by BRITE and through PPD	#	0	<b>6</b>	3	10	15	20	A new reform implemented – consolidate the reporting for the local taxes in one report. Also four important reforms have been implemented at Customs Service as detailed in report above
<b>Intermediate Result 2.2 – Effective and inclusive public-private dialogue leads to adoption of critical reforms</b>									
17	Number of institutions exhibiting effective changed behavior in compliance with reforms	#	0	<b>1</b>	0	1	3	5	Currently, Customs Service shows openness to change. Already, some reforms were implemented to ease the trade across borders.
<b>Component 3 – Strategic Communications</b>									

Proposed Indicator	Unit	Baseline	Q4Y1	Targets (by fiscal year)				Comments	
				Year 1	Year 2	Year 3	Year 4		
<b>Intermediate Result 3.1 – Increased awareness and understanding of business climate reform, progress achieved to date, and new reform initiatives</b>									
20	Number of articles placed in print media, as well as TV and radio segments, devoted to the specific reforms and project initiatives to improve the business enabling environment	#	0	<b>40</b>	30	50	120	200	The target for Year 1 is achieved already.
21	Percentage of general public and businesses who can identify one or more reforms that have been achieved with BRITE assistance	%	0	<b>0.4</b>	5	10	20	35	About 0.4% from businesses could mention the application on the CNAS website as a reform implemented in the past months in an open question. (This was the only BRITE-sponsored reform completed at the time the survey was taken.)
<b>Intermediate Result 3.2 – Stronger, more effective private sector voice in public private dialogue on business climate reforms</b>									
22	Number of activities and initiatives, supported by BRITE, and involving the participation of businesses in PPD	#	0	<b>10</b>	10	25	35	50	In the Q4Y1, four activities were held: a roundtable on voluntary liquidation, a roundtable (with EBA) on walnut exports, and two roundtables on electronic government services. Previously, the project had completed six activities (three Consultative Council meetings, one Conformity Council meeting, the roundtable on the process mapping of trading processes, and the BizCLIR roundtable). Therefore, the target for Year 1 has been achieved. (NB: The current figure doesn't take into account the trainings reflected in the previous quarterly report).
<b>Cross-cutting indicator</b>									
23	Proportion of female participants in BRITE-assisted activities, initiatives and events	%	37.4	<b>63</b>	45	45	45	45	During the regional events, the proportion of women among participants was very high, thus shifting the total average. So far, the minimum representation of women in the BRITE-assisted events is respected, although the baseline was lower.