



**USAID | MOLDOVA**  
FROM THE AMERICAN PEOPLE

## **Business Regulatory & Tax Administration Reform Project**

**Performance  
Management Plan**  
October 1, 2007 – September 30,  
2010

Submitted November 10, 2007

**DRAFT**

## **BRTA Performance Management Plan (PMP)**

The PMP is an important tool for managing and documenting BRTA Project performance. It enables timely and consistent collection of comparable performance data in order to make informed program management decisions.

This plan will assist the team to plan and manage the process of assessing and reporting progress towards achieving a program's objectives. It is a critical tool for planning, managing, and documenting how performance data is collected and used. A PMP serves to:

- Define specific performance indicators, determine baselines and set targets
- Plan and manage the quarterly, annual, and final report data collection process to meet quality standards
- Incorporate relevant data collection requirements into activities
- Communicate expectations and anticipated results to partners

A PMP contributes to the effectiveness of the performance of the project by assuring that comparable data will be collected on a regular and timely basis. Using the PMP to document indicator definitions, sources, and methods of data collection increases the likelihood that the program will have access to comparable data over time - even if key personnel change. PMPs also support reliable data collection by documenting the frequency and schedule of data collection and assigning responsibilities.

This PMP is organized as follows: description of project, indicator narrative and table, description of data sources and data collection methodologies, proposed mid-term and final evaluations and calendar of monitoring and evaluation events.

### **Project Description**

The BRTA Project has two components: Regulatory Reform and Tax Administration Reform. The overriding objective for regulatory reform is to remove excessive administrative burdens and improve the quality of public governance to promote and support enterprise growth. The BRTA Project team will assist in drafting needed legislation, with a key focus on establishing the legal base for a full implementation of the One-Stop-Shop (OSS) concept and moving the modernization of tax administration forward. Work with the State Tax Service (STS) will involve assistance to address a wide range of reform such as reporting, regulations, and fraud. The following outlines the details of the two components.

#### Component 1: Regulatory Reform

- 1.1–Improved Business Licensing Procedures
- 1.2–Simplified Business Reporting Requirements

1.3–Improved Access to Government Information

1.4–Effective Monitoring of Reform and Public Awareness

### Component 2: Tax Administration Reform

2.1–Simplified Tax Reporting Requirements

2.2–Improved Taxpayer Services

2.3–Improved Effectiveness of the Audit Program

2.4–Improved Tax Appeal Process

2.5–Tax Fraud Prevented

### **Indicators**

This project will track two different types of indicators. The first level of indicators will provide data on project activities to support the State/USAID operational plan (see indicators ST1 to ST3). These indicators are chosen in cooperation with the USAID/Moldova from the standard indicators issued by Office of Foreign Assistance.

The second level of indicators provides information on specific project performance (see indicators 1 to 23). These custom indicators are designed to directly reflect the activities accomplished over the life of the project. Data sources for these indicators range from international researchers at the World Bank and World Economic Forum to data drawn directly from Moldova government records.

The following table provides each indicator with their definition, data source/data collection and the baseline and target numbers.

Performance Indicator		Indicator Definition and Unit of Measurement	Data Source/ Data Collection	Base-line FY 07	Targets			New EU Mean	Relationship to Foreign Assistance Framework
					Year 1	Year 2	Year 3		
ST 1	Number of mechanisms for external oversight of public resource use supported by USG assistance	Mechanisms for external oversight include external audits or procedures for external review of government audits; public expenditure tracking surveys; public accounts committees of legislatures, financial disclosure mechanisms for officials, or parties/candidates	BRTA	0	TBD	TBD	TBD	TBD	Standard indicator for Good Governance, Anti-corruption Reforms (2.2.4)
ST 2	Number of USG-supported anti-corruption measures implemented	Anticorruption measures may include new laws, regulations, procedures, consultative mechanisms, oversight mechanisms, investigative/prosecutorial initiatives, public information initiatives taken with the objective of increasing transparency about public decision making, conflict of interest, resource allocation; decreasing impunity for corrupt acts; increasing demand for reform or awareness of the problem; increasing knowledge about corruption and its costs, and reducing opportunities for corruption. Implementation requires that the measure be adopted, that organizational arrangements are in place, resources allocated and steps are taken to implement	BRTA	0	TBD	TBD	TBD	TBD	Standard indicator for Good Governance, Anti-corruption Reforms (2.2.4)
ST 3	Number of municipalities receiving USG assistance with regulatory/administrative simplification	Number of municipalities is calculated by counting regions and adding up all the municipalities contained in those regions	BRTA	0	TBD	TBD	TBD	TBD	Standard Indicator for Private Sector Competitiveness, Business Enabling Environment (4.6.1)
<b>COMPONENT 1: BUSINESS REGULATORY REFORM</b>									
<b>1.1 Improved Business Licensing Procedures</b>									

1	Number of business licensing procedures	Number of business licensing procedures required to acquire permits, licenses, inspections, and utility connections related to building a warehouse.	World Bank DBS*	30	N/A	Decrease by 10%	Decrease by 10%	19.6	Other indicators from DBS are used as Economic Growth objective level indicators
2	Number of days required to deal with licenses	Number of days required to acquire permits, licenses, inspections, and utility connections related to building a warehouse.	World Bank DBS	292	N/A	Decrease by 5%	Decrease by 5%	216	Other indicators from DBS are used as Economic Growth objective level indicators
3	Cost of dealing with licenses	Cost of dealing with income per capita. licenses expressed as a percentage of	World Bank DBS	154.2	N/A	Decrease by 5%	Decrease by 5%	119	Other indicators from DBS are used as Economic Growth objective level indicators
<b>1.2 Simplified Business Report Requirements</b>									
4	Number of business reporting requirements	Question included on annual program survey and diagnostic.	BRTA	TBD	Decrease by 15%	Decrease by 30%**	Decrease by 40%	n/a	Custom Indicator
5	Number of days to meet business reporting requirements	Question included on annual program survey and diagnostic.	BRTA	TBD	Decrease by 15%	Decrease by 30%	Decrease by 40%	n/a	Custom Indicator
6	Percentage reduction in the number of firms reporting bribery in obtaining licenses	Question included on annual program survey and diagnostic.	BRTA	TBD	Decrease by 15%	Decrease by 30%	Decrease by 40%	n/a	Custom Indicator
<b>1.3 Improved Access to Government Information</b>									
7	Quality of information regarding changes in policies and regulations	How clearly the government informs the private sector of changes in policies and regulations affecting each industry.	GCR**	3.4	3.6	3.7	3.9	3.9	Custom Indicator
8	Presence of demanding regulatory standards	Strength of standards on product/service quality, energy, and other regulations.	GCR	3.6	3.8	4.2	4.4	4.7	Custom Indicator
<b>1.4 Effective Monitoring of Reform and Public Awareness</b>									
9	Burden of government regulation	Degree of burden in complying with administrative requirements (permits, reporting, regulations) issued by the government.	GCR	2.5	2.6	2.8	3.0	3.1	Custom Indicator

10	Efficiency of the legal framework	Efficiency of the legal framework for private businesses to settle disputes and challenge the legality of government actions and/or regulations.	GCR	2.6	2.8	3.2	3.4	3.9	Custom Indicator
<b>COMPONENT 2: TAX ADMINISTRATION REFORM</b>									
<b>2.1 Simplified Tax Reporting Requirements</b>									
11	Number of tax payments for business	Annual.	World Bank DBS	44	44	33	36	29.3	Other indicators from DBS are used as Economic Growth objective level indicators
12	Number of hours for individuals to prepare and pay taxes	Annual.	World Bank DBS	TBD	TBD	TBD	TBD	n/a	Other indicators from DBS are used as Economic Growth objective level indicators
<b>2.2. Improved Taxpayer Services</b>									
13	Percentage reduction in number of firms reporting bribery in contacts with tax authorities	The BRTA diagnostic will also include a question for firms on the frequency with which bribery is used in contact with tax authorities. Annual.	BRTA	0	15%	20%	25%	--	Custom Indicator
14	Number of TTIs with access to new central office applications	Number of regional tax offices that "come online" as tax administration applications are made web-accessible (through new Informix designs).	BRTA / MSTI***	0	1	22	43	n/a	Custom Indicator
<b>2.3 Improved Effectiveness of the Audit Program</b>									
15	Number of audits and controls of individual taxpayers	A proxy for audit quality as fewer audits implies more resources/higher quality for each.	MSTI	40,000 (approx)	40,000	30,000	5,000	NA	Custom Indicator
16	Number of small businesses audited/controlled	Annual.	MSTI	10,569	8,000	6,000	5,000	NA	Custom Indicator
17	Cost of tax administration	State Tax Service's budget as percent of revenues (defined as taxes collected) overall tax administration efficiency. it collects. Indicator of overall tax administration	MSTI	1.3%	1.3%	1.2%	0.9%	1.1 (intl)	Custom Indicator

<b>18</b>	Percentage reduction in number of firms reporting bribery in contacts with tax authorities	The BRTA diagnostic will also include a question for firms on the frequency with which bribery is used in contact with tax authorities. Annual.	BRTA	0	15%	25%	40%	--	Custom Indicator
<b>2.4 Improved Tax Appeal Process</b>									
<b>19</b>	Appeals sent to courts	Percentage of post-administrative appeals that taxpayers take to tax court.	MSTI	25%	25%	20%	10%	Na	Custom Indicator
<b>2.5 Tax Fraud Prevented</b>									
<b>20</b>	VAT c-efficiency****	Annual value. Changes in VAT c-efficiency are attributable to reduced tax fraud.	MSTI / BRTA	68	68	72	75	68 (intl)	Custom Indicator
<b>21</b>	PIT productivity ****	Changes in PIT productivity are attributable to reduced tax fraud in personal income taxation	MSTI / BRTA	0.25	.25	.30	.46	0.46	Custom Indicator

\*The World Bank *Doing Business Survey* (DBS) is frequently recalibrated so targets are stated in % change rather than the specific number in order to ensure comparability across years. The survey is published each year with a one-year time lag (the 2008 report presents 2007 data) so for this reason, targets have not been set for the first year of the project.

\*\* The Global Competitiveness Report (GCR) describes their annual Executive Opinion Survey. The survey uses a scale of 1 to 7 with 1= worst performance and 7=best performance.

\*\*\*Main State Tax Inspectorate (MSTI) - headquarters of the State Tax Service. The achievement of these targets is contingent upon the ongoing efforts of the Ministry of Information Development and Center for Special Telecommunications.

\*\*\*\*The baseline data for these ratios will be provided by a tax benchmarking studies to be completed in November.

## Data Sources and Data Collection Methodologies

Data for some of the indicators will be drawn directly for third party sources such as the World Bank and the World Economic Forum. Data from others will be collected by project staff from Moldovan government agencies such as:

- State Tax Service
- National Bureau of Statistics
- National Social Insurance House
- National Medical Insurance Company.

Regulatory impact assessments of these agencies will serve to identify the baselines on business reporting requirement indicators by establishing an inventory of government of reporting requirements.

An annual survey of firms will be carried out in order to determine the realities of business and tax regulations for firms in Moldova. A local survey firm will be contracted to carry out the survey. A sample of firms will be chosen from several strategic industries. Accountants and other firm employees will be interviewed to provide the required information.

A tax benchmarking study will be carried out in the beginning of year one in order to determine the baseline for the custom indicators on tax related indicators.

Data will be collected by the BRTA staff responsible for those technical areas and the data will be stored and maintained by the Outreach and Media Relations Manager.

## Mid-term and Final Evaluations

If it is determined that a mid-term evaluation would be useful, one will be carried out in the middle of year two. This would be a primarily qualitative study to determine if mid-course adjustments are necessary to ensure reaching the objectives of the project.

A final evaluation will be carried out at the end of year three. This evaluation will compare baseline and final data in order to create a chain of evidence to determine whether or not the project has been successful in achieving its objectives.

## Calendar of Monitoring and Evaluation Events

### Year One

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Identify baselines			■									
Tax benchmarking study					■							
Survey of Firms					■							
Quarterly Reports due					■			■			■	

**Year Two**

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Survey of Firms					■							
Mid-term Evaluation (tentative)								■				
Quarterly Reports due					■			■			■	

**Year Three**

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Survey of Firms					■							
Quarterly Reports due				■			■					
Final Evaluation (tentative)											■	
Final Report due												■