



## Revenue Administration Modernization Project (P130202)

EUROPE AND CENTRAL ASIA | Romania | Governance Global Practice |  
IBRD/IDA | Specific Investment Loan | FY 2013 | Seq No: 9 | ARCHIVED on 18-Jun-2017 | ISR27464 |

Implementing Agencies: National Agency for Fiscal Administration (NAFA), Ministry of Public Finance

### Key Dates

#### Key Project Dates

Bank Approval Date:26-Apr-2013

Effectiveness Date:09-Aug-2013

Planned Mid Term Review Date:21-Mar-2016

Actual Mid-Term Review Date:21-Mar-2016

Original Closing Date:31-Mar-2019

Revised Closing Date:31-Mar-2021

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The development objectives of the project are (i) to increase effectiveness and efficiency in collection of taxes and social contributions; (ii) to increase tax compliance; and (iii) to reduce the burden on taxpayers to comply.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components

Name

Institutional Development:(Cost \$9.00 M)

Increasing Operational Effectiveness and Efficiency:(Cost \$75.69 M)

Taxpayer Services and Corporate Communications:(Cost \$3.83 M)

Project Coordination and Management:(Cost \$3.31 M)

Institutional Development:(Cost \$9.00 M)

Increasing Operational Effectiveness and Efficiency:(Cost \$75.69 M)

Taxpayer Services and Corporate Communications:(Cost \$3.83 M)

Project Coordination and Management:(Cost \$3.31 M)

### Overall Ratings

Name	Previous Rating	Current Rating



Progress towards achievement of PDO	● Moderately Satisfactory	● Unsatisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Unsatisfactory
Overall Risk Rating	● Substantial	● High

## Implementation Status and Key Decisions

Project disbursements remain low and have slipped against the revised schedule agreed upon in August 2016 reflecting slower than expected implementation. The National Agency for Fiscal Administration (NAFA) has continued with the implementation of its organizational restructuring that included the upgrading of the Large Taxpayers Office (LTO) as well as the establishment of Medium Taxpayers Offices (MTOs) at the regional level. However, the consolidation of local offices has not taken place and NAFA management have informed the Bank that this will not take place prior to the implementation of the revenue management system.

The bidding process for the revenue management system has been delayed. There are more than 50 NAFA staff involved in the evaluation. The criteria for evaluation are far too complex and detailed. They appear to be driven by a desire to protect the individuals involved from potential questions from the Court of Accounts rather than focusing on procuring a high performing revenue management system.

A "quick wins" team has been set up under the leadership of the PIU head. The program was fully supported by NAFA management and has seen several important early results.

Special attention to the project integration consultancy that is already under implementation remains important together with the strengthening of ICT management related functions that will become critical for successful implementation of the new Revenue Management System (RMS). These issues have been constantly highlighted during Bank missions. The team will continue to support NAFA management in putting these conditions in place. The team has also requested the close involvement of the Ministry of Public Finance and the Prime Minister's Office in order to provide strong political support necessary to implement the project.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● High	● High
Macroeconomic	--	● Moderate	● Substantial
Sector Strategies and Policies	--	● Moderate	● High
Technical Design of Project or Program	--	● Substantial	● High
Institutional Capacity for Implementation and Sustainability	--	● High	● High
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Low	● Low
Stakeholders	--	● Substantial	● High
Other	--	--	--
Overall	--	● Substantial	● High

## Results



### Project Development Objective Indicators

#### ► Effectiveness in revenue collection measured as the rate of tax arrears (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	40.00	36.70	37.10	50.00
Date	31-Jan-2012	13-May-2016	20-Feb-2017	31-Dec-2018

#### ► Effectiveness in revenue collection as measured by the productivity rate of VAT and CIT (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	VAT 35.8%, PIT 11.9%	VAT 33.8%, PIT 12.3%	VAT 32.5%, PIT N/A	VAT 46%, PIT 21%
Date	31-Dec-2012	13-May-2016	20-Feb-2017	31-Dec-2018

#### ► Efficiency in revenue collection measured as the revenue collected per NAFA staff (RON Thousands) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	6,309.00	7,513.00	7,491.00	8,715.00
Date	31-Dec-2012	13-May-2016	20-Feb-2017	31-Dec-2018

#### ► Tax Gap for VAT, CIT, and PIT (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	VAT 40.2% CIT 33.0% PIT 39.4%	VAT 40.2% CIT 33.0% PIT 39.4%	VAT 32.5% CIT N/A PIT N/A	VAT 30.2% CIT 28.0% PIT 34.4%
Date	31-Dec-2014	31-Dec-2014	20-Feb-2017	31-Dec-2018

#### ► Compliance cost as the average time for preparation of tax returns for corporate taxpayers (Days, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	222.00	159.00	161.00	176.00
Date	31-Dec-2012	13-May-2016	20-Feb-2017	31-Dec-2018

#### Overall Comments

The CIT and PIT tax gaps will be calculated in October 2017 based on national accounts statistics.

NAFA staff are also tracking a number of other indicators. Most appear to be on track. However, those that are not include:

- (i) Case management tools implemented for managing legal and appeals process.
- (ii) Yield per audit of high net worth individuals (162 compared to target of 760)
- (iii) Average time to settle disputes (60 days compared to target of 45)
- (iv) Cost of revenue collection (1.1% compared to target of 0.9%)
- (v) Ratio of NAFA staff in taxpayer services (2.1% compared to target of 8.3%)

#### Intermediate Results Indicators

► Comp 1-Instl Devt: Estimated tax gap is calculated annually (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018

► Comp 1-Instl Devt: Case management tools implemented for managing legal and appeals processes (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	N	N	Y
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018



► **Comp 1- Instl Devt: NAFA staff's level of satisfaction with new skills and ability to apply them for better performance (Percentage, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	68.00	63.00	63.00	74.80
Date	31-Dec-2013	13-May-2016	13-May-2016	31-Dec-2018

► **Comp 2-Increasing Effectiveness & Efficiency: Yield per audit of firms and High-wealth individuals (Text, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	RON 608,000	RON 608,000	RON 608,000	RON 760,000 HWI: Increase of 25%
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018

► **Comp 2-Increasing Effectiveness & Efficiency: Payment compliance rate for VAT, PIT, Social Contributions (Text, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	VAT: 78.5% PIT: 81.5% SC: 76.5%	VAT:81.6%, PIT 83.8%, SC80.0%	VAT:81.6%, PIT 83.8%, SC80.0%	Increase to VAT:83.5% PIT:86.0% SC:82.5%
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018

► **Comp 2-Increasing Oprtnl Effectiveness & Efficiency: Average time required to settle dispute resolution (Days, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	61.00	56.00	56.00	45.00
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018



► Comp 2-Increasing Optrnl Effectiveness & Efficiency: Cost of revenue collection (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.1%	1.1%	1.1%	0.9%
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018

► Comp 3-Taxpayer Svcs and Corp Comm: Ratio of NAFA staff in Taxpayer Services (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2.50	1.64	1.64	8.30
Date	31-Dec-2012	13-May-2016	13-May-2016	30-Sep-2018

► Comp 3-Taxpayer Svcs and Corp Comm: Electronic filing rate by large and medium size firms (legal persons) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	95.00	96.60	96.60	98.00
Date	31-Dec-2012	13-May-2016	13-May-2016	31-Dec-2018

► Comp 3-Taxpayer Svcs and Corp Comm: Taxpayers' satisfaction with NAFA's integrity (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	48.00	52.00	52.00	55.00
Date	31-Dec-2013	13-May-2016	13-May-2016	31-Dec-2018



► Comp 3-Taxpayer Svcs and Corp Comm: Taxpayers' satisfaction with NAFA's quality of taxpayers services (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	54.00	56.00	56.00	62.00
Date	31-Dec-2013	13-May-2016	13-May-2016	31-Dec-2018

► Comp 3-Taxpayer Svcs and Corp Comm: Taxpayer perception of the time required to comply with tax procedures (Hours, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	180.00	204.00	204.00	144.00
Date	31-Dec-2013	13-May-2016	13-May-2016	31-Dec-2018

Overall Comments

## Data on Financial Performance

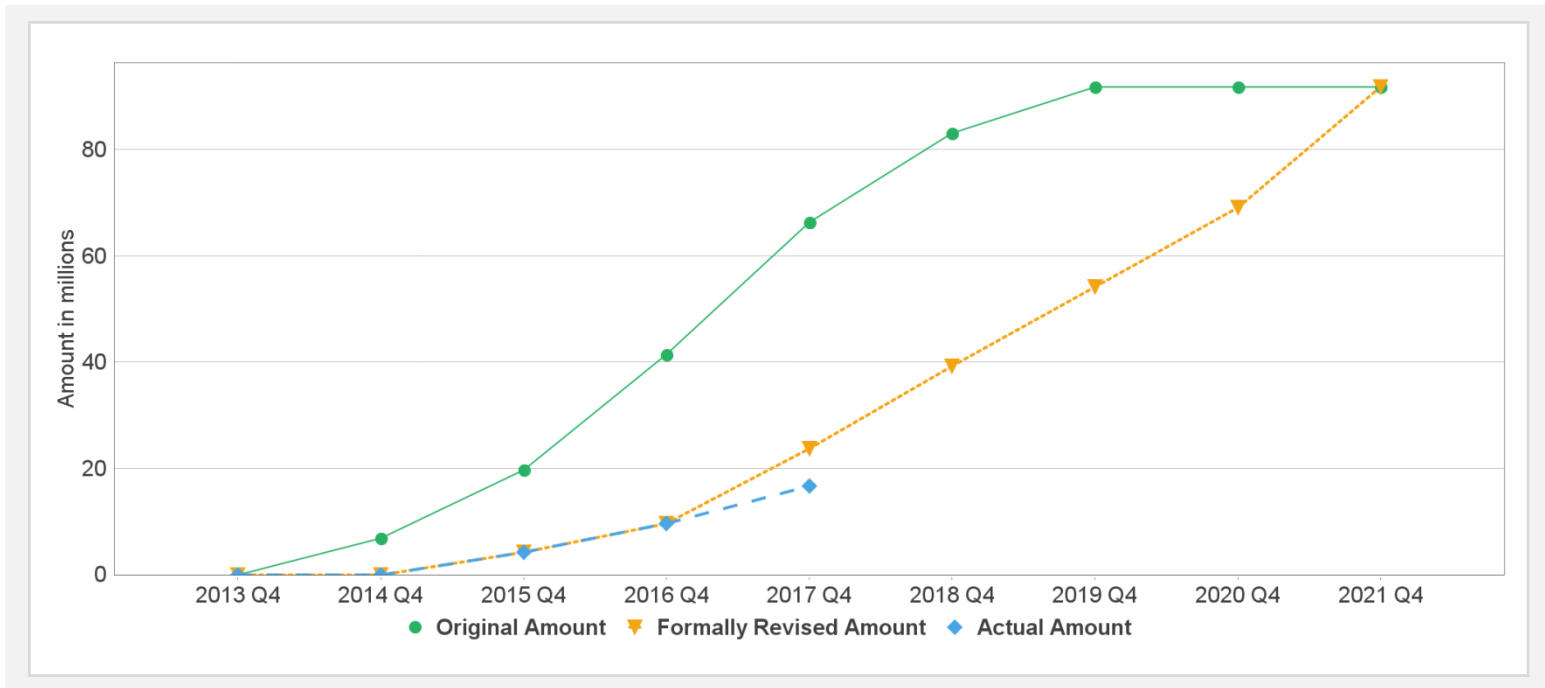
### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P130202	IBRD-82610	Effective	USD	91.80	91.80	0.00	16.70	71.92	18%

### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P130202	IBRD-82610	Effective	26-Apr-2013	08-May-2013	09-Aug-2013	31-Mar-2019	31-Mar-2021

### Cumulative Disbursements



## Restructuring History

Level 2 Approved on 01-Nov-2016

## Related Project(s)

There are no related projects.