

STATEMENT OF OBJECTIVES
for a
Task Order
under the
Support for Economic Growth and Institutional Reform (SEGIR) IQC
for
Global Business Trade and Investment

MOLDOVA ECONOMIC GROWTH ACTIVITY: BUSINESS REGULATION AND TAX ADMINISTRATION

I. PURPOSE

This task order provides technical assistance, commodity support and training services, as part of a concerted effort to improve governance and facilitate private sector led growth and development. The overall objective is to reduce the cost of business by addressing government regulatory and administrative burden and corruption.

Task objectives are specified within two component subject areas:

1. Business regulatory reform to simplify regulations and streamline procedures affecting business start-up and operation; and,
2. Tax administration reform to simplify and streamline compliance requirements.

II. BACKGROUND

Political Overview

Moldova has been independent for fifteen years. It has been a difficult period, complicated by a short war and Transnistrian secession, unreliable markets for the agriculturally-based economy, and significant emigration of the working-age population. Building from a Soviet legacy and political tradition of strong central power and citizen apathy, finding the means to govern in a democratic manner has been a particular challenge for Moldova.

The main elements of good governance -- effectiveness, transparency, and accountability of political and governmental institutions -- remain in short supply despite evidence of progress. A shortage of capacity accounts for some of the ineffectiveness of public administration, but the larger problem is the low level of transparency and accountability, and consequent permissive conditions for corruption. This impedes prospects for democratic consolidation and reinforces popular cynicism.

The Business Environment

The business environment is perceived to be difficult. Composite investment climate indicators rank Moldova low in regional scoring, and suggest that regulatory and tax administration constraints are important impediments to private sector led growth.

Despite recent achievement in regulatory reform, problems with the rule of law, transparency, corruption, and red tape continue to interfere with the promise of an efficient private market economy. Private investment has been stifled and economic growth and development has been restrained.

Impetus for Reform

In search of greater integration and eventual formal accession into the European Union, the Moldovan government has placed increased emphasis on adoption of policies to make Moldova more “European.” The EU-Moldova Action Plan of February 2005 provides the framework for reforms needed to bring political, economic and regulatory practices into alignment with those of the European Community. In both the EU Action Plan and the Economic Growth and Poverty Reduction Strategy Paper, the GOM commits to undertaking needed reform. In December 2006, the GOM and the Millennium Challenge Corporation (MCC) of the United States agreed on the terms of a Threshold Country Plan which targets corruption with particular focus on police and the judiciary, health care delivery, and tax and customs administration. Compact assistance with the MCC and a substantial increase in grant assistance is possible following successful performance on the threshold program.

US Government Strategy

The United States has supported Moldova in becoming a market-oriented, democratically governed state since 1991. Assistance priorities include broad-based and sustainable economic growth, by helping to improve the overall business and investment climate; and, strengthening the legitimacy of GOM institutions, including enhancing the role of civil society and civic organizations as necessary and vital actors in a democratic society.

USAID’s economic growth programs support the development of business and industry clusters, financial and investment intermediation, and enhancement of Moldova’s business regulatory framework. Activities help stimulate economic growth and improve employment opportunities for Moldovan citizens by increasing the competitiveness of Moldovan products in international markets, and by creating a business environment and investment climate that supports and rewards competitive enterprise performance. Assistance also aims to increase economic opportunity and reduce unemployment among vulnerable populations, particularly woman at risk for trafficking.

USAID’s governance programs build on the momentum of Moldova’s movement toward Europe and help promote a more decentralized, participatory, and democratic political environment by creating the conditions necessary for the development of more effective local political leadership and increased citizen participation in decision-making processes. In the area of rule of law, efforts aim to strengthen the overall integrity and efficiency of the legal system, and improve citizen confidence in the institutions and entities that create, adjudicate and enforce the law. Macro-level institutional reform is also supported, with an emphasis on reducing corruption and improving public sector service delivery by incorporating more transparent and democratic structures and principles into the Moldovan systems of governance.

Implementation of this task order will contribute to achievement of the United States Government Foreign Assistance Framework Objective of “Economic Growth.” It represents USAID’s primary vehicle for assistance in improving the macroeconomic environment for business enterprise formation and growth.

This task order is funded with the resources of the Freedom Support Act (FSA). It complements the tax administration reform element of the Threshold Country Program (TCP) negotiated between the Millennium Challenge Corporation (MCC) and the Government of Moldova (GOM), and widens the scope of USG programming for prevention and deterrence of corruption.

III. STATEMENT OF OBJECTIVES

The overall objective is to reduce the cost of business by addressing government regulatory and administrative burden and corruption. Task objectives are: Simplified regulations and streamlined procedures for business start-up and operation; and, simplified and streamlined tax compliance requirements. The Contractor will provide consulting, training and other services and commodities to governmental and non-governmental organizations to achieve these objectives. Consequent decline in current levels of corruption is anticipated.

Offerors are required to propose a comprehensive strategy for achieving objectives and making reforms sustainable. A high level of coordination with other USG-funded initiatives and other donor activities is required. Duplication and redundancies in assistance must be avoided, and a clear effort to build on past achievements and on-going activities is necessary.

While offerors have complete flexibility to propose their own solutions, two program components and illustrative tasks/performance indicators are described below to guide prospective offerors in preparing their proposals. Upon award, the Contractor is expected to mobilize personnel and engage the GOM and other stakeholders in a consultative and participatory process to develop an implementation/work plan to achieve task order objectives.

Objective: Business Regulatory Reform

The Government of Moldova has over the past five years significantly reformed the commercial and financial legal framework, simplified business registration and licensing procedures, and reduced the number of licenses and the number of documents required for business registration. Nevertheless, administrative burdens, state interventions and the low quality of public governance still constitute barriers to enterprise growth. Some laws remain inconsistent with market principles and business realities, and implementation is still too unpredictable and poorly monitored. Laws, regulations and procedures which govern business are still often duplicative, contradictory and lacking in clarity. As such the regulatory environment for business remains difficult and conducive to corruption.

Simplifying regulations and streamlining procedures affecting business start-up and operation will reduce the cost of doing business, and minimize opportunities for corrupt practices. Simple, focused reforms that adopt information and intra-governmental communication technologies are needed. Further facilitation and acceleration of reforms like those promoted under the recently completed USAID/BIZPRO project is required, in coordination with assistance the World Bank and others are currently supplying to the Ministry of Economy.

Tasks

1. Improved Business Licensing Procedures

Assist the GOM in the ongoing review and revision of laws and regulations pertaining to business licensing. Assist the GOM in elaborating the concept and design of a national-level One-Stop Shop (OSS) for licensing. Analyze practical possibilities to implement the OSS concept with each public authority involved in the licensing process; assess the legal, economic and financial impact of implementation of the OSS; provide the GOM with recommendations, and support development of the needed legal framework for implementation of the OSS concept. Assist in implementing a national-level OSS for licensing, employing IT solutions to the extent practicable.

2. Simplified Business Reporting Requirements

Review business reporting requirements and provide legal support to develop legislation regulating reporting requirements, including the establishment of mandatory cost-benefit analysis. Analyze options for simplifying, streamlining, and consolidating business reporting requirements to reduce the cost of reporting. Assist the GOM in elaborating the concept and design of “one institution – one report.” Assist in developing and implementing information technology solutions to the extent practicable.

3. Improved Access to Government Information

Support access of businesses and citizens to local and central government information through the existing network of fifteen regional-level OSSs established by the USAID/ BIZPRO project, and extend capacities by integrating more services. The establishment by local government authorities in Cahul of a Register for Acts and Regulations governing business activity is a model to be supported and replicated for improved access to information and improved transparency and accountability of government.

4. Effective Monitoring of Reform and Public Awareness

Assist the National and Regional Regulatory Working Groups, including those hosting the one-stop-shops, in advocating for business licensing and reporting reforms and in monitoring progress in this respect. Facilitate advocacy and knowledge-building through sponsorship of meetings, conferences, and other activities to increase member understanding of policy and legislative issues. Support the development of a public communication strategy to educate stakeholders on reforms, and participate in or sponsor periodic surveys on the time and cost of compliance with licensing and reporting requirements, as well as perceptions of corruption within the system.

Achievement Indicators

Primary indicators include: a) Percent reduction in the number of required business licensing procedures; b) percent reduction in the number of days required to obtain a business license; c) percent reduction in the number of required business reporting requirements; and, d) percent reduction in the number of days required to meet business reporting requirements. Corollary measure: Percent reduction in number of firms reporting bribery is required or frequently a consideration in obtaining business licenses.

Objective: Tax Administration Reform

The greatest reporting burden on business is imposed by State Tax Directorates and the Territorial Statistical Service. Reporting is burdensome in volume, multiplicity, and frequency. Corruption is equally or even more problematic and costly to business. Factors contributing to corruption in the administration of tax law include: lack of standardization and automation of core processes; inability to effectively cross-check taxpayer information; excessive contact between taxpayers and tax administration staff; and the lack of a customer service perspective within the tax system. To achieve transparency in the tax system and substantially reduce opportunities for corruption, institutional capacity will need to be strengthened and tax collection processes standardized.

The key reference for work in this area is the recently adopted *State Tax Service Development Strategy for 2006 – 2010*. The strategy, which was prepared with the support of the IMF, is guiding reform in tax administration.

UNDP is supporting pilot testing of electronic tax filing for individuals, including development of an e-Declarations Information System and Portal. The terms of reference for the Portal itself offer the possibility of more than 130 different tax forms to be filed online. It is expected that UNDP will complete the development of systems to support on-line services for one or two types of forms used by individual taxpayers.

Among its tasks, the MCC TCP-funded “Moldova Governance Threshold Country Program” will build upon the UNDP-developed systems to allow full functionality and on-line submission for a full array of required tax forms, electronic communication with tax authorities, and anytime-access to entity-specific information such as assessments and delinquencies. The expanded system is expected to address all forms of tax; including personal income tax, corporate income tax, and value-added tax, as well as assessments and filings to the Social Insurance Fund. The system will include administrative and security systems to protect the confidentiality of taxpayer information.

Tasks designed and undertaken within this component must be fully coordinated with those of the MCC TCP-funded task order which will be implemented in parallel with those of this task order.

Tasks

1. Simplified Tax Reporting Requirements

Review tax-reporting requirements, assess the relevance of the requirements to tax assessment purposes, and provide legal support to improve the relevant legislation. Analyze options for simplifying, streamlining, and consolidating tax reporting requirements to reduce the cost of tax reporting. Assist the GOM in elaborating the concept and design of “one institution – one report.” Assist in developing and implementing information technology solutions to the extent practicable, including central IT and management information systems at the STS.

2. Improved Taxpayer Services

Assist the State Tax Service (STS) to improve communication with taxpayers and to improve and expand taxpayer services. Assist the STS with effective staff training and performance monitoring systems. Assist the STS in adopting and complying with fundamental provisions of the EU Code of Conduct for Business Taxation.

3. Improved Effectiveness of the Audit Program

Assist the STS to advance a risk-based system of tax audit and to perform audits based on analysis, judgment, and materiality. Assist the STS to design and provide more effective staff training in audit procedures and in the use of accounting software. Help to expand the risk-based approach to tax audit for ad-hoc and targeted audits that are not prescribed in the annual audit schedule. Assist the development and implementation of a computerized workload control system that may receive assigned caseload at the local tax office, allocate cases to auditors, track progress, record results to be fed back into the risk-based selection system, analyze time utilization, and prepare management reports.. Assist the STS to design and promote amendments to the Criminal Code to ensure that unintentional errors in tax liability computation are not treated as criminal offences.

4. Improved Tax Appeal Procedures

Review tax appeal procedures and provide legal support to improve the relevant legislation. Assist the STS in developing a modern system of appeals for taxpayers. Assist the STS to design more effective staff training and performance monitoring systems to support improvement in tax appeal procedures, such as through greater use of out-of-court tax mediation.

5. Tax Fraud Prevented

Review and evaluate elements of the STS strategy for detecting and preventing tax fraud. Identify and help implement effective mechanisms that will protect state revenue without imposing undue delay or burden upon taxpayers with valid requests for tax refunds and credits.

Achievement Indicators

Primary measures include: a) Percent reduction in the number of tax payments an entrepreneur must make annually; and b) percent reduction in the number of hours required for an entrepreneur to prepare and pay taxes. Other measures may include: a) percent reduction in number of tax payments per year for individuals; b) time to pay taxes (hours per year) for individuals; c) quality of risk assessment reports; d) average length of audit; e) audit quality; and, f) average length of appeals cases. Corollary measure: Percent reduction in number of firms reporting bribery is required or frequently a consideration in contacts with tax authorities.

IV. BUDGET ESTIMATE

The total budget for this task is to not exceed \$7,500,000.

V. PERIOD AND PLACE OF PERFORMANCE

The duration of the task order is 36 months from the task order award date. It is essential that the contractor has the capacity for rapid start-up of activities through quick mobilization of key staff and office support. The anticipated performance period is on or about September 30, 2007 through on or about September 29, 2010. The place of performance is Chisinau, Moldova.

VI. PERSONNEL

Both local and international technical assistance will be drawn upon in support of existing capacities within the GOM. Offerors should emphasize the use of local expertise whenever possible.

The task order proposed by this solicitation includes a key personnel clause, and the quality of key personnel proposed will be an evaluation factor. The offeror must include as part of its proposal a statement signed by each person proposed as key personnel confirming their present intention to serve in the stated position and their present availability to serve for at least the initial two-years of the three-year performance period of the task order. Key personnel, subject to review of offeror proposals, will include the Chief of Party, any Acting Chief of Party, and any other full-time resident expatriate advisor(s).

VII. Gender Consideration

Because of both economic and equity issues, gender affects program performance and its inclusion in activity planning will result in better-targeted and more effective programs. Gender is not a euphemism for "women." It means examining the constraints and opportunities for both men and women - particularly as they may differ. Including gender means assessing: how the problems of men and women may be different; how the impact of activities may differentially affect men and women; and how the contributions of men and women may contribute to results in different ways. Offerors should consciously address the need for increased gender balance in areas such as training and access to information, and other aspects of all activities as appropriate. The Offeror will demonstrate a knowledge of and sensitivity to gender issues and illustrate how that knowledge and sensitivity will be translated to effective implementation of the program. As appropriate and feasible, impact and indicator data should be disaggregated by gender.

VIII. COGNIZANT TECHNICAL OFFICER

A CTO designation letter will be provided to the Contractor after award of the task order.

IX. PROPOSAL OUTLINE AND GUIDANCE

Proposals must be submitted in three parts: Technical Proposal, Cost Proposal, and Past Performance. No cost information shall be presented in the Technical Proposal. The proposal should be submitted electronically. The technical part of proposal should be submitted in Word format. The cost part should be submitted in Excel format.

1. Technical Proposal page limits are:
 - a. Challenges and Solutions: 30 page limit
 - b. Illustrative Performance Monitoring Plan: five page limit
 - c. Technical Management and Key Personnel: ten page limit

2. The Cost Proposal is not constrained by page limits; however, it shall be strictly limited to cost and price information. Relative proportionality of cost among the two components of the project is estimated as follows:

Business Regulatory Reform – 60 %;

Tax Administration Reform – 40 %

3. There is no page limit for the submission on Past Performance. The proposal must offer evidence of technical and managerial resources and expertise. A concise summary of the offeror's organizational history, experience and representative accomplishments in developing and implementing programs of this kind will be useful. The offeror should include a table listing all of the major U.S. Governmental and/or privately funded contracts, grants and cooperative agreements during the past three years received by the organization involving programs similar to this. The following should be included in the table: name of awarding organization or agency, a contact name, address, telephone/fax number and e-mail contact; the award number, type of award and amount of award; time period (begin and end dates of services/program); and a very brief description of the program and geographical location where services or the program was implemented.

X. Monitoring and Evaluation

The Performance Monitoring Plan requested as part of the technical proposal is understood to be illustrative and preliminary in nature. Upon award, the Contractor must develop a full Performance Monitoring and Evaluation Plan (PMEP) that addresses overall program implementation. The PMEP must establish clear criteria and indicators for evaluating and monitoring the impact of program activities toward achieving component objectives during the three-year performance period. The PMEP is to be developed in collaboration with the GOM and all relevant counterparts. The PMEP is due to USAID for approval within 90 days after the signature of the task order and progress toward the achievement of stated objectives will be reported on a quarterly basis. .

XI. Work Plans/Reporting

Initial ICT Procurement Plan

The contractor will deliver to USAID a design document covering the procurement and implementation of all ICT systems proposed under this task order. The design document shall be due to USAID within 90 days of the award of this task order, and should be the culmination of a consensus-building approach.

Program Work Plans

Within 30 days after the signature of the task order the Contractor will submit the first detailed program work plan covering project implementation through Year 1. The scope and format of the Annual Work plan will be agreed to between the Contractor and the CTO. The plan will, at a minimum, include expected results (based on component objectives), result indicators, principal activities, timetables, short-term technical assistance plan, and functional budget for the first year. Subsequent work plans are due no later than 30 days prior to the start of the next year. The Contractor will detail the work to be accomplished during the upcoming year. Annual work plans may be revised more frequently than annually to reflect changes on the ground, but only with the prior written approval of the Contracting Officer. Information

describing the anticipated expenditures during the upcoming period for each component is also to be included in the annual work plan.

Quarterly Reports

Quarterly reports reflecting work plan activities will be produced in English and Romanian and will be due no later than 15 days after the end of each quarter. Quarterly reports should include reference to annual work plan activities, activities completed and not completed, results (based on the component objectives), indicators, timeframe, quarterly funds expended, total program expenses to date, and estimated amounts still available, pipeline analysis, and anticipated burn-rates. Discrepancies (if any) between the work plan and reported progress must be explained and the work plan amended accordingly. Accomplishments will be described both quantitatively and qualitatively as they relate to program objectives. In addition, they will address existing and potential problems in project implementation, and any anticipated or actual delays will be explained and a plan for corrective actions shall be proposed.

At a minimum, Quarterly Reports will include the following information:

- Brief outline of project purpose and approach;
- Brief description of significant events during the reported period;
- Status of activities of each task as defined in the Work Plan;
- Status of overall project progress per performance indicators as defined in the PMP;
- List of reports/deliverables completed in the reporting period;
- Performance problems during the reporting period and variance from the Annual Work Plan and PMP;
- A detailed financial report of expenditures and the following quarterly budget; and,
- List of major activities planned for next quarter.

Final Report

A written final report in English and Romanian is due no later than 30 days after the end of the task order. It shall include, at a minimum, quantitative and qualitative accomplishments or shortcomings, description of all activities undertaken during the period of the task order and the relative significance of these activities, comments and recommendations regarding unfinished work and/or follow-on activities, conclusions, and a financial report that describes in detail how funds were used.

All reports shall be submitted in Romanian and English and the Contractor will provide at least two hard copies and two CDs.

XII. Branding and Marking

USAID requires all programs, projects, activities, public communications, and commodities the Agency partially or fully funds to be marked with the new USAID Standard Graphic Identity. (See Acquisition & Assistance Policy Directive, AAPD 05-10.

http://www.usaid.gov/business/business_opportunities/cib/pdf/aapd05_11.pdf)

XIII. Evaluation Criteria

- **Technical Approach**

50 points

The Government will evaluate the offeror's technical approach in three areas:

- The offeror's understanding of Moldova's current and projected economic and political environment; and the challenges, risks, and opportunities related to the proposed undertaking.
- The depth of the offeror's responsiveness to the requirements of the task order, and the extent to which the proposal demonstrates an innovative, ambitious, complete, adequately resourced and feasible strategy for addressing the objectives of the task order.
- The offeror's approach to the sustainability of all systems and procedures established pursuant to the component tasks of this task order.

- **Technical Management, Staff, and Key Personnel**

30 points

The Government will evaluate the offeror's proposed staff and management systems in four areas:

- The quality, clarity, and responsiveness of the offeror's proposed Management Structure and the realism and completeness of the offeror's staffing plan.
- The experience and effectiveness of the proposed Chief of Party in managing like programs in a developing country context.
- The qualifications and relevant professional experience of other identified personnel in implementing programs of this kind.

- **Performance Monitoring and Evaluation Plan (PMEP)**

10 points

The quality and realism of the offeror's preliminary Performance Monitoring and Evaluation Plan (PMEP) will be assessed. The PMEP must allow for tracking and documenting implementation progress against specified performance indicators and related targets and benchmarks, including gender consideration.

- **Past Performance**

10 points

Past performance will be assessed to determine the extent to which previous comparable and relevant objectives have been achieved by the offeror and any significant subcontractors and/or teaming partners. In conducting the evaluation for this factor, the right is reserved to use all information available at the time of the evaluation, whether provided in the offeror's proposal, found in the NIH Past Performance Database, or obtained from other sources. For example, the Government may rely on information contained in its own records and that available through reference checks, audit agencies, and commercial sources.

- **Cost**

0 points

An analysis of the cost proposal will be conducted separately from that of the technical proposal. The validity of the cost proposal will be assessed in terms of the offeror's capability to accomplish the contract objectives within the estimated cost proposed. The cost proposal will be used as an aid to determine the offeror's understanding of program requirements.

TOTAL

100 points

XIV. Reference Materials

USAID/W Anticorruption Strategy, January 2005	http://www.usaid.gov/policy/anticorruption_strategy05.pdf
USAID/Chisinau, Moldova Democracy and Governance Assessment, December 2005	http://moldova.usaid.gov/lib/mol_democracy_assmnt.pdf
USAID/Chisinau, Moldova Anti-Corruption Assessment, June 2006	http://moldova.usaid.gov/lib/anti_corruption.pdf
GOM National Strategy for Building the Information Society in Moldova	http://gov.md/content/en/0000051.pdf
GOM National Strategy on Preventing and Fighting Corruption	http://gov.md/content/ro/0000068.pdf
GOM Central Public Administration Reform Strategy	http://gov.md/content/en/0000109.pdf
Moldova Economic Growth and Poverty Reduction Strategy Paper (EGPRSP)	http://gov.md/content/en/0000049.pdf
EU-Moldova Action Plan	http://gov.md/content/en/0000050.pdf

World Bank Competitiveness Enhancement Project, 2005 – 2009.	
USAID/BIZPRO, Reporting Procedures of Economic Agents of the Republic of Moldova, April, 2006 USAID/BIZPRO, Feasibility Study: The One-Stop-Shop at the National Level, April 2006 USAID/BIZPRO, Evaluation of the Impact of One Stop Shops' Activity in Moldova, May 2006 USAID/BIZPRO, Strategic Assessment of SME Support in Moldova, August 2005	http://moldova.usaid.gov/arc.shtml#sub4
Government of Moldova, Threshold Country Plan, September 12, 2006	
Moldova State Tax Service Strategy of Development of the Years 2006 – 2010,	http://moldova.usaid.gov/arc.shtml#sub4

October 20, 2006	
UNDP Terms of Reference e-Declarations Information System and Portal	http://moldova.usaid.gov/arc.shtml#sub4
IMF Aligning to Best Tax Administration Practices, July 2006	http://moldova.usaid.gov/arc.shtml#sub4
GOM/UNDP Building E-Governance In Moldova, September 2006	http://moldova.usaid.gov/arc.shtml#sub4