SRSS/S2019/039

EUROPEAN COMMISSION
Directorate-General for Structural Reform Support

The Director-General

Amendment No. 1 to the Administration Agreement between the European Commission and the International Bank for Reconstruction and Development concerning the Part II Europe 2020 Programmatic Single-Donor Trust Fund
Trust Fund (No. TF073323)
(EC Contract No. SRSS/S2019/039)

1. Reference is made to the Administration Agreement between the European Commission (the "Donor") and the International Bank for Reconstruction and Development (the "Bank", and together with the Donor, the "Parties" and each a "Party") regarding the *Part II Europe 2020 Programmatic Single-Donor Trust Fund,* No. TF073323 (the "Trust Fund"), effective as of June 18, 2019 (the "Administration Agreement").

2. The Parties agree to amend the Administration Agreement as follows:

(a) Article 1 of the Administration Agreement shall be modified to read as follows:

> "1. The International Bank for Reconstruction and Development (the "Bank") acknowledges that the European Commission (the "Donor", and together with the Bank, the "Parties" and each a "Party") agrees to provide three million and two hundred and forty-nine thousand Euros (€3,249,000) (the "Contribution") for the Part II Europe 2020 Programmatic Single-Donor Trust Fund, No. TF073323 (the "Trust Fund") in accordance with the terms of this Administration Agreement.
>
> The estimated total budget of the Trust Fund is three million two hundred and forty-nine thousand Euros (€3,249,000). The indicative budget set out in Annex 5 shall be used for monitoring purposes only and shall not be binding."

(b) Article 3 of the Administration Agreement shall be modified to read as follows:

> "3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above ("Contribution Currency") into such bank account designated by the Bank (each amount deposited hereinafter referred to as an "Instalment") upon submission of a payment request by the Bank:
>
> (A) Promptly following countersignature - €1,805,000.
> (B) €1,444,000 - subject to the disbursement of 70% of the preceding instalment
>
> The period for payment of further instalments shall be 60 days.
> The period for payment of the balance shall be 60 days."

(c) Section 2 of Annex 1 "Part II Europe 2020 Programmatic Single-Donor Trust Fund Description" to the Administration Agreement is replaced by the text of Attachment 1 to this Amendment.

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(d) Annex 4 "Indicative Results Indicators for the Annex 1 Activities" to the Administration Agreement is replaced by Attachment 2 to this Amendment.

(e) Annex 5 "Indicative Budget for the Annex 1 Activities" to the Administration Agreement is replaced by Attachment 3 to this Amendment.

3. All other terms of the Administration Agreement shall remain the same.

4. Each of the Parties represents, by confirming its agreement below, that it is authorised to enter into this Amendment and act in accordance with these terms and conditions. The Parties are requested to sign and date this Amendment, and upon possession by the Bank of this fully signed Amendment, this Amendment shall come into effect as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: ____________________

Name: Gallina A. Vincelette

Title: Director for European Union Countries

Date: 10 Jan 2022

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By: ____________________

Name: Mario Nava

Title: Director General, DG REFORM

Date: 20/1/2022

EUROPEAN COMMISSION
Directorate General
for Structural Reform Support
DG REFORM

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ATTACHMENT 1

ANNEX 1

2. Activities

2.1. Background, specific objectives and description of activities are:

The mission of the Structural Reform Support Service ("SRSS") of the European Commission is to provide support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilising EU funds and technical expertise. To this end, Member States submit requests for support under Regulation (EU) 2017/825 on the establishment of the Structural Reform Support Programme ("SRSP Regulation" or the "Programme").

Following the submission of requests and their analysis by the European Commission in accordance with the criteria and principles referred to in Article 7(2) of the SRSP Regulation, the SRSS has agreed to support the projects laid down in this Annex I. To this end, the following project(s) will be carried out under this Agreement as follows:

LATVIA: ASSISTING THE LATVIAN STATE REVENUE SERVICE IN IMPLEMENTING THE MID-TERM TAX STRATEGY (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET EUR 600,000 – EC REFERENCE 19LV01)

Project background:

According to the Government of Latvia ("GoL"), the country faces a number of tax compliance issues, a large tax gap (in the region of 20%), caused by a combination of carousel fraud, under reporting of income in cash trades and general non-compliance, partly caused by high compliance costs for taxpayers. Additionally, Latvia faces the challenge of "envelope wages" – the payment of part of an employee's salary in cash. Moreover, although yield per audit is high, audit productivity is exceedingly low, with less than six audits concluded per auditor per year. The current compliance management strategy does not address risk adequately, and the audit program needs reform.

The World Bank has provided technical support for the reform under a separate Contribution from SRSS (TF072372) and the GoL has requested that the technical assistance be continued. This project will build on the first two phases by continuing to support the GoL on the VAT tax gap analysis, using results to drive a risk-based audit strategy, help establish a compliance risk management strategy, and train audit staff in specific trade sector audits.

Project specific objective:

The specific objective of this Project is to support the State Revenue Authority ("SRS") in improving revenue collection, in particular with regards to VAT, and in reducing the compliance burden.

Main project activities to be carried out by the World Bank:

- Analytical work to assist the SRS in introducing a compliance risk management strategy that focuses audits on taxpayers at the highest risk of non-compliance, and to a much lesser extent on those that comply voluntarily with their tax obligations.

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- Analytical work to assist the SRS in developing the capability to undertake tax gap analysis using both top down (figures obtained from the National Statistics Bureau) and bottom up (figures obtained from tax audits and SRS records) methodologies. Staff of SRS will also be trained by the World Bank in these methodologies. The advice provided by the Bank will target specific trade sectors in order to improve compliance.
- Review of the audit system and identification of key areas for improvement, and development of recommendations to address identified gaps and shortcomings and to strengthen capacities for detection of tax evasion through the audit process.

Project final outputs:

- Set of evidence-based recommendations for a compliance risk management system.
- Tax gap analysis and assistance and recommendations delivered to guide the SRS in independently undertaking a top down and bottom up tax gap analysis.
- Analysis and recommendations for strengthening the tax audit function.

POLAND: SUPPORT TO THE IMPLEMENTATION OF THE MEASUREMENT, MONITORING & EVALUATION FRAMEWORK *TO HELP IMPROVE PERFORMANCE MANAGEMENT OF THE NRA* (INDICATIVE DURATION *12* MONTHS; INDICATIVE BUDGET EUR 135,000 – EC REFERENCE 19PL02)

Project background:

Poland has embarked on comprehensive institutional, organisational, and operational reforms that aim to transform its revenue administration into a modern, efficient organisation in step with the rest of the European Union. One of the first steps in organisational restructuring was the merger of tax, customs, and fiscal control administrations into one agency forming the National Revenue Administration ("NRA") in March 2017. Existing performance measurement/management activities are not integrated in Poland, making difficult the monitoring and evaluating of the performance of the NRA. The three merged independent services have their own performance measurement, management and evaluation programs which have yet to be consolidated and integrated into a single framework for NRA.

SRSS has been providing support to the NRA, initially through a series of working visits using the FISCALIS[1] instrument and then through an administration agreement with the World Bank to the NRA (TF073261). The support to NRA included advice to NRA to develop an integrated performance management framework, supported by a balanced scorecard tool that combines both strategic level output and outcome indicators, governance arrangements, streamlining decision-making processes, planning, responsiveness to emerging issues and improving the efficiency in use of resources.. This phase of the project will build on the first two phases.

Project specific objective:

The specific objective of this project is to support NRA in informing the implementation of a modern Measurement, Monitoring and Evaluation Framework ("MME"), to allow improved performance of the NRA.

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[1] FISCALIS is an EU cooperation programme which enables national tax administrations to create and exchange information and expertise. It allows developing and operating major trans-European IT systems together, as well as establishing networks by bringing together national officials from across Europe.

Main project activities to be carried out by the World Bank:

- Analytical support to the NRA in the development of an MME framework.
- Analytical support to the NRA in its institutionalisation of a performance management framework and supporting testing and pilots for the implementation of the selected three to five Key Performance Indicators (KPIs).

Final outputs:

- Advice and Report including recommendations to NRA for the implementation of the MME framework, including performance management framework, and proposed methodology to identify underperforming areas.
- Training delivered to officials of the Ministry of Finance and NRA to support change management processes and implementation of the proposed recommendations, procedures and guidelines.

POLAND: INTRODUCTION OF A COMPLIANCE RISK MANAGEMENT SYSTEM IN THE NRA (INDICATIVE DURATION *12* MONTHS; INDICATIVE BUDGET EUR 175,000 – EC REFERENCE 19PL01)

Project background:

According to the Government of Poland ("GoP"), the NRA does not currently have a holistic compliance risk management system or comprehensive strategies for improving tax compliance with quantified targets. NRA has extensive and complex operational activities, overlapping sources of information, and non-centralised IT systems and databases. It also has a dispersed and fragmented management supervision system which challenges the setting of priorities and the implementation of a risk-based approach. In addition, these tasks are yet to be linked to the newly established internal organisational structure, roles and responsibilities. There is a need to introduce a system that covers the entire organisation and evaluates risk in all tax areas with a first step focus on large taxpayers office ("LTO") (referred to by NRA as "large business sector").

SRSS has been providing support to the NRA, initially through a series of working visits using the FISCALIS instrument and then through an administration agreement with the World Bank to the NRA (TF073261). This phase of the project will build on the first two phases.

Project specific objective:

The specific objective of the Project is to support NRA in informing the implementation of a modern compliance risk management system for the large taxpayer office.

Main project activities to be carried out by the World Bank:

- Analytical support to NRA in its development of a modern compliance risk management model for the large taxpayers office.
- Provision of training, workshops and support to the relevant NRA staff
- Provision of support in piloting the newly developed compliance risk management framework at the large taxpayers office to provide feedback.

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Final outputs:

- Report on compliance risk management framework, including proposed criteria to be used by NRA when evaluating compliance risk, and recommendations for the implementation of a modern compliance risk management framework within the large taxpayer office.
- Report on lessons learned from the pilot of the newly developed compliance risk management framework (as described in bullet 3 above).
- Workshop/s on the compliance risk management, report results, and pilot implementation.

POLAND: METHODOLOGY FOR ESTIMATING EXCISE GAP (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET EUR 300,000 – EC REFERENCE 19PL15)

Project background:

In 2017, Poland introduced a number of measures to improve tax collection and achieved important progress in VAT compliance. One of the priorities of the Polish Government set out in the Strategy for Responsible Development until 2020 is to ensure the sustainability of public finances. This could be done by "sealing" the tax system and strengthening the effectiveness of the NRA. Developing a gaps measurement approach for VAT, excise, corporate income tax ("CIT") and personal income tax ("PIT") is one of the priority actions of the NRA for the years 2017-2020. In order to achieve the strategic objectives of NRA and to ensure the complementarity of organisational and regulatory activities, there is a need to develop a methodology for estimating the excise gap.

Project specific objective:

The specific objective of this project is to support NRA in developing a methodology for excise gap estimation, which would provide the NRA and their stakeholders with a measure of the amount of excise revenues lost or foregone through noncompliance, avoidance, and to help inform policy decisions on development of the NRA and Ministry of Finance ("MoF").

Main project activities carried out by the World Bank:

- Analysing the tax administration and tax policy in Poland and assisting in identifying and collecting the relevant data for estimating the excise gap.
- Examining legislation and advising on possible closing of legislative gaps.
- Estimating the excise tax gap using relevant methodologies, developing the methodology used to calculate the gap and identify the gap by sectors.
- Presenting to the Polish Government the methodology used to calculate the gap and make recommendations on reducing it.
- Delivering training to officials of the MoF and NRA in the methodology and techniques used to calculate the gap and support development of in-house capacity, including, where appropriate, manuals.

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Project final outputs:

- Excise gap analysis that measures the amount of excise revenues lost or foregone through noncompliance, avoidance and policy decisions for the period 2011-2017.
- Report with recommendations for wider strategy development.
- Report with recommendations on the possibility of monitoring the trend of the excise gap and identifying measures that contribute to reducing the gap.
- Training on methodology for assessing the excise gap for the MoF/NRA staff.

POLAND: ASSESSMENT OF TAX INCENTIVES (INDICATIVE DURATION 24 MONTHS; INDICATIVE BUDGET €389,000 - EC REFERENCE 19PL14

Project background:

According to the GoP, tax exemptions constitute a large proportion of potential tax revenues, hence the need for a thorough review of the tax exemption system and assessment of effectiveness of particular tax incentives. Total tax exemptions, including revenue lost by both state budget and local governments' budgets, amounted in 2015 to 90.7 billion PLN, i.e. 5.04% of the GDP. These estimates were based on data for most important taxes, that is PIT, CIT, VAT and excise duty as well as real estate tax, forest tax and agricultural tax in the case of local governments. VAT exemptions were largest and equalled 46 billion PLN, while PIT and CIT exemptions were assessed at 21.3 and 14.8 billion PLN respectively. Estimated tax exemptions constituted a considerable proportion of actual potential tax revenues, representing 45%, 37.4% and 25.6% of CIT, VAT and PIT revenues respectively.

Project specific objective:

The specific objective of the Project is to support NRA in informing the reform of the tax incentive system, to better align it with its distributional, labour-market, investment, innovation and other economic policy objectives, while minimising the revenue losses, through in-depth analysis of the effectiveness of the tax incentives.

Main Project activities to be carried out by the World Bank:

- Assist MoF in defining tax benchmarks and tax expenditures for key taxes (CIT, PIT, SSC)
- Assist MoF and NRA in updating and expanding the list of all tax incentives and non-tax incentivesavailable in Poland.
- Provide assistance to MoF in developing methodology for calculating the cost of incentives.
- Provide assistance in strengthening the technical capacity for the analysis of incentives within the NRA and MoF.

Project final outputs:

- Updated list of tax incentives
- Proposed User Guide on Microsimulation Analysis of Tax Incentives for Investment

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- Guidance Notes on Corporate and Personal Income Tax and Social Security Contributions Benchmarks and Tax Expenditures
- Notes on Excise, VAT and local taxes benchmarks, tax expenditures and modelling considerations
- Proposed Corporate income tax (CIT) microsimulation model (Python and Tax Analyzer Framework), tested on a sample of tax returns provided by the Ministry of Finance
- Workshops on assessment of tax incentives and Training of MoF staff on using the proposed CIT microsimulation model

POLAND: METHODOLOGY FOR ESTIMATING THE CORPORATE INCOME TAX GAP (INDICATIVE DURATION 24 MONTHS; INDICATIVE BUDGET EUR 450,000 – EC REFERENCE 19PL16)

Project background:

In 2017, Poland introduced a number of measures to improve tax collection and achieved progress in VAT compliance that increased VAT tax revenues. As a next step the GoP aims to improve corporate tax compliance. Over the period 2010 – 2015, the share of GoP revenue from taxation of income and wealth was around 5.8% lower in Poland than the EU Member State average. Since 2015, the GoP introduced several measures to increase CIT compliance (e.g. introduction of a general anti-avoidance rule for CIT in 2016). However, the assessment of the impact of this measure, and other measures taken, has not been possible due to the absence of an appropriate methodology for estimating the CIT gap.

Project specific objective:

The specific objective of the project is to support NRA in estimating the CIT gap, using either top down or bottom up methodologies, to identify policy action that could limit tax revenue lost due to CIT non-compliance.

Main project activities to be carried out by the World Bank:

- Carrying out introductory analytical activities to study the tax administration and tax policy in Poland and identify the most appropriate data for estimating the CIT gap.
- Reviewing lessons from other tax administrations in their methods for estimating the CIT gap (to be separately conducted using FISCALIS).
- Estimating the gap by determining core activities that will involve estimating the CIT gap using both top down or bottom up methodologies.
- Outlining proposed preparatory actions for determining the CIT gap and undertake the analysis.
- Providing recommendations from the findings of the gap analysis which could be used by NRA to take actions on reducing the CIT gap.
- Carrying out training activities concurrently with the activities above (mainly through training by doing) building capacity within the MoF and NRA to allow in-house gap estimation.

Final project outputs:

- An estimate for the CIT gap for the period 2011 – 2017.
- Training to MoF/NRA on methodology for assessing the CIT gap.

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- Report with recommendations, to be used by MoF and NRA in proposing strategies to be taken to reduce the CIT gap.

LITHUANIA: IMPROVEMENT OF THE VAT ADMINISTRATION (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET EUR 300,000 – EC REFERENCE 19LT25)

Project background:

According to the Government of Lithuania ("GoL"), VAT revenue is a major source of income and made up 42% of all national budget revenues administered by the State Tax Inspectorate ("STI") in 2018. According to a study commissioned by European Commission, the VAT gap in Lithuania in 2015 amounted to more than 1 billion euros or 26% of potential VAT revenue (amount which would be collected if there was no gap). According to VAT gap reports, the VAT gap in Lithuania has been decreasing steadily since 2012, yet it still remains one of the highest in the EU. Currently, VAT fraud detection based solely on database data is complicated, since, without the specific tools to manage data, the effective exploitation of VAT invoice data and various other data sources is hardly possible. The STI is interested in making use of new IT tools and methods, including machine learning in the area of VAT control, taking into account an automatic risk assessment of all VAT payers who submitted returns with refundable VAT.

Project specific objective:

The specific objective of the project is to support STI in enhancing efforts to ensure the collection of planned budget revenue on the VAT.

Main project activities carried out by the World Bank:

- Support STI in preparing a proposed methodology for discovering VAT fraud schemes, including risk criteria and proposed methodologies to identify an element of fraud in the chain of transactions (based on all information available to STI).
- Presenting the proposed methodology in knowledge sharing/workshops: 1) for STI staff generally; and 2) for STI staff to be involved in further implementation of the proposed methodology.
- Preparing a proposed action plan for the implementation of the methodology.
- Assisting STI in the development of a new process for automatic risk assessment of all VAT payers who submitted VAT returns for refundable VAT (not only limited to refundable VAT claims) and make recommendations based on EU best practice.
- Preparing a report with recommendations for visualising VAT data, including technical specification for a new software.

Project final outputs:

- Report describing the new proposed methodology for discovering VAT fraud schemes.
- Proposed action plan for the implementation of the proposed methodology.
- Recommendations Report on technical specifications for software development.

ITALY: IMPROVING THE EVALUATION OF VAT AND EXCISE TAX POLICIES (INDICATIVE DURATION 12 MONTHS; INDICATIVE BUDGET EUR 450,000 – EC REFERENCE 19IT29)

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Project background:

According to the Government of Italy ("GoI"), the Italian tax gap is one of the highest in the EU, being about three times higher than the EU average, as recently reported in the EU VAT gap report. Having a high tax gap, particularly regarding excise and VAT, works against tax collection, fairness, and the sustainability of public finances. To reduce the tax gap in Italy, the GoI has undertaken several actions in the past few years, of which the most important is the adoption of the VAT split-payment mechanism and specific measures in the excise sector. The extension of the mandatory electronic invoicing to all private sector transactions from 2019 is expected to improve VAT and excise tax compliance relevantly. To implement effective tax policies for reducing the tax gap, however, it is important to develop evaluation models that are able to describe and simulate all the featuring aspects of VAT and excise taxes. SRSS has been providing support to the Ministry of Finance and Economy (MoFE). This Project will build on the support provided earlier by SRSS.

Project specific objective:

The specific objective of the project is to support the MoFE in improving the evaluation of VAT and excise tax policies, and in developing the design of more effective tax policies for reducing the VAT gap and the excise tax gap.

Main project activities to be carried out by the World Bank:

- Identify the current situation regarding the VAT gap to understand the problems and exact needs of the MoFE and specify the approach for the task.
- Collect data, analyze data (including the updating and harmonization of the data) and prepare the detailed social accounting matrix.
- Support MoFE in the modelling construction phase by proposing an adaptation of the theoretical structure of the framework to the specific features of Italy; specification of dimensions of the model; definition of the functional forms and key causality chains; calibration and econometric estimation. Provide support to MoFE to implement the Computable General Equilibrium model. Provide support to MoFE to test and fine-tune activities to validate the model.
- Support MoFE in the development of a user-friendly interface, such that the model can easily be used by non-specialists to provide timely policy simulations and reports that are useful for analysing the economic and social impact of tax policies on VAT and excise sector.
- Support MoFE prepare a technical manual describing the model structure, calibration, and its database .
- Provide a comprehensive training program including both theory and practice to MoFE staff. This training will focus on the economic mechanisms incorporated in the model, scenario building process, simulation management, extracting simulation results, interpreting the results and using them in the policy making process.

Project final outputs:

- Technical manual describing the model.
- Report on a user-friendly interface for the Computable General Equilibrium model, which enables use by non-specialists.
- Training to MoFE staff.

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***FINLAND: SUPPORT FOR DESIGN AND IMPLEMENTATION OF A NEW VAT REPORTING MODEL (INDICATIVE DURATION 18 MONTHS; INDICATIVE BUDGET EUR 450,000 – EC REFERENCE* 19FI05)**

Project background:

As described in the European Commission's Country Report Finland 2018, Finland is emerging from a protracted crisis. The country has made progress in improving the long-term sustainability of its public sector. It is expected that a well-functioning VAT reporting system would decrease the VAT gap and therefore have an impact on economic growth and sustainability of public finances. However, public debt-to-GDP ratio is projected to start increasing again in the early 2020s. Increasing tax gap can make this situation significantly worse and reduce Finland's ability to improve the sustainability of its public sector. VAT is one of the most significant revenue sources for Finland. Digitalisation, new technologies, globalisation, and other changes in the way of doing business impose new challenges for the tax administrations to work efficiently and secure level playing field to taxpayers nationally and within EU. In order to enhance the capability of the Finnish Tax Administration ("FTA") to perform proper risk analysis and risk management, more data has to be collected electronically from all VAT taxpayers. Therefore, the FTA is planning to carry out a reform in the model for collecting VAT information from the economic operators (VAT return and other information that is collected for VAT purposes, e.g. transactional data on sales and purchases).

Project specific objective:

The specific objective of the project is to support the FTA in enhancing its capability to perform proper risk analysis and risk management, by proposing a feasible "tailor-made to-be model" for VAT reporting for Finland that will not create too much administrative burden for both taxpayers and tax authorities.

Main project activities to be carried out by the World Bank:

- Identify the current situation regarding the VAT reporting in Finland, understand the problems and exact needs of the FTA and specify the approach for the task.
- Carry out a comparative analysis/benchmarking study of the good practices in other EU and non-EU countries: Based on criteria selected in consultation with the FTA, the World Bank will select a mix of at least five EU and non-EU countries for benchmarking in the area of VAT reporting. The key questions/areas for research, comparison and analysis will be selected in consultation with the FTA prior to the benchmarking study.
- Provision of support for development of a new tailor-made VAT reporting model for Finland: On the basis of the current situation in Finland and the information collected during the benchmarking study, a proposed new tailor-made VAT reporting format for Finland will be elaborated in consultation with the FTA. Furthermore, the Bank will organise workshop/s, brainstorming and drafting session/s, as needed.

Project final outputs:

- Analytical report with the results from the benchmarking study;
- Report describing the current situation on VAT reporting and the proposed new tailor-made VAT reporting model with assumptions, risks and indicators, and proposed implementation plan for the new model.

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ATTACHMENT 2

ANNEX 4

INDICATIVE RESULTS INDICATORS FOR THE ANNEX 1 ACTIVITIES

Expected Results (logic of intervention)	***Indicators***	***Baseline***	***Result goals***	***Target groups***	***Assumptions***
Impact Over the long term, the activities, outputs and associated outcomes are expected to contribute towards supporting conditions for smart growth in selected European Union member states.					
Outcome (s) The overall expected outcome of the project is increased capacity of public administrations in tax policy design and tax administration.					
19FI05 - Improved VAT collection in Finland		VAT reporting model requires reform to enhance the capability of the administration to perform proper risk analysis and risk management (Finland)	Reformed VAT reporting model established capturing critical information, and balancing effectiveness and efficiency. (Finland)	Government of Finland (Finnish Tax Administration)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19LT25 - Reduced VAT gap in Lithuania		VAT fraud detection based solely on database data is complicated without specific tools to manage data comfortably (Lithuania)	Methodology developed for discovering VAT fraud schemes and other possible factors for under reporting, including risk criteria and algorithms for finding an element of fraud in the chain of transactions (based on all information available to STI).	Government of Lithuania (State Tax Inspectorate)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19IT29 - Reduced VAT and excise tax gap in Italy		Evaluation models not available to inform the design and implementation of effective tax policies for	Evaluation model describing and simulating all the featuring aspects of VAT	Government of Italy (Ministry of Finance and Economy)	Adoption and implementation of the outputs by Government authorities and

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Expected Results (logic of intervention)	*Indicators*	*Baseline*	*Result goals*	*Target groups*	*Assumptions*
		reducing the tax gap (Italy)	and excise taxes available to inform policy design and implementation (Italy)		subsequent enforcement
19LV01 - Reduced tax gap in Latvia		The current compliance management strategy does not address risk adequately (Latvia)	Increased capacity of SRS to implement an evidence-based compliance risk management strategy and carry out tax gap analysis(Latvia)	Government of Latvia (State Revenue Service)	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19PL01 - Improved tax compliance in Poland		Polish NRA has no holistic compliance risk management system that covers the entire organisation and evaluates risk in all tax areas	A modern compliance risk management framework at the level of the large taxpayer office is developed (Poland)	Poland National Revenue Authority	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19PL02 - Improved decision-making processes, responsiveness and efficiency of National Revenue Authority in Poland		Polish NRA has no centralised and uniform management information system, performance management being spread across a wide range of offices and tax heads.	An Integrated performance management (MME) model covering all three legacy institutions under one umbrella is developed (Poland)	Poland National Revenue Authority	Adoption and implementation of the outputs by Government authorities and subsequent enforcement
19PL15 - Reduction of excise gap in Poland		Polish NRA has a limited understanding of the amount of excise revenues lost or foregone through noncompliance and avoidance, constraining policy decisions.	Polish NRA has reliable estimates of the amount of excise revenues lost or foregone through noncompliance and avoidance, to inform policy decisions on development of the NRA and MoF.	Poland National Revenue Authority	
19PL14 - Improved alignment of Polish tax incentive system with		Polish MoF has no capacity to assess if	Polish MoF has information and	Poland Ministry of Finance	

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Expected Results (logic of intervention)	***Indicators***	***Baseline***	***Result goals***	***Target groups***	***Assumptions***
economic policy objectives while minimising revenue losses		tax incentive system is aligned with its distributional, labour-market, investment, innovation and other economic policy objectives	some analytical tools / methodologies that can contribute to assessing the tax incentive system		
19PL16 - National public administration has increased capacity in assessment of corporate income tax gap in Poland		The assessment of CIT gap and its drivers (compliance or policy) has not been performed by the Polish NRA due to lack of appropriate methodology for estimating the CIT gap.	Application of methodology to estimation of CIT gap, allowing to identify policy action that will limit the gap in Poland.	Poland National Revenue Authority	
Output (s)					
19FI05 - Report describing the new tailor-made VAT reporting model (Finland)		0	1	Government of Finland (Finnish Tax Administration)	
19LT25 - Report describing the new methodology for discovering VAT fraud schemes (Lithuania)		0	1	Government of Lithuania (State Tax Inspectorate)	
19IT29 - Technical manual and user-friendly interface for the Computable General Equilibrium model (Italy)		0	1	Government of Italy (Ministry of Finance and Economy)	
19LV01 - Evidence-based recommendations for a compliance risk management system (Latvia)		0	1	Government of Latvia (State Revenue Service)	
19PL01 - Recommendations report for the implementation of a modern compliance risk management framework within the key entities sector (Poland)		0	1	Poland National Revenue Authority	
19PL02 - Advice and recommendations report on the performance management tool, and on how to identify underperforming areas (Poland)		0	1	Poland National Revenue Authority	
19PL15 - Excise gap analysis that measures the amount of excise revenues lost or foregone through noncompliance, avoidance and policy decisions (Poland)		0	1	Poland National Revenue Authority	

Expected Results (logic of intervention)	***Indicators***	***Baseline***	***Result goals***	***Target groups***	***Assumptions***
19PL14 - Deliver methodology of impact assessment of 2 selected tax incentives and advise modifications (Poland)		0	2	Poland National Revenue Authority	
19PL16 - Deliver methodology on estimation of the CIT gap (Poland)		0	1	Poland National Revenue Authority	

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ATTACHMENT 3

ANNEX 5

INDICATIVE BUDGET

FOR THE ANNEX 1 ACTIVITIES

Expenditure Category	Average Number	Amount in Euro
Staff and consultant services	55	1,543,275
Cost of travel	45	925,965
Training and workshops	9	154,328
Other services including translation	15	462,982
Sub-total		**3,086,550**
Administration fee (5%)		162,450
Total		**3,249,000**

The amount estimated for personnel is calculated taking into account different levels of expertise estimated to be required for carrying out the activities described in Annex 1.

The World Bank Group entity may transfer amounts between categories of the indicative budget. This does not require an amendment of the Administration Agreement if the Action is carried out as described in Annex 1.

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