



Revenue Administration Reform Project (P149743)

EUROPE AND CENTRAL ASIA | Montenegro | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 9 | ARCHIVED on 28-Jun-2022 | ISR51909 |

Implementing Agencies: Montenegro, Montenegro Tax Administration

Key Dates

Key Project Dates

Bank Approval Date: 31-Jul-2017

Effectiveness Date: 13-Mar-2018

Planned Mid Term Review Date: 29-Sep-2021

Actual Mid-Term Review Date: 27-Sep-2021

Original Closing Date: 31-Mar-2023

Revised Closing Date: 31-Mar-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The development objective of the project is to improve the effectiveness of operational functions of Montenegro's tax administration and to reduce the compliance costs for corporate taxpayers.

The project supports Montenegro's long-term vision of a revenue administration that operates with streamlined risk-based business processes that contribute to the efficient collection of taxes and social contributions from all sources of economic activity. Increased compliance will generate a more robust revenue stream to provide essential services to citizens. Improvements in revenue administration capacity will also support the country's goal for EU accession and economic integration with EU member states.

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

No

Components Table

Name

Electronic Fiscal Invoicing:(Cost \$5.30 M)

Institutional Development:(Cost \$1.35 M)

Business Processes:(Cost \$13.85 M)

Taxpayer Services:(Cost \$0.23 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Unsatisfactory	<input type="checkbox"/> Unsatisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Unsatisfactory	<input type="checkbox"/> Unsatisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial

Implementation Status and Key Decisions

Project progress has been stalled due to a leadership vacuum. A new Government is now in place with a new Director for the MRCA having been appointed and is taking decisive action to move the Project forward. The contract for the Datawarehouse/ Business Intelligence consultancy was signed in May 2022, and it's implementation is underway. The bid document for the Integrated Revenue Management System (IRMS) procurement



is also being finalized. However, due to delays in the procurement of the IRMS, the Project will not be able to complete activities nor fully achieve its Project Development Objective by its closing date of March 31, 2023.

Risks

Systematic Operations Risk-rating Tool

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

Results

PDO Indicators by Objectives / Outcomes

Improve effectiveness of operational functions of MTA				
► Tax Gap for VAT (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No methodology for Tax Gap for VAT estimation	Analysis was done using data from 2017-2019. Data awaiting approval for publication.	Tax gap is 26.37% (for 2020) – not achieved.	6% reduction in Tax Gap for VAT compared to 2020 value
Date	01-Apr-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	VAT Gap Methodology was approved by MTA and baseline value set. Values need to be published and results used in risk analytics/compliance improvement programs. Moreover, a repeat analysis for succeeding years should be conducted.			



► Percentage of tax returns filed on time (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	VAT: 82; CIT: 89	VAT: 87.49% CIT: 83.32% Reduction in CIT is due to COVID-19. (January-June 2021)	VAT: 86.41% CIT: 79.79% Reduction in CIT is due to COVID-19. (Full 2021 data)	VAT: 92; CIT: 96
Date	31-Dec-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	No significant project activities yet to impact value of indicator. For VAT, the EFI should be contributing to improvements.			
► Achieved processing of almost 90% of VAT refund claims within 30 days for predominantly exporters and 60 days for the rest of the taxpayers according to domestic law (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Exporters: 70%; Rest: 65%	Exporters: 68.42% Rest: 60.49% (January-June 2021)	Exporters: 44.44% Rest: 52.13% (Data for full 2021, indicates deterioration)	Exporters: 88%; Rest: 85%
Date	31-Dec-2018	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	EFI expected to contribute to improvements in this indicator. Negative trend needs to be further analyzed.			

Reduce compliance costs for corporate taxpayers				
► Time it takes to pay taxes and social contributions (Hours, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	314.00	300.00	300.00	200.00
Date	31-Dec-2015	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	Data is from the Doing Business report of 2020. The indicator will be replaced due to the discontinuation of the Doing Business. This will be processed through a restructuring expected in the fall of CY2022.			

Intermediate Results Indicators by Components

Institutional Development				
► RCAM staff satisfaction with the new skills and ability to apply them, disaggregated by gender (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	No baseline	No change from previous - based on baseline survey in 2019 - 68% of MTA staff respondents indicate satisfaction (men 71%, women 66%). 2020 survey was not conducted due to COVID-19 and institutional changes. The 2021 staff survey will be launched by mid-December 2021.		Conducted (2022). Index of RCAM staff satisfaction: 60. (men: 56, women: 62).	Increase by 10% compared to baseline established in 2019
Date	31-Dec-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022	
Comments:	Staff satisfaction levels dropped compared to the 2019 baseline. This could be to the political instability and leadership vacuum that prevailed since 2020.				
► Estimated tax gap is calculated annually and suitable for publication by year 5 (Text, Custom)					
	Baseline	Actual (Previous)	Actual (Current)	End Target	
Value	No	Yes. Exercises conducted using 2017-2019 data.	Yes. Exercises conducted using 2019 data.	Yes (with publication)	
Date	31-Mar-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022	
Comments:	Results are awaiting approval for publication. Analysis of data for 2020 onwards need to be conducted as well.				

Business Processes					
► Payment compliance rate for VAT (Percentage, Custom)					
	Baseline	Actual (Previous)	Actual (Current)	End Target	
Value	62.00	75.00	75.00	87.00	
Date	31-Dec-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022	
Comments:	No updated information was available. Data reported remains that of 2020.				
► Payment compliance rate for CIT (Percentage, Custom)					
	Baseline	Actual (Previous)	Actual (Current)	End Target	
Value	81.00	80.00	80.00	93.00	
Date	31-Dec-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022	
Comments:	Data available is as of 2020. Same achievement as in 2019. Below target of 86% for 2020 due to COVID-19.				



► Improved selection of taxpayers for audit so that comprehensive audits are centrally selected from the risk analysis system (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	no comprehensive audit centrally selected from risk analysis system	20% above the target of 15% for 2020	75% as of 2021, above target of 60%	75% of comprehensive audits selected centrally from risk analysis system
Date	31-Dec-2018	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	Project related activities have yet to be implemented although "to-be" elements have been identified under the Project. Achievements are due to IMF Technical Assistance on risk analysis. No audit strategy yet and no risk management system in place.			

Taxpayer Services				
► Taxpayers satisfaction with MTA's quality of taxpayers services and integrity of MTA staff, disaggregated by gender (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No baseline	<p>Follow-up taxpayer satisfaction survey was launched on December 6, 2021.</p> <p>That said, the EFI system has been benefiting from continuous feedback from taxpayers.</p> <p>Accordingly, the EFI has become more and more user friendly - to evidence, system updates were released in July 2021 -</p> <ol style="list-style-type: none"> The 13th version of the fiscal service were released in production on July 14, 2021. The 6th version of the self-service portal for fiscal obligors/taxpayers (SEP portal) was released in production on July 8, 2021. <p>All announcements about the EFI are followed by media appearances of authorized officials of the Revenue Administration in written and electronic media (guest appearances in live programs and statements for news programs), as well as continuous</p>	76 down from 82 in 2019	Increase by 10% compared to baseline established in 2019



	announcements on the accounts of the Revenue Administration on social networks Facebook and Twitter.			
Date	31-Dec-2016	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	The survey conducted in 2021/2022 indicates taxpayer satisfaction dropped compared to the 2019 baseline. This needs to be further analyzed as this is not consistent with the mandatory electronic filing of tax returns, EFI and the continued positive feedback on the call center.			
► Increased e-filing for VAT (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	75.00	99.77	99.78	95.00
Date	31-Dec-2018	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	Critical project activities have yet to be implemented. EFI expected to have a positive contribution to this indicator. Nevertheless, indicator performance is primarily due to a law mandating electronic filing. Accordingly, as of the first 5 months of CY2021, achievement is 99.77% above target of 90% for 2021 and project end-target of 95%.			

Electronic Fiscal Invoicing (EFI)				
► Improved post filing index (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	70.49	No change from previous - 70.5 - no follow-up publication issued	Indicator to be replaced following discontinuation of Doing Business Report	increased by 8% from baseline
Date	31-Dec-2018	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	The indicator will be replaced due to the discontinuation of the Doing business. Last data available is from Doing Business report of 2020 at 70.5.			
► Real-time information for VAT transactions available to MTA (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	no real time EFI system in place	Achieved - EFI system available 99.5% of the time for all cash transactions	Achieved - EFI system available 99.5% of the time for all cash transactions	EFI system available 99.5% of the time for all transactions
Date	31-Dec-2018	06-Dec-2021	23-Jun-2022	31-Dec-2022
Comments:	Project end-target achieved with EFI implementation starting in 2021.			



Performance-Based Conditions

Data on Financial Performance

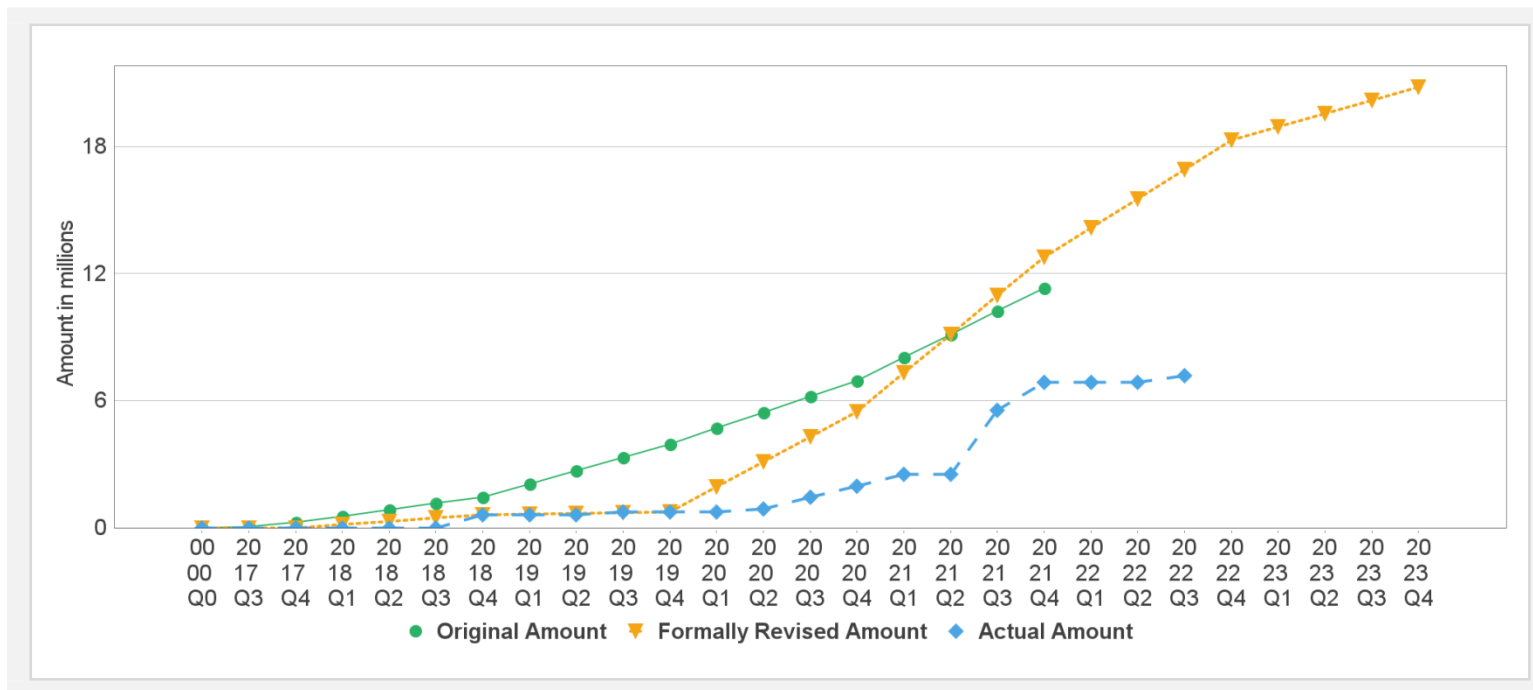
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P149743	IBRD-87720	Effective	USD	15.70	15.70	0.00	1.69	14.08	11%
P149743	IBRD-90130	Effective	USD	5.20	5.20	0.00	5.56	0.15	97%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P149743	IBRD-87720	Effective	31-Jul-2017	19-Jan-2018	13-Mar-2018	31-Mar-2023	31-Mar-2023
P149743	IBRD-90130	Effective	10-Oct-2019	11-Nov-2019	20-Nov-2019	31-Mar-2023	31-Mar-2023

Cumulative Disbursements





Restructuring History

There has been no restructuring to date.

Related Project(s)

P170454-Additional Financing for the Montenegro Revenue Administration Reform Project
