

# INTEGRATED SAFEGUARDS DATA SHEET

## APPRAISAL STAGE

**Report No.:** ISDSA13485

**Date ISDS Prepared/Updated:** 05-Oct-2015

**Date ISDS Approved/Disclosed:** 09-Nov-2015

### I. BASIC INFORMATION

#### 1. Basic Project Data

<b>Country:</b>	Montenegro	<b>Project ID:</b>	P149743
<b>Project Name:</b>	Revenue Administration Reform (P149743)		
<b>Task Team Leader(s):</b>	Shilpa B. Pradhan		
<b>Estimated Appraisal Date:</b>	07-Dec-2015	<b>Estimated Board Date:</b>	16-Feb-2016
<b>Managing Unit:</b>	GGO15	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General public administration sector (100%)		
<b>Theme(s):</b>	Tax policy and administration (100%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	11.24	Total Bank Financing:	11.24
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
International Bank for Reconstruction and Development			11.24
Total			11.24
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	No		

#### 2. Project Development Objective(s)

The development objective of the project is to improve effectiveness of operational functions and reduce the compliance burden on taxpayers. The higher level goal is to increase overall revenues.

The long-term vision is a tax administration that operates with a higher capacity to streamline risk-based business processes that contribute to the efficient collection of taxes and social contributions

that are owed from all sources of economic activity. Increased compliance will generate a more robust revenue stream to provide essential services to citizens. Improvements in capacity will also support the country's goal for EU accession and economic integration with EU member states.

### **3. Project Description**

The project seeks to improve MTA's institutional arrangements and management systems to take full advantage of a highly automated, low-discretion, risk-based system. The project entails an investment of Euro10.0 million over a period of five years for: organizational restructuring, the development management and infrastructure changes necessary for optimal performance of the current tax administration system. The project includes financial and technical support for: revenue collection methodologies and procedures; information technology and other technological infrastructure and training, tax audit and operational systems refinements and technical assistance to underpin MTA's management decisions on organization structure and capacity to ensure that the economy reaps the full benefits of the investment. This project consists of three components.

Component 1: Improving Operational Efficiency. The component will help enhance the strategic focus of management, increase attention to integrity, strengthen staff management and training, improve the analytical capacity required to support strategic management within MTA, improve the legal framework and the appeals function and to institute a modern revenue administration on par with best practice in the EU. Subcomponent one will focus on institutional and organizational development, enhancing strategic focus and planning capacity; strengthening executive, managerial, technical and operational capacity; and includes the introduction of an enhanced monitoring system to assist in the management of the MTA's performance. Subcomponent two will focus on strengthening the capacity for managing the change process. This subcomponent will ensure that all changes that take place in MTA are based on common understanding of the purpose of the change. This sub-component will support the change process to build commitment of all staff involved in the change process and will facilitate the institutional development of the MTA. Subcomponent three will strengthen the MTA's capacity to coordinate project implementation. Particularly, this subcomponent will finance the recruitment of project management and administrative support to ensure the necessary expertise for the management of the project during implementation. The subcomponent will also finance office equipment and operational expenditures training for project management and fiduciary activities that will be undertaken for the project.

Component 2: Increasing effectiveness of operational functions. The activities within this component support modernized business processes and increased operational effectiveness of MTA. This component has two sub-components. Subcomponent one will introduce international best practices into the operational functions of the MTA, strengthen registration and return processing, formalize risk analysis in audit selection and enforcement activities, improve business analytics to identify where limited MTA resources should be deployed to return the best results or meet specific MTA objectives, and improve the responsiveness and consistency of the appeal / objections process. Subcomponent two will: stabilize MTA's current IT system in the first years of the project by cleansing data and rationalizing their current custom built software that supports MTA operations; review the capabilities of the current IT system and prepare a gap analysis of the functionality of the current system relative to that of offered by commercial systems; develop a conceptual design and technical requirements for an integrated system; and procure the necessary equipment required to support hardware and software at both a primary and disaster recovery site. This project does not include financing for an integrated revenue management system (IRMS). However, based on the findings of the gap analysis, the Government of Montenegro may request additional financing for the procurement and implementation of an IRMS at a later stage.

Component 3: Reducing Compliance Burden to Taxpayers. This component will finance activities to: modernize taxpayer services and increase understanding of revenue laws, procedures, and rights and obligations of taxpayers and thus reduce the compliance burden to taxpayers; establish a modern contact (call) center to provide advanced services to taxpayers; and strengthen external and internal communications. This component will review current taxpayer services and staffing needs and identify recommendations for improvements. Training curricular and materials will be developed for taxpayer services staff. The functions, staffing needs and hardware and software requirement for the contact center will be assessed and hardware and software procured through this component. Assistance will be provided for improving taxpayer relations including establishing charter of taxpayer rights, communication campaigns, and establishing performance standards for taxpayer services. The project will also finance activities for strengthening internal communications in the MTA.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

#### **5. Environmental and Social Safeguards Specialists**

Agnes I. Kiss (OPSPF)

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	No	No Civil Works included in the project.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

<b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify</b>
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<b>and describe any potential large scale, significant and/or irreversible impacts:</b>
<b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b>
<b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b>
<b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b>
<b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>

### ***B. Disclosure Requirements***

<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>

### ***C. Compliance Monitoring Indicators at the Corporate Level***

<b>The World Bank Policy on Disclosure of Information</b>			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]

### **III. APPROVALS**

Task Team Leader(s):	Name: Shilpa B. Pradhan
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<b><i>Approved By</i></b>		
Practice Manager/ Manager:	Name: Adrian Fozzard (PMGR)	Date: 09-Nov-2015