

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC9797

Date ISDS Prepared/Updated: 27-Jun-2014

Date ISDS Approved/Disclosed: 18-Jul-2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Montenegro	Project ID:	P149743
Project Name:	Revenue Administration Reform (P149743)		
Task Team Leader:	David Michael Nummy		
Estimated Appraisal Date:	01-Oct-2014	Estimated Board Date:	02-Feb-2015
Managing Unit:	GGODR	Lending Instrument:	Investment Project Financing
Sector(s):	General public administration sector (100%)		
Theme(s):	Tax policy and administration (100%)		
Financing (In USD Million)			
Total Project Cost:	20.00	Total Bank Financing:	20.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			20.00
Total			20.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

The development objectives are to increase the effectiveness and efficiency of collection of tax and social contribution revenues, to increase compliance, and to reduce the burden on taxpayers to comply.

The long-term vision is a tax administration that operates with streamlined 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 and the modernized tax administration will improve the business environment by reducing the burden on compliance on taxpayers, increase the country's competitiveness, and attract foreign investment. Currently, Montenegro ranks 86th in the ease of paying taxes in the 2014 Doing Business rankings, down one ranking from last year. Modernization will also support the country's goal for EU accession and economic integration with EU member states.

C. Project Description

1. The proposed project would seek to improve the institutional arrangements and management systems to take full advantage of a highly automated, low-discretion, risk-based system. The project will entail an investment over a period of five years to achieve the stated government objectives, including the related organizational restructuring and the development, management, and infrastructure changes necessary for optimal deployment of an integrated automation system. The project would include financial and technical support for revenue collection methodologies and procedures; information technology and other technological infrastructure; training and technical assistance to underpin MTA's management decisions on organization structure and capacity of the tax audit; and operational systems refinements necessary to ensure that the economy reaps the full benefits of the investment. The new IT System (ITS) financed under the project would provide for electronic interaction with taxpayers as well as link to other systems that share data with MTA, including Treasury, Customs, Pension Fund, and Health Fund. Measurement of intermediate outcomes will be integrated into the project in order to provide relevant and timely feedback as to the progress of the project.

Component 1. Change Management. This component would support the major institutional change envisioned under the project and ensure that all changes that take place in the MTA are based on a common understanding of the reasons for change. The changes will be carried out using established change management approaches that seek to build commitment of all staff in the change process. The component would finance international consultants on change management, change management training, and the development of an internal communications strategy.

Component 2. Institutional Development. The component will develop a modern organization and management structure, instill a strategic orientation to optimize the HQ and regional structure of MTA to increase MTA's effectiveness, and strengthen capacity of the tax audit and human resource management through targeted professional training and technical assistance. This component will also improve the analytical capacity required to support strategic management of MTA and support an improved legal framework and appeals process. A major element of this component will be professionalizing the MTA workforce with targeted training on the increasingly complex transactions occurring in the Montenegrin economy, familiarization with international accounting concepts and practices, and upgrade of IT skills.

Component 3: Increasing Operational Effectiveness and Efficiency. This component would: (i) support the recasting of operational functions within the MTA headquarters and regional offices to adopt modern tax administration practices, which will assist in increasing taxpayer compliance behavior; (ii) acquire an integrated tax system from a commercial tax software vendor, which will then be customized to reflect the tax and social legislation of Montenegro; (iii) acquire the required hardware to operationalize the ITS and its integrated risk management, document management and data warehouse functions; (iv) provide appropriate training to the users of the ITS; and (v) establish a backup disaster recovery system. The new ITS would provide support for all business functions, including user management, registration, returns processing, accounting, payment processing, enforcement, objections and appeals, audit, risk assessment, reporting, work flow, data warehouse and business intelligence tools, a document management system, and a taxpayer portal.

Component 4: Taxpayer Services and Communication. This component will finance activities to

modernize taxpayer services; create mechanisms for transparency and accountability, such as consultative panel and community surveys to ensure fair community input; modernize the call center to provide advanced services to taxpayers; promote community understanding of revenue laws, procedures, and rights and obligations of taxpayers; promote taxpayer efficiency through simplification and provision of electronic services and strengthen external and internal communication.

Component 5: Project Management. This component will strengthen MTA's capacity to ensure timely and quality project implementation in accordance with World Bank guidelines. The component will administer the procurement of: (i) national and international consultants to support procurement, including experts in IT procurement, financial management, and project audit; (ii) project management and procurement training; and (iii) operational expenditures associated with implementation of the project.

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

E. Borrowers Institutional Capacity for Safeguard Policies

F. Environmental and Social Safeguards Specialists on the Team

Agnes I. Kiss (OPSOR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
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	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 28-Jul-2014

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

**B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:**

There are no safeguards triggered by this project.

IV. APPROVALS

Task Team Leader:	Name: David Michael Nummy	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: John R. Butler (RSA)	Date: 18-Jul-2014
Practice Manager:	Name: David S. Bernstein (PMGR)	Date: 18-Jul-2014