



Support to Revenue Administration Reform in South-Eastern Europe

Improving revenue administration, management and governance arrangements and strengthening core tax administration functions in South-Eastern Europe

Rationale

Efficient and effective revenue administration is critical in order to ensure macroeconomic stability. Malfunction in tax administration undermines revenue collection while placing a burden on private sector and citizens. Taxation became an important issue in the South-Eastern Europe (SEE) region after the transition to market economies. Tax systems in SEE countries required an overhaul both on the policy and administration side. Among the most common issues were shortcomings in core administration functions (taxpayer registration, tax return and payment processes, tax audit), inadequate organizational structures, unreliable IT systems, lack of risk-based approaches and weak taxpayer compliance. The specific tax structure in many SEE countries with particularly low shares of taxes on income, profit and capital gains and disproportional dependence on taxes on goods and services further added to these challenges.

During the past decade, the SEE revenue administrations have made steady progress to align with international good practices. Examples thereof are among others the implementation of basic administrative structures and redesign of tax administration headquarters, the development of strategic business plans, the phasing-in of modern compliance risk management frameworks as well as IT reforms. However, further efforts are necessary to consolidate these advances and gradually move closer to the revenue administration standards in comparable EU countries.

Since 2010, Switzerland has supported revenue administration reforms in the SEE region. In light of the relevance of revenue administration reforms and in consideration of the substantial progress realized in the past years, Switzerland continues its financial support in this area through a contribution of CHF 3'000'000.

Objectives and activities

The overall objective of the program is to improve revenue administration in selected SEE countries to levels closer to their peers in the EU. This requires improved revenue administration, management, and governance arrangements as well as strengthened core tax administration functions.

Support is geared towards helping countries in developing strategic direction, and move forwards in implementation, building on previous achievements. Specific country programs are developed together with senior management of the beneficiary countries' revenue administrations and updated regularly, ensuring that program activities remain tailored to country needs and follow-up on

Country/region

Albania, Kosovo, Montenegro, North Macedonia, Serbia

Executing agency

International Monetary Fund (IMF)

Duration

2019-2021

Partners

European Union

Total budget

USD 15'300'000

SECO contribution

CHF 3'000'000

previous support. Assistance through this program is delivered through a mix of different delivery modalities:

1. Annual assessments of shortfalls from good practices and provision of strategic guidance on reform needs, priorities and approaches.
2. Continuous on-sight and distance support through two resident tax experts based in the region.
3. Technical assistance and advice in specific areas as defined in the specific country programs through short-term experts.
4. Annual regional workshop on topics relevant for all beneficiary countries, allowing for peer-exchange among the revenue administrations.

Governance Structure

The program is part of a Multi-Donor Trust Fund (MDTF) implemented through the IMF. In addition to Switzerland's engagement, the trust fund also includes complementary support to public financial management reforms financed by the European Union.

A Steering Committee (SC) consisting of representatives of SECO, EU, and IMF provides strategic guidance and sets project priorities for the MDTF. The SC meets annually to endorse the annual work plan for the next financial year and to assess the level of its implementation during the ongoing financial year. The SC also discusses donor and technical assistance coordination issues.

Furthermore, a Coordination Meeting (CM) with beneficiary countries is held annually. This meeting serves to discuss work plan implementation, technical assistance priorities, the work program for the year ahead as well as crosscutting lessons learned. More information on recent CMs is available under the websites indicated below, featuring presentations of beneficiary countries' reform efforts.

How to get involved

The program is targeted to EU candidate countries in the Western Balkans. Currently, tax administrations in Albania, Kosovo, Montenegro, North Macedonia and Serbia are participating in the program.

Further information and contact details

Website Coordination Meeting 2018: <https://centerofexcellenceinfinance.exposure.co/strengthening-econ-governance-and-pfm-in-southeastern-europe>

Website Coordination Meeting 2019: <https://centerofexcellenceinfinance.exposure.co/2019-ec-imf-seco-see>

Program Coordinator at SECO:

Tel.: +41 58 464 07 94

Email: wemu.sekretariat@seco.admin.ch