

Fiscal Reforms in Southeast Europe Program Phase III (SEE III)

Mid-term external evaluation
Period: January 2023 to February 2025

Evaluation Report – Annexes
Volume I (of II)
August 2025

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VOLUME II OF THESE ANNEXES CONTAIN THE RESULTS AND RELATED QUESTIONNAIRES OF SURVEYS UNDERTAKEN AS PART OF THE EVALUATION

ABBREVIATIONS AND ACRONYMS

| | | | |
|--------|----------------------------------------------------------|----------|----------------------------------------------------------|
| AAP | Annual Action Plans | FY | IMF fiscal year |
| AEOI | Automatic Exchange of Information | G&O | Governance and Other |
| AFRAD | Analytics and Fiscal Risk Department (UVK) | GDC | General Directorate of Customs (Albanian Customs Office) |
| AIR | Annual Implementation Reports | GDP | Gross Domestic Product |
| ALB | Albania | GDT | General Directorate of Taxation (Albanian Tax Office) |
| ALM | Asset and Liability Management | GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| BD | Brčko District, BiH | HCT | Health Check Tool |
| BFD | Budget Framework Document | HNWI | High Net Worth Individual |
| BiH | Bosnia and Herzegovina | HQ | IMF Headquarters |
| BPR | Budget Policy Reform | HR | Human Resources |
| BRFP | Briefing paper | HRM | Human Resource Management |
| BTO | Back to Office report | HWI | High Wealth Individuals |
| CBA | Cost-Benefit Analysis | IBIH | Institutions of Bosnia and Herzegovina |
| CBK | Central Bank of Kosovo | ICD | IMF Institute for Capacity Development |
| CD | Capacity Development | ICDGP | ICD Global Partnerships Division |
| CEF | IMF Common Evaluation Framework | ICDSE | ICD Strategy and Evaluation Division |
| CEF | Centre of Excellence in Finance | ICT | Information Communications Technology |
| CFAT | Cash Forecasting and Analysis Tool | IFMIS | Integrated Financial Information System |
| CFD | Cash Forecasting Division | IMF | International Monetary Fund |
| CIP | Compliance Improvement Plan | IMP | Impact |
| CIT | Corporate income tax | IRMS | Integrated Revenue Management System (Macedonia) |
| CLM | Climate | ISKRA | Government Information System |
| CMD | Cash Management Division | ISORA | International Survey on Revenue Administration |
| COH | Coherence | ITA | Indirect Tax Administration (Bosnia) |
| CoP | Community of Practice | ITAS | Integrated Tax Administration System |
| COTS | Commercial Off-The-Shelf | JVI | Joint Vienna Institute |
| C-PIMA | Climate PIMA | KEQ | Key Evaluation Questions for the SEE III evaluation |
| CRM | Compliance risk management | KFMIS | Kosovo Financial Management System |
| DA | Data Analysis | KPIs | Key Performance Indicators |
| DAC | Development Assessment Committee (OECD) | LTO | Large Taxpayer Office |
| DEMPA | Debt Management Performance Assessment | LTX | Long-term or Resident advisor |
| DG | Director General (Head of Revenue Authority) | M&E | Monitoring And Evaluation |
| DP | Development partner, or development cooperation agencies | MFP | Macro Fiscal Policy |
| DPI | Debt Performance Indicator | MKD | North Macedonia |
| EC/EU | European Commission/European Union | MNE | Montenegro |
| EFF | Efficiency | MOF | Ministry of Finance |
| EFT | Effectiveness | MOFE | Ministry of Finance and Economy |
| ERP | Enterprise Resource Planning | MFLT | Ministry of Finance, Labor and Transfers |
| ESC | Evaluation Sub-Committee | MoU | Memorandum of Understanding |
| EU | European Union | MS | Milestone |
| EUR | Europe (Department of IMF) | MTA | Montenegro Tax Administration |
| EUR | IMF European Department | MTBF | Medium-Term Budget Framework |
| FAD | IMF Fiscal Affairs Department | MTEF | Medium Term Expenditure Framework |
| FBIH | Federation of Bosnia and Herzegovina | MTRS | Medium-term Revenue Strategy |
| FCDO | Foreign Commonwealth Development Office | n/a | Not applicable or Not assessed |
| FDA | Federal Tax Authority (Bosnia) | OBJ | Objective |
| FR | Fiscal Risk | OC | Outcome |
| FRAT | Fiscal Risk Analysis Tool | ODA | Overseas Development Agency |
| FRD | Fiscal Risk Department | OECD | Organisation of Economic Cooperation and Development |
| FRMD | Fiscal Risk Monitoring Department | OECD DAC | OECD Development Assistance Committee |
| FRS | Fiscal Risk Statement | PEFA | Public Expenditure Financial Accountability |
| FRWG | Fiscal Risk Working Group | PFM | Public Financial Management |
| FTC | Fiscal Transparency Code | | |
| FTE | Fiscal Transparency Evaluation | | |
| Fund | IMF | | |

| | |
|---------|---------------------------------------------------------|
| PHII | Phase Two (SEE Program) |
| PHIII | Phase Three (SEE Program) |
| PIM | Public investment management |
| PIMA | Public Investment Management Assessment |
| PIMIS | Public Investment Management Information System |
| PIMU | Public Investment Management Unit |
| PIT | Personal Income Tax |
| PM | SEE III Project Manager |
| POA | Performance Outcome Area (TADAT) |
| PPP | Public-Private Partnership |
| PRO | Public Revenue Office (Macedonia) |
| Program | SEE III |
| RA | Revenue Administration |
| RA GAP | Revenue Administration-Gap Analysis Program |
| RAM | Reserve Tranche Policies |
| RARP | Revenue Administration Reform Project (WB - Montenegro) |
| RBM | Results-Based Management |
| RDF | Risk Differentiation Framework |
| REL | Relevance |
| RMU | Risk Management Unit |
| RS | Republika Srpska |
| RSTA | Republika Srpska Tax Administration (Bosnia) |
| RTAC | Regional Technical Assistance Center |
| SC | SEE III Steering Committee |
| SDG | Sustainable Development Goals |
| SECO | Swiss State Secretariat for Economic Affairs |
| SEE | Southeast Europe |

| | |
|---------|------------------------------------------------------|
| SEE III | Fiscal Reform in Southeast Europe program Phase III |
| SER | Serbia |
| SIGMA | Support for Improvement in Governance and Management |
| SOE | State-Owned Enterprise |
| SOE-HCT | SOE Health Check Tool |
| SPIRI | (Government Information System) |
| STaX | Serbian Tax Authority |
| STX | Short Term expert |
| SUS | Sustainability |
| TA | Technical Assistance |
| TA-AYT | Tax Administration Assessment and Yield Tool |
| TAD | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TAK | Tax Administration Kosovo |
| TAR | TA Report |
| TDMM | Tax Debt Maturity Model (OECD) |
| TOR | Terms of reference for the SEE III evaluation |
| TP | Tax Policy |
| TPU | Tax policy unit |
| TSA | Treasury Single Account |
| UNDP | United Nations Development Program |
| US | United States |
| UVK | Kosovo |
| VAT | Value Added Tax |
| VIES | VAT Information Exchange System |
| VITARA | Virtual Training to Advance Revenue Administration |
| W&C | Workshops and conferences |
| WG | Working Group |

I. EVALUATION TERMS OF REFERENCE

[To be inserted in final version, including updated KEQs]

DRAFT

II. EVALUATION METHODOLOGY

The Fiscal Reforms in Southeastern Europe program Phase III (SEE III) evaluation inception note of May 2025 set out the proposed evaluation approach and methodology, which has been broadly executed during the evaluation. This section recaps the rationale for selecting the sample topics and countries that have been assessed, and outlines the key activities undertaken. The evaluation has formally assessed the Program’s activities between the start of the current phase, in January 2023, to February 2025. In reality, interviews and surveys have provided more current information, so the assessments cover implementation and outcomes until April 2025.

1. KEY DATES

The kick-off meeting with IMF took place on 10 February 2025, following contract award on 30 January. The inception phase involved document reviews and virtual meetings with IMF Fiscal Affairs Department (FAD) SEE III workstream project managers and resource management function; IMF Institute for Capacity Development (ICD) Global Partnerships (ICDGP) and Strategy and Evaluation (ICDSE) staff; and SEE III Steering Committee (SC) representatives from the European Union (EU) and Swiss State Secretariat for Economic Affairs (SECO). The draft Inception Report was submitted to Evaluation Sub-Committee (ESC) members on 9 April, and following final comments on 2 May, the final version was shared the same day. In parallel during the period, the evaluation team undertook a review of document availability based on proposed sample projects for detailed assessment, and translating, uploading and testing surveys. During the post-inception field phase country case study visits were undertaken between 19 May and 6 June. Survey invitations were sent out by FAD between 27 and 29 May, and were open until 6 June (for IMF staff, Communities of Practice (CoP) participants and Development Partners) and 11 June (for capacity development (CD) counterparts and SEE III workshop participants. Documents related to projects and the program were reviewed, as well as interviews undertaken with IMF Headquarters (HQ) staff; SEE III Regional Resident Advisors (LTX); Short-Term Experts (STX); ICDGP staff; and SC members in parallel with the country visits and the week after the last visit. The first draft of the evaluation report was presented to IMF on 16 June, and sent to SC members on 16 July. The preliminary findings and recommendations from the evaluation were presented at a SC meeting on 3 July, with a further presentation on 30 July. Following comments, the evaluation report was finalised on [***].

2. SAMPLING APPROACH

The TORs provide high-level guidance on sampling for in-depth review: *‘ensuring adequate representation of countries and workstreams. For a more informative evaluation, the sample should be weighed toward country-objectives that are core interventions of the program with significant volume of activities, and ideally completed or closer to completion.’* A number of additional selection criteria for countries have been discussed during the inception phase. These include: i) countries that demonstrate performance from which lessons can be learnt; ii) countries closest to EU Accession (Albania and North Macedonia); and iii) SECO priority countries (Albania and Serbia).

The sample of countries (for case studies) and projects (for desktop reviews) selected was based on the evaluation’s broader learning considerations, adequacy of coverage, and the ability to undertake in-depth assessments given evaluation resources available. The following criteria were applied: i) ensure a breadth of objectives and CD projects within them are covered; ii) focus on objectives and CD projects with the largest numbers of activities; iii) select countries based on positive and less positive performance to learn lessons from both. In respect of the latter, focus particularly on transferable lessons where available; iv) choose some topical areas with more intense activities across a broader range of countries to learn additional lessons from variations in achievement; v) focus on assessing topics within IMF Results-Based Management (RBM) logframe objectives to ensure broad definitions of the latter that encompass a range of divergent topical areas; vi) ensure coverage of all significant projects that have been implemented in selected case study countries; and vii) select additional topical areas for desktop reviews to ensure broad coverage of workstream topical areas.

A methodical approach was applied to ensure that the selection criteria are broadly reflected by the chosen sample. The following steps were taken: i) the three countries with the highest CD spends were selected for each workstream; ii) within these countries, 2-3 projects with the highest spends were identified; iii) separately, workstream Project Managers (PM) were asked to highlight countries and topics that they believed are representative of their workstream and could offer important insights and lessons; iv) SEE III donor priority countries were factored in; and v) data related to the selected countries, topics and projects were then reviewed in more detail, and a shortlist prepared. Finally, adjustments made to ensure adequate coverage of countries between workstreams.

The sampling exercise yielded the following results:

Public Financial Management (PFM)

| SEE III: PFM SPEND ON CD PROJECTS AND SAMPLE SELECTION (US\$'000) | | | | | | | | | | | |
|-------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|----------|--------------|--------------|-------------|
| Objectives/projects | ALB | BiH | UVK | MNE | MKD | SER | W&C | COP | G&O | Totals | % |
| Asset and Liability Management | | | | | | | | | | 269 | 6% |
| Cash Management | 131 | | 138 | | | | | | | 269 | |
| Laws and Institutions | | | | | | | | | | 403 | 9% |
| PFM strategies | | 158 | | | | | | | | 158 | |
| Bylaw | | | | | | 167 | | | | 167 | |
| Governance | | | | | | | 78 | | | 78 | |
| Budget Preparation | | | | | | | | | | 444 | 10% |
| Budgeting | | | | | 27 | 136 | | | | 163 | |
| Spending Reviews | | | | | 171 | | | | | 171 | |
| Budgeting: Gender/Climate | | | 26 | | | | 84 | | | 111 | |
| Public Investment Management (PIM) | | | | | | | | | | 1,170 | 27% |
| PIM/PIMIS | 21 | 9 | 27 | | 220 | 127 | 149 | | | 553 | |
| PIMA | | 325 | | 85 | | | | | | 410 | |
| C-PIMA | | | 106 | | 102 | | | | | 207 | |
| Fiscal Risks | | | | | | | | | | 996 | 23% |
| FR - Assessment/Management | | 6 | 70 | 83 | | | 81 | | | 240 | |
| FR - Disclosure/Fiscal Risk Statement | 59 | | 41 | | 266 | 76 | | | | 441 | |
| FR - PPP Fiscal Risks/PFRAM | 76 | | | | | | | | | 76 | |
| FR – State-Owned Enterprises | 130 | 37 | | 72 | | | | | | 240 | |
| Governance and Other | | | | | | | | | | 1,104 | 25% |
| Project Management | | | | | | | | | 428 | 428 | |
| Steering Committee | | | | | | | | | 18 | 18 | |
| Evaluation | | | | | | | | | 64 | 64 | |
| Non-mission support | | | | | | | | | 594 | 594 | |
| | 417 | 535 | 408 | 240 | 785 | 505 | 393 | - | 1,104 | 4,386 | 100% |
| | 14% | 19% | 14% | 8% | 27% | 17% | | | | | |

Source: IMF data, evaluator analysis. Jan 2023 – Feb 2025. Figures reflect actual activity at standard cost.

The shaded column represents projects included in the country case study, the shaded row represents topical case study, and shaded cells represent sampled desktop reviews.

For PFM, Serbia was initially selected as the country case study, and Fiscal Risks Disclosure and Statements as the cross-cutting topic. Serbia had received CD support in a broad range of topics, ranging from legal, budgeting, PIM and Fiscal Risk. It had also benefited recently from an FTE. Lessons could be derived from progress made in a difficult environment. There were linkages with other IMF activities, EU requirements, and SECO CD activities. However, upon guidance from the IMF European Department (EUR), which advised that travel was not advised due to ongoing IMF Program-related discussions, North Macedonia was ultimately selected as the PFM case study country. It is the largest beneficiary jurisdiction of PFM CD, and is representative of a broad spectrum of core SEE III CD topics, including spending reviews, Public Investment Management

(PIM) Information Systems (PIMIS), a Climate PIM Assessment (C-PIMA), Fiscal Risk Disclosure. The Ministry of Finance (MOF) has also recently seen changes in leadership, which has affected project momentum, a recurring experience of delivering CD in the region. Fiscal Risk is one of the two PFM regional approach topics (the other, PIM, was a case study in the SEE II evaluation), with the donor community focusing increasingly on the importance of identification, management and transparency in this area. Fiscal Risk Disclosure/Statements bring together these elements. It covers four of the six SEE Countries, and accounts for the second highest topical spend, after PIM, and this was chosen as the cross-cutting topical case study topic. Desktop reviews have been undertaken for cash management (Kosovo); PFM strategies (Bosnia); PIM and PIMA (in Serbia and Bosnia respectively); and Fiscal Risks related to State-Owned Enterprises (SOE) (Montenegro). These latter reviews are intended to ensure a broad country and topical coverage to supplement the case studies. The case studies and desktop reviews assessed represent 55% of country-specific CD spend of the PFM workstream.

Revenue Administration (RA)

| SEE III: RA SPEND ON CD PROJECTS AND SAMPLE SELECTION (US\$000) | | | | | | | | | | | |
|-----------------------------------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-------|--------------|------------|
| Objectives/Projects | ALB | BiH | UVK | MNE | MKD | SER | W&C | COP | G&O | Totals | % |
| Revenue Administration, Management and Governance | | | | | | | | | | 2,147 | 44% |
| Business Process Reengineering | | | | | | 17 | | | | 17 | |
| Compliance Risk Management | 54 | | 51 | 118 | | 51 | | 87 | | 361 | |
| Data Analytics | 151 | | 151 | | | | 138 | | | 440 | |
| Debt and Arrears Management | 82 | 63 | 90 | 102 | 79 | | | 78 | | 495 | |
| Diagnostic and strategy | 100 | 155 | 131 | 120 | | | | | | 506 | |
| Human Resource Management | | | | 35 | | 54 | | | | 89 | |
| Investigation | | 30 | | | | | | | | 30 | |
| Information technology | | | | | | 51 | | | | 51 | |
| Large Taxpayers Office | | | | | 27 | | | | | 27 | |
| Organization/Performance Management | | | | | | 64 | | | | 64 | |
| Reform | | | | | 66 | | | | | 66 | |
| Tax Administration Core Functions | | | | | | | | | | 395 | 8% |
| Audit | | 6 | 6 | | | | 94 | 77 | | 182 | |
| Personal Income Tax | 71 | | | | | | | | | 71 | |
| VAT | | 26 | | | 50 | | | | | 76 | |
| International Tax | | | | | | | 66 | | | 66 | |
| Other CD | | | | | | | | | | 1,052 | 22% |
| HQ CD Delivery | 45 | 34 | 40 | 141 | 57 | 209 | | | | 526 | |
| Non-mission support | | | | | 53 | 65 | | | | 118 | |
| Multi Project Missions | 33 | 28 | | 40 | 68 | 158 | | | | 327 | |
| Medium-Term Revenue Strategy | 81 | | | | | | | | | 81 | |
| Other Regional Activities | | | | | | | | | | 65 | 1% |
| Other Workshops | | | | | | | 65 | | | 65 | |
| Governance and Other | | | | | | | | | | 1,174 | 24% |
| Project Management | | | | | | | | | 921 | 921 | |
| Steering Committee | | | | | | | | | 21 | 21 | |
| HQ staff visit progress review | | | | | | | | | 108 | 108 | |
| LTX visit progress review | | | | | | | | | 60 | 60 | |
| Evaluation | | | | | | | | | 64 | 64 | |
| | 617 | 343 | 468 | 557 | 399 | 669 | 364 | 242 | 1,174 | 4,833 | 100% |
| | 20% | 11% | 15% | 18% | 13% | 22% | | | | | |

Source: IMF data, evaluator analysis. Jan 2023 – Feb 2025. Figures reflect actual activity at standard cost.

The shaded column represents projects included in the country case study, the shaded row represents topical case study, and shaded cells represent sampled desktop reviews.

For RA, Kosovo was selected for the country case study, and Compliance Risk Management (CRM) as the topical counterpart. Kosovo is considered a good representative of the increased focus in this program phase of strengthening administration capacity, and CD covers important topics such as diagnostic and strategy, CRM, data analytics and arrears management. It is also highlighted as a country making good reform progress in tax administration, albeit with low capacity. A number of the topical areas covered have benefited from CD in the previous phase, so outcomes should be more discernible, especially as a diagnostic using a new tool (Tax Administration Assessment Yield Tool: TA-AYT) was undertaken in November 2024, and the Tax Administration Diagnostic Assessment Tool (TADAT) matrix is being used to measure progress. Lessons could be derived from usage of these monitoring tools as well as how the Program is addressing staff capacity issues in the administration. CRM was selected for the topical case study as a regional approach is being taken on that subject, and is one of the more technical areas in which CD is being delivered. It covers four SEE Countries, and also has the most mature Community of Practice (CoP). The RA desktop reviews cover debt management (Bosnia); diagnostic and strategy (Montenegro); organisational reform and performance management (Serbia); reform management (North Macedonia); and personal income tax (PIT) and Medium-Term Revenue Strategy (MTRS) in Albania. The sampled projects cover 38% of RA country-specific CD spend (relatively low coverage reflects the more distributed nature of the RA CD portfolio).

Tax Policy (TP)

| SEE III: TP SPEND ON CD PROJECTS AND SAMPLE SELECTION (US\$'000) | | | | | | | | | | | |
|------------------------------------------------------------------|------------|------------|-----------|------------|------------|----------|------------|----------|------------|--------------|-------------|
| Topic | ALB | BiH | UVK | MNE | MKD | SER | W&C | CoP | G&O | Totals | % |
| Subject Areas | | | | | | | | | | 967 | 46% |
| Corporate Income Tax | | | 44 | | | | | | | 44 | |
| Personal Income Tax | | 301 | | | | | | | | 301 | |
| Property Taxes | 39 | 127 | | | | | | | | 166 | |
| VAT-Modelling | 54 | | | | | | | | | 54 | |
| VAT - Sectors | 137 | | | | | | | | | 137 | |
| VAT - Expenditure Analysis | | 266 | | | | | | | | 266 | |
| TPUs, capacity building etc. | | | | | | | | | | 725 | 35% |
| Tax Policy/Expenditures Assess. | 155 | 124 | | 119 | 271 | | | | | 670 | |
| TPU - Diagnostic | | | 54 | | | | | | | 54 | |
| Other CD | | | | | | | | | | 82 | 4% |
| Multi-Project Missions | | | | 82 | | | | | | 82 | |
| Other Regional Activities | | | | | | | | | | 161 | 8% |
| Workshop (multi-topic) | | | | | | | 161 | | | 161 | |
| Governance | | | | | | | | | | 157 | 7% |
| Project Management | | | | | | | | | 116 | 116 | |
| Steering Committee | | | | | | | | | 9 | 9 | |
| Evaluation | | | | | | | | | 32 | 32 | |
| | 385 | 818 | 98 | 202 | 271 | - | 161 | - | 157 | 2,092 | 100% |
| | 22% | 46% | 6% | 11% | 15% | - | | | | | |

Source: IMF data, evaluator analysis. Jan 2023 – Feb 2025. Figures reflect actual activity at standard cost.

The shaded column represents projects included in the country case study, the shaded row represents topical case study, and shaded cells represent sampled desktop reviews.

For TP, Albania was chosen as the case study country, and Tax Policy and Expenditure Assessment as the topical one. Albania is the largest single jurisdiction to receive TP CD support. In particular, extensive VAT advice has been provided in strategic sectors such as agriculture, tourism and real estate. Political changes have also highlighted the importance of political economic influences on this workstream, and related lessons could be derived. For the cross-cutting topic, a case study on tax policy and expenditure analysis has been selected, as this is a core function of tax policy units (TPU), and the main capacity building focus of the workstream. Desktop assessments have been undertaken for corporate income tax (CIT) (Kosovo), and PIT (Bosnia, Republika Srpska). The selected sample represents 70% of TP workstream CD spend on countries.

3. ASSESSMENT AND RATING APPROACH

Overall assessment approach

Templates were developed for assessing projects within country studies and topical areas. These were designed to ensure a consistent approach to evaluating each objective within a workstream, and also between workstreams. Considering the approach provided in the IMF Common Evaluation Framework (CEF), and also in the TORs, emphasis and space was given to highlight matters such as achievements, lessons, and recommendations, in addition to presenting the findings and evidence to back the evaluation ratings. These country and topical case study, and desktop assessment templates have been used for the evaluation, as presented in Annexes IV, V and VI in respect of the RA, PFM and TP workstreams respectively.

Two points are worth highlighting: i) the CDMAP RBM system updates dates attributed to ratings every time the logframe is downloaded. We only became aware of this relatively late in the evaluation. The IMF self-assessment dates presented in the templates are therefore not accurate.

Project rating, scoring and aggregation methodology

| Evaluation rating approach | | | |
|----------------------------|--------------------|--------------|----------------|
| Score | RBM definition | | TOR definition |
| | Qualitative | Quantitative | |
| 4 | Fully achieved | 100% | Excellent |
| 3 | Largely achieved | >75-99% | Good |
| 2 | Partially achieved | 26-75% | Modest |
| 1 | Not achieved | ≤ 25% | Poor |

The rating approach followed for the OECD-DAC evaluation criteria is consistent with that agreed with IMF subsequent to the inception phase, and the RBM ratings definitions, rather than that provided in the TOR, have been used¹. Ratings have been built from the bottom up on a project-by-project basis, on a four-point scale, for each criterion. The main evaluation report contains aggregated ratings for workstreams and the Program. The key evaluation questions (KEQ) provided in the TOR have been used to guide the project assessment ratings and scores. Workshops have not been separately rated, except through assessments of sampled ones (one for each

workstream²), which have not been consolidated with project scores. SEE III strategy and operations management was also not explicitly rated or scored, as provided in the TOR.

Scores were averaged (to one decimal place) at different levels to provide insights into achievement. For each project, an average of the OECD-DAC criteria scores was calculated to provide an overall project-level score. The scores for all projects within each country and topic (for each OECD-DAC criterion and overall project scores) were averaged to provide a set of country (for country case studies) and topic (for topical case studies) level scores. A similar exercise was undertaken in respect of each assessed objective to arrive at objective-level scores and ratings. Finally, the criterion score for all projects were averaged to arrive at the assessed portfolio-level scorings and ratings for each workstream. No weightings have been applied at any of the levels of averaging and simple averages were calculated (it was determined that applying any weighting approach would be inherently subjective). Average scores have been rounded up or down to the nearest integer to attribute a qualitative rating. Annex III provides the evaluation scores at different levels of the assessed portfolio for each of the workstreams.

¹ The evaluators agreed with IMF that the RBM definitions more accurately reflect project performance, rather than the TOR definitions, as the latter do not fully take into account the expected performance at the current mid-term phase of projects when ascribing a rating.

² PFM Gender and Climate; RA GovTech; and TP Multi-Topic.

4. EVALUATION TOOLS IMPLEMENTED

Document reviews, interviews and surveys provided the information base to carry out project, workshops/CoP, and strategy and operations assessments through responding to the KEQs. The following section highlights the key sources of information used for the evaluation, and is not necessarily comprehensive.

Document reviews

At the Program level, and also to evaluate SEE III strategy and operations management, key documents reviewed were: i) SEE III Program proposal; ii) FY 2024 and FY 2025 Progress Reports; iii) minutes from 2023 and 2024 annual SC meetings iv) SEE III operational guidelines; v) 2022 IMF CD Strategy Review; v) various RBM-related documents including CEF guidelines and RBM governance framework; vi) SEE II program final report; vii) program-level budgets and actual expenses financial information as well as activity costs breakdowns; and viii) overall RBM structure of objectives, outcomes and milestones. Many of these documents have also been used for assessing individual projects.

For project assessments, in addition to those referred to in the previous paragraph, documents referred to have included (as relevant): i) mission briefing papers (BRFP); ii) TA reports (TAR); iii) RBM logframe information and IMF ratings related to assessed projects; iv) IMF Article IV and special issues reports; v) country PFM and RA strategy documents and reports; vi) legal documents from beneficiary countries (PFM); vii) EU-based articles on SEE III countries on political and economic developments; viii) EU documents on the Accession process, including Economic Reform Plans and reviews, and requirements under the Copenhagen Conference (particularly relevant for PFM); ix) workshop reports; country strategy notes (where available); x) TADAT assessments and repeat assessments for number of SEE countries; and xi) Relevant historic PEFA and PIMA reports. In addition, supporting documents and information were sourced from counterpart ministry and administration websites, as well as general background information for all countries and regions.

For the three sampled workshops, reviews covered BRFPs; TARs; back to office reports (BTO); participant feedback and a selection of presentations.

Interviews

For Program-level assessment, key interviewees were FAD staff covering the workstreams (especially the workstream project managers (PM); EUR mission chiefs covering SEE countries; and LTX. Interviews were also conducted with SC members and with EU and SECO country offices in the case study countries (ALB, UVK and MKD). Feedback from interviews conducted as part of project assessments was incorporated in the program strategy and operations management assessment, and *vice versa*.

[to be updated] [For project assessments, core information was obtained from interviews with workstream coordinators; regional advisors and BiH RA resident advisor (LTX); short-term experts (STX) responsible for delivering the CD being assessed; and HQ-based IMF country reviewers (PFM). For RA workstream assessments, interviews were conducted with staff at counterpart tax administrations responsible for implementing SEE II CD support (by topical area), and for CD coordination. For PFM, beneficiary interviews included deputy ministers in two countries (to agree which staff should be interviewed); directors of Macro- and other departments in Ministries of Finance (MoF) and Economy (MoFE); heads of technical units (PIM, PPP, cash, and debt); and heads of PFM units.]

A total of [93] interviewees were consulted as part of the evaluation. A list of interviewees is provided in Annex VII.

Surveys

Five surveys were conducted, of: i) CD counterparts; ii) IMF staff and LTX/STX; iii) development partners (DP), including SECO and EU local offices and Delegations; iv) workshop participants; and v) CoP participants. The survey of CD counterparts sought to target relevant senior institution and department-level counterparts. The survey questions were designed to broadly cover relevant KEQs, and grouped according to the OECD-DAC evaluation criteria. A number of questions in the CD beneficiaries and IMF surveys were designed to mirror each other, so that their respective views could be compared. The DP survey sought views on reform environment in the SEE countries, experience of achieving CD results, and donor coordination generally and with IMF/SEE III in particular. The workshops and CoP surveys covered views on the events as well as experience of implementation of results. The CD counterparts, workshops and CoP surveys were conducted in three languages in addition to English: Serbian, Macedonian and Albanian. Contact lists for the surveys were obtained from IMF. Of the eight workshops and webinars conducted, contacts were available for four.

Significant work was involved in organising the surveys, and in particular, processing the response data. IMF help was invaluable in compiling mailing lists and sending out initial survey invitations³. We believe this helped achieve a higher-than-usual response rate (compared with IMF evaluation surveys generally, and SEE II evaluation surveys in particular). Follow-up emails were sent by the evaluators to EU and SECO participants; and to CD counterparts and workshop participants in four languages; and targeted CD counterparts by IMF. The evaluation team (machine) translated the non-English responses and merged the CD beneficiaries', workshops and CoP surveys, and analysed the raw data for all surveys.

| Survey response rates | | | | | | |
|------------------------------|------------------|-----------------------|------------|------------------------------------|------------|------------|
| | CD beneficiaries | IMF staff and LTX/STX | DPs | Workshop participants ⁴ | CoP | Total |
| Invitations | 71 | 66 | 33 | 169 | 65 | 404 |
| Responses | 40 | 40 | 19 | 33 | 35 | 167 |
| SEE III response rate | 56% | 61% | 58% | 20% | 54% | 41% |
| SEE II response rate | 25% | 56% | 36% | 9% | - | 25% |

The overall survey response rate, at 25%, is as highlighted previously higher than those of some other IMF evaluations. The overall response rate is depressed by the relatively high number of workshop participants surveyed, with that survey achieving (typically experienced) relatively low responses. Nevertheless, broad coverage of workstreams and countries was achieved for all the surveys workshops. [Of the CD counterparts survey, 20 responses related to PFM, 17 for RA, and ** for TP.] All workstreams benefited from 2-5 responses from each SEE country, except [SER for PFM, and MNE for RA, which received one response each]. For the IMF survey, RA received 18 responses, PFM 11, and TP 8, with each workstream receiving 6 HQ and LTX responses, with the balance being accounted for by STXs. Of the DP survey, five were received from EU delegations, six from local SECO offices, one from each SC member, and two each from the World Bank and Skatteverket (Sweden). The workshop participants responses covered both PFM (five) and RA (four), and related to three of the four targeted workshops, although two responses were received in respect of a more recent PFM workshop not listed in the invitation. The RA CoP responses covered all three: CRM, 9; debt and arrears management, 9; and audit, 7.

An analysis of the survey results and survey questionnaires are provided in Volume II of the Annexes.

³ Except for EU and SECO participants, which were sent out by the evaluators.

⁴ Some workshop questions also related to CoPs, so the final survey analysis for CoPs is likely to show higher number of responses than that presented in this table.

III. SUMMARY OF EVALUATION RATINGS

1. INDEX OF OBJECTIVES EVALUATED

| COUNTRY | PROJECT OBJECTIVE NO. | WORKSTREAM/OBJECTIVE | ABBREVIATION |
|-------------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------------------------------|--------------|
| REVENUE ADMINISTRATION | | | |
| COUNTRY CASE STUDY: KOSOVO | | | |
| Kosovo | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | RA-UVK-OBJ1 |
| Kosovo | Objective 2 | Strengthened core tax administration functions (SDG 17.1) - TAD | RA-UVK-OBJ2 |
| TOPICAL CASE STUDY: COMPLIANCE RISK MANAGEMENT | | | |
| Albania | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | RA-ALB-OBJ1 |
| Kosovo | Objective 2 | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | RA-UVK-OBJ2 |
| Montenegro | Objective 3 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | RA-MNE-OBJ3 |
| Serbia | Objective 4 | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | RA-SER-OBJ4 |
| CoP | Objective 5 | Community of Practice (CoP) – CRM | RA-COP-OBJ5 |
| DESKTOP REVIEWS | | | |
| Albania | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM PIT | RA-ALB-OBJ1 |
| Albania | Objective 2 | Strengthened core tax administration functions (SDG 17.1) – TAD MTRS | RA-ALB-OBJ2 |
| Bosnia and Herzegovina | Objective 1 | Strengthened core tax administration functions (SDG 17.1) - TAD] | RA-BiH-OBJ1 |
| North Macedonia | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | RA-MKD-OBJ1 |
| Montenegro | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | RA-MNE-OBJ1 |
| Serbia | Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | RA-SER-OBJ1 |
| PUBLIC FINANCIAL MANAGEMENT | | | |
| COUNTRY CASE STUDY: NORTH MACEDONIA | | | |
| North Macedonia | Objective 1 | Comprehensive, credible, and policy-based budget preparation - BPR | PFM-MKD-OBJ1 |
| North Macedonia | Objective 2 | Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) – CLM | PFM-MKD-OBJ2 |
| North Macedonia | Objective 3 | Improved PFM laws and effective institutions – BLF | PFM-MKD-OBJ3 |
| North Macedonia | Objective 4 | Improved public investment management - PIM | PFM-MKD-OBJ4 |
| North Macedonia | Objective 5 | Strengthened identification, monitoring, and management of fiscal risks – FRK | PFM-MKD-OBJ5 |
| TOPICAL CASE STUDY: FISCAL RISKS DISCLOSURE | | | |

| COUNTRY | PROJECT OBJECTIVE NO. | WORKSTREAM/OBJECTIVE | ABBREVIATION |
|-----------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Albania | Objective 1 | Strengthened identification, monitoring, and management of fiscal risks – FRK (ALB) | PFM-ALB-OBJ1 |
| Serbia | Objective 2 | Strengthened identification, monitoring, and management of fiscal risks – FRK (SER) | PFM-SER-OBJ2 |
| Kosovo | Objective 3 | Strengthened identification, monitoring, and management of fiscal risks – FRK (UVK) | PFM-KOS-OBJ3 |
| North Macedonia | Objective 4 | Strengthened identification, monitoring, and management of fiscal risks – FRK (MKD) | PFM-MKD-OBJ4 |
| Montenegro | Objective 5 | Strengthened identification, monitoring, and management of fiscal risks – FRK (MNE) | PFM-MNE-OBJ5 |
| DESKTOP REVIEWS | | | |
| Bosnia and Herzegovina | Objective 1 | Improved PFM laws and effective institutions | PFM-BiH-OBJ1 |
| Bosnia and Herzegovina | Objective 1 | Improved public investment management – PIM | PFM-BiH-OBJ1 |
| Montenegro | Objective 1 | Strengthened identification, monitoring, and management of fiscal risks | PFM-MNE-OBJ1 |
| Serbia | Objective 1 | Improved public investment management - PIM | PFM-SER-OBJ1 |
| Kosovo | Objective 1 | Improved asset and liability management - ALM | PFM-UVK-OBJ1 |
| TAX POLICY | | | |
| COUNTRY CASE STUDY: ALBANIA | | | |
| Albania | Objective 1 | Improve Tax Policy Design - TPD | TP-ALB-OBJ1 |
| Albania | Objective 2 | Strengthen Policy Monitoring, Evaluation, and Institutions - TPM | TP-ALB-OBJ2 |
| TOPICAL CASE STUDY: TAX EXPENDITURE ANALYSIS | | | |
| Albania | Objective 1 | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | TP-ALB-OBJ1 |
| Bosnia and Herzegovina | Objective 1 | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | TP-BiH-OBJ1 |
| North Macedonia | Objective 1 | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | TP-MKD-OBJ1 |
| Montenegro | Objective 2 | Strengthen Policy Monitoring, Evaluation, and Institutions – TPM [MNE] | TP-MNE-OBJ2 |
| DESKTOP REVIEWS | | | |
| Bosnia and Herzegovina/ Republika Srpska | Objective 1 | Improved tax and non-tax revenue policy (SDG 17.1) - TXP | TP-BiH/RS-OBJ1 |
| Bosnia and Herzegovina/ Republika Srpska | Objective 2 | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | TP-BiH/RS-OBJ2 |
| Kosovo | Objective 1 | Improve Tax Policy Design – TPD | TP-UVK-OBJ1 |
| Kosovo | Objective 2 | Strengthen Policy Monitoring, Evaluation, and Institutions – TPM | TP-UVK-OBJ2 |

2. SEE III PROGRAM-LEVEL RATING

| SEE III PROGRAM | | | | | | |
|-----------------|-----|-----|-----|-----|-----|---------|
| | COH | EFT | EFF | IMP | SUS | AVERAGE |
| AVERAGE | 2.8 | 2.5 | 2.7 | 2.4 | 2.4 | 2.6 |

3. REVENUE ADMINISTRATION RATINGS

| REVENUE ADMINISTRATION | | | | | | |
|----------------------------|-----|-----|-----|-----|-----|---------|
| OBJECTIVE | COH | EFT | EFF | IMP | SUS | AVERAGE |
| WORKSTREAM AVERAGE | 2.8 | 2.5 | 3.0 | 2.6 | 2.7 | 2.7 |
| COUNTRY CASE STUDY: KOSOVO | | | | | | |
| AVERAGE | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| RA-UVK-OBJ1 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| RA-UVK-OBJ2 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| TOPICAL CASE STUDY: CRM | | | | | | |
| AVERAGE | 3.0 | 2.6 | 3.0 | 2.8 | 2.8 | 3.0 |
| RA-ALB-OBJ1 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| RA-UVK-OBJ2 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| RA-MNE-OBJ3 | 3 | 2 | 3 | 2 | 2 | 2.4 |
| RA-SER-OBJ4 | 3 | 2 | 3 | 3 | 3 | 2.8 |
| RA-COP-OBJ5 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| DESKTOP REVIEWS | | | | | | |
| AVERAGE | 2.7 | 2.3 | 3.0 | 2.3 | 2.5 | 2.6 |
| RA-ALB-OBJ1 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| RA-ALB-OBJ2 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| RA-BIH-OBJ1 | 2 | 2 | 3 | 2 | 2 | 2.2 |
| xRA-MKD-OBJ1 | 3 | 2 | 3 | 2 | 3 | 2.6 |
| RA-MNE-OBJ1 | 2 | 2 | 3 | 2 | 2 | 2.2 |
| RA-SER-OBJ1 | 3 | 2 | 3 | 2 | 2 | 2.4 |

4. PUBLIC FINANCIAL MANAGEMENT RATINGS

| PUBLIC FINANCIAL MANAGEMENT | | | | | | |
|----------------------------------------------------|------------|------------|------------|------------|------------|------------|
| OBJECTIVE | COH | EFT | EFF | IMP | SUS | AVERAGE |
| WORKSTREAM AVERAGE | 2.8 | 2.6 | 2.5 | 2.5 | 2.4 | 2.6 |
| COUNTRY CASE STUDY: NORTH MACEDONIA | | | | | | |
| AVERAGE | 2.6 | 2.4 | 2.4 | 2.6 | 2.2 | 2.4 |
| PFM-MKD-OBJ1 | 2 | 2 | 2 | 2 | 2 | 2.0 |
| PFM-MKD-OBJ2 | 2 | 3 | 3 | 3 | 3 | 2.8 |
| PFM-MKD-OBJ3 | 3 | 2 | 2 | 2 | 2 | 2.2 |
| PFM-MKD-OBJ4 | 3 | 2 | 2 | 3 | 2 | 2.4 |
| PFM-MKD-OBJ5 | 3 | 3 | 3 | 3 | 2 | 2.8 |
| TOPICAL CASE STUDY: FISCAL RISKS DISCLOSURE | | | | | | |
| AVERAGE | 3.0 | 2.8 | 3.0 | 2.8 | 2.8 | 2.9 |
| PFM-ALB-OBJ1 | 2 | 3 | 3 | 3 | 3 | 2.8 |
| PFM-SER-OBJ2 | 3 | 2 | 3 | 2 | 3 | 2.6 |
| PFM-KOS-OBJ3 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| <i>PFM-MKD-OBJ4</i> | 3 | 3 | 3 | 3 | 2 | 2.8 |
| <i>PFM-MNE-OBJ5</i> | 4 | 3 | 3 | 3 | 3 | 3.2 |
| DESKTOP REVIEWS | | | | | | |
| AVERAGE | 3.2 | 2.8 | 2.4 | 2.4 | 2.2 | 2.6 |
| PFM-BiH-OBJ1 | 3 | 2 | 3 | 2 | 2 | 2.4 |
| PFM-BiH-OBJ1 | 3 | 4 | 2 | 2 | 2 | 2.6 |
| PFM-MNE-OBJ1 | 4 | 3 | 3 | 3 | 3 | 3.2 |
| PFM-SER-OBJ1 | 3 | 2 | 2 | 2 | 2 | 2.2 |
| PFM-UVK-OBJ1 | 3 | 3 | 2 | 3 | 2 | 2.6 |

Note: Objectives PFM-MKD-OBJ4 and PFM-MNE-OBJ5 from the Fiscal Risk Disclosure have been excluded from the calculation of workstream and program aggregate ratings as they were separately assessed as part of the MKD country case study and a MNE desktop review, and were not reassessed for the topical case study.

5. TAX POLICY RATINGS

| TAX POLICY | | | | | | |
|-----------------------------------------------------|------------|------------|------------|------------|------------|------------|
| OBJECTIVE | COH | EFT | EFF | IMP | SUS | AVERAGE |
| WORKSTREAM AVERAGE | 2.8 | 2.0 | 2.4 | 1.9 | 2.0 | 2.2 |
| COUNTRY CASE STUDY: ALBANIA | | | | | | |
| AVERAGE | 3.0 | 2.5 | 3.0 | 2.0 | 3.0 | 2.7 |
| TP-ALB-OBJ1 | 3 | 2 | 3 | 2 | 3 | 2.6 |
| TP-ALB-OBJ2 | 3 | 3 | 3 | 2 | 3 | 2.8 |
| TOPICAL CASE STUDY: TAX EXPENDITURE ANALYSIS | | | | | | |
| AVERAGE | 3.0 | 2.8 | 2.5 | 2.3 | 2.8 | 2.7 |
| TP-ALB-OBJ1 | 3 | 2 | 2 | 2 | 2 | 2.2 |
| TP-BiH-OBJ1 | 3 | 3 | 2 | 2 | 3 | 2.6 |
| TP-MKD-OBJ1 | 3 | 3 | 3 | 2 | 3 | 2.8 |
| TP-MNE-OBJ2 | 3 | 3 | 3 | 3 | 3 | 3.0 |
| DESKTOP REVIEWS | | | | | | |
| AVERAGE | 2.5 | 1.8 | 2.5 | 1.5 | 1.5 | 1.6 |
| TP-BiH/RS-OBJ1 | 3 | 2 | 3 | 2 | 2 | 2.4 |
| TP-BiH/RS-OBJ2 | 3 | 2 | 3 | 2 | 2 | 2.4 |
| TP-UVK-OBJ1 | 2 | 1 | 2 | 1 | 1 | 1.4 |
| TP-UVK-OBJ2 | 2 | 2 | 2 | 1 | 1 | 1.6 |

IV. REVENUE ADMINISTRATION PROJECT ASSESSMENTS

I. RA COUNTRY CASE STUDY: UVK

| 1. KEY DATA AND OVERVIEW | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|-----|-----|-----|---------|
| Workstream | REVENUE ADMINISTRATION | | | | | | |
| Country | Kosovo | | | | | | |
| Objectives assessed | Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM Objective 2: Strengthened core tax administration functions (SDG 17.1) - TAD | | | | | | |
| Topical areas assessed | <ul style="list-style-type: none"> ▪ Compliance Risk Management ▪ Data Analytics ▪ Debt and Arrears Management ▪ Diagnostic and Strategy ▪ Audit | | | | | | |
| Country-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | OVERALL |
| | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Summary of country-level assessment | | | | | | | |
| <p>The overall performance of the Capacity Development (CD) program in Kosovo is assessed as largely achieved (score of 3). Performance across the OECD DAC criteria indicates consistent and steady progress under both objectives: Objective 1 (RAM) and Objective 2 (TAD).</p> <ul style="list-style-type: none"> ▪ Coherence was reinforced through continued donor coordination, particularly with the EU and SECO, and strong engagement between the IMF and Tax Administration of Kosovo (TAK). Most logframes remain in active use as management tools, facilitating ownership and alignment. The program aligned closely with Kosovo’s strategic reform agenda, the TADAT roadmap, and priorities under the ERP. The repeat Tax Administration Diagnostic Assessment Tool (TADAT 2022) reflected this alignment, with 20 out of 32 indicators scoring in the A–B range and TAK acting swiftly to integrate reforms into its 2022–2026 Strategic Plan. All lower (C–D) scores are being actively addressed, as confirmed by TAK’s own recent self-assessment. ▪ Effectiveness has been notable in areas such as Compliance Risk Management (CRM), data matching, operational risk management, and improved refund handling. TAK has implemented three annual CIPs, with measurable improvements in collection and audit results. However, the cancellation of one CRM-related milestone due to the discontinuation of a related Information Communication Technology (ICT) project demonstrates how external constraints can still affect delivery. ▪ Efficiency and impact are evident in the way CD missions have translated into operational improvements, especially in risk management, use of third-party data, and audit targeting—although resource and ICT constraints are beginning to affect the pace of further advancement. ▪ Sustainability is supported by TAK’s strong institutional ownership, a reform-minded leadership team, and embedded practices. Nonetheless, challenges remain in centralizing CRM functions and fully leveraging cross-functional data sharing. <p>According to an IMF 2024 report International Survey on Revenue Administration (ISORA), out of eight measurement indicators, Kosovo scored above the developing countries’ average on seven, with five indicators approaching the levels seen in developed countries.</p> <p>Objective 1: The country has moderately strengthened revenue administration management and governance arrangements, showing steady progress but with areas needing further embedding and development.</p> <p>Objective 2: Core tax administration functions have been moderately improved, demonstrating tangible advancements while still facing operational challenges.</p> <p>It is important to note that the effectiveness scores used in this assessment are fully aligned with those self-assessed by the IMF, indicating a consistent judgment on performance and reform progress.</p> | | | | | | | |
| Key achievements | | | | | | | |
| Fully achieved: | | | | | | | |
| <ul style="list-style-type: none"> ▪ Centralization of Functional areas such as Debt Management, Risk Management Unit and Large Taxpayer Office ▪ E-services available across all tax types for registering, filing and payments ▪ Yearly audit quality monitoring program. | | | | | | | |

Significantly achieved:

- Reviewed and improved functional processes (CRM, Audit, Debt Management, Taxpayer obligations – filing and payments, Refunds)
- Produced and actioned plans (Compliance Improvement Plans (CIP), Debt Management)
- System to monitor audit function, including centralized audit planning and utilising risk analysis and KPIs.

What has been done well/has been successful

- **High-Quality CD delivery:** IMF CD support to TAK has been instrumental in enhancing institutional maturity and facilitating progress across various reform dimensions. The assistance was structured to support the institution at its particular stage of capacity, with activities tailored to meet each unit's current development level. This differentiated approach allowed for more targeted and meaningful interventions, increasing the likelihood that all components would reach high maturity levels by the end of the program period.
- **Effective Use of LTXs:** Deploying regional LTXs in the early stages of reform implementation proved effective in building institutional capacity and ensuring sustainability. This approach allowed for knowledge transfer and capacity building within TAK and other ministries, fostering a culture of continuous improvement.
- **Tailored Capacity Development Aligned with EU Accession Goals:** The CD support was closely aligned with Kosovo's EU accession objectives, particularly in areas such as tax policy harmonization and compliance risk management. This strategic alignment ensured that reforms not only addressed domestic needs but also positioned Kosovo to meet EU standards, thereby facilitating its integration into the European Union.
- **Institutional Capacity Building:** TAK has made significant progress in establishing a functional tax system, building institutional capacity, and strengthening strategic planning, compliance risk management, and core tax administration functions. Revenue collection, both in value and as a percentage of GDP, shows a continuous upward trend, reflecting the effectiveness of the CD support in enhancing Kosovo's revenue management capabilities.

Areas for potential improvements

- **Strengthening Digital Infrastructure and Data Integration:** While Kosovo has made strides in digitalizing its tax administration, challenges persist due to outdated technology and data infrastructure. The cancellation of a tax ICT modernization contract in 2022 highlighted the need for a more robust digital framework. To enhance efficiency, it is recommended to implement a comprehensive digital transformation strategy, including the development of a data warehouse and the adoption of Commercial Off-The-Shelf (COTS) solutions. This would support advanced analytics, real-time tracking of tax compliance, and improved taxpayer services
- **Improving Monitoring and Evaluation Mechanisms:** While outcome-level results are tracked through logframes, some planned milestones have been cancelled due to dependencies on external factors, such as ICT infrastructure. To mitigate such risks, it is recommended to ensure continued flexible and adaptive monitoring and evaluation frameworks that can accommodate changes in project scope and external conditions. Regular reviews and updates to these framework milestones will ensure that CD efforts remain aligned with evolving needs and circumstances.

Lessons and recommendations

- **Strategic Frontloading of Long-Term Experts (LTXs):** Deploying LTXs more intensively in the early stages of reform implementation proved effective in building institutional capacity and ensuring sustainability. This approach allowed for building of trust, knowledge transfer and capacity building within the TAK and other ministries, fostering a culture of continuous improvement.
- **Enhanced Coordination through Local Presence:** The presence of a local office facilitated through the LTX better coordination among various programs and stakeholders. This proximity enabled more responsive support and strengthened relationships with local counterparts, leading to more effective implementation of reforms.
- **Outcome-Based Monitoring with Stakeholder Involvement:** Tracking outcomes through logframes, developed in consultation with TAK directors, enhanced internal ownership and alignment between CD objectives and operational realities. However, it is crucial to ensure that planned outcomes are not overly dependent on external factors, such as ICT infrastructure upgrades, to maintain the momentum and integrity of the reform process. As highlighted above, milestones also need to be kept current.
- **Adaptability to Changing Circumstances:** The ability to adapt to unforeseen challenges, such as the discontinuation of associated ICT projects, is vital. While flexibility is necessary, it's important to have contingency plans and alternative strategies to mitigate the impact of such changes on the achievement of reform objectives.

2. BACKGROUND AND CONTEXT

CONTEXT

Kosovo has made good progress in strengthening its revenue administration, yet challenges remain in ensuring its sustainability, efficiency, and alignment with EU standards. The country maintains a relatively simple tax structure with low statutory rates and a heavy reliance on indirect taxes—particularly Value Added Tax (VAT), excise duties, and border-related revenues—which continue to account for over 80% of total revenues. While this reliance has enabled consistent revenue collection, it also exposes Kosovo’s fiscal position to external shocks and limits its redistributive potential. Tax legislation is broadly harmonized with the EU *acquis*; however, operational inefficiencies, gaps in enforcement, and a large informal economy undermine compliance and revenue performance. Despite political complexities, the government remains committed to reform, and TAK has adopted several strategic plans, including a Compliance Improvement Strategy and a long-term ICT modernization agenda, to address institutional and operational weaknesses.

Kosovo's EU integration aspirations provide both a framework and a powerful incentive for continued fiscal modernization. The 2023 European Commission Progress Report acknowledged improvements in administrative capacity and digitalization but emphasized the need for further efforts in tax collection, transparency, and interagency coordination. Ongoing donor support from institutions such as the IMF, GIZ, WB, and the Swedish Tax Agency has been instrumental in building TAK’s capacity in audit, compliance, and digital systems. However, as TAK transitions from foundational reforms to more advanced models of taxpayer service, risk-based compliance, and integrated digital tools, additional CD support will be crucial. Focused support can help consolidate reforms, improve revenue forecasting and policy design, and strengthen Kosovo’s alignment with EU fiscal benchmarks while enhancing domestic resource mobilization in the medium term.

SEE III ACTIVITIES

- **24FAU78** (05/22/23 – 05/24/23) – *LTX – Compliance Risk Management*: Implementing data-driven improvements to address compliance challenges – **CRM (Complete)**
- **24FAZZ1** (09/06/23 – 09/18/23) – *STX – Data Analytics and Data-Driven CRM*: Developed CIP 2024, identified data-driven improvements across six projects, linked with mission 24FAZY9, and developed training needs – **CRM (Complete)**
- **24FAZY9** (09/13/23 – 09/25/23) – *STX – CRM/Data Analytics*: Supported optimization of existing data/tools for CRM, designed procedures to enhance data analytic capacity, provided detailed input to CIP 2024, helped identify new data sources; linked with 24FAZZ1 – **Data Analytics (Complete)**
- **24FAZY8** (10/17/23 – 10/24/23) – *STX – Data Analytics*: Applied data analytics capacity; built on September 2023 CRM/DA missions (24FAZZ1 and 24FAZY9), including six days of remote prep and eight days of in-country support – **Data Analytics (Complete)**
- **25FAD58** (05/02/24 – 05/13/24) – *STX – Data Warehouse Development*: Developed blueprint for capturing, transforming, and integrating data into a modern data warehouse – **Data Analytics (Complete)**
- **25FAE97** (05/12/24 – 05/15/24) – *LTX – Data Analytics Support* – **Data Analytics (Complete)**
- **25FAZ03** (03/17/25 – 04/30/25) – *STX – Agile Data Analytics Mission* – **Data Analytics (In Execution)**
- **24FAT45** (05/17/23 – 07/21/23) – *STX – Strengthening Debt Collection*: Delivered practical guidance on improved collection measures, clarified roles and responsibilities within TAK, and developed a Debt Management Improvement Plan incorporating CoP learnings – **Debt and Arrears Management (Complete)**
- **25FAM71** (09/17/24 – 09/20/24) – *LTX – Debt Management Support* – **Debt and Arrears Management (Complete)**
- **25FAM50** (09/19/24 – 10/02/24) – *STX – Tax Debt Collection*: Reviewed TAK’s progress against international good practices, evaluated implementation of previous recommendations, assessed write-off strategy for aged/statute-barred debts, and reviewed implementation of Annual Communication Plan 2023 – **Debt and Arrears Management (Complete)**
- **25FAP74** (10/30/24 – 10/31/24) – *STX – Use of Tools for Debt Management* – **Debt and Arrears Management (Complete)**
- **25FAG50** (05/01/23 – 04/30/24) – *LTX – Ongoing Diagnostic and Strategy Engagement* – **Diagnostic and Strategy (Complete)**
- **24FA949** (01/21/24 – 01/26/24) – *LTX – Diagnostic Mission*: Accelerated 2024 reform planning; developed detailed CD workplan and reviewed RBM milestones – **Diagnostic and Strategy (Complete)**
- **24FAZU4** (05/01/24 – 04/30/25) – *LTX – Strategic Planning & Reform Support*: Ongoing work supporting strategic planning, workshop facilitation, and reform management – **Diagnostic and Strategy (Complete)**
- **25FAV84** (01/14/25 – 01/18/25) – *LTX – Diagnostic and Strategy Advisory* – **Diagnostic and Strategy (Complete)**

PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS

A total of 32 activities were delivered to Kosovo under Phase II, with around half of them delivered remotely. The main focus areas were on the implementation of a new IT system, CRM, Audit and Tax Arrears.

| 3. ASSESSMENT OF OBJECTIVES | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|----------------|-----------|--|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING | |
| Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |
| Objective 2 | Strengthened core tax administration functions (SDG 17.1) - TAD | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | | |
| Objective 1 – Strengthened revenue administration management and governance arrangements (SDG 17.1): RAM | | | | | | | | |
| Activities under this objective focused on advancing CRM maturity, embedding a data-driven compliance culture, strengthening governance through strategic data partnerships and third-party access, and enhancing strategic planning through ICT reforms and diagnostic reviews, including initial steps toward digital transformation amid persistent ICT system risks. | | | | | | | | |
| Objective 2 – Strengthened core tax administration functions (SDG 17.1): TAD | | | | | | | | |
| Activities concentrated on improving arrears and debt management through centralization and international good practices, and on reinforcing audit functions, with TAK leading regional peer engagement and demonstrating tangible progress in timely collections, enforcement, and case prioritization. | | | | | | | | |
| COHERENCE | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE | | |
| Rating | 3 | 3 | | | | 3.0 | | |
| SEE III CD support provided in Kosovo’s revenue sector demonstrates a relatively strong degree of coherence, both internally and externally. Internally, TAK’s leadership—particularly under the PHIII program—has ensured that changes to project scope and design have been informed by structured input from tax managers and directors, strengthening the relevance and consistency of reforms across institutional levels. The program’s Results-Based Management (RBM) framework (logframe) has also been developed to align TA activities with TADAT assessment indicators and TAK’s strategic goals, improving internal coherence and accountability. | | | | | | | | |
| Externally, the coordination with other development partners is active and ongoing. Regular meetings are held with the EU, SECO, and other donors, including discussions around IMF-led initiatives. These engagements allow for shared visibility on reform progress, alignment of priorities, and timely communication of changes in TA programming—particularly when IMF CD plans evolve. The TA also feeds into broader Public Finance Management (PFM), tax policy, and revenue planning coordination platforms, ensuring linkages with related reforms and supporting Kosovo’s EU integration agenda. This collaborative approach helps minimize duplication, fosters donor complementarity, and ensures that technical assistance is embedded within a coherent and mutually reinforcing reform environment. | | | | | | | | |
| OBJ 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | | | |
| Reforms under this objective — particularly in CRM, data analytics, and diagnostic strategy — were strongly aligned with TAK’s strategic goals and Kosovo’s broader public administration reform efforts. Activities complemented national priorities, such as the E-Government Strategy, and were anchored in TAK’s Strategic Plan 2022–2026. Coordination was evident in the alignment between IMF CD support and TAK’s ongoing collaboration with institutions like the Central Bank and Ministry of Finance. The work also aligned well with regional learning via participation in CoPs. | | | | | | | | |
| OBJ 2: Strengthened core tax administration functions (SDG 17.1) – TAD Objective 2 – Core Tax Administration Functions (TAD): | | | | | | | | |
| CD support under this objective, focused on debt management and audit, was coherent with both domestic priorities and international good practice. TAK’s leadership in the CoP on Debt Management helped reinforce consistency across regional reform agendas. The reforms were implemented in a coordinated manner with ongoing strategic planning processes and other related reforms in tax enforcement and compliance. | | | | | | | | |
| The ratings reflect further scope for improvement based on DP feedback in survey. | | | | | | | | |

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 3 | 3 | | | | | 3.0 |

Substantial advancements were made across nearly all outcomes and objectives, indicating a commendable level of effectiveness and significant strides in reform implementation. Key areas such as arrears collection and audit processes—identified as priorities in TADAT assessments—saw notable improvements. These developments underscore the program's alignment with Kosovo's specific needs and the active engagement of stakeholders. TAK demonstrated the capacity to implement CD programs effectively. They were particularly noted for their openness in sharing information and experiences, contributing to a robust CoP. This collaborative approach facilitated knowledge exchange and reinforced the sustainability of reforms.

While significant progress was achieved, ministries need to build consistent resources within their teams to ensure the sustainability and effectiveness of reforms. This includes addressing challenges such as high staff turnover, delays in filling open positions, and the limited number and technical capacity of civil servants, which have influenced the efficiency of capital investment. Strengthening human resource capacity remains a critical priority to maintain momentum and achieve long-term success.

OBJ 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM

The CD was effective in embedding CRM as a central component of TAK's operations. TAK used TA to develop a detailed risk management plan for 2024 and improved its ability to manage third-party data and drive organization-wide compliance responses. This allowed for more targeted compliance interventions and stronger governance structures. There was also visible progress in strategic planning and data governance, helping to institutionalize reforms across departments.

OBJ 2: Strengthened core tax administration functions (SDG 17.1) – TAD

CD activities were effective in improving TAK's capacity to manage tax debt and conduct audits. Centralized debt collection has become operational, and TAK has shown measurable improvements in on-time VAT payments, particularly among large taxpayers. The implementation of write-off strategies and improved enforcement approaches contributed to tackling high-value and aged debt, indicating that most objectives were achieved or are on track.

EFFICIENCY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 3 | 3 | | | | | 3 |

CD assistance to Kosovo's revenue management has demonstrated commendable efficiency, particularly through the extensive deployment of LTXs. This approach has proven cost-effective, ensuring that CD inputs were effectively converted into outputs, outcomes, and impact. The presence of LTXs facilitated continuous, context-specific support, enabling the Kosovo authorities to implement reforms with greater ownership and sustainability.

Operational efficiency in CD delivery was notably high. The integration of technical assistance and training, coupled with practical applications through pilot programs, strengthened the implementation of CD recommendations and enhanced absorption capacity. The quality of outputs was consistently maintained, with backstopping support from IMF headquarters ensuring that the technical assistance provided was both relevant and of high standard.

The modality of deploying LTXs, hosted at Joint Vienna Institute (JVI) and the Centre of Excellence in Finance (CEF), has proven to be an efficient model for CD delivery. These advisors, situated within regional centers, offer a blend of proximity to the beneficiary countries and access to a broader network of expertise. This setup allows for more tailored and responsive support compared to traditional headquarters-based delivery models. Moreover, the regional advisors' ability to engage in peer learning and share best practices across countries enhances the overall impact of CD efforts.

OBJ 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM

Activities were delivered through a coordinated mix of LTX and STX inputs, ensuring continuity and focus across CRM, data, and strategy workstreams. The co-sequencing of missions on CRM and data allowed TAK to gradually build internal capability. However, the inefficiencies related to the outdated core ICT system — including the failed upgrade of Integrated Tax Administration System (ITAS)— constrained TAK's ability to fully benefit from advanced analytics and CRM tools.

OBJ 2: Strengthened core tax administration functions (SDG 17.1) – TAD

Debt management and audit activities were delivered efficiently, building on past diagnostics and advice. Improvements in timely payments suggest a good return on CD investment. While TAK has continued to adopt a pragmatic, phased approach to debt management, efficiency could still be improved through better case management systems and automation of core processes.

| IMPACT | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|--|--|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3.0 |
| <p>Between 2023 and 2025, Kosovo's tax revenue-to-GDP (Gross Domestic Product) ratio demonstrated a positive trajectory, reflecting the effectiveness of capacity development (CD) initiatives in enhancing revenue management. In 2023, tax revenues accounted for 25.7% of GDP, marking a 1.2 percentage point increase from 2022. This upward trend continued into 2024, with the ratio reaching 26.5%, and projections for 2025 suggest a slight decline to 26.4%.</p> <p>This sustained increase in tax revenue as a share of GDP indicates that CD efforts, particularly those supported by the IMF, have effectively enhanced Kosovo's revenue mobilization capacity. The deployment LTXs facilitated the implementation of key reforms in areas such as CRM, arrears collection and auditing, which were previously identified as priorities in successive TADAT assessments. These reforms have contributed to improved tax compliance and administration, thereby bolstering revenue collections. Likewise, the strategic deployment of LTXs, coupled with tailored reforms and adaptive delivery methods, has significantly strengthened Kosovo's fiscal position, providing a solid foundation for sustainable economic growth.</p> <p>TAK notably enhanced its ability to assess and manage tax-related risks. This improvement was not confined to TAK alone; other ministries began to adopt the risk assessment methodologies developed by the revenue team, thereby broadening the impact of these CD initiatives across the public sector. Furthermore, the organizational efficiency of TAK saw considerable gains. Streamlining processes and reducing procedural complexities became a focal point of reform. These efforts culminated in the simplification of tax regulations, making the system more accessible and less burdensome for taxpayers. Such organizational enhancements contributed to a more effective and responsive tax administration, aligning with Kosovo's broader goals of modernization and improved public service delivery.</p> <p>Objective 1 – Revenue Administration Management (RAM) The strategic use of data and risk management has enhanced TAK's ability to prioritize and address compliance challenges, with early signs of improvement in taxpayer behaviour. Collaboration with third-party institutions and internal adoption of CRM practices have contributed to organizational reform. Strengthened internal governance and stakeholder engagement further point to systemic improvements in tax administration.</p> <p>Objective 2 – Core Tax Administration Functions (TAD) There is evidence of improved tax administration performance translating into revenue growth. Notably, the increase in on-time VAT payments—from 87.9% in 2022 to 90.5% in 2023, and up to 93% among large taxpayers—demonstrates the positive impact of improved audit and debt management practices. These gains suggest that CD support is contributing to tangible results in revenue mobilization and compliance outcomes.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3 |
| <p>The sustainability of the CD revenue reforms in Kosovo's appears promising, though certain challenges remain. TAK has made significant strides in enhancing its institutional capacity, notably improving its ability to assess and manage tax-related risks. These advancements have not only strengthened TAK but have also enabled it to become more efficient and effective, initiating efforts to reduce the complexity of the tax system, which has been a longstanding goal.</p> <p>Despite these positive developments, the sustainability of these reforms faces potential constraints due to reduced international support. Budgetary limitations are reported to result in a reduction in the frequency of international visits, with experts now expected to visit countries only semi-annually. This reduction could impact the continuous support and guidance necessary for the ongoing implementation of reforms.</p> <p>However, Kosovo's commitment to maintaining and advancing these reforms is evident. The government has expressed confidence that progress will continue, and changes are already being realized. This determination, coupled with the strengthened institutional capacity within TAK, suggests that the net benefits of the CD project can be preserved over the medium and long term. While the reduced international presence may pose challenges, Kosovo's proactive approach and internal capabilities provide a solid foundation for sustaining the achievements of the CD reforms.</p> | | | | | | | |

Objective 1 – Revenue Administration Management (RAM)

The sustainability of reforms is promising, given the institutional commitment to data governance, strategic planning, and CRM integration. TAK’s development of MoUs and legislative changes (e.g., new Tax Procedures Law) to enable third-party data use supports the long-term embedding of reforms. The planned Strategic Plan 2027–2031, if properly resourced, could help carry forward digital transformation efforts.

Objective 2 – Core Tax Administration Functions (TAD)

Sustainability is supported by TAK’s incremental approach to debt management and arrears reform and its alignment with international good practices. The institutionalization of centralized collection, growing internal expertise, and peer exchange through the regional CoP provide a strong foundation. Continued leadership engagement and attention to legacy system constraints will be key to maintaining and deepening these gains.

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

Regional LTXs have played a critical role in coordinating between IMF HQ, STXs, and country counterparts, ensuring consistency and alignment in CD delivery. Their ongoing presence has helped to build trusted relationships with authorities, which has in turn enabled more candid dialogue and smoother implementation. Regional LTXs have also been instrumental in driving regional knowledge exchange through CoPs and workshops. This has fostered peer learning and promoted alignment in reform approaches across countries. While the pace of delivery from multiple LTXs has been ambitious, counterparts have generally kept pace, particularly where CD is well-prioritized and embedded within institutional plans.

Workshops and CoPs have fostered closer collaboration and dialogue among tax administrations in the region. By enabling structured exchanges of experience and good practices, they have strengthened peer learning and created a sense of healthy competitiveness, which in turn has helped to drive reform momentum and improvements at the country level. These platforms have also encouraged consistent regional approaches to common challenges.

DRAFT

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/evaluator comments |
| Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | | | | | | |
| OC1. Outcome 1 | | Corporate priorities are better managed through effective risk management | 3 | 24/04/2025 | 3 | TAK has consistently strengthened its CRM and organizational risk frameworks, demonstrating a clear commitment to evolving into a more data-oriented administration. Efforts are now focused on enhancing data structures and improving the use of data to support more effective CRM activities. |
| OC1. Indicator 1 | | Better mitigation of risks through a compliance improvement program (TADAT POA2-4) | 3 | 24/04/2025 | 3 | TAK has steadily enhanced its capacity to develop and adopt successive CIPs that align with international good practices. More importantly, it has also advanced in implementing assurance activities that support the effective delivery of these plans. |
| OC1. Indicator 2 | | Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3) | 2 | 24/04/2025 | 2 | Limited access to third-party data and constraints in ICT system capabilities continue to hinder progress. Additionally, activities carried out by some operational units are not consistently aligned with the principles of the CIP and the broader CRM framework. |
| OC1. Indicator 3 | | Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5) | 3 | 24/04/2025 | 3 | Successive CIPs and compliance assurance activities demonstrate TAK's ability to critically assess results, refine criteria, and define follow-up actions—embedding effective M&E within the CRM cycle. |
| ▪ MS1a: | 29/12/2023 | At least 3 compliance by design proposals are delivered to the MOF in 2023 | 4 | 24/04/2025 | TAK has consistently developed and implemented CIPs, translating proposals into concrete actions where needed. | |
| ▪ MS1b: | 29/12/2023 | An annual compliance improvement plan for 2024 is prepared and adopted | 4 | 24/04/2025 | | |
| ▪ MS1c: | 31/12/2024 | At least 3 compliance by design proposals are delivered to the MOF in 2024 | 4 | 24/04/2025 | | |
| ▪ MS1d: | Not provided | An annual compliance improvement plan for 2025 is prepared and adopted | 4 | 24/04/2025 | | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/evaluator comments |
| ▪ MS1e: | Not provided | An annual compliance improvement plan for 2026 is prepared and adopted | 1 | 24/04/2025 | | |
| OC2. Outcome 2 | | Organizational arrangements enable more effective delivery of strategy and reforms | 3 | 24/04/25 | 3 | TAK continues to actively implement transformation initiatives informed by TADAT assessments and aligned with their strategic reform and improvement plans. |
| OC2. Indicator 1 | | Appropriate institutional settings in place | 2 | 24/04/2025 | 2 | Limited resources and the unsuitability of many facilities continue to constrain effective operational activities. |
| OC2. Indicator 2 | | Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened | 3 | 24/04/2025 | 3 | Several functional areas—including Medium Taxpayer, Risk Management, and Debt Management—have already been centralized, with further centralization efforts underway or in transition. |
| OC2. Indicator 3 | | Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted | 3 | 24/04/2025 | 3 | As part of ongoing reform plans, TAK has steadily worked to define and implement SOPs. |
| MS2a: | 29/12/2023 | A streamlined organizational structure is implemented with clear separation of roles and responsibilities | 3 | 24/04/2025 | | Considerable progress has been made through a series of functional and structural reforms, with several centralizations contributing to greater efficiency and more consistent operational approaches. |
| OC3. Outcome 3 | | Support functions enable more effective delivery of strategy and reforms | 2 | 24/04/2025 | 2 | TAK continues to face significant challenges due to outdated ICT software and hardware, which are constraining progress. Additionally, unresolved issues in HR recruitment, retention, and succession planning pose substantial risks in the near to medium term. |
| OC3. Indicator 3 | | Improved ICT strategies and systems to support the tax administration | 2 | 24/04/2025 | 2 | The failed ITAS upgrade contract and challenges with integrating multiple systems are hindering progress. |
| MS3a: | 31/12/2024 | Blueprint map of the capture, transformation, and integration of data to design a modern data warehouse is approved | 2 | 24/04/2025 | | Ongoing work on an internally developed data warehouse aims to deliver basic functionality by the end of 2025. |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/evaluator comments |
| MS3b: | 31/12/2025 | Formal Data Strategy are approved and implemented | 1 | 24/04/2025 | | While a data strategy is established, progress has been delayed due to funding and resource constraints. |
| Objective 2: Strengthened core tax administration functions (SDG 17.1) - TAD | | | | | | |
| OC1. Outcome 1 | | A larger proportion of taxpayers meet their payment obligations as required by law | 2 | 24/04/2025 | 2 | Progress has been made in registration, filing, and payment through e-services platforms. Although targets of 90% for filing and payment have been set, they have not yet been achieved. |
| OC1. Indicator 1 | | Management of refunds improved (TADAT 2015 POA8-24/TADAT 2019 POA8-28) | 3 | 24/04/2025 | 3 | Refunds are now categorized by risk and processed accordingly through a standardized procedure. |
| OC1. Indicator 2 | | Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18) | 2 | 24/04/2025 | 2 | Debt management has been centralized (PHII), resulting in more consistent approaches and processes. While recent legal changes have addressed historic debt, significant reductions in debt levels are still pending. |
| OC1. Indicator 3 | | On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17) | 2 | 24/04/2025 | 2 | Targets are established within strategic plans and additional e-services have been introduced, but noticeable improvements in this area are yet to be observed. Some areas such as VAT and LTO have shown strong increases. |
| MS1a: | 29/12/2023 | Improved procedures are implemented to reduce late payments to maximum 20 percent of returns filed. | 4 | 24/04/2025 | | Procedures have been standardized, reviewed, and implemented across the organization. While some challenges remain with full embedding, there is improved management and control, resulting in a more proactive approach to managing filing and payments. |
| MS1b: | 31/12/2024 | The VAT refund process is reviewed, and an improvement action plan is adopted | 4 | 24/04/2025 | | |
| MS1c: | 31/12/2024 | Improved procedures are implemented to reduce late payments to maximum 15 percent of returns filed | 3 | 24/04/2025 | | |
| MS1d: | 31/12/2025 | Improved procedures are implemented to reduce late payments of large taxpayers to maximum 10 percent of returns filed | 1 | 24/04/2025 | | |
| MS1e: | 31/12/2025 | Improved procedures are implemented to reduce to level of collectable debt to | 1 | 24/04/2025 | | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/evaluator comments |
| | | maximum ten percent of total revenue collections | | | | |
| OC2. Outcome 2 | | Audit and other verification programs more effectively ensure accuracy of reporting | 2 | | 2 | Consistency in applying CRM within the audit program has been challenged by ICT limitations and HR capacity and capability issues, which have slowed progress. |
| OC2. Indicator 1 | | Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19) | 3 | 24/04/2025 | 3 | Audits are centrally selected based on CRM, but the extent to which regional auditors complete these audits in line with identified risks varies and is not consistently ensured. |
| OC2. Indicator 2 | | Automated cross-checking used to verify return information (TADAT 2015 POA6-16/TADAT 2019 POA6-20) | 2 | 24/04/2025 | 2 | Progress has been hindered by limited data availability, ICT system constraints, and staff capacity challenges. |
| OC2. Indicator 3 | | Sound methodologies used to monitor the extent of inaccurate reporting and tax gaps (TADAT 2015 POA6-18/TADAT 2019 POA6-22, RA-GAP results) | 2 | 24/04/2025 | 2 | |
| MS2a: | 29/12/2023 | A system to monitor the effectiveness of the audit function, which includes centralized audit planning based on sound risk analysis and includes KPIs and feedback loop. is prepared and implemented | 3 | 24/04/2025 | | There has been some progress in audit monitoring and planning, though it is not yet consistently applied across regional offices. The Large Taxpayer Office (LTO) has made significant advances since centralization. |
| MS2b: | 31/12/2024 | Implementation of a yearly audit quality monitoring program | 4 | 24/04/2025 | | |
| MS2c: | 31/12/2024 | Implementation of periodical monitoring of tax gap estimates | 2 | 24/04/2025 | | |

II. RA TOPICAL CASE STUDY: COMPLIANCE RISK MANAGEMENT

1. KEY DATA AND OVERVIEW

| | | | | | | |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|----------------|
| Workstream | REVENUE ADMINISTRATION | | | | | |
| Topical area | Cross Cutting: Compliance Risk Management (CRM) | | | | | |
| Objectives assessed | <ol style="list-style-type: none"> 1. Objective 1: Albania - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM (22/09/2023-04/10/2023) Mission ID: 24FA030 (03/10/2023-16/10/2023) Mission ID: 24FAZZ6 2. Objective 2: Kosovo - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM (22/05/2023-24/05/2023) Mission ID: 24FAU78 (06/09/2023-18/09/2023) Mission ID: 24FAZZ1 3. Objective 3: Montenegro - Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM (28/05/2023-09/06/2023) Mission ID: 24FAU77 (29/05/2023-09/06/2023) Mission ID: 24FAU79 (28/11/2024-12/12/2024) Mission ID: 25FAR28 (17/02/2025-21/02/2025) Mission ID: 25FAY05 4. Objective 4: Serbia - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM (11/03/2024-15/03/2024) Mission ID: 24FAD31 (02/12/2024-06/12/2024) Mission ID: 25FAU32 (03/12/2024-16/12/2024) Mission ID: 25FAU07 <p>Objective 5: Community of Practice (CoP) – CRM (25/10/2023-26/10/2023) Mission ID: 24FA487 (03/04/2024-04/04/2024) Mission ID: 24FAB35 (03/05/2024-03/05/2024) Mission ID: 25FAI04 (12/11/2024-14/11/2024) Mission ID: 25FAS08</p> | | | | | |
| Topical-level OECD DAC | COH | EFT | EFY | IMP | SUS | AVERAGE |
| Evaluation ratings | 3.2 | 2.8 | 3.2 | 3.0 | 3.0 | 3.0 |

Summary of topical level objectives assessment

The overall performance of the CRM-related support across countries is assessed as moderately strong, with an average score of 3.04. Progress under both Objective 1 (RAM) and Objective 2 (TAD) reflects a differentiated and context-specific implementation approach. Coherence was reinforced through strong donor coordination and alignment with national reform agendas, particularly in Albania, where CRM reforms are supported by the MTRS roadmap and EU accession incentives, and in Serbia, where alignment with the IMF logframe and regional peer exchanges through the CoP has also made a significant contribution to regional members and has supported steady reform uptake.

Effectiveness was demonstrated through the adoption of annual Compliance Improvement Plans (CIP), centralization of risk management functions (e.g., in Kosovo and Montenegro), and the integration of CRM principles into audit selection and planning processes. However, uneven regional application and ICT limitations, such as the cancellation of the ITAS upgrade in Kosovo and delayed procurement in Serbia, have constrained delivery in some contexts.

Efficiency improvements are visible in countries like North Macedonia and Bosnia & Herzegovina through the use of e-services and increased on-time payments, while Albania and Kosovo have strengthened use of third-party data for targeting compliance interventions. Delivery efficiency was further enhanced through the use of LTXs, whose proximity and contextual understanding enabled more responsive and tailored support. However, efficiency in CRM delivery was occasionally affected by the need for closer management and ongoing two-way engagement with STXs, highlighting gaps in hands-on technical guidance and process oversight that, at times, can impact implementation.

The Impact (or higher-level outcomes) of CRM-related reforms is particularly evident in Albania and Serbia, where early adoption of structured compliance strategies has led to improved audit results and greater internal accountability. The CoP for CRM has also made a significant contribution to regional capacity by enabling peer learning, standardizing approaches to risk assessment, and fostering a shared understanding of good practices. Through regional engagement and structured knowledge exchange, the CoP has helped institutionalize CRM principles beyond individual country contexts, laying the groundwork for more sustained and systematized compliance management across the Western Balkans.

Sustainability is reinforced in countries like Serbia and Albania through strong reform ownership and institutional commitment, while others, such as Montenegro and Kosovo, require continued support to address human resource, ICT, and data interoperability constraints. The forums and exchanges to date on the CoP suggest positive results through sharing ideas lessons learnt and establish data and information exchanges.

Sustainability is reinforced in countries like Serbia and Albania, where strong reform ownership and institutional commitment provide a solid foundation for continuity. In contrast, countries such as Montenegro and Kosovo require continued support to overcome challenges related to human resources, ICT systems, and data interoperability. The CRM CoP has contributed positively by fostering peer exchange, sharing lessons learned, and laying the groundwork for more structured data and information sharing across the region.

These evaluation scores are fully aligned with those issued by the IMF, confirming a consistent view of CRM progress across the OECD DAC criteria.

Key achievements

Significantly achieved:

- Serbia has shown strong leadership in CRM, having established a CRM unit as early as 2016 and demonstrating advanced capabilities in data analysis, risk identification, and operational audits, including the successful setup of a High Net-Worth Individuals (HNWI) unit. However, Serbia’s CRM function remains fragmented across six separate risk units, and a centralization effort began in 2023 to unify tools, organizational structures, and data protocols under one CRM framework which is yet to be fully implemented.
- In Serbia, STX input focused on centralising CRM organisational structures and processes. Despite technical capacity, resistance at the leadership level—especially between Tax Police and the Tax Administration— undermined integration efforts.
- Serbia uses various risk scoring systems, which is fairly advanced for the region. However, they lack coordinated M&E analyses across departments, and the effectiveness of risk rules or compliance outcomes. There is limited cross-functional data sharing and use (e.g., between Debt Management and CRM).
- Kosovo has made consistent and commendable progress in implementing CRM reforms. Despite limited ICT systems capabilities and being unable to make staff recruitment since 2019, they have a committed leadership team, good internal planning, and a strong uptake of technical assistance.
- Kosovo also benefits from a centralised RMU and has integrated CRM into its operational processes, including annual CIPs and sector-specific risk assessments, though ICT constraints limit implementing advanced modelling.
- In Kosovo again, early STX inputs on construction and hospitality sectors helped build foundational knowledge. The country gradually transitioned from Excel-based risk tools to more structured assurance activities and they have built on acquiring third party data sources and ensured M&E is incorporated into the CIP model. Also aided by a series of complementary CD delivery in data analytics by IMF.
- Albania has made steady but moderate progress in CRM, having institutionalized annual CIPs and begun applying risk-based approaches to audit selection, although implementation varies and audit managers underutilise risk information.
- Albania’s limited human and ICT capacity remains a key constraint. While a central RMU exists, the risk criteria are basic, and M&E practices are insufficient to refine CRM strategies based on actual outcomes and results.
- Through multi-stage STX engagements in Albania, knowledge and skills were built progressively, with the team becoming more proficient in the CRM cycle and assurance activities. Concurrent support in data analytics reinforced learning and practice.
- Montenegro is the least advanced in CRM in the program, with mostly manual processes, legacy systems, and repeated leadership changes slowing progress. Only recently, a digital transformation project and a new reform-minded DG have started to reverse this trend.
- Montenegro has now developed a CRM strategy, established sector-based risk assessments (e.g., in tourism), and completed its first CIP in 2025, which are signs of foundational progress.
- STX support in Montenegro introduced CRM principles gradually and focused on applying sectoral risk criteria and assurance activities, using fiscalisation data to identify risks such as informal employment and cash-based sales.

CRM CoP

- The CRM CoP, the most mature of the three RA CoPs, has evolved into a strong peer-led platform with consistent engagement, peer problem-solving, and shared learning. Members support each other by sharing tools, strategies, and data.
- The CoP has organically split into more advanced and less developed members. This has fostered peer mentorship, with advanced members helping those lagging behind to troubleshoot and replicate effective practices.
- The CoP has also started to focus on specific sectors for joint learning and experimentation. This includes real examples of inter-country collaboration and shared risk analysis on common taxpayer segments.

What has been done well/has been successful

- **Strengthened Institutional Capacity:** The project significantly enhanced the ability of ministries and revenue agencies across countries to assess and manage financial and compliance risks, leading to improved organizational efficiency.
- **Tailored CD and In-Country Engagement:** CD was well adapted to each country’s context, with in-person support—particularly in Serbia—enabling deeper engagement, behaviour change, and stronger ownership of CRM practices.
- **Improved Internal Processes and Tax Simplification:** Capacity building contributed to better internal procedures, including more effective audit case selection and a reduction in tax complexity, supporting sustainable revenue management and inclusive growth.
- **Effective Knowledge Sharing and Regional Learning:** Communities of Practice: Fostered cross-country collaboration, enabling countries to share experiences and adapt technical solutions suited to their specific needs.
- **Positive Mindset Shift on Compliance Risk Management:** There was a notable change in how CRM is perceived, indicating that procedural and cultural shifts are underway, which are critical for long-term sustainability of reforms.

Areas for potential improvements

- **Strengthen Follow-Up and Monitoring Mechanisms:** Post-delivery engagement, has been limited, reducing the ability to verify whether recommendations are implemented and sustained. More systematic follow-up would help track progress and reinforce accountability.
- **Enhance Closer Supervision and Support for CRM Implementation:** CRM CD support requires more hands-on management and ongoing “handholding” to navigate complex processes effectively and maintain momentum, particularly during critical phases of implementation.
- **Prioritize Resource Consistency within Ministries:** There is a need to build and maintain stable, skilled teams within beneficiary ministries to ensure institutional memory and sustain capacity gains beyond project interventions.
- **Ensure Blended Delivery Modalities to Balance Engagement and Cost-Efficiency:** While in-person support has been effective, remote or hybrid models (for follow-up missions) could be optimized to maintain engagement without escalating costs, ensuring timeliness and responsiveness without sacrificing quality.
- **Alternative Approach Suggestion:** A more integrated regional mentoring or peer-exchange model could complement advisor visits, provide ongoing, locally driven support and encourage peer accountability, potentially enhancing both sustainability and cost-effectiveness. Building on the current CRM CoP, consider introducing a more integrated regional mentoring or peer-exchange component. While the CoP has provided a valuable platform for thematic learning and information sharing, structured peer mentoring could deepen engagement, encourage sustained bilateral support between agencies, and promote greater peer accountability. This enhanced model could improve both the sustainability of reforms and the cost-effectiveness of ongoing support.

Lessons and recommendations

- **Ensure continuity and institutional memory in TA delivery** by formalizing handovers between LTXs and fostering consistent collaboration with STXs; disruptions in LTX assignments often lead to loss of momentum, diluted relationships, and gaps in follow-through on recommendations.
- **Strengthen structured follow-up mechanisms** to track the uptake of STX recommendations and identify areas requiring additional support early; *ad hoc* or passive follow-up limits the long-term impact of TA.
- **Enhance strategic coherence and technical depth** by encouraging STX participation in CoPs and regional learning platforms, enabling cross-country learning, technical development, and better alignment with ongoing reforms.
- **Elevate high-level engagement and political buy-in** by investing in targeted outreach to tax administration leaders and ministries, ensuring sustained commitment to reform agendas, and guarding against reform fatigue or competing geopolitical donor interests.
- **Clarify reform prioritization early** in the CD delivery cycle through structured diagnostic and joint planning processes with counterparts; this helps focus efforts on high impact reforms and avoids fragmentation of TA resources.
- **Strengthen the integration of benchmarking tools** (e.g., TADAT) into CD programming to guide prioritization, reinforce reform momentum, and align support with measurable institutional performance indicators.
- **Acknowledge and proactively manage geopolitical dynamics**—particularly in the context of EU integration and donor coordination—by developing a shared strategic vision among key partners (EU, IMF, FCDO, GiZ, etc.). A fragmented donor presence or perceived withdrawal from traditional areas (e.g., infrastructure, public financial management, natural resources) can create space for competing interests to influence reform trajectories and institutional alignment.

2. BACKGROUND AND CONTEXT

CONTEXT

CRM is a critical priority for revenue administrations across the Western Balkans, given persistent challenges such as limited budgets, underdeveloped ICT systems, and skills gaps in core tax functions. By identifying and prioritizing the most significant risks to the tax base, CRM enables tax administrations make better-informed, data-driven decisions that focus scarce resources where they are most needed. This strategic targeting is particularly vital in environments where the capacity to achieve blanket enforcement or monitoring is simply not available.

In countries like Albania and Kosovo, tax administrations have embraced CRM frameworks as central to their broader reform agendas. Albania, for example, recorded a 70% increase in salary tax revenues and a 50% rise in total revenues following a structured roll-out of CRM methods with targeted enforcement campaigns. Kosovo has made strong initial steps by piloting segmentation and establishing foundational risk management structures, though ICT limitations and access to reliable third-party data remain obstacles.

North Macedonia and Bosnia and Herzegovina (BiH) have also recognized the importance of CRM, though implementation has progressed more gradually. In BiH, the emphasis has shifted toward establishing dedicated risk management units with the four entities being at different stages of reform with ITA and RSTA having established Risk Management Units (RMUs). The ITA has utilised annual CIPs, that partially apply mitigation tools aside from audit and the RSTA focuses on data analysis for audit case selection. Both FTA and BDTA do not yet have RMUs with the FTA using data analysis supporting audit selection. North Macedonia, meanwhile, is aligning CRM reforms with a broader institutional transformation effort, but faces ICT system and limited staffing resource constraints that are threatening implementation.

Across the region, several common constraints persist: fragmented data systems, limited interoperability, poor access to external data (e.g., from financial institutions and customs), and low analytical capacity among staff. These issues are compounded by outdated ICT infrastructure in some cases, which makes it difficult to fully operationalize CRM despite increasing interest in data-driven compliance strategies.

Nonetheless, CRM is widely viewed and recognized as a necessary platform for modern revenue administration and is gaining political traction. The fiscal strain following COVID-19 and broader economic uncertainty such as dwindling donor resources has increased interest in improving revenue mobilization in a cost-effective manner, making CRM a high-priority area with substantial potential impact if adequately supported.

RELATED WORKSHOPS/CoP

The **CRM CoP** for Southeast Europe (SEE) has been instrumental in strengthening peer learning and regional collaboration. Several key events were held to support the practical application of CRM principles and advance institutional maturity levels across revenue administrations (RAs):

- **June 13–15, 2023 – Ljubljana:** All nine SEE RAs participated in a regional CRM CoP workshop organized by FAD, in collaboration with the Center for Excellence in Finance (CEF). The event aimed to foster mutual learning and share practical experiences in applying contemporary CRM approaches to improve compliance management and taxpayer behaviour.
- **October 25–26, 2023 – Virtual:** A follow-up video conference helped solidify the CoP's operational foundation. Clear definitions of roles and responsibilities were agreed upon to strengthen collective functioning. Participants discussed shared challenges, and four RAs presented on key CRM topics, contributing to peer exchange and technical dialogue.
- **April 3–4, 2024 – Virtual:** The CoP reviewed the results of the 2023 self-assessment questionnaire. Findings showed that four RAs were in group one, exhibiting very low CRM maturity and limited progress, while five RAs in group two demonstrated medium maturity and active advancement. The conference was tailored to the needs of both groups, providing differentiated support and practical guidance.
- **November 12–14, 2024 – Regional Workshop:** The event focused on strengthening basic CRM maturity and promoting compliance strategies in the context of the Digital Economy. The concept of *feedforward*—providing future-focused, constructive suggestions—was introduced to enhance peer learning. Four RAs shared their specific CRM challenges and received tailored feedforward from peers, reinforcing the CoP's role as a supportive and solution-oriented platform.

OTHER IMF ACTIVITIES IN TOPICAL AREA

Activities relating to increasing skills in data analytics have direct association to CRM:

Data Analytics:

- (08/01/24- 10/31/24) Albania - STX 8 (2-2) Agile DA sprints (REMOTE)
- (05/01/24-07/31/24) Albania -STX 8 (1-2) Agile DA sprints (REMOTE)
- (02/26/24-03/05/24) Albania - LTX 6 Part of STX 6 and Brief Consultation
- (10/26/23-11/08/23) Albania - STX 4
- (10/03/23-10/16/23) Albania - STX 3
- (05/02/24-05/13/24) Kosovo - STX 5 DW - Blueprint (HYBRID)
- (10/17/23-10/24/23) Kosovo - STX 4 (Hybrid)
- (09/13/23-09/25/23) Kosovo - STX 3
- (09/06/23-09/18/23) Kosovo - STX 2
- (05/07/24-05/15/24) Serbia - STX Visit 1 (Hybrid)

OTHER DONOR ACTIVITIES IN TOPICAL AREA IN COUNTRIES COVERED

Albania:

- The Swedish Tax administration has delivered CRM elements in their workplan. Not on a strategic level, but more technical assistance related to specific segment or related to AEIOI, which was aligned with the GDT strategy and CIP.

Kosovo and Montenegro:

- Received some assistance from World Bank in relation to TAX gap, which was aligned with the SEE program

Serbia:

- The World Bank is supporting the development of the STA data warehouse, which has direct links to the topic of CRM.
- Korean Development Institute focusing on big data, which has direct links to CRM.
- GIZ provided assistance through topical webinars for audit and verification staff, concentrating on e-commerce, specifically the detection and prevention of non-compliance.
- The UNDP/EU project supports Serbia with the VAT Information Exchange System (VIES).
- The Swedish Tax Agency, under their recently initiated project, are doing some exploratory work, and thus their assistance may include CRM in the near future.

| 3. ASSESSMENT OF OBJECTIVES | | | | | | | | WEIGHTING |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|----------------|--|-----------|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | | |
| Rated in this section | | | | | | | | |
| Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM - Albania | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |
| Objective 2 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM - Kosovo | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |
| Objective 3 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM - Montenegro | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 2 | 3 | 2 | 2 | 2.4 | | |
| Objective 4 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM - Serbia | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 2 | 3 | 3 | 3 | 2.8 | | |
| Objective 5 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM - CoP | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |

ACTIVITIES COVERED UNDER OBJECTIVES

Objective 1 – Albania:

The project supported the GDT in aligning its 2024 CIP with the Medium-Term Revenue Strategy (MTRS) by strengthening data-driven risk management, enhancing performance indicators, and embedding “compliance by design” principles in operational responses.

Objective 2 – Kosovo:

The project helped TAK improve its use of data and analytics in six ongoing CRM projects, supported the development of the 2024 CIP, and advanced institutional capabilities through hands-on training and multi-phase STX collaboration on compliance strategies.

Objective 3 – Montenegro:

The assistance focused on increasing MRCA’s use of risk-based resource allocation, strengthening audit strategies, integrating fiscalisation data into CRM, and building consensus on a measurable 2024 compliance plan among regional and HQ leadership.

Objective 4 – Serbia:

The project aimed to consolidate and strengthen the STA’s compliance risk register framework by integrating fragmented efforts across departments, improving segmentation of risks, and aligning risk governance structures with FAD recommendations.

Objective 5 – Regional CoP:

A series of CoP events supported peer learning and technical development across nine SEE tax administrations, beginning with the June 2023 in-person workshop in Ljubljana—focused on sharing practical applications of CRM principles—followed by the October 2023 virtual session, which clarified member roles and deepened peer exchange on core challenges. In April 2024, a virtual conference reviewed 2023 achievements using a self-assessment tool that revealed varying CRM maturity levels across countries and tailored the agenda accordingly. The November 2024 workshop introduced the “feedforward” framework to promote forward-looking, constructive support, and focused on boosting CRM maturity and digital economy readiness through practical problem-solving and detailed peer input.

COHERENCE

| Objective | OBJ 1 Albania | OBJ 2 Kosovo | OBJ 3 Montenegro | OBJ 4 Serbia | OBJ 5 CoP | Average |
|-----------|------------------|-----------------|---------------------|-----------------|--------------|---------|
| Rating | 3 | 3 | 3 | 3 | 3 | 3.0 |

The projects show strong internal coherence. In each country, the LTX maintains regular engagement with donor partners such as the EU and SECO, as well as with key government counterparts. These consultations feed into national revenue, PFM, and tax policy coordination platforms, ensuring that the CD inputs are consistent with broader reform strategies. Project design and delivery are aligned with other IMF instruments, including surveillance recommendations and diagnostic tools such as TADAT. In several countries, CD support was directly informed by TADAT outcomes and integrated into the logframe of the tax administration’s reform plans.

In Albania, for example, TA inputs were closely linked to MTRS recommendations and based on TADAT ratings. Although the government was passive and tax policy counterparts were not strongly committed to addressing recommendations, the reforms were sustained, and inputs remained consistent with the MTRS framework. This continuity reflects coherence across CD phases: initial support under SEE II was carried through into SEE III, with consistent CD support reinforcing MTRS-aligned recommendations. Coordination with EU, SECO, and the World Bank was instrumental in sustaining momentum and applying joint pressure to advance reform ratification and implementation.

Changes to the PHIII project design were made based on direct input from tax managers and directors, demonstrating responsiveness to in-country needs and alignment with IMF priorities. Both LTXs confirmed that country TADAT reports served as the foundation for most TA interventions, with supplementary documentation provided in background files.

In terms of external coherence, CD activities are generally well aligned with other donor efforts. In Macedonia, for instance, the STX reported that her technical assistance was well coordinated with ongoing IMF support, and that the Head of International Assistance within the tax authority played a central role in facilitating donor alignment. CRM-related reforms formed part of a broader reform agenda supported by multiple development partners. This high level of coordination avoided duplication, reinforced shared objectives, and promoted coherent, sequenced implementation.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 Albania | OBJ 2 Kosovo | OBJ 3 Montenegro | OBJ 4 Serbia | OBJ 5 CoP | AVERAGE |
|-----------|------------------|-----------------|---------------------|-----------------|--------------|---------|
| Rating | 3 | 3 | 2 | 2 | 3 | 2.6 |

The CD program has made significant progress toward achieving its intended outcomes, with most countries expected to reach high maturity levels by the end of the program period. The design and delivery of support have been responsive to each organization’s starting point, with CD inputs tailored to their level of development and absorptive capacity. This differentiated approach has supported steady progress across the region.

In Kosovo, one outcome was cancelled due to the discontinuation of a related ICT project, demonstrating how external constraints can affect progress despite strong commitment. Nevertheless, the IMF logframes are actively used by the management. The majority of the outcomes, indicators and milestones were developed and refined in consultation with tax administration directors, helping ensure ownership and alignment with organizational goals.

In Serbia, while CRM development progressed technically across the organization, effectiveness at the institutional level was hindered by misalignment between the CD recommendations and the priorities of the Director General. Despite this, the assistance succeeded in building a shared understanding of CRM across operational departments and laid groundwork for future centralization, even if full implementation was not immediately feasible.

In Albania, despite delays in the broader MTRS implementation, the country effectively developed strategic and reform plans, gradually gaining momentum with leadership changes. Over time, the reform agenda was progressively addressed, incorporating key recommendations from the stalled MTRS into targeted technical assistance under the regional program. This included advances in areas such as centralization, arrears management, structural reforms, CRM, data integrity, and third-party data exchanges. The HNWI initiative was also embraced as a CRM project, resulting in the creation of a dedicated team with enhanced capacity and skills. This team has actively engaged with the CoP CRM community, sharing insights and data with other regional revenue authorities.

Montenegro faced challenges in gaining traction initially, experiencing six new assistant director appointments over an 18-month period. However, significant progress was made in building relationships and trust within the tax authority, supported by the critical role of long-term experts who helped contextualize the program and provide strategic input to both the IMF and short-term experts. This patient approach proved vital in countries facing difficulties, as it fostered a clearer understanding that the support aimed to assist rather than merely assess, thereby enabling more meaningful engagement and capacity development.

CoP Outcomes, outcome indicators and milestones set were generally light in content and not challenging enough. The milestones indicate the establishment and three events to be run. The outcome indicator positive feedback is received and the outcome simply that participants value them. Overall given the importance of the key technical topics being covered in these CoPs more meaningful milestones, indicators and an outcome could have been identified and measured to fully reflect the objectives of CoP (which are more than just stand-alone workshops).

EFFICIENCY

| Objective | OBJ 1 Albania | OBJ 2 Kosovo | OBJ 3 Montenegro | OBJ 4 Serbia | OBJ 5 CoP | AVERAGE |
|-----------|------------------|-----------------|---------------------|-----------------|--------------|---------|
| Rating | 3 | 3 | 3 | 3 | 3 | 3.0 |

The efficiency of the CD inputs was generally strong, with resources effectively converted into outputs, outcomes, and impact in a cost-conscious manner compared to alternatives. The LTX program demonstrated solid institutional capacity to implement initiatives efficiently, with administrative teams notably proactive in sharing knowledge and experiences within the CoP. This sharing facilitated smoother coordination and reduced duplication, enhancing overall efficiency.

In Serbia the decision to have in-country presence was justified and necessary. On-the-ground advisors committed fully to schedules, working closely with counterparts during visits, which ensured faster progress and stronger engagement than would have been possible remotely. Remote modalities, while still effective, tended to be slower and less direct, impacting the pace of delivery.

Regarding the CRM technical assistance, closer management and more hands-on guidance were required to maintain efficiency. This suggests some room for improvement in backstopping and process control to avoid delays or resource inefficiencies.

Finally, comparing delivery modalities, the LTXs hosted at JVI and CEF provided effective operational efficiency, benefiting from proximity to partners and better contextual understanding. This approach contrasted with HQ-based delivery or RTAC models, where distance and less frequent contact could slow responsiveness and reduce operational efficiency.

IMPACT

| Objective | OBJ 1 Albania | OBJ 2 Kosovo | OBJ 3 Montenegro | OBJ 4 Serbia | OBJ 5 CoP | AVERAGE |
|-----------|------------------|-----------------|---------------------|-----------------|--------------|---------|
| Rating | 3 | 3 | 2 | 3 | 3 | 2.8 |

The CD project, including earlier related initiatives in the SEE region, has contributed positively to strengthening the macroeconomic and financial stability of the target countries, with indications of support for more inclusive growth. At the LTX level, institutional capacity has noticeably increased, with all countries demonstrating improved skills to assess financial and compliance risks. Notably, these capabilities have extended beyond revenue agencies, as other ministries have begun applying risk assessment techniques acquired through the Revenue team’s training.

Organizations have become more efficient and effective, as reflected in reports such as the recent HQ assessment on Kosovo, which highlights progress toward simplifying tax structures and reducing administrative complexity—key factors in fostering a more inclusive and growth-friendly environment.

In Serbia (STaX), organizational efficiency improvements have been achieved through enhanced internal processes and better case selection, resulting in increased audit hit rates. However, there is limited direct feedback on revenue changes post-intervention due to restricted communication, which limits a fuller assessment of impact in that area.

Importantly, in Albania, there has been a fundamental shift in mindset regarding compliance risk management, reflecting a more reform-focused approach driven by the development of the MTRS roadmap. This shift has provided a clear strategic direction that was previously lacking, helping to build momentum for reforms. While it is too early to assess concrete results such as impacts on GDP or tax ratios—especially given the challenges posed by COVID-19 and economic downturns—this change signals the potential for sustained, positive impact as new approaches become institutionalized and embedded in practice.

SUSTAINABILITY

| Objective | OBJ 1 Albania | OBJ 2 Kosovo | OBJ 3 Montenegro | OBJ 4 Serbia | OBJ 5 CoP | AVERAGE |
|-----------|------------------|-----------------|---------------------|-----------------|--------------|---------|
| Rating | 3 | 3 | 2 | 3 | 3 | 2.8 |

The net benefits of the CD are likely to be preserved over the medium to long term, although some challenges remain due to reduced ongoing support. At the LTX level, despite a planned reduction in engagement frequency to biannual visits after June, there is confidence that progress will continue independently. Early signs of sustainable change are evident in Montenegro, Albania, and Kosovo, where reforms and capacity improvements are already embedded within institutions.

In Albania, significant changes have been implemented, reflecting a shift in mindset toward a more reform-oriented approach. While the country could potentially continue independently, there is a risk of losing momentum over time without continued support. The MTRS has provided a clear pathway that has driven many of these changes, with EU accession acting as a strong motivating factor. Continued coordination with partners such as the EU and SECO remains important to sustain progress.

In Montenegro, recent changes involving six new assistant directors have increased momentum, with reform recommendations beginning to be addressed and advanced. The continuity of the senior management team will be critical for sustaining these gains, and ongoing technical support remains vital at this stage.

In Serbia, sustainability appears very likely given the high motivation and track record of the organization. Staff have consistently acted on recommendations and shown commitment to implementing CRM concepts. Although there is no formal follow-up after inputs,

historical evidence suggests the changes initiated will endure as the organization recognizes the tangible benefits of the new approaches.

Overall, while there is promising institutional commitment and initial results, continued CD support is recommended to fully consolidate gains and ensure the positive impacts of the project are sustained and further strengthened over the medium and long term.

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

The SEE III program has clearly responded to the recommendation to optimize CRM by helping revenue agencies embed CRM as a central planning and operational tool. This is evident in countries where CRM strategies are now explicitly integrated into organizational reform efforts and strategic planning processes. Capacity-building missions have increasingly focused on elevating CRM from a siloed function to an institution-wide approach, with designated CRM units being created or strengthened in several administrations. A notable step forward has been the real-time support provided by LTXs, who have worked closely with CRM teams to identify risk areas, structure pilot projects, and begin mainstreaming differentiated compliance strategies. Additionally, the delivery of regional workshops and CoP engagements has encouraged peer learning and promoted common understanding of CRM principles across the region.

There has been visible progress in strengthening the use of data analytics within CRM, arrears management, and HNWI compliance efforts. In some countries, the IMF has helped develop basic data extraction and segmentation tools, and CRM pilots are now increasingly using taxpayer behavioural insights to target high-risk groups. Support for tax arrears has included diagnostics and action planning that prioritize aged debt and high-value accounts, along with strengthening standard operating procedures. While full implementation of data analytics remains uneven due to ICT limitations and staffing gaps, the IMF has adapted by tailoring missions to each country's data maturity and promoting low-cost, scalable solutions. Where donor coordination has been strong, particularly with institutions like US Treasury or the World Bank, these initiatives have benefited from more comprehensive data governance strategies and capacity investments.

The application of RBM in the CRM workstream has been somewhat mixed. On the positive side, results chains are generally well articulated, with clearly defined objectives, outcomes, and milestones. Missions have made regular use of RBM to track progress, and there is evidence of structured monitoring and follow-up. However, in several cases, the actual use of RBM to drive programmatic decisions or adapt approaches has been limited. A key concern is that certain milestones—such as the completion of a CIP—are repeated year after year without reflecting tangible CD progress or clearly contributing to the next stage of capacity development. When milestones are not progressive or results-oriented, they lose value as accountability or planning tools. This suggests a need for greater discipline and quality control in milestone design, ensuring that each step adds to the cumulative reform trajectory and supports more meaningful monitoring.

Regional LTXs have played a pivotal role in strengthening CRM capacity across the region, particularly by offering continuity, deep contextual understanding, and sustained engagement with reform leaders. Their proximity has enabled more responsive and flexible support, especially during reform design phases or when troubleshooting implementation bottlenecks. In most cases, LTXs have been used productively, supporting not only country-specific CD but also coordinating donor engagement and leveraging synergies across topical areas like Tax Arrears and Audit. However, the pace of CD delivery—especially when multiple LTXs and STX missions are involved—has, at times, outstripped the absorptive capacity of some revenue administrations. Several counterparts have struggled to maintain reform momentum or operationalize advice due to limited staffing, competing priorities, or changes in leadership. This highlights the importance of sequencing support carefully, calibrating the pace of delivery to country readiness, and investing in foundational enablers of reform such as staffing and internal reform management units.

The regional CRM CoP has emerged as one of the most effective and dynamic platforms within the SEE program. It is widely regarded by participants as the best-operating CoP and is considered the most likely to sustain momentum beyond IMF support. The group fosters high levels of engagement, peer learning, and mutual support, with participants actively exchanging approaches, data strategies, and technology ideas. Crucially, the CoP creates space not only for sharing solutions but also for open discussion of challenges and problems, which participants view as a key source of its strength. The structuring of the group into two tiers—those already progressing and those aspiring—has helped tailor the exchange to different levels of maturity. However, there is scope for improving the RBM indicators (or in the interim, milestones) for the CoP: specifically, the need to set more ambitious and meaningful objectives, outcomes, indicators, and milestones that better reflect the CoP's potential for transformation and cross-country learning.

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | | | | | | |
| ALBANIA | | | | | | |
| OC1. Outcome 1 | | Corporate priorities are better managed through effective risk management | 3 | 24/04/2025 | 3 | Majority of reforms set out in the strategy and the IMF recommendations have been implemented and considerable progress has been made. |
| OC1. Indicator 1 | | Better mitigation of risks through a compliance improvement program (TADAT POA2-4) | 2 | 24/04/2025 | 2 | Producing CIPs annually; however, progress has been limited by available resources, the capacity of those resources, and ICT constraints that hinder improvements in incorporating various sources—including third parties—and in conducting more detailed data interrogation and analysis. |
| OC1. Indicator 2 | | Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3) | 3 | 24/04/2025 | 3 | Has been using increasingly detailed and refined criteria and implementing assurance activities covering progressively higher proportions of cases, based on CRM methodologies. |
| OC1. Indicator 3 | | Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5) | 2 | 24/04/2025 | 2 | Further progress is needed through incremental, year-on-year improvements to integrate monitoring and evaluation (M&E) and use the findings to refine future CIPs. |
| ▪ MS1a: | 31/12/2024 | New improved procedures for the identification, assessment, and ranking of compliance risks are implemented | 4 | 24/04/2025 | 4 | The GDT has demonstrated strong commitment to progressing IMF recommendations and has been consistently responsive to the technical assistance provided. All milestones that have passed their due dates have been fully achieved. Not due yet. |
| ▪ MS1b: | 29/12/2023 | At least 3 compliance by design proposals are delivered to the MOFE in 2023 | 4 | 24/04/2025 | 4 | |
| ▪ MS1c: | 31/12/2024 | At least 3 compliance by design proposals are delivered to the MOFE in 2024 | 4 | 24/04/2025 | 4 | |
| ▪ MS1d: | 29/12/2023 | Annual compliance improvement plan for 2024 prepared and adopted | 4 | 24/04/2025 | 4 | |
| ▪ MS1e: | 31/12/2024 | Annual compliance improvement plan for 2025 prepared and adopted | 4 | 24/04/2025 | 4 | |
| ▪ MS1f: | 31/12/2025 | Annual compliance improvement plan for 2026 prepared and adopted | 1 | 24/04/2025 | 1 | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Kosovo | | | | | | |
| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| ▪ OC1. Outcome 1 | | Corporate priorities are better managed through effective risk management | 3 | 24/04/2025 | 3 | TAK have been progressing and growing in competence in addressing and managing risk. Majority of reforms have been implemented, and important activities such as CIP and compliance assurance programs have been embedded operationally. |
| ▪ OC1. Indicator 1 | | Better mitigation of risks through a compliance improvement program (TADAT POA2-4) | 3 | 24/04/2025 | 3 | Has produced a CIP annually for several years, with each iteration incorporating increasingly refined risk criteria and making greater use of expanded data sources and improved data analysis to assess and identify risks. |
| ▪ OC1. Indicator 2 | | Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3) | 2 | 24/04/2025 | 2 | TAK needs to expand access to and use of external data sources. Progress is being slowed by limited internal resources and ICT capacity, which are beginning to constrain reform efforts. |
| ▪ OC1. Indicator 3 | | Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5) | 3 | 24/04/2025 | 3 | Monitoring and evaluation (M&E) is being used effectively to inform and improve the CRM approach year on year. |
| ▪ MS1a: | 29/12/2023 | At least 3 compliance by design proposals are delivered to the MOF in 2023 | 4 | 24/04/2025 | 4 | TAK consistently plans and implements CRM methodologies. They have operationalized three consecutive years of CIPs and demonstrated sustained improvement in collections, audit assessments, and overall collection efficiency. |
| ▪ MS1b: | 29/12/2023 | An annual compliance improvement plan for 2024 is prepared and adopted | 4 | 24/04/2025 | 4 | |
| ▪ MS1c: | Not provided ⁵ | At least 3 compliance by design proposals are delivered to the MOF in 2024 | 4 | 24/04/2025 | 4 | |
| ▪ MS1d: | Not provided | An annual compliance improvement plan for 2025 is prepared and adopted | 4 | 24/04/2025 | 4 | |
| ▪ MS1e: | Not provided | An annual compliance improvement plan for 2026 is prepared and adopted | 1 | 24/04/2025 | 1 | |

⁵ Dates for 'Not provided' given in RBM logframe as 02/01/1900

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| MONTENEGRO | | | | | | |
| OC2. Outcome 2 | | Corporate priorities are better managed through effective risk management | 2 | 24/04/2025 | 2 | Progress has been limited, but some important initial steps have been taken in the right direction. |
| OC2. Indicator 1 | | Better mitigation of risks through a compliance improvement program (TADAT POA2-4) | 1 | 24/04/2025 | 1 | Only the 2025 CIP has been completed on time to date. Data remains limited, and further refinement of risk criteria is needed. Clarity is required on the extent of implementation and results achieved by the end of 2025, as well as how these will inform the development of the 2026 CIP. |
| OC2. Indicator 2 | | Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3) | 1 | 24/04/2025 | 1 | |
| OC2. Indicator 3 | | Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5) | 1 | 24/04/2025 | 1 | |
| OC2. Indicator 4 | | Better identification, assessment and mitigation of institutional risks (TADAT POA2-6) | 1 | 24/04/2025 | 1 | |
| ▪ MS1a: | 31/12/2025 | 1.3.1 New improved procedures for the identification, assessment, and ranking of compliance risks are implemented | 1 | 24/04/2025 | 1 | This is the first attempt, and considerable work remains to establish improved procedures. |
| ▪ MS1a: | 31/12/2023 | 1.3.2 Annual compliance improvement plan for 2024 prepared and adopted | 2 | 24/04/2025 | 2 | Not completed or prepared on time. |
| ▪ MS1a: | 31/12/2024 | 1.3.3 Annual compliance improvement plan for 2025 prepared and adopted | 4 | 24/04/2025 | 4 | The first CIP was prepared and submitted on time. |
| ▪ MS1a: | 31/12/2025 | 1.3.4 Annual compliance improvement plan for 2026 prepared and adopted | 1 | 24/04/2025 | 1 | Not due yet |
| SERBIA | | | | | | |
| OC3. Outcome 3 | | Corporate priorities are better managed through effective risk management | 2 | 24/04/2025 | 2 | More advanced than other regional RAs; however, the absence of a centralized CRM function and fragmented data availability and sharing are limiting progress to the next level. |
| OC3. Indicator 1 | | Better mitigation of risks through a compliance improvement program (TADAT POA2-4) | 2 | 24/04/2025 | 2 | Incorporates tax gap analysis and multiple data sources, but the absence of a central function and the use of various tools across different work streams are hindering progress. |
| OC3. Indicator 2 | | Improved identification, assessment, ranking and quantification of compliance risks (TADAT POA2-3) | 2 | 24/04/2025 | 2 | Fragmented access to and sharing of data across the organization is limiting progress. |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| OC3. Indicator 3 | | Improved monitoring and evaluation of compliance risk mitigation activities (TADAT POA2-5) | 2 | 24/04/2025 | 2 | |
| ▪ MS3a: | 31/12/2023 | Risk analysis function and case selection is centralized. A framework for compliance improvement planning is reviewed and updated. A single compliance plan is prepared and adopted for 2024 | 2 | 24/04/2025 | 2 | Not yet centralized, limiting the organization's ability to fully benefit from CRM and to effectively utilize it in an organization-wide CIP. |
| ▪ MS3b: | 31/07/2024 | VAT Gap analysis undertaken, results analysed and used in compliance planning for next year. New sources of necessary third-party data identified and their exchange with the STA is implemented | 2 | 24/04/2025 | 2 | Gap analysis has yet to be utilized. While some recent third-party data sources are being used, they are unlikely to be consistently shared or utilized across the organization's various operational functions. |
| ▪ MS3c: | 31/12/2024 | The CIP framework adjusted to the findings of the VAT Gap Analysis and expanded to all four compliance domains | 1 | 24/04/2025 | 1 | Not yet. |
| CRM COMMUNITY OF PRACTICE | | | | | | |
| OC4. Outcome 4 | | The participants value this training | 3 | 24/04/2025 | 3 | Highly rated by attendees, STX and LTXs alike. |
| OC4. Indicator 1 | | Post-course feedback measured by the end-of-course survey [favourable range 4.4+] reflecting the participants' reaction to (a) the knowledge/skills usefulness for their job; (b) the content relevance to their job; and overall satisfaction with the course | 3 | 24/04/2025 | 3 | The CRM CoP has been highly successful in fostering regional dialogue and facilitating the sharing of lessons learned, data, and information. Evidence from several countries suggests that the knowledge and skills gained through these events are positively influencing organizational reforms and CRM practices. |
| ▪ Ms4a: | 30/04/2024 | Delivered at least three Regional Workshops / Webinars | 4 | 24/04/2025 | 4 | Met |
| ▪ MS4b: | 30/04/2024 | Community of Practices (COPs) established for three key domains (Debt Management, CRM and Audit) | 4 | 24/04/2025 | 4 | Met. General feedback indicates that the CRM and DM CoPs have been very successful, while the Audit CoP has been less so. |

| III. RA DESKTOP REVIEW: ALB – PIT AND MTRS | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|---------------------|-----------------------------|----------------|
| 1. KEY DATA | | | | | | |
| Workstream | Revenue Administration | | | | | |
| Project assessed | Albania PIT and MTRS | | | | | |
| Objectives assessed | 1. Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM 2. Strengthened core tax administration functions (SDG 17.1) - TAD | | | | | |
| Topical-level OECD DAC Evaluation ratings | COHERENCE (COH) | EFFECTIVENESS (EFT) | EFFICIENCY (EFF) | IMPACT (IMP) | SUSTAINABILITY (SUS) | AVERAGE |
| | 3 | 3.0 | 3 | 3 | 3 | 3.0 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> The MTRS in Albania has significantly improved institutional coordination and strategic clarity between the Ministry of Finance (MoF) and the General Directorates of Taxation and Customs (GDT and GDC), leading to better forecasting and implementation planning despite delayed formal approval. The majority of the MTRS actions (46 out of 53) were implemented even before formal ratification in December 2024, reflecting strong informal commitment and operational follow-through. Senior leadership in tax administration and MoF were of high caliber and demonstrated strong ownership, condensing key reforms into focused strategies and implementation plans, even amidst political headwinds. CD missions were well-coordinated across IMF HQ, STX, and LTXs, with sustained donor engagement from the EU, World Bank, SECO, and others, reinforcing coherence and alignment of CD efforts. Despite delays in the PIT rollout, the CD work helped create a comprehensive plan and contributed to the eventual postponement of a premature launch, which could have undermined the reform. | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> The PIT reform process suffered from lack of coordination and ownership by the Albanian Tax Policy team, with key decisions delayed and exemptions poorly defined, weakening the foundation for implementation. The legal and institutional delays (including a constitutional challenge and fragmented tax law) disrupted planned public awareness and ICT readiness, causing the PIT reform to lose momentum. The MTRS process was not politically driven or endorsed at key stages, leading to slow ratification and fragmented implementation despite technical groundwork and donor coordination. Multiple leadership changes within the GDT and MoF hindered continuity, requiring repeated re-engagement and undermining the pace and sustainability of reform ownership. | | | | | | |
| Lessons and recommendations | | | | | | |
| <ul style="list-style-type: none"> Political economy dynamics must be embedded more explicitly into MTRS design and sequencing. Effective reform in Albania was constrained by political indecision and institutional misalignment. Future support should ensure early identification of reform champions and allow greater flexibility in timelines to accommodate political constraints. Reform planning should emphasize incremental, achievable steps rather than overambitious recommendations. In Albania’s case, a large volume of recommendations created bottlenecks. Smaller, sequenced reforms would have supported clearer prioritization and more realistic progress tracking. Stronger coordination between IMF HQ, LTXs, STXs, and other donors is essential. While donor alignment was good in Albania, divergence in perspectives between HQ and in-country teams created occasional mismatches in expectations. Greater bottom-up feedback and in-country contextualization should inform mission design and prioritization. Early and proactive IMF involvement is crucial when signals suggest a high risk of implementation failure. In the case of PIT, earlier CD engagement and closer alignment with policy timelines might have helped mitigate the delays caused by legal and technical constraints. Foundations for reform, such as shared commitment across government, institutional continuity, and operational readiness, must be in place before launching major changes. Technical quality alone cannot overcome the absence of strategic alignment or political will. | | | | | | |
| 3. ACTIVITY OVERVIEW | | | | | | |
| SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE | | | | | | |
| OBJ 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – (06/11/2023-22/11/2023) 24FA366 - Review of progress on the implementation of the new PIT law is progressing based on the changes approved by Normative Act No. 7. | | | | | | |

(09/11/2023- 22/11/2023) 24FA216 - review GDT’s progress of the preparation for the new Personal Income Tax Law (PIT), including High Wealth Individuals (HWI).

OBJ 2: Strengthened core tax administration functions (SDG 17.1) - TAD

(04/09/2023-08/09/2023) 24FAZN4 - assess the progress of the Revenue Administration components of Albania’s draft Medium-Term Revenue Strategy (MTRS), and review how the MTRS relates to the strategic planning of the GDT (Tax Administration) and GDC (Tax Policy).

SEE CD ACTIVITY IN PHASE II AND IMPLICATIONS FOR CURRENT PHASE

A total of 34 activities with around half delivered remotely. Focused on the organizational optimization and advancing data analytics and CRM. Also implemented segment-based approach to compliance management.

4. ASSESSMENT OF OBJECTIVES

| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|--|----------------|
| PROJECT: | | | | | | | |
| Objective 1 | OBJ 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM PIT | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | | AVERAGE |
| | 3 | 3 | 3 | 3 | 3 | | 3.0 |
| Objective 2 | OBJ 2: Strengthened core tax administration functions (SDG 17.1) – TAD MTRS | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | | AVERAGE |
| | 3 | 3 | 3 | 3 | 3 | | 3.0 |
| COHERENCE | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3.0 |

The coherence of the IMF’s support to Albania’s MTRS and PIT reform agenda is assessed as moderately strong, with notable synergies both internally across IMF instruments and externally with development partners. Internally, the MTRS was built on diagnostic work such as the TADAT, and its design and delivery were well aligned with IMF policy advice and technical recommendations, including surveillance findings and advice on PIT reform. The CD inputs under both SEE II and SEEIII consistently reinforced MTRS recommendations, ensuring continuity across missions and between tax administration and tax policy support, despite separate reform tracks. However, political ownership of the reforms was inconsistent—particularly on the policy side—resulting in slow ratification of the MTRS strategy and fragmented adoption of key PIT changes. This disconnect, though outside the IMF’s control, created an internal misalignment between technical progress and strategic policy traction. Externally, coherence was supported by strong donor coordination with the EU, SECO, the World Bank, and Sweden’s Twinning project. Missions were planned in consultation with these partners, and reform pressure was applied collectively to advance MTRS adoption. The use of TADAT as a shared diagnostic anchor improved alignment across donor programs. Nonetheless, while coordination was active, varying levels of political appetite within the Albanian government—particularly in the MoF’s tax policy unit—diminished the full potential of a harmonized reform trajectory. Overall, coherence was strongest in operational design and donor alignment, but constrained by the uneven institutional buy-in at key policy levels.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|---------------|-------|-------|--|--|--|--|---------|
| Rating | 3 | 3 | | | | | 3.0 |

The effectiveness of the IMF’s support to Albania’s MTRS and PIT reform is assessed as mixed, with steady progress on MTRS implementation but limited success on PIT due to political constraints. Despite delays in formal ratification, the MTRS process led to the gradual development of strategic and reform plans within the GDT, and GDC reflecting clear progress toward key outcomes in the RBM framework. Most CD targets were eventually met, and the reform agenda gained momentum with leadership changes in the tax administration. The design and content of TA missions under SEE III continued to reflect and reinforce MTRS priorities, particularly in areas such as arrears management, CRM, third-party data use, and structural reform. Notably, the CRM workstream saw effective results, including the establishment of a high-net-worth individual (HNWI) unit with improved capacity, as well as active participation in regional CoP forums that encouraged knowledge exchange. However, the PIT component was far less effective. Although IMF policy teams correctly identified key weaknesses in the PIT regime, including exemptions and outdated structures, proposed reforms stalled due to political resistance and legal challenges, with little traction achieved during the evaluation period. The overall logframe design was well structured but optimistic in its timeframes. Nonetheless, the realism in costing and the layered approach—initial diagnostic, review, and follow-up missions—contributed to a focused and phased implementation. Overall, effectiveness was stronger in administration-focused reforms under MTRS than in politically sensitive areas like PIT, where external constraints significantly undermined achievement of intended results.

| EFFICIENCY | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|------|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | ETC. | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3.0 |
| <p>The efficiency of CD delivery in Albania under the MTRS and PIT workstreams has been reasonably strong, with inputs generally well targeted and outputs delivered in a cost-effective manner. The mix of HQ-led missions, LTX engagement, and remote support enabled timely follow-up and course correction where needed. The long-standing presence and relationship-building role of the LTX was cited as critical for maintaining reform momentum, especially in sustaining engagement through political and institutional turnover. LTXs also played a key role in realigning support based on levels of country buy-in, underscoring their comparative advantage over a purely HQ-based model. Regional modalities, including support through JVI and coordination with SEE donors, allowed technical assistance to be tailored and responsive, particularly in addressing evolving reform priorities. The strategic sequencing of three structured STX MTRS missions (diagnostic, review, and overview) helped manage delivery costs while maintaining relevance. However, efficiency was weakened in some areas. In the PIT workstream, TA was not always timed to match critical policy windows, contributing to implementation challenges. On customs-related reforms under MTRS, the initial technical team was considered under-resourced in expertise, although this was corrected in subsequent missions. Coordination between tax policy and tax administration streams should be stronger to ensure coherent and jointly owned outputs. Efforts are already ongoing in this area, with joint missions covering RA, PFM, TP. Overall the CD modality proved flexible and operationally sound, and the CD inputs—particularly on the MTRS side—were broadly translated into relevant and timely outputs in a cost-effective manner.</p> | | | | | | | |
| IMPACT | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3.0 |
| <p>The MTRS process in Albania has had a broadly positive, if still evolving, impact on the country’s institutional reform trajectory, with indirect contributions to macroeconomic resilience and inclusive growth. Even prior to formal ratification in December 2024, the authorities had already implemented a significant portion of MTRS recommendations, reflecting strong operational commitment. The process provided Albania with a much-needed reform roadmap, instigating a notable shift in mindset within both the GDT and the Tax Policy Department. This change has fostered more strategic planning, sharpened focus on priority reforms, and supported greater alignment between tax policy and administration—core enablers of fiscal stability. While quantifying the direct macroeconomic effects is difficult due to COVID-19, the 2019 earthquake, and the broader economic volatility in recent years, the reform momentum generated by the MTRS is widely seen as having created stronger foundations for future revenue mobilization. The PIT reform component, though not fully implemented, has contributed to institutional learning. The identification of legal gaps and politically sensitive exemptions has raised awareness within the Ministry of Finance and GDT, highlighting areas requiring further reform. Overall, the SEE-funded CD interventions under the MTRS umbrella have enhanced institutional capacity and ownership, with early signals of improved governance in tax administration, though the longer-term impact on revenue collection and growth will depend on sustained follow-through and political will.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
| Rating | 3 | 3 | | | | | 3.0 |
| <p>The sustainability of the CD project’s net benefits in Albania appears reasonably strong, particularly due to the alignment with broader political and economic incentives such as EU accession. The improved forecasting capacities and enhanced coordination between RA and Tax Policy teams, supported by relatively advanced ICT systems, suggest that many of the gains under the MTRS will be preserved and built upon in the medium term. The formal ratification of the 2024–27 MTRS and the tangible improvements in the Tax/GDP ratio (with a 0.7% increase attributed to the earlier phase and a further 1.8% targeted) indicate measurable progress linked to the CD interventions. Additionally, ongoing efforts in areas such as CRM and data analytics, supported by participation in communities of practice, reflect institutionalization of key capabilities.</p> <p>However, while the MTRS has established a clear reform pathway and fostered a more reform-minded culture within tax institutions, there remains a risk of momentum loss without continued external engagement. The strong incentive created by the EU accession process is a critical driver that may help sustain progress, but the project’s success depends on ongoing coordination with key partners such as the EU and SECO. Conversely, the PIT reform experience highlights vulnerabilities related to political interference, frequent senior management turnover, and limited inter-agency cooperation, which could undermine sustainability if not addressed. Overall, while the foundations for medium- to long-term sustainability are in place, continued strategic support and political commitment will be essential to fully preserve and deepen any benefits likely to be realized.</p> | | | | | | | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project - ALBANIA: PERSONAL INCOME TAX | | | | | | |
| Objective 1: Strengthened core tax administration functions (SDG 17.1) – TAD | | | | | | |
| OC1. Outcome 1 | Not indicated | A larger proportion of taxpayers meet their payment obligations as required by law | 2 | 24/04/2025 | 2 | PIT legal changes had been challenged in constitutional legal case and Government had lost. Implementation yet to take place |
| OC1. Indicator 1 | | Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18) | 2 | 24/04/2025 | 2 | The tax debts are still fairly high, but some measures taken such as collaboration with other agencies and expediting guidelines on seizures and asset sales. |
| OC1. Indicator 2 | | On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17) | 2 | 24/04/2025 | 2 | Some progress in relation to stronger processes being suggested and implemented. But many of the measures in relation to PIT have had to be temporary until law has passed and legal challenges have been resolved. |
| MS1a: | 29/12/2023 | 2.2.1 Improved procedures are implemented to reduce late payments to maximum 20 percent of returns filed. | 2 | 24/04/2025 | 2 | Changes to ICT to cover PIT changes were delayed, and questions over the ICT systems being ready to properly assess new PIT rules. |
| MS1b: | 31/12/2024 | 2.2.2 Improved procedures are implemented to reduce late payments to maximum 15 percent of returns filed. | 2 | 24/04/2025 | 2 | |
| MS1c: | 31/12/2025 | 2.2.3 Improved procedures are implemented to reduce late payments of large taxpayers to maximum 10 percent of returns filed. | 1 | 24/04/2025 | 1 | Preparations made and reviewed over processes and procedures in various impacted functional areas showed GDT were reasonably prepared for administration of the new tax regime changes. |
| MS1d: | 31/12/2025 | 2.2.4 Improved procedures are implemented to reduce to level of collectable debt to maximum 10 percent of total revenue collections. | 1 | 24/04/2025 | 1 | Launch postponed by Government and legal challenges since have stopped further progress. |
| OC2. Outcome 2 | Not indicated | Audit and other verification programs more effectively ensure accuracy of reporting | 2 | 24/04/2025 | 2 | Functional areas to assess impacts of the new PIT law on various processes were assessed and recommendations made. However, progress has been limited since mission was completed, mainly due to government delays and legal challenges. Improvements made relating to results and findings from audit are fed into risk management monitor and evaluation and |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | | | | | auditors are informed of changes such as legal changes that impact their inputs. |
| OC2. Indicator 1 | | Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud (TADAT 2015 POA6-16/TADAT 2019 POA6-19) | 2 | 24/04/2025 | 2 | PIT changes and recommendations incorporated in readiness to the Compliance Improvement Plan (CIP) 2024 regarding PIT, including HWI's. |
| OC2. Indicator 2 | | Automated cross-checking used to verify return information (TADAT 2015 POA6-16/TADAT 2019 POA6-20) | 2 | 24/04/2025 | 2 | Not implemented for PIT, legal challenges in process, but other cross-checking is utilised. |
| OC3. Indicator 3 | | Sound methodologies used to monitor the extent of inaccurate reporting and tax gaps (TADAT 2015 POA6-18/TADAT 2019 POA6-22, RA-GAP results) | 1 | 24/04/2025 | 1 | Little to no progress on this indicator. |
| MS2a: | 31/12/2024 | 2.3.1 Automated verification of all tax returns through cross-matching with relevant internal and third-party data is implemented | 2 | 24/04/2025 | 2 | Assessing only PIT input and how this activity incorporated into overall program. As PIT has not been implemented as yet, and many of ICT processes have yet to be fully implemented for PIT (temporary processes in place) could not identify any substantial progress. |
| MS2b: | 31/12/2025 | 2.3.2 Implementation of periodical monitoring of tax gap estimates | 1 | 24/04/2025 | N/A | Milestone due date after period being evaluated |
| Project: ALBANIA - MTRS | | | | | | |
| Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | |
| OC1. Outcome 1 | Not indicated | Organizational arrangements enable more effective delivery of strategy and reforms | 3 | 24/04/2025 | 3 | Improvements in line with TADAT assessments and the Governments MTRS recommendations have meant considerable reform improvements have been made to improve structures, processes and roles and responsibilities. |
| OC1. Indicator 1 | | Appropriate institutional settings in place | 3 | 24/04/2025 | 3 | Close alignment of Strategic reforms with TADAT indicators and the Governments overarching MTRS recommendations has meant considerable progress has been made on changes to organizational structures, processes and procedures and defining roles and responsibilities. Some elements are still in progress and others |
| OC1. Indicator 2 | | Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened | 3 | 24/04/2025 | 3 | |
| OC1. Indicator 3 | | Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, | 3 | 24/04/2025 | 3 | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | planning and monitoring) and local branches (execution) adopted | | | | are yet to be implemented, but from the GDT perspective strong progress has been made in the period of evaluation. |
| MS1a: | 29/12/2023 | 1.6.1 A streamlined organizational structure with clear separation of roles and responsibilities is implemented. | 3 | 24/04/2025 | 3 | Multiple reforms to structure along with redefining roles and responsibilities inline with reform strategies have been or are currently in the process of being changed. |

DRAFT

IV. RA DESKTOP REVIEW: BiH – DEBT AND ARREARS MANAGEMENT

| 1. KEY DATA | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------|-------------------------|---------------------|-----------------------------|----------------|
| Workstream | Revenue Administration | | | | | |
| Project assessed | Bosnia and Herzegovina-FAD-RA-SEE III – Arrears Management | | | | | |
| Objectives assessed | Strengthened core tax administration functions (SDG 17.1) - TAD] | | | | | |
| Topical-level OECD DAC Evaluation ratings | COHERENCE (COH) | EFFECTIVENESS (EFT) | EFFICIENCY (EFF) | IMPACT (IMP) | SUSTAINABILITY (SUS) | AVERAGE |
| | 2 | 2 | 3 | 2 | 2 | 2.2 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> ▪ Strategic Alignment and Action Planning: Medium- to long-term action plans were developed through regional Communities of Practice (CoP) sessions and further refined during in-country CoP meetings. This approach ensured that strategies were tailored to the specific needs and contexts of the participating revenue agencies. ▪ Enhanced Inter-Agency Cooperation: Recognizing the historical focus on enforcement, efforts were made to shift towards greater cooperation among the four revenue agencies in Bosnia and Herzegovina. This strategic pivot aimed to foster a more collaborative environment, enhancing overall efficiency and effectiveness in revenue administration. ▪ Modernization of Debt Management Practices: Given that debt management processes had remained largely unchanged since the early 2000s, the World Bank supported initiatives to modernize these practices. This included addressing outdated procedures and implementing strategies for debt write-offs, thereby improving the management of historical debts across all four revenue agencies. ▪ Targeted Risk Assessment and Workload Prioritization: Assistance was provided to identify high-risk arrears cases, enabling the revenue agencies to prioritize their workloads effectively. This targeted approach ensured that resources were allocated efficiently, focusing on areas with the highest potential impact. ▪ Implementation of OECD Tax Debt Maturity Model (TDMM) Assessment: The Indirect Tax Administration (ITA) completed an OECD TDMM assessment, providing a comprehensive evaluation of its tax debt management maturity. This assessment served as a diagnostic tool to identify strengths and areas for improvement, guiding future capacity development efforts. | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> ▪ Enhancing Coordination and Follow-Up Mechanisms: Given the complex administrative structure of Bosnia and Herzegovina, there is a need for improved coordination among the Revenue Authorities (RAs) to ensure consistent implementation of reforms. Establishing robust follow-up mechanisms can help maintain momentum and track progress effectively. ▪ Addressing Systemic Challenges: Challenges such as limited resources, political fragmentation, and varying levels of digitalization across RAs hinder the uniform application of reforms. A strategic approach that considers these systemic issues is essential for sustainable capacity development. | | | | | | |
| Lessons and recommendations | | | | | | |
| <ul style="list-style-type: none"> ▪ Need for Sustained Engagement and Follow-Up: Since August 2023, there has been limited to no follow-up CD assistance, which appears to be linked to factors such as lack of political will, limited technical capacity, and resource constraints within the revenue agencies. This underscores the importance of continuous engagement and support to maintain momentum in arrears management reforms. ▪ Need for Sustained Engagement and Follow-Up: Since August 2023, there has been limited to no follow-up CD assistance. While this may be due to factors such as limited political will, technical capacity, and resource constraints within the revenue agencies, these same challenges reinforce the case for continued engagement. Ongoing support could help address institutional bottlenecks and sustain the momentum of earlier reforms. ▪ Tailored Outcome and Milestone Setting: Outcomes and milestones should be more specifically aligned with each organization's context within Bosnia and Herzegovina. Recognizing the unique challenges and capacities of each revenue agency can lead to more effective and achievable reform targets. ▪ Integration of Intervention Streams: While CoP have been effective in clarifying the current state for many counterparts, the interaction between different intervention streams, such as CoP and LTX needs to be strengthened. LTXs play a crucial role in creating an environment conducive to implementing reforms and linking STX and headquarters with beneficiary relationships. ▪ Enhancement of ICT Capabilities: The development of revenue agencies is being limited by their current ICT capabilities. Investing in modern ICT infrastructure and systems is essential to support efficient arrears management and overall revenue administration. ▪ Resistance to Change Can Impede Progress: Institutional inertia, particularly among senior staff nearing retirement, has been a significant barrier to reform. Overcoming resistance requires not only technical assistance but also robust change management strategies that address cultural and organizational dynamics. | | | | | | |

3. ACTIVITY OVERVIEW

SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE

Please note that the assessment in this desktop review is based on documentation related to SEE III CD in one of the BiH jurisdictions, ITA. The sampling process identified only activities related to this entity, although we now understand that SEE III RA Cd was also provided to other BiH administrations. Additionally, debt management CoP-related activities were reviewed.

OBJ 1: Reviewed debt management processes and standard operating procedures, alongside the current approach to debt write-offs, and developed an action plan to address aged debtors, high-risk arrears cases, and workload priorities. Additionally, examined and discussed issues and prospects for future cooperation and information sharing across the four revenue agencies. Reviewed debt management processes and standard operating procedures, alongside the current approach for debt write-offs, developing an action plan to tackle aged debtors, high-risk arrears cases, and workload priorities.

SEE CD ACTIVITY IN PHASE II AND IMPLICATIONS FOR CURRENT PHASE

- Earlier SEE Phase Three (PHII) activities on this topic were directed at the Republika Srpska Tax Administration (RSTA) organization, whereas assistance to the ITA was provided during SEE III.

RELATED TRAINING/WORKSHOP(S)/COP

Community of Practice (CoP) Workshops on Arrears Management held in Vienna in March 2023

- A regional CoP workshop on arrears management was held in Vienna in March 2023, focusing on the sharing of experiences and lessons learned. It was identified during this event that the four Bosnian Revenue Administrations (RAs) faced a common set of issues and challenges. As a result, it was recommended that a follow-up workshop be held in-country as a national event.
- The in-country CoP workshop took place in Banja Luka in June 2023. It examined major challenges such as the lack of legislative support, limited use of CRM systems, and underdeveloped data analytics capacities for modern arrears management. The workshop also addressed the identification of high-risk arrears cases and the need to support debt write-offs.
- Cooperation among the RAs on arrears management had historically been limited. The Banja Luka workshop reviewed opportunities to enhance inter-agency collaboration and data sharing. All four RAs reported significant challenges with managing inventories of aged debt, much of which involved debtors who no longer exist or debts that have become time barred.
- While the regional event in Vienna was viewed as highly valuable, the short interval between the two workshops (three months) meant there had been limited time to make substantial progress on action plans.

4. ASSESSMENT OF OBJECTIVES

OBJECTIVES ASSESSED AND SUMMARY OF RATINGS

WEIGHTING

PROJECT:

Objective 1 Strengthened core tax administration functions (SDG 17.1) - TAD]

| Rating | COH | EFT | EFF | IMP | SUS | AVERAGE |
|--------|-----|-----|-----|-----|-----|---------|
| | 2 | 2 | 3 | 2 | 2 | 2.2 |

COHERENCE

| Objective | OBJ 1 | AVERAGE |
|-----------|-------|---------|
| Rating | 2 | 2 |

The CD program in BiH demonstrates mixed internal and external coherence. Internally, the project aligns well with IMF recommendations and the broader reform agenda, particularly within the ITA, which has developed strategic plans consistent with diagnostic assessments such as TADAT and the Fiscal Transparency Evaluation (FTE)⁶. However, the decentralized nature of BiH's revenue agencies creates challenges for uniform implementation, as varying capacities and limited coordination lead to inconsistencies and fragmented progress. Legislative constraints and political dynamics further complicate efforts to harmonize interventions across agencies.

Externally, the CD project maintains positive synergies with key development partners, including the World Bank, EU, and other regional donors. Coordination with these stakeholders has been essential given BiH's complex, multi-agency institutional environment. However, differences in priorities and approaches have occasionally affected the coherence of interventions. For instance, the World Bank tends to focus on large-scale investment and long-term institutional reform, while the IMF emphasizes technically targeted, phased capacity development. Meanwhile, EU-funded initiatives often prioritize alignment with EU accession requirements and *acquis communautaire*, which may not always align with the more operational or systemic improvements targeted by other partners. These variations in timelines, focus areas, and delivery modalities sometimes result in fragmented efforts or

⁶ IMF has indicated that strategic planning in ITA has not been guided by an FTE

overlapping demands on the revenue agencies. Furthermore, the absence of comprehensive data sharing and coordination among BiH's multiple tax authorities adds another layer of complexity. Stronger mechanisms for inter-agency cooperation and donor alignment would significantly enhance the consistency and overall effectiveness of CD efforts in BiH.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|---------|
| Rating | 2 | | | | | | 2 |

The CD program in BiH has made commendable strides toward achieving its objectives, particularly in enhancing debt management practices. A series of short-term expert missions facilitated a stepped approach, allowing for incremental progress and the development of a comprehensive debt management strategy and action plan. This approach aligned well with the ITA's broader reform agenda, which incorporated a significant number of IMF recommendations, including those related to debt collection. The integration of these reforms into the ITA's strategic framework underscores the program's effectiveness and relevance to the country's fiscal priorities.

However, the presence of multiple revenue agencies within BiH, each with varying capacities and levels of advancement, has led to uneven progress in implementing CD initiatives. While some agencies have demonstrated significant improvements, others have faced challenges due to limited technical capacity and resource constraints. This disparity highlights the need for a more tailored approach to capacity development, ensuring that support is adapted to the specific contexts and needs of each agency. Additionally, enhancing coordination among these agencies could foster a more cohesive implementation of reforms and facilitate the sharing of best practices.

EFFICIENCY

| Objective | OBJ 1 | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|---------|
| Rating | 3 | | | | | | 3.0 |

The project demonstrated notable efficiency in converting inputs into outputs and outcomes. A series of targeted STX missions, each lasting approximately two weeks, were strategically sequenced to address specific areas of need. This modular approach allowed for focused interventions that built upon each other, ensuring that resources were utilized effectively to tackle the multifaceted challenges within the revenue agencies.

The involvement of LTXs provided consistent support and facilitated the development of comprehensive strategies, such as the debt management strategy and action plan. These efforts were further reinforced by the engagement of Regional Advisors hosted at institutions like the Joint Vienna Institute (JVI) and the Center of Excellence in Finance (CEF). The regional modality offered by these institutions enabled peer learning and the sharing of best practices, contributing to the overall efficiency of the program. While each input was distinct and necessary, the coordinated delivery and alignment with the specific needs of the BiH revenue agencies ensured that the CD activities were both timely and cost-effective. The integration of various delivery modalities, including regional workshops and in-country missions, optimized resource utilization and enhanced the program's responsiveness to emerging challenges.

In summary, the CD program's strategic deployment of resources, combined with the complementary roles of STXs, LTXs, and Regional Advisors, facilitated the efficient achievement of its objectives within the complex operational landscape of BiH.

IMPACT

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | ETC. | | | AVERAGE |
|-----------|-------|-------|-------|------|--|--|---------|
| Rating | 2 | | | | | | 2.0 |

CD initiatives in BiH have supported a notable shift in debt management practices, moving from enforcement-focused approaches toward greater taxpayer engagement and cooperation. This change has helped improve relationships between revenue authorities and taxpayers, fostering a more inclusive fiscal environment.

While direct macroeconomic impacts remain difficult to quantify, these reforms contribute to strengthening public financial management and fiscal sustainability. Efforts to address aged debts and manage high-risk arrears underpin BiH's broader goals of maintaining macroeconomic stability and supporting inclusive growth.

However, progress has been gradual and uneven across the four separate tax administrations, with institutional fragmentation, limited data sharing, and varying reform uptake undermining the overall depth and consistency of impact. In particular, the lack of

coordinated implementation and limited strategic integration across entities have made it difficult to consolidate gains at the national level. These structural constraints justify the moderate impact rating, despite the positive direction of reform in certain areas.

| SUSTAINABILITY | | | | | | | |
|----------------|-------|-------|-------|------|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | AVERAGE |
| Rating | 2 | | | | | | 2.0 |

The sustainability of the CD efforts in BiH exhibits a mixed but cautiously optimistic outlook. The ITA has made notable progress by implementing a strategic plan aligned with IMF recommendations, including adopting a Debt Management Strategy, indicating strong potential for sustained benefits. However, this progress is tempered by challenges such as outdated ICT systems that hinder effective debt categorization and an aging workforce facing limited succession planning. While senior management understands the need for reform and supports strategic action plans, resistance persists within the organization. Many experienced staff, nearing retirement, are reluctant to embrace change, and there are retention issues for critical skills like ICT and audit, compounded by inadequate HR strategies and succession planning.

Conversely, the other three revenue agencies have shown minimal progress since mid-2023, hindered by legislative constraints, political inertia, and weak inter-agency cooperation. The decentralized structure and uneven capacities across these agencies further complicate cohesive reform efforts. Without tailored support, robust change management, and stronger collaboration, there is a significant risk that reforms will lose momentum. For sustainability to improve across BiH’s revenue sector, modernization of ICT infrastructure, enhanced coordination, and comprehensive HR strategies are essential to mitigate systemic risks and foster a culture of continuous improvement.

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| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS): OT COVER BOTH PHASE V AND PHASE IV INDICATORS | | | | | | |
|------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project: BOSNIA AND HERZEGOVINA – DEBT/ARREARS MANAGEMENT | | | | | | |
| Objective 1: Strengthened core tax administration functions (SDG 17.1) - TAD | | | | | | |
| OC1. Outcome 1 | Not indicated | A larger proportion of taxpayers meet their payment obligations as required by law | 2 | 24/04/2025 | 2 | With four authorities each with their own systemic, ICT and HR resourcing and capability and capacities – reform progress has been fractured with progress recently only seen in the ITA. Reforms initiated are fractured and not closely aligned. |
| OC1. Indicator 1 | | Management of refunds improved (TADAT 2015 POA8-24/TADAT 2019 POA8-28) | 2 | 24/04/2025 | 2 | The ITA has shown recent advancement on reform in Debt management – Refunds. ICT functionality in aging software is the main inhibitor in make substantial sustained progress. |
| OC1. Indicator 2 | | Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18) | 2 | 24/04/2025 | 2 | Progress has been limited with the ITA making some progress, the other three authorities have made minimal progress, with varying factors impacting reforms such as poor legislative framework, low staff capacities and aging and unsuitable ICT for modern revenue practices. |
| OC1. Indicator 3 | | On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17) | 2 | 24/04/2025 | 2 | |
| MS1a: | 31/12/2023 | 2.2.1 Management of refunds redesigned and legally set time to refund respected. | 3 | 24/04/2025 | 2 | ITA – implemented debt management strategy and have maintained strong results relating to refunds. The other three authority organizations have made little to no progress. |
| MS1b: | 31/12/2024 | 2.2.2 New debt management procedures implemented | 2 | 24/04/2025 | 2 | ITA implemented debt management strategy and work plans. RSTA progressed debt collection strategy, but this has not been finalized. Federal Tax Authority (FTA) – little progress |

| V. RA DESKTOP REVIEW: MKD - REFORM | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------|-------------------------|---------------------|-----------------------------|----------------|
| 1. KEY DATA | | | | | | |
| Workstream | Revenue Administration | | | | | |
| Project assessed | MKD23RAM1 Country: North Macedonia Topic: Reform | | | | | |
| Objectives assessed | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | | | | | |
| Topical-level OECD DAC Evaluation ratings | COHERENCE (COH) | EFFECTIVENESS (EFT) | EFFICIENCY (EFF) | IMPACT (IMP) | SUSTAINABILITY (SUS) | AVERAGE |
| | 3 | 2 | 3 | 2 | 3 | 2.6 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> A new Director General (DG) with a reform mandate has driven significant momentum, including creation of a Reform Management Office and adoption of a strategic roadmap. Prior to this appointment (mid-late 2024) little progress. IMF support (via LTX and STX missions) was pivotal in shaping reform design, governance structures, and coordination across donor inputs. Close alignment and sequencing of support with the US Treasury/Overseas Development Agency (ODA) helped avoid overlap and enabled targeted project management training, including through Virtual Training to Advance Revenue Administration (VITARA) modules (with real-time translation). The Public Revenue Office (PRO) is developing a draft reform program with World Bank alignment, incorporating both externally advised and internally driven initiatives | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> Earlier phases of the project were hampered by weak senior management support and low reform traction before mid-2024. Sustainability of reforms may be challenged by future budget constraints, potentially limiting implementation of the full reform program. Digitalization efforts Integrated Tax Administration System (ITAS) are underway, but face implementation risks due to the complexity of HR, legal, and change management components. | | | | | | |
| Lessons and recommendations | | | | | | |
| <ul style="list-style-type: none"> Stronger leadership buy-in (as seen with the new DG) is essential to drive reform from the top and maintain momentum across agencies. A centralized reform management unit can enhance coordination and continuity—this could serve as a model for other revenue administrations. Sequenced donor coordination, including early mapping of overlaps and capacity gaps, improves CD delivery and avoids duplication. Reform initiatives should include budget planning and resource mobilization strategies from the outset to safeguard continuity. | | | | | | |
| 3. ACTIVITY OVERVIEW. | | | | | | |
| SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE | | | | | | |
| Project: MKD23RAM1FB | | | | | | |
| OBJ 1: | | | | | | |
| <ul style="list-style-type: none"> (10/2/2023–10/6/2023) Mission ID: 24FA338 Provided support for the development of the PRO’s reform program and Strategic Plan 2023–25, assisted in identifying short-term organizational rearrangements, and supported preparations for the regional CoP Audit event. (8/28/2023–9/1/2023) Mission ID: 24FAZQ5 Assisted the PRO with revising its transformation program, discussed required CD support for implementation, and agreed on IMF CD activities to be delivered in the short and medium term. (10/23/2023–10/31/2023) Mission ID: 24FA479 Continued support for developing the PRO’s reform program through meetings with the working body and reform committee responsible for preparing the program document. | | | | | | |
| SEE CD ACTIVITY IN PHASE II AND IMPLICATIONS FOR CURRENT PHASE | | | | | | |
| <ul style="list-style-type: none"> (27/02/2019–12/03/2019) Mission ID: 19FA733 Advised on improving the PRO’s organizational structure, LTO operations, tax audit practices, and compliance risk management (CRM), and discussed priorities for future FAD technical assistance. Other Phase II CD assistance Included support for implementing the Risk Differentiation Framework and pilot in the Large Taxpayer Office, establishing a Risk | | | | | | |

Management Unit, applying CRM principles to improve operational efficiency, strengthening audit processes, and enhancing tax arrears collection.

RELATED TRAINING/WORKSHOP(S)/COP

The only regional workshop identified as potentially relevant to the reform topic was the CEF-hosted event on *Challenges in Improving Domestic Revenue Mobilization (DRM)*. However, due to the nature of this being a desktop review, attendance by North Macedonian counterparts could not be confirmed. There were no national workshops delivered under the current phase. As such, the complementarity and practical application of any training to institutional reform efforts could not be assessed. Further beneficiary feedback would be required to evaluate its utility and institutional impact.

4. ASSESSMENT OF OBJECTIVES

| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------|--------------|-------------|------------|----------------|-----------|
| PROJECT: | | | | | | | |
| Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | AVERAGE | |
| | 3 | 2 | 3 | 2 | 3 | 2.6 | |
| COHERENCE | | | | | | | |
| Objective | OBJ 1 | | | | | AVERAGE | |
| Rating | 3 | | | | | 3.0 | |
| <p>The CD activities in North Macedonia demonstrated strong internal and external coherence. The project closely aligned its support with national priorities, including the PRO’s reform program and strategic planning processes. Coordination with key donors such as the US Treasury ensured sequencing and complementarity, minimizing overlaps and maximizing resource use. Regional events and workshops, like the CoP audit event, complemented national efforts and reinforced shared learning. Although progress was initially slow, the alignment of various support streams under a common reform mandate indicates a cohesive approach to capacity development.</p> | | | | | | | |
| EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES) | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | AVERAGE | |
| Rating | 2 | | | | | 2.0 | |
| <p>Effectiveness was initially limited, with reform momentum stalling until summer 2024 due to lack of senior management support. The appointment of a new DG with a clear four-year vision closely linked to IMF recommendation and the establishment of the Reform Management Office marked a turning point. CD efforts focused on reform management, project management, and strategic planning, including workshops and real-time training modules. While some outputs such as the reform roadmap and strategic plans have been developed, the full achievement of outcomes remains ongoing, with certain legislative and budgetary challenges still to be resolved.</p> | | | | | | | |
| EFFICIENCY | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | ETC. | | AVERAGE | |
| Rating | 3 | | | | | 3.0 | |
| <p>The project’s efficiency benefited from a well-coordinated mix of long-term and short-term expert inputs, coupled with complementary donor engagement. Real-time translation of training modules and effective project management helped optimize resource use and timeliness. Collaboration with the US Treasury avoided duplication and sequenced assistance effectively. However, potential budget constraints for the government pose risks to sustaining these efficiencies over the reform period. Overall, the delivery modality has been cost-effective relative to alternatives.</p> | | | | | | | |
| IMPACT | | | | | | | |
| Objective | OBJ 1 | | | | | AVERAGE | |
| Rating | 2 | | | | | 2.0 | |
| <p>Although it is early to observe definitive macroeconomic impacts, the CD program has initiated positive institutional shifts within the PRO. The move toward establishing a Reform Management Office and a strategic roadmap reflects growing reform-mindedness. This transformation has begun to embed a results-oriented culture, supported by the new DG’s mandate. However, broader impacts on fiscal sustainability and inclusive growth remain to be demonstrated, as many reforms are still in progress or pending legislative approval.</p> | | | | | | | |

| SUSTAINABILITY | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--|--|--|--|--|---------|
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3.0 |
| <p>Sustainability prospects are cautiously optimistic. The amended law on the PRO mandates organizational reforms, which, combined with the newly established Reform Management Office, provide a structural foundation for lasting change. Senior leadership commitment under the new DG is a critical driver, though reliance on this creates vulnerability. Government budgetary limitations may constrain implementation scope and threatening momentum. To maintain reform gains, ongoing donor coordination and internal capacity building will be essential, alongside legislative support and adequate funding.</p> | | | | | | | |

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| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project: NORTH MACEDONIA: REFORM | | | | | | |
| Objective 1: Strengthened core tax administration functions (SDG 17.1) – TAD | | | | | | |
| OC1. Outcome 1 | Not indicated | A larger proportion of taxpayers meet their payment obligations as required by law | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| OC1. Indicator 1 | | Management of refunds improved (TADAT 2015 POA8-24/TADAT 2019 POA8-28) | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| OC1. Indicator 2 | | Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18) | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| OC1. Indicator 3 | | On-time payment ratio improved (TADAT 2015 POA5-14/TADAT 2019 POA5-17) | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| MS1a: | 31/12/2023 | A VAT refund process is reviewed, and an improvement action plan is adopted | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| MS1a: | 31/07/2024 | VAT refund / return risk criteria are updated, and a new VAT refund software is designed and implemented | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| MS1a: | 31/12/2024 | New IT tools for debt management procured and implemented | 2 | 24/04/2025 | N/A | Not assessed as not part of reform topic |
| Objective 2: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | |
| OC1. Outcome 1 | Not indicated | Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized | 2 | 24/04/2025 | 2 | Recent management change has brought about a new direction with a 4-year vision. Prior to this minimal traction and progress on reform agenda around strategic management was made. |
| OC1. Indicator 1 | | Key performance indicators established, regularly reported and monitored | 2 | 24/04/2025 | N/A | Not assessed as not mentioned in Mission documents or reports supplied |
| OC1. Indicator 2 | | Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated | 2 | 24/04/2025 | 2 | Partial progress has been made, with increased momentum following the appointment of the new Director General, who introduced a four-year vision and established a Reform Management Office to drive implementation. However, key reform activities remain incomplete, and full achievement of outcomes is still pending. |
| OC1. Indicator 3 | | Reform management capacity strengthened or in place for reform implementation, including dedicated resources | 2 | 24/04/2025 | 2 | |
| OC1. Indicator 4 | | Strategic and operational plans prepared and adopted | 2 | 24/04/25 | 2 | |
| ▪ MS1a: | 31/07/2023 | A master reform implementation plan prepared and adopted to incorporate all reform agendas and efforts of the PRO. | 2 | 24/04/2025 | 2 | Partially progressed but not completed |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| ▪ MS1b: | 31/01/2024 | A set of KPIs is reviewed and updated in cooperation with functional sectors. KPIs are used in feedback for guiding operational and strategic developmental decisions. | 2 | 24/04/2025 | N/A | Not assessed as not mentioned in Mission documents or reports supplied |

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VI. RA DESKTOP REVIEW: MNE – DIAGNOSTICS/STRATEGY

| 1. KEY DATA | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------|------------------|--------------|----------------------|---------|
| Workstream | Revenue Administration | | | | | |
| Project assessed | Montenegro-FAD-RA-SEE III | | | | | |
| Objectives assessed | 5. Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | |
| Topical-level OECD DAC Evaluation ratings | COHERENCE (COH) | EFFECTIVENESS (EFT) | EFFICIENCY (EFF) | IMPACT (IMP) | SUSTAINABILITY (SUS) | AVERAGE |
| | 2 | 2 | 3 | 2 | 2 | 2.2 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> Despite significant institutional instability, including frequent changes in senior management and the recent splitting of tax and customs administrations, the Montenegro Tax Administration (MTA) has made notable progress in developing and adopting a new strategic framework and HRM strategy, with increased management commitment to reform priorities. The introduction and gradual implementation of the Integrated Revenue Management System (IRMS) and renewed focus on Compliance Risk Management (CRM) reflect strong technical alignment with reform objectives, supported by sustained assistance and coordination with the World Bank. Capacity building efforts have successfully brought new directors and key staff onboard, improving institutional knowledge and strengthening relationships based on trust with the administration. Regular, persistent engagement by the LTX team has been effective in maintaining dialogue and securing concrete meetings with senior management and departments, resulting in incremental but important process improvements, such as risk-based VAT refund procedures. The hybrid delivery modality combining remote and on-site support has allowed timely assistance despite operational constraints, enabling the MTA to take more ownership of strategy development and prioritize reforms realistically in line with their capacity. | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> Frequent leadership changes and political instability have significantly hindered consistent reform progress and strategic implementation. Greater focus on ensuring stable and committed senior management could improve continuity and ownership of reform priorities. The decision to split the Tax and Customs Administrations without a clear business case or implementation plan led to regression in reform achievements and operational disruption. A more careful, evidence-based approach with thorough impact assessment and stakeholder consultation before structural changes would have been preferable. Limited institutional capacity and human resources, particularly in strategic management and change leadership, continue to slow reform implementation. Strengthening staff skills and expanding capacity-building efforts, especially in digitalization and CRM, is essential. Delays in key systems development, such as the IRMS, have impeded progress. Enhanced coordination and realistic timelines between the MTA, World Bank, and other partners, combined with contingency planning, may reduce risks of future delays. Follow-up and coordination mechanisms could be more proactive, particularly to sustain momentum after strategic planning phases. Introducing structured periodic reviews and strengthening the feedback loop with the MoF and development partners may improve timely course correction and results achievement. | | | | | | |
| Lessons and recommendations | | | | | | |
| <ul style="list-style-type: none"> Strategic leadership stability is critical for reform success. Ensuring continuity and commitment at senior management levels, including securing timely and appropriately skilled appointments of directors and deputies, is essential to maintain momentum and ownership of change initiatives. Prioritize comprehensive planning before major structural changes, such as mergers or splits of tax and customs administrations. Developing a clear business case and implementation roadmap, including risk assessments, will help avoid regression and operational disruption. Invest in capacity building focused on change management and digital skills, particularly around key projects like IRMS and CRM. Tailored training and continuous support to staff will enhance institutional readiness, control and sustainability of reforms. Strengthen coordination and follow-up mechanisms with government, development partners, and internal teams to ensure timely progress reviews and agile response to emerging risks, delays, or challenges. This can improve CD effectiveness and overall reform outcomes. | | | | | | |

3. ACTIVITY OVERVIEW

SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE

One sentence each on activities covered under each of the objectives being assessed (likely to be one objective only per project):

OBJ 1:

Activity ID: MNE23RAM1FB

(01/05/2024-30/04/2025) Mission ID: 25FAG54

(22/05/2024-24/05/2024) Mission ID: 25FAH96

(25/11/2024-27/11/2024) Mission ID: 5FAU20

Activity ID: MNE23RAM1DS

(01/05/2023-30/04/2024) 24FAZ92

Mission IDs identified on evaluation selection were incorrect and therefore documentary evidence reviewed were Back TO Office (BTO) reports and quarterly LTX reports. Activities showed involvement in discussions post de-merger decision with MTA senior staff, local donors (EU and WB) coordination with other programs such as Revenue Administration Reform Project (RARP) and focus on re-establishing governance arrangements, setting clear targets, providing and resourcing the appropriately skills and knowledge leadership. Also assisted in advice relating to new organization structure, HR plans, CRM action plan and CIP for 2024.

SEE CD ACTIVITY IN PHASE II AND IMPLICATIONS FOR CURRENT PHASE

A total of 16 activities were delivered with only three STX activities delivered remotely. Activities were on core functions, governance and management arrangements.

4. ASSESSMENT OF OBJECTIVES

OBJECTIVES ASSESSED AND SUMMARY OF RATINGS

WEIGHTING

PROJECT:

Objective 1 Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM

| Rating | COH | EFT | EFF | IMP | SUS | AVERAGE |
|--------|-----|-----|-----|-----|-----|---------|
| | 2 | 2 | 3 | 2 | 2 | 2.2 |

COHERENCE

| Objective | OBJ 1 | OBJ 2 | AVERAGE |
|-----------|-------|-------|---------|
| Rating | 2 | | 2.0 |

Internal coherence within the Montenegro CD project has been challenged by frequent changes in senior management and organizational restructuring, including the recent merging and then splitting of the tax and customs administrations without clear strategic planning by the government. This has led to regression in reform progress and limited institutional capacity to implement changes effectively. While the project aligns with the broader government reform priorities such as digital transformation and capacity building, the absence of a stable leadership team and coordinated strategic plans has weakened the consistency and synergy between the CD activities and government policies. The CD interventions, including support for the IRMS (WB project) and CRM, remain relevant but suffer from delays and fragmented implementation, affecting the overall coherence of the project with other reforms and IMF recommendations.

Externally, the project maintains important linkages with development partners, notably the RARP and EU funding mechanisms. Coordination efforts have improved, with close collaboration on IRMS development and strategic planning. However, gaps remain in fully leveraging external resources, such as limited engagement with the EU by the counterparts. Political decisions, such as the unsystematic splitting of the tax and customs administrations, have introduced inconsistencies that complicate alignment with external partner initiatives. These factors have contributed to partial coherence with other donor programs and regional technical assistance, indicating room for better integration and coordination across all stakeholders involved in Montenegro’s revenue administration reform.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | OBJ 2 | AVERAGE |
|-----------|-------|-------|---------|
| Rating | 2 | | 2.0 |

The CD outcomes and objectives as defined by the RBM framework have been partially achieved. While a transformation program with action plans is in place and progressing, key delays—most notably the ICT upgrade and the slow development of strategic and operational plans—have hindered full realization of the intended results. These delays are reflected in the downgraded evaluator scores compared to IMF assessments, highlighting the impact of limited institutional capacity and frequent leadership changes. Ownership of reforms has improved with senior management engagement, yet the overall pace remains slow due to constrained

human resources and fragmented planning. Continued support and prioritization of critical reform components are essential to ensure that CD objectives will likely be met in the medium term.

EFFICIENCY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 3 | | | | | | 3.0 |

The CD inputs were generally converted to outputs and outcomes in a reasonably cost-effective manner given the context. STXs were deployed only when directly necessary, with the bulk of support provided by the LTX who looked to maintained steady engagement, particularly during periods of limited political will or organizational change prior to January 2024. This targeted approach ensured resources were not wasted, despite overall progress being slowed by external factors beyond IMF control, such as political instability and enforced organizational restructuring. Operational efficiency was constrained by delays in ICT upgrades and limited institutional capacity, which affected the timeliness and quality of some deliverables. The Regional Advisor delivery modality, hosted at JVI and CEF, offered valuable localized support and flexibility compared to HQ or RTAC models, though its impact was tempered by the complex local environment. Overall, efficiency was satisfactory given the challenging conditions, but further improvements could be made with stronger political commitment and enhanced institutional readiness.

IMPACT

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | | 2.0 |

The CD project has contributed modestly to Montenegro’s macroeconomic and financial stability, with limited evidence of significant positive or negative impacts. While a roadmap and plans to manage reforms were developed, it is too early to make a comprehensive assessment of its broader impacts. and, consequently, the overall impact is difficult to quantify at this stage.

SUSTAINABILITY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | | 2.0 |

The sustainability of the CD project’s net benefits in Montenegro appears limited over the medium and long term without further support. The general capacity constraints across the organization, particularly the frequent turnover in senior management, pose significant risks to maintaining progress. If the senior management team is not allowed to stabilize and consolidate, the likelihood of preserving gains diminishes drastically. Continued engagement and investment in leadership continuity and capacity building will be essential to ensure lasting benefits from the CD initiatives.

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project: MONTENEGRO – DIAGNOSTIC/STRATEGY | | | | | | |
| Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | |
| OC1. Outcome 1 | Not indicated | Organizational arrangements enable more effective delivery of strategy and reforms | 2 | 24/04/2025 | 2 | Little progress was observed before January 2024 when the Revenue and Customs administrations were split. Further progress is only likely if political stability is maintained and the senior management team is allowed to remain in place over the medium to long term. |
| OC1. Indicator 1 | | Appropriate institutional settings in place | 2 | 24/04/2025 | 2 | At the beginning of 2024, the organization was split from Customs, with limited staff capacity and the majority of processes still manual. A transition to digitalization remains a critical priority. |
| OC1. Indicator 2 | | Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened | 2 | 24/04/2025 | 2 | The recent demerger of the customs and tax administrations in 2024 caused significant disruption after only a few years of operating as a merged service. Since January 2024, a new organizational structure has been adopted, and interim priority steps are being addressed; however, limited staff capacity continues to hinder the pace of reform progress. |
| OC1. Indicator 3 | | Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted | 2 | 24/04/2025 | 2 | Some progress has been made with centralizing the Risk Management Unit, now overseen by a Risk Management committee. Additionally, the HRM strategy has been completed, though its implementation and impact remain limited due to capacity constraints. |
| MS1a: | 29/12/2023 | 1.6.1 A streamlined organizational structure is implemented with clear separation of roles and responsibilities. | 2 | 24/04/2025 | 2 | Continued changes driven by political agendas have resulted in minimal progress. Frequent turnover in management and generally low organizational capacity have constrained reform efforts. Although some changes have occurred, the reform program has only recently started to gain traction. |

| VII. RA DESKTOP REVIEW: SER – ORGANIZATION AND PERFORMANCE MANAGEMENT | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------|------------------|--------------|----------------------|---------|
| 1. KEY DATA | | | | | | |
| Workstream | Revenue Administration | | | | | |
| Project assessed | Serbia-FAD-RA-SEE III [SRB23RAM1] Country: Serbia Topic: Organization and Performance Management | | | | | |
| Objectives assessed | 6. Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | |
| Topical-level OECD DAC Evaluation ratings | COHERENCE (COH) | EFFECTIVENESS (EFT) | EFFICIENCY (EFF) | IMPACT (IMP) | SUSTAINABILITY (SUS) | AVERAGE |
| | 3 | 2 | 3 | 2 | 2 | 2.4 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> ▪ Development of a centralized performance management system: The project helped consolidate fragmented practices by supporting the Serbian Tax Authority (STA) to create uniform, organization-wide performance standards, using KPIs aligned with strategic and operational goals, including reference to TADAT indicators. ▪ Strategic use of performance metrics by leadership: The system is being actively used by central management for strategic decision-making and monitoring progress, with technical specifications developed for eventual automation and a proposed unit to institutionalize performance management. ▪ Strong collaboration between LTX and national authorities: The reform effort benefited from consistent LTX support (with minimal input from specialist STX input) and with HQ input limited to targeted recommendations—ensuring close engagement and continuity. ▪ Comprehensive reform roadmap produced: A short-term HQ mission in 2023 supported development of a reform roadmap that integrates digitalization, change management, and organizational restructuring, offering phased, realistic options that reflect local reform capacity and experience. ▪ Effective counterpart structures: The Tax Administration Reform Unit was recognized as technically strong, motivated, and familiar with international good practices, enabling better ownership and follow-up on CD recommendations. | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> ▪ Overambitious scope during LTX visits hindered depth of progress: The Serbian Tax Authority (STA's) preference to address multiple reform areas simultaneously during LTX engagements diluted focus and led to slower-than-expected progress. A more phased or prioritized approach might have allowed deeper, more sustainable gains in fewer areas. ▪ Repetition of CD inputs without adequate forward movement: Despite multiple CD engagements, progress has not matched the volume of support provided. This points to a need for clearer reform sequencing and perhaps stronger incentives or accountability mechanisms to maintain momentum. ▪ Weaknesses in strategic planning and ownership structures: The absence of a dedicated strategic planning function and fragmented responsibility for planning/reporting has limited institutional coherence. Assigning planning responsibilities to a specialized unit could better anchor reforms and facilitate consolidation of annual workplans. ▪ Performance monitoring remains underutilized and outdated: KPIs are not fully integrated into decision-making, and outdated indicators are still in use. Internal audit's role in compiling performance reports (instead of an operational or strategic unit) may limit their utility. A reallocation of monitoring functions and clearer linkage to management tools would enhance effectiveness. | | | | | | |
| Lessons and recommendations | | | | | | |
| <ul style="list-style-type: none"> ▪ Reform ambition must be matched with internal capacity and sequencing: Attempting too many reforms at once diluted impact. Future efforts should prioritize fewer, high-impact areas with phased implementation to allow for deeper technical engagement and stronger institutional absorption. ▪ Stronger institutional planning and monitoring frameworks are essential: A dedicated planning and strategy unit should be established to consolidate annual workplans, coordinate reforms, and monitor progress. Performance indicators should be revised, institutionalized at the management level, and integrated with modern IT systems to enable real-time performance tracking. ▪ Flexible, sustained CD engagement delivers better results: CD design should allow for follow-up missions and hybrid support models that blend remote and in-person engagement. For example, requiring senior management to complete Virtual Training to Advance Revenue Administration (VITARA) training improved dialogue and understanding of reform objectives—such structured learning should be embedded in all major CD efforts. ▪ Realism in project design is critical for long-term success: Donors and CD providers must align expectations with the institutional realities of the recipient agency. Milestones and objectives must account for political will, internal capacity, and external dependencies. This also calls for avoiding inclusion of indicators in logframes that hinge on factors beyond the tax authority's control. | | | | | | |

3. ACTIVITY OVERVIEW

SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE

OBJ 1: 1. Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM

Activity ID: SRB23RAM1FB

Mission ID: 23FAU80 (18/04/2023- 28/04/2023) - assist the STA in designing a new organizational structure that is in line with the newly redesigned business processes to be implemented, provisionally, from 2025.

Mission ID: 24FA849 (11/12/2023-15/12/2023) - reviewing the performance measurement and management system employed currently at the STA.

Mission ID: 25FAN62 (02/09/2024-06/09/2024) - assist the establishing relevant key performance indicators (KPIs) to guide the outcomes and effectiveness of the Serbian Tax Administration (STA).

SEE CD ACTIVITY IN PHASE II AND IMPLICATIONS FOR CURRENT PHASE

A total of 28 CD activities including a TADAT assessment were carried out across a number of functional areas. Focus was on core functions (mainly audit and verifications, and tax arrears), CRM, reform management, IT, taxpayer services, and large taxpayers.

DRAFT

| 4. ASSESSMENT OF OBJECTIVES | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------|------------|------------|------------|--|----------------|--|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING | |
| PROJECT: | | | | | | | | |
| Objective 1 | Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | | AVERAGE | |
| | 3 | 2 | 3 | 2 | 2 | | 2.4 | |
| Objective | OBJ 1 | | | | | | AVERAGE | |
| Rating | 3 | | | | | | 3.0 | |
| <p>The CD support to Serbia demonstrates reasonable internal coherence, with efforts aligned to the broader Tax Administration Transformation Program (TATP 2021–25), which was endorsed by government and aims to modernize processes and systems. The design and delivery of CD has drawn on prior diagnostic inputs (including TADAT), and elements such as performance management reforms and organizational restructuring have been built on IMF surveillance recommendations and informed by digital transformation priorities. However, coherence has been affected by weak strategic planning capacity within the tax authority, resulting in fragmented implementation and limited institutional anchoring of some reforms.</p> <p>In terms of external coherence, the program has been broadly consistent with the reform priorities and donor-funded activities in the region, including those supported by SEE donors and the World Bank. For example, coordination with other technical initiatives, including IT system modernization efforts and strategic management reforms, has ensured complementarity. Nonetheless, there is scope to strengthen structured coordination mechanisms with other development partners to prevent overlap and ensure mutually reinforcing interventions.</p> | | | | | | | | |
| EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES) | | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE | |
| Rating | 2 | | | | | | 2.0 | |
| <p>The CD program has made some tangible progress toward achieving its stated outcomes and objectives as defined in the Results-Based (RBM) framework, with key reform elements initiated and some implementation underway. Notably, the multi-year transformation program is in place, and efforts to strengthen reform management capacity have led to greater ownership at senior management levels. However, critical delays—particularly related to the ICT upgrade (procurement of the new integrated tax software) and the establishment and operationalization of centralized strategic planning units—have hindered achievement of results. Strategic and operational plans remain fragmented, with the latest strategic plan is still not finalized, and KPIs for monitoring performance are incomplete despite earlier IMF support. These capacity constraints and delays in reform implementation have led to a downward revision of progress scores from 3 to 2 for a couple of indicators, reflecting slower-than-expected outcomes. While the foundations for reform are being laid, the likelihood of fully meeting program objectives within the original timeline remains uncertain and dependent on overcoming these structural and resource challenges.</p> <p>Out of the six key outcomes and milestones assessed, four show a difference in scoring between the original IMF ratings and the current assessment. While the IMF generally rated these areas as satisfactory (scores of 3), four have been downgraded to 2 due to observed delays, slow progress, and ongoing challenges such as ICT upgrade delays, slow establishment of centralized units to manage reforms, and the absence of a fully developed strategic plan. This divergence reflects a more cautious view on the current effectiveness of the reform implementation, emphasizing the need for accelerated efforts to achieve the intended outcomes.</p> | | | | | | | | |
| EFFICIENCY | | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE | |
| Rating | 3 | | | | | | 3.0 | |
| <p>The Terms of Reference for the CD activities were clearly defined and aligned with the required objectives, ensuring that no critical tasks were omitted or unnecessary items added. The LTX played a key role in delivering focused support, supplemented by some remote engagement prior to missions; however, the absence of more extensive pre- and post-mission follow-up limited the continuity and potential impact of the assistance. The standard mission duration of 10 days was likely insufficient to comprehensively address the complex reform agenda, suggesting that longer or repeated engagements might have enhanced effectiveness. External factors such as delays in ICT contract procurement and limited organizational capacity within the tax administration are largely beyond the IMF’s control and should not be considered inefficiencies attributable to the CD delivery itself. Overall, the</p> | | | | | | | | |

regional delivery modality through advisors based at the JVI and CEF has proven operationally efficient by enabling timely and contextually relevant support, although it entails certain trade-offs compared to HQ-led or RTAC models in terms of technical depth and follow-up capacity.

IMPACT

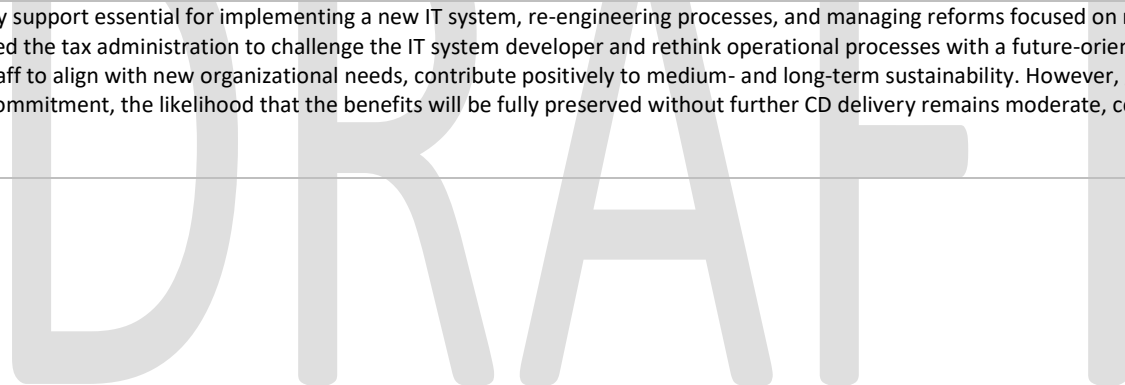
| Objective | OBJ 1 | | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|--|---------|
| Rating | 2 | | | | | | | 2.0 |

The CD project developed a comprehensive roadmap and options to guide reform and change programs within the country’s tax administration. However, limited follow-up has been conducted to assess implementation and outcomes, making it difficult to directly attribute measurable positive or negative impacts—intended or unintended—on the country’s macroeconomic and financial stability or inclusive growth. Due to this lack of evidence on actual impact, the overall score for this criterion is rated as 2, reflecting moderate progress but incomplete demonstration of results.

SUSTAINABILITY

| Objective | OBJ 1 | | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|--|---------|
| Rating | 2 | | | | | | | 2.0 |

The CD project provided timely support essential for implementing a new IT system, re-engineering processes, and managing reforms focused on modernization and digitalization, including CRM. This has enabled the tax administration to challenge the IT system developer and rethink operational processes with a future-oriented approach. Efforts in HR planning, such as retraining staff to align with new organizational needs, contribute positively to medium- and long-term sustainability. However, given ongoing challenges and the need for strong institutional commitment, the likelihood that the benefits will be fully preserved without further CD delivery remains moderate, consistent with the sustainability score of 2.



| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM | | | | | | |
| OC1. Outcome 1 | Not indicated | Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized | 3 | 24/04/2025 | 2 | There have been significant delays in the ICT upgrade, and the newly established centralized units continue to face challenges in effectively managing strategic and reform programs. Additionally, the development and implementation of the new strategic plan remain behind schedule. These critical elements, which are essential for advancing reform capacity, justify an overall rating of 2. |
| OC1. Indicator 1 | | Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated | 3 | 24/04/2025 | 2 | The transformation program is established and supported by action plans, showing ongoing progress. However, delays—particularly in the ICT upgrade of the ITAS system—are hindering the overall advancement of the program. |
| OC1. Indicator 2 | | Reform management capacity strengthened or in place for reform implementation, including dedicated resources | 3 | 24/04/2025 | 3 | Despite limited resources and capacity within the STA to manage change and reforms, progress has been steady. Recently, ownership and responsibility for the transformation program have been elevated to senior management, which is expected to strengthen implementation moving forward. |
| OC1. Indicator 3 | | Strategic and operational plans prepared and adopted | 2 | 24/04/2025 | 2 | Strategies and plans remained fragmented across the organization and lacked centralization. Although a centralized unit has been established to address this issue, progress in consolidating strategic and operational planning has been slow. |
| MS1a: | 31/12/2023 | 1.2.1 A uniform governance framework for strategic and operational planning designed and adopted for all functions with monitoring and reporting | 2 | 24/04/2025 | 2 | Key performance indicators have not been fully developed despite IMF support provided over a year ago, limiting the effectiveness of performance monitoring and management. |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|-------------------------------------------------------------------------|----------------|---------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| MS1b: | 31/10/2025 | 1.2.2 New integrated tax software (COTS) procured and implemented | 2 | 24/04/2025 | 2 | The procurement process for the new integrated tax software (COTS) is only just underway following a failed initial attempt, and it is expected that the full upgrade will take several years to complete. |
| MS1c: | 31/12/2025 | 1.2.3 A strategic plan for next planning period is prepared and adopted | 1 | 24/04/2025 | 1 | Not completed |

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V. PFM PROJECT ASSESSMENTS

| I. PFM COUNTRY CASE STUDY: MKD | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|----------------|
| 1. KEY DATA AND OVERVIEW | | | | | | | |
| Workstream | PFM | | | | | | |
| Country | North Macedonia | | | | | | |
| Objectives assessed | Objective 1: Comprehensive, credible, and policy-based budget preparation - BPR Objective 2: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) – CLM Objective 3: Improved PFM laws and effective institutions – BLF Objective 4: Improved public investment management - PIM Objective 5: Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | |
| Topical areas assessed | <ul style="list-style-type: none"> ▪ Budget preparation ▪ Climate Public Investment Management Assessment (C-PIMA) ▪ Public Investment Management (PIM) ▪ Organic Budget Law (OBL) ▪ Fiscal Risks | | | | | | |
| No. of missions assessed | 36 | | | | | | |
| Country-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | OVERALL |
| | | 2.6 | 2.4 | 2.4 | 2.6 | 2.2 | 2.4 |
| Summary of country-level assessment | | | | | | | |
| <p>The generally low scores reflect the very low capacity to implement PFM reforms in North Macedonia and the specific challenges facing the program from the elections of 2024. Bright points include support for Climate (Objective 2) where the PIMA was completed and has fed into PIM strategy under Objective 4; and fiscal risk, where important progress has been made, starting from a very low base in recognizing major categories of fiscal risk and establishment of an institutional mechanism for promoting reform through the Fiscal Risk Working Group. Progress in the institutional framework for PIM is an important step authorities have taken including the application of the PIM Management System (PIMIS) software.</p> | | | | | | | |
| Key achievements | | | | | | | |
| Significantly achieved: | | | | | | | |
| <ul style="list-style-type: none"> ▪ Progress has been made in development of the system for PIM based on the establishment of the PIM Unit in MoF, the approval of the Decree on PIM and the adoption of the guidelines on appraisal of public investments. ▪ Progress has been made in the strengthening of fiscal risk management, starting from a very low base. The Fiscal Risk Working Group is building capacity for risk management through an inclusive approach, drawing in the major institutions relevant for the generation and analysis of fiscal risks. The recommendations and actions arising from the 2024-25 missions on fiscal risk have largely been adopted. | | | | | | | |
| What has been done well/has been successful | | | | | | | |
| <ul style="list-style-type: none"> ▪ IMF support for fiscal risk management has been flexible in agreeing to support the Fiscal Risk Working Group, as opposed to a more conventional approach of establishing one or more fiscal risk units in the MoF at an early stage of reform. ▪ The PIMA and C-PIMA have been successfully completed providing guidance for the development of PIM policy and the introduction of climate considerations into the guidance on public investment appraisal. ▪ The IMF has persevered in provision of support in the face of slow progress after a period of enthusiasm for reforms. | | | | | | | |
| Areas for potential improvements | | | | | | | |
| <ul style="list-style-type: none"> ▪ Given the failure to date of the development of the IFMIS⁷, the support for budgetary structure reform needs to develop a Plan B for achieving budget reform that does not rely on the presence of the IFMIS. This is likely to require Excel based systems to fill the gaps in the budgetary system at least for the coming 2-3 years. | | | | | | | |

⁷ US Treasury had a responsibility in this area: ToRs - strengthen budget formulation and execution processes and reporting in alignment with the new Organic Budget Law; support the enhancement of performance data in the budget process to measure results; provide accounting support to produce a consolidated general ledger and improve recording of fixed assets; and introduce techniques to enhance the accuracy of cash forecasting.

- Support should be continued to the Fiscal Risk Working Group which has made reasonable progress in widening the skill set within government able to contribute to the identification and quantitative assessment of fiscal risks.
- Although progress has been slow under SEE III, the needs of the country are very high if potentially very bad economic and financial outcomes are to be avoided. The role of the IMF in addressing the core problems is critical and should be continued.
- Attention needs to be paid to addressing the weaknesses in the communications with other DPs to escape from the current tensions.

Lessons and recommendations

- Politics and fiscal strategy: The principal challenge to achieving better results at outcome and milestone level lies in the politics of fiscal management. The country has a history of excessive spending leading to rapid escalation of debt. This is partly reflecting lack of clear understanding of fiscal matters at the political level and the result of a seriously out of date accounting system. Increased attention to the relationship between IMF and the Government at the top level will be required to substantively change the current adverse course the country is set on.⁸
- Limited technical capacity in the MoF is a critical constraint to making the recently created institutions (such as the PIM unit and the Spending Review Unit more effective. The IMF can play a critical and probably unique role in assisting the authorities to address this constraint.
- In spite of the moderate scores of progress in the activities under PFM workstream in North Macedonia, IMF should continue albeit measured support, indeed at a high level, as all the indications are that progress made to date in areas like PIM and fiscal risk may be lost in the absence of continued support. Decisions on future support to the country should take into account the uniquely poor economic progress of the country within the region in terms of economic development, with slow GDP growth and escalating public 2debt.

2. BACKGROUND AND CONTEXT

CONTEXT

- North Macedonia is facing serious financial problems as economic growth is the lowest in the region and public debt has risen rapidly in the past two decades. The level of technical capacity to address the need for reform of the system of public financial management is very low. The SEE III program aims to support the EU agenda for the country focused on achieving access to EU development funds and to contribute to eventual compliance with the EU *aquis communautaire*.
- The budgetary management system has very major weaknesses which effectively inhibit reforms to a more comprehensive budget preparation and reporting process. It was planned that a new IFMIS replace the antiquated legacy system should have been in place by 2025, but this has not happened. The proposed contract with a supplier for the development of the IFMIS has been rejected by the minister, leading to extreme uncertainty as to when the new IFMIS might actually be available.
- The activities falling under SEE III are well oriented to start building a more robust PFM architecture, but implementing that process has proven slow in the face of important challenges. The 2024 elections led to a period of about 9 months when there was no policy drive for reform, and the change of government has led to a standstill in the articulation of government priorities in PFM.

SEE III ACTIVITIES

- | | |
|-----------------------------------------------|--------------------------|
| 1. Laws and regulations (non-mission support) | 30/11/2022 to 31/03/2027 |
| 2. Budget structure | 31/03/2022 to 31/03/2027 |
| 3. Spending reviews | 30/11/2022 to 31/03/2027 |
| 4. PIM | 04/12/2022 to 31/03/2027 |
| 5. PIMIS | undertaken 2024-2025 |
| 6. C-PIMA | 4/12/2022 to 15/10/2026 |
| 7. Fiscal risk (Disclosure) | 4/12/2022 to 3/10/2026 |

Related workshops/COP

1. Medium term outlook in budget preparation 25/03/2025
2. Fiscal risk management JVI regional workshop

OTHER IMF ACTIVITIES

- Article IV missions and reports
- IMF lending program.

⁸ IMF has indicated that this is likely to be more a responsibility of EUR than FAD and therefore outside the scope of SEE III.

| 3. ASSESSMENT OF OBJECTIVES | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|----------------|-----------|--|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING | |
| Objective 1 | Comprehensive, credible, and policy-based budget preparation – BPR | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 2 | 2 | 2 | 2 | 2 | 2.0 | | |
| Objective 2 | Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) – CLM | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 2 | 3 | 3 | 3 | 3 | 2.8 | | |
| Objective 3 | Improved PFM laws and effective institutions – BLF | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 2 | 2 | 2 | 2 | 2.2 | | |
| Objective 4 | Improved public investment management - PIM | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 2 | 2 | 3 | 2 | 2.4 | | |
| Objective 5 | Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 2 | 2.8 | | |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | | |
| <p>OBJ 1: (Spending reviews and budget structure): Advice on the conceptual framework for spending reviews and reform of the budget structure).</p> <p>OBJ 2: (Climate): implementation of C-PIMA and incorporation of climate considerations in guidelines on public investment.</p> <p>OBJ 3: (Laws and regulations): amendment of the OBL and subsidiary regulations, completion of PFM reform strategy and Fiscal Strategy for 2025.</p> <p>OBJ 4: (PIM) Finalization of the Decree on public investment and guidelines for public investment. Establishment of PIM Unit. Support for PIMIS implementation is an important element of FAD CD.</p> <p>OBJ 5: (Fiscal risk) CD on expanding the coverage of fiscal risk and operations of the Fiscal Risk Working Group, Initial steps in fiscal risk disclosure.</p> | | | | | | | | |
| COHERENCE | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | AVERAGE | | |
| Rating | 2 | 2 | 3 | 3 | 3 | 2.6 | | |
| <p>OBJ 1: Comprehensive policy-based budgeting: The Objective has two main components, establishment of a framework for spending reviews, and reform to the budget structure in line with the OBL. The spending review component has witnessed lack of coordination with World Bank as the latter reviewed the initial recommendations of the IMF. Cooperation on budget structure reforms with the authorities has been sound, though progress has been limited as a result of the non-delivery of the new IFMIS system (US Treasury mandate).</p> <p>OBJ 2: Policy and institutional framework for climate change: Collaboration with both the authorities and other DPs was good in completing the C-PIMA. However, the C-PIMA was pushed through by IMF despite reluctance on the part of the authorities, who did not see climate change as a priority over the pressing demands of reform of the fiscal management system.</p> <p>OBJ 3: (PFM Laws and Frameworks): Collaboration with government has been sound with sustained support to obtain the results achieved, notably the approval of the PIM Decree and identification of required budget structure reforms to establish compliance with the requirements of the OBL. However, engagement in C-PIMA was at the time recognised as an essential step towards eventually becoming compliant for access to RST funds.</p> <p>OBJ 4: (PIM) Sound cooperation with the authorities has enabled the drafting and approval of the Decree on PIM and support to the PIM Unit through development of a local version of the PIMIS in line with the anticipated data requirements for the monitoring of public investments.</p> <p>OBJ 5: (Fiscal risk): IMF has cooperated closely with the government in progressing an approach to fiscal risk which both addresses the technical strengthening and widening the scope of institutions involved through the operations of the Fiscal Risk Working Group.</p> | | | | | | | | |

Internal coherence:

IMF support has effectively focused on topics in PFM which are most critical to start addressing the very serious fiscal management situation facing the country as growth is slow and poor fiscal management has led to a rapid rise in the public debt to GDP ratio. The priorities followed by SEE III are fully in line with the prescriptions for policy reform outlined in the Article IV reviews and the existing policy lending framework.

However, the IMF, along with other agencies, is currently experiencing difficulty in establishing effective dialogue with the new MoF administration leadership in office since the 2024 election. This is reflected in lack of clarity on the government position on the appropriate next steps required to re-start the discontinued IFMIS initiative, and a lack of pro-active support from the top of MoF to the technical level of operations supported by the SEE III.

External coherence:

While the IMF itself regards the framework for collaboration with other DPs as satisfactory this view is not shared by at least some of the important collaborating DPs who complain of inadequate and untimely access to information on IMF activities.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | AVERAGE |
|-----------|-------|-------|-------|-------|-------|---------|
| Rating | 2 | 3 | 2 | 2 | 3 | 2.4 |

- The program has been characterized by delays and incompleteness in the achievement of stated aims at outcome and milestone levels. The program has centred on three main areas of support, namely budget reform, PIM and fiscal risk. Under budget reform, while progress has been made in defining the budget structure reforms necessary to meet the requirements of the OBL. Implementation of these important budget structure reforms has been delayed owing to non –delivery of the new IFMIS.
- Support for Public Investment has achieved solid but delayed results in the form of the establishment of the PIM Unit (very slow to build staff capacity) and the approval of the Decree on PJM and the Guidelines on public investment appraisal. The support for the introduction of PIMIS in the context of the work of the RMWG has been important, especially in context where lengthy delays are expected in the delivery of IFMIS.
- Support for fiscal risk has been more successful through the development of the Fiscal Risk Working Group (FRWG) which is now fully operational and is extending its reach to further risk-laden agencies including the new Ministry of Energy which needs to play a prominent role in supporting analysis of fiscal risk arising from PPPs, most of which fall in the energy sector. It is noted that the authorities are keen to maintain the role of the FRWG in its current form (as opposed to the more traditional approach of establishing a dedicated Fiscal Risk Unit in the MoF) on the grounds that the FRWG is effectively bringing together the scarce skills in government on fiscal risk, while setting up a new unit would likely cause a delay for an extended period as the new unit became staffed and mandated.
- Slow progress at the level of the specific reform topics supported by SEEIII is attributable to several structural features. These include (i) the very low starting point of North Macedonia in all aspects of PFM and specifically fiscal strategy management, (ii) the elections held in 2024, which essentially blocked attention to required policy level and legal reforms for a period of at least 9 months covered by the election campaign, the 100-day period of the Interim Technical Government and the settling-in period of the new administration, and (iii) delays in the implementation of higher level reforms required for progress in the topics supported by SEE III. These include the rollout of the OBL which has been slow and is recently extended for a further 12 month period, and the IFMIS which is currently totally non-operational following the rejection by the Minister of the prepared contract for the development of the IFMIS.

The achievement of outcomes and milestones has varied substantially across the 5 objective areas.

- The evaluation has generally found the scores recorded in the RBM to be appropriate. These have been modified in two respects (i) where the RBM recorded score is not of recent date and progress is recorded elsewhere to have occurred, and (ii) where activities are observed to be proceed in well the scores have been upgraded modestly to make provision for currently on-going progress.

| EFFICIENCY | | | | | | | |
|------------|-------|-------|-------|-------|-------|--|---------|
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | | AVERAGE |
| Rating | 2 | 3 | 2 | 2 | 3 | | 2.4 |

Objective 1: (Spending Reviews and Budget Structure): Both components of the support included under Objective 1 raise questions about efficiency. Regarding the involvement of IMF in supporting the definition of the conceptual framework for spending reviews, the evaluation did not encounter a convincing rationale for IMF involvement in spending reviews. The sharing of responsibilities in this area between WB and IMF has led to the curious situation of the WB carrying out a review of the recommendations set out in the report of the IMF mission. The initiative has been ineffective to date. While a Spending Review Unit has been established it still has only a single staff member and there is little sign that the government regards initiation of spending reviews as a priority. There are currently moves by the WB to become more closely involved in this topic.

The definition of the new budget structure has progressed on paper, but has not been able to move to implementation following the non-delivery of the IFMIS which is currently totally staffed following the minister’s rejection of the contract for the service delivery consultants. Revitalizing Value for Money under this component will require the definition and adoption of an alternative plan for the implementation of budget structure reforms not based on early IFMIS delivery.

Objective 2: (Climate change): The support for the C-PIMA has successfully put climate on the agenda for policy in North Macedonia despite the limited interest and low prioritization to climate issues in the administration.

Objective 3: PFM laws and institution: Support has been effective in terms of the amendment of the OBL and setting out proposals for the steps required to make the budget management system fully consistent with the OBL.

Objective 4: PIM - With a total of three missions under SEE III there has been slow but definite progress, most clearly manifested in the approval of the Decree on Public Investment. This is now providing a legal and regulatory basis for further progress in the role of the PIM Unit. SEE III CD support for PIMIS introduction has assisted the move towards development of quantitative analysis capacity in the PIM Unit.

Objective 5: Fiscal Risk - The IMF investment in fiscal risk is now seeing results, albeit delayed and tentative, notably in the definition of fiscal risk on a more comprehensive basis and at least qualitative steps in disclosure of fiscal risks through the statement embedded in the 2025 Fiscal Strategy.

The technical quality of outputs generated by the missions in PFM have been of a uniformly high quality with effective follow-up where progress has been slow in most of the reform areas supported.

North Macedonia has received the highest level of support of the countries participating in SEE III in the PFM workstream, but has demonstrated consistently delayed and partial success in achieving topic outcomes. However, this limited results picture should not be interpreted as overall program inefficiency in North Macedonia. If due recognition is given to the exceptionally low starting point of North Macedonia in most key aspects of fiscal and budgetary management it is assessed by the evaluation that the SEE III resource endowment to the country should be higher than others, albeit tempered with management of risk, especially given the resource constraint facing the program. This conclusion has an important corollary, that IMF should continue to devote significant support to the country, in the absence of which little progress can be expected in the coming period. The support of the IMF in PFM, and especially in the core issues of fiscal management, are critical for the country and should be continued.

| IMPACT | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|--|---------|
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | | AVERAGE |
| Rating | 2 | 3 | 2 | 3 | 3 | | 2.6 |
| <p>Objective 1: (Spending reviews and budget structure reform). The involvement in setting up the context and framework of spending views has had little impact to date. While a spending unit was established in 2024, it continues to have only a single staff member and little if any support from the top of MoF, which has subsided with a change in government. In the absence of clear prioritization by MoF there is limited prospects for achieving significant impact in the near term. Budget structure reform support has the potential of major impact on the overall utility of the budget system, but currently has no means of achieving such impact under an approach which relies heavily on using the non-existent IFMIS as the key to technical delivery for the implementation of the revised budget structure.</p> <p>Objective 2: Climate change - Support for the C-PIMA and the guidance on appraisal of public investment has led to the inclusion of climate considerations in the Guidelines. This will form a basis for an increase in attention for climate issues, which currently receive little attention or prioritization in government thinking. Under the previous government interest in climate analysis was linked to possible future access to RST funding.</p> <p>Objective 3: The amendment of the OBL and reform of associated subsidiary regulations has a potential to yield impact, but this will only be achieved as other structural challenges to reform are eased.</p> <p>Objective 4: PIM - Some important initial impact has already been achieved in the approval of the Decree on public investment and the adoption of the guidelines for public investment The PIM Unit which languished for several years is now better staffed with the promise of further recruitment the near future. However, for real results, the PIM Unit will need to take a more aggressive approach to obtaining information on public investment directly from the MDAs and agencies and stop relying on the putative IFMIS as the source of such information. The introduction of the PIMIS provides an important new tool for the PIM to organise the public investment data as a basis for analysis.</p> <p>Objective 5: Fiscal risk - significant impact has been achieved, even if North Macedonia lags behind other countries in the region. The fiscal risk section in the annual fiscal strategy for 2026 will likely provide greater detail and improved disclosure.</p> <p><i>General comment:</i> The achievement of impact has varied significantly across the topic areas with important positive if delayed results under PIM and Fiscal Risk.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | | AVERAGE |
| Rating | 2 | 3 | 2 | 2 | 2 | | 2.2 |
| <p>Will the net benefits of the CD project be preserved over the medium and long term without further CD delivery (please also provide assessment of its likelihood)?</p> <p>While at first sight the results of IMF support in North Macedonia are disappointing in terms of impact and sustainability, there are grounds for optimism. In particular, starting from a very low level of technical understanding of the core drivers of sound fiscal policy, it is expected that the work undertaken in Objectives 4 (PIM) and 5 (Fiscal Risk) are laying the groundwork for continued strengthening of systems which remain very weak on almost all fronts. The evaluation judges that there is a requirement for the continued progress in these and the other topic areas; IMF needs to continue to give high priority to supporting North Macedonia.</p> <p>IMF support has been effective in several critical areas, and it is believed that continued progress will, for the near term, continue to depend on IMF support. No other DP can provide for the policy prioritization established through the Article IV and current lending operation practices, nor provide technically closely defined CD support activities.</p> | | | | | | | |

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

- PEA issues are at the very heart of the difficulties encountered in achieving progress in the most critical area of PFM policy, namely fiscal strategy. While the evaluation has not seen any internal documents explicitly providing PEA analysis, addressing the challenges arising at the political level are very much the subject of attention. This is currently focusing on two main areas: (i) the situation arising from the failure to progress development and implementation of the IFMIS. The lack of an up-to-date IT accounting system is the main reason for slow progress under Objective 1 component on budget structure reform. It is also currently impeding progress in the work of the PIM Unit in assembling a database on public sector investments. However, in the latter case the PIM Unit should not be waiting for an IFMIS to start collecting data. Rather they should proceed to collect data direct from MDAs and start filling in the PIMIS, which is particularly useful in the context of extensive delays in IFMIS delivery. This instruction should come from the top management in MoF.
- Formal Resource Analyses of counterpart staffing levels, skills and motivation to identify and address gaps: Counterpart staffing capability for newly established technical units is a major challenge. The evaluation has not encountered any formal analysis of the constraints to increased staffing, whether they lack appropriately skilled personnel in the labour pool or financial constraints.
- Shift focus more to consolidation and capacity building: Progress on this recommendation is evidenced by the heavy emphasis on CD in SEE III, including remote courses at regional level established by the JVI and the Ljubljana Centre for Excellence in Finance.
- IMF and EU should consider a closer, more strategic partnership for SEE III: while this close relationship exists in formal terms as reflected in the concentration of several IMF initiatives addressing key requirements arising from the need for the country to access EU investment sources and eventually on meeting requirements of the *aquis communitaire*. As noted in this report the day-to-day cooperation between IMF and EU needs further attention to address existing tensions.
- Consider developing milestones and outcomes in action plans more based on historic experience and counterpart capacity. More tailored sequencing of CD delivery. There has been a tendency for IMF missions in their final report and workplan to set target actions and achievements at a realistically high level in relation to the competences of the counterparts. This problem is explicitly mentioned in the report on Fiscal Risk and led to a conscious revision of the action plan components. In the case of North Macedonia this adjustment was appropriate.
- How well has RBM been used? In the PFM workstream the use of RBM has been good. In most cases there is comprehensive and recently updated set of entries in the RBM system. The annual assessment is particularly useful for review and analysis as this provides both an overview of the outcomes under a project and a good level of detail at the milestone level.
- The evaluation notes that the role of LTXs has been critical to the results achieved to date. There has been effective use of not in person mission and online communication.
- There is a continuing demand for SEE III CD in all the current areas of support. This need reflects the generally low level of capacity in all the supported departments. Apart from the most senior officers, who have a good understanding of the issues under reform, there is generally a very low availability of counterparts with adequate training and experience to assimilate rapidly the technical advice delivered by IMF missions. Training events including regional training workshops on technical topics have proven useful, for example in instilling basic understanding of fiscal risk methodology.

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|----------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| PROJECT: North Macedonia-PFM-Budget Preparation-SEE I | | | | | | |
| Objective 1: Comprehensive, credible, and policy-based budget preparation – BPR | | | | | | |
| OC1. Outcome 1 | 31/03/2027 | Information on resources and performance by program is included in budget documentation | | | | |
| OC1 Indicator 1 | | Availability of performance information for service delivery (Record Score: PEFA PI-8, FT | 2 | 05/02/2025 | 1 | The evaluation encountered no evidence of improvement in the availability of performance information, not least as no progress has been made towards implementation of the proposed spending reviews |
| OC1 Indicator 2 | | Concept paper to cabinet and approved framework for spending reviews] | 1 | 05/02/2025 | 3 | Following inputs from both IMF and WB on the framework for the Spending Unit activities, the WB is proceeding to engage with a view to proving support, initially for training on the analysis of performance and subsequently support for initial actual reviews, which have not commenced to date |
| MS1a: | 31/12/2925 | The Cabinet has agreed on a framework for the introduction of spending reviews. | 1 | 95/02/2025 | | An IMF mission advised on the appropriate framework. These recommendations were subsequently reviewed by the World Bank |
| MS1b: | 31/12/2026 | A framework has been implemented to institutionalize spending reviews | 2 | 05/02/2025 | 2 | Although a Spending Reviews Unit has been established it still has only a single staff member. There continues to be no unanimity between the authorities. the IMF and the World Bank on the operational modalities for undertaking spending reviews |
| MS1c. | 31/12/2025 | Initial pilot spending reviews have been undertaken | 1 | 05/02/2025 | 1 | No spending reviews have been undertaken to date |
| OC2. Outcome 2 | | Planning and budgeting for public investments is more credible. | 1 | | 2 | Some basic steps have been taken which will eventually permit inclusion of medium-term investment projections. Completed steps include the approval of the Decree on PIM and of the Guidelines on public investment appraisal |
| OC2 Indicator 1 | | Availability of performance information for service delivery | 1 | | 1 | Performance information could eventually be provided by spending reviews. The earliest these could start would be 2026 with technical and financial support from World Bank |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| OC2 Indicator 2 | | Inclusion of medium-term projections for investments in budget | 1 | | 2 | Some basic steps have been taken which will eventually permit inclusion of medium-term investment projections. These steps include the approval of the Decree on PIM and the Guidelines on public investment appraisal |
| MS1a: | 31/12/2024 | Budget contains project and multiyear part | 1 | 08/04/2024 | 1 | Delayed by lack of progress on implementation of full requirements of the OBL and IFMIS which is expected to provide for inclusion of PIM in the budget management system |
| MS1b: | 31/12/2026 | Budget contains "Initial value" and "Adopted value" and update of project documentation is required if deviations are significant (20%) | 1 | 08/04/2024 | 1 | Not yet due |
| PROJECT: North Macedonia-MFP-Climate-SEE III | | | | | | |
| Objective 2: Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) – CLM | | | | | | |
| OC1. Outcome 1 | 15/10/26 | Authorities have a baseline understanding of how well fiscal policies and institutional frameworks support environmental sustainability and opportunities for increase alignment | 2 | 05/02/2025 | 2 | |
| OC1 Indicator 1 | | Diagnostic or scoping have produced baseline and opportunities for improvement | 2 | [05.02.2025 | 2 | The technical work on baseline and scoping have been completed, but progress in implementation is slow in the face of the challenges to budget reform |
| MS1a: | | Completion of C-PIMA mission | 4 | 05/02/2025 | 4 | Completed |
| MS1b: | | A basic IT solution to capture key project data includes climate considerations | n/a | - | 3 | Agreement reached to use the IMF PIMIS as the basis for collection of public investment project information including climate-related data. The adaptation of the PIMIS to meet local requirements is in progress |
| PROJECT: North Macedonia-PFM-Laws and Institutions-SEE II | | | | | | |
| Objective 3 PFM-Laws and Institutions-SEE III | | | | | | |
| OC1. Outcome 1 | | The capacity of ministry of finance to plan, implement and sustain PFM reforms is enhanced | 2 | 2 | | New phase for PFM reform plan has been developed, and important reforms are identified that FAD provides CD on (incl. PIM, fiscal risk management, spending reviews). Implementation of the 2022 OBL is ongoing but delayed in important areas (including budget |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | | | | | classification, IFMIS). FAD mission advised on revisions to the budget structure in May 2023. (As per RBM update 2024) |
| Outcome indicator 1 | | Strategic and/or operational PFM action plans | 2 | | 2 | As above |
| MS1.1 | 31/10/024 | Structure and format of 2025 budget agreed | 2 | 08/04/2924 | 2 | While the reforms for the budget have been agreed in principle, their implementation has been tied to the delivery pf the IFMIS. Since IFMIS work is now suspended completely here has been no effective implementation of the extension of the budget framework in line with the requirements of the OBL. In addition there is no date for full implementation of the OBL has been delayed to January 2026 but there is no possibility that the IFMIS will be functional by that date, No Plan B exists for how to proceed with budget structure reform (incorporating PIM and programs) in the absence of IFMIS, which realistically is not expected to be functional for several years |
| PROJECT: North Macedonia-PFM-PIM-SEE III | | | | | | |
| Objective 4: Improved public investment management - PIM | | | | | | |
| OC1. Outcome 1 | | Planning of public investments is strengthened to ensure sustainability | 2 | 05/03/2025 | 2 | The improved procedures set out in the Decree on PIM have not yet been applied |
| OC1 Indicator 1 | | Project proposals are subject to systematic project appraisal (Record Score: PIMA4) | n/a | 04/04/2024 | 2 | While the investment guidelines have been completed and approved, they have not yet been brought to bear on actual investment planning either centrally or in agencies |
| OC1 Indicator 2 | | Sectoral and inter-sectoral strategies guide investment allocation decisions (Record Score: PIMA2) | | | 1 | Investment planning continues to be undertaken at the agency level without any centrally coordinated role in the budget process |
| Ms 1.a | 31/12/2924 | MoF has developed a general project appraisal methodology | 2 | 08/03/2023 | 4 | The Decree on PIM has been drafted and approved; The Guidelines on investment appraisal have also been drafted and approved after input from IMF |
| MS1b | 31/12/2024 | MoF staff are trained in reviewing project proposals | 1 | 08/0/2023 | 2 | Some training has commenced under the PIM unit |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|---------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Outcome 3 | 14/01 2027 | The capacity to plan, implement and sustain infrastructure governance reforms is enhanced | | | | The approved Guidelines on investment preparation form the basis for future improvement in the planning of public infrastructure investments |
| Outcome indicator | | Diagnostic of infrastructure governance framework (PIMA) | | | 4 | The PIMA was completed, but in a previous SEE period |
| MS3.1 | 31/12/2024 | Progress in implementing PIM reforms assessed | n/a | 08/12/2023 | 2 | Not clear what form this assessment would take. Each mission assesses the state of play of PIM reforms |
| PROJECT: North Macedonia-MFP-Fiscal Risks-SEE II | | | | | | |
| Objective 5: Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | |
| OC1 Outcome | | Analysis, disclosure and fiscal oversight of public corporation risks are strengthened | 2 | 05/03/2025 | 2 | Analysis of SOEs has strengthened through application of the HCT for 2024 and 2025 but no progress on disclosure of SOE risk other than summary qualitative information in the 2025 Fiscal Strategy |
| OC1 Indicator | | n/a | | | | |
| MS1.1 | 31/07/024 | The fiscal strategy for FY2025 contains a qualitative discussion of fiscal risks from SOEs | 2 | 04/04/2024 | 3 | Included but not in depth |
| MS1.2 | 31/12/2024 | MoF staff have been trained in the analysis of fiscal risks from SOEs, including the use of quantitative tools | 2 | 04/04/2024 | 4 | In-depth training provided by IMF mission of Feb 2025, in addition to training in fiscal risk analysis conducted in JVI at regional level |
| MS1.3 | 31/07/2025 | The fiscal strategy for FY26 includes quantitative aspects in the discussion of fiscal risks from SOEs. | 1 | 04/04/2024 | 2 | Likely to be achieved in the 2026 Fiscal Strategy |
| Outcome 2 | | Analysis, disclosure and management of other specific fiscal risks are more comprehensive | 2 | 05/02/2024 | 3 | FRWG is progressing on several risk types including macro and legal |
| Outcome 2 Indicator | | Comprehensiveness and timeliness of monitoring and reporting public corporation's fiscal risks (| n/a | | 3 | Application of HCT to 30 SOEs undertaken initially with IMF support in Feb 2025, subsequently updated by the FRWG for latest available annual data |
| MS2.1 | n/a | Prioritized other specific fiscal risks are discussed qualitatively in a summary report for the FY25 budget | 2 | 04/04/2024 | 2 | Analysis of macro risks has been undertaken by macro unit in MoF |
| MS2.2 | n/a | The discussion of prioritized other specific fiscal risks is deepened (e.g., | 1 | 04/04/2024 | 1 | Likely to be achieved in due course |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | including quantitative analysis) for the FY27 budget. | | | | |
| Outcome 3 | | Fiscal costs and risks arising from PPP operations are managed and contained | 1 | 05/02/2025 | 2 | Issue of how to engage on PPP is under active review in the FRWG |
| Outcome 3 Indicator | | Analysis, disclosure and management of public-private partnerships | 1 | 05/02/2025 | 1 | Not yet operationalized |
| MS3.1 | 31/12/2024 | The Ministry of Finance has defined a mandate to monitor fiscal risks from PPPs | 2 | 04/04/2024 | 2 | Fiscal Risk Working Group is planning to bring the new Ministry of Energy into the group to add expertise on PPP |
| MS3.2 | 31/07/2026 | Fiscal risks from PPPs are qualitatively discussed in the fiscal strategy for FY26 | 1 | 04/04/2024 | 1 | Not yet due |
| MS3.3 | 31/07/2026 | Quantitative aspects have been added to the discussion of fiscal risks from PPPs in the fiscal strategy for FY27 | 1 | 04/04/2024 | 1 | Not yet due |

DRAFT

| II. PFM TOPICAL CASE STUDY: FISCAL RISK DISCLOSURE | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|----------------|
| 1. KEY DATA AND OVERVIEW | | | | | | |
| Workstream | PFM | | | | | |
| Topical area | Cross Cutting: Fiscal Risk Disclosure | | | | | |
| Objectives assessed | <p>Objective 1: Strengthened identification, monitoring, and management of fiscal risks – FRK (ALB) Objective 2: Strengthened identification, monitoring, and management of fiscal risks – FRK (SER) Objective 3: Strengthened identification, monitoring, and management of fiscal risks – FRK (UVK)</p> <p>Relevant objective that has been assessed as part of country case study: Strengthened identification, monitoring, and management of fiscal risks – FRK (MKD)</p> <p>Relevant objective that has been assessed as part of desktop review: Strengthened identification, monitoring, and management of fiscal risks – FRK (MNE)</p> | | | | | |
| Topical-level OECD DAC Evaluation ratings | COH | EFT | EFY | IMP | SUS | AVERAGE |
| | 3.0 | 2.8 | 3.0 | 2.8 | 2.8 | 2.9 |
| Summary of topical level objectives assessment | | | | | | |
| <p>Relevance of support for Fiscal Risk (FR) management is strong (though not formally assessed) given the high level of materialisation of FR which were not identified at the budget preparation stage in countries in the region. Coherence in the context of relations with government authorities has been good: the IMF plays a prime role in supporting countries in the region to address the need for better FR management. Effectiveness of support for FR is evident if the country experiences are viewed over a medium-term period. For example, by reference to the baselines existing under the SEE III program. Positive impact is demonstrated by the ability of participating countries to advance their agenda and content of FR disclosure over time and by high level disclosure of more detailed and partially quantified disclosure. Macroeconomic and climate-based risks are increasingly being included in FR coverage. In macrofiscal more efforts are being placed on disclosure of forecast vintages and past forecast errors. There is more widespread and more deeply institutionalized use of the HCT tool for SOE risk analysis across the region.⁹The move towards sustainability of fiscal disclosure is beginning to be achieved. This is supported by the consolidation over time of the FR units in MoFs with clearer and more explicit mandates on the requirements for FR disclosure, initially in the context of the annual budget cycle, but in the more advanced countries extending to the preparation and publication of the Medium-Term Expenditure Framework (MTEF). There is also progress in the development of increased technical capacity in the FR Units, which in the initial stages was the most critical constraint to rapid implementation of effective FR analysis and disclosure.</p> <p>The evaluation has witnessed strong internal coherence within IMF with the authorities responsible for fiscal management. This partly reflects the dominant role of the IMF in the provision of support in the technically challenging field of reform of risk management.</p> <p>It must be recognized that there are constraints to what can be appropriately disclosed to the public, especially in relation to SOE risk where excessive disclosure may lead to adverse market developments, for example with SOEs facing insolvency.</p> | | | | | | |
| Key achievements | | | | | | |
| <p><i>Comment:</i> the countries assessed are at markedly different levels of development of their FR management systems. In all countries in the region the development of FR management systems is still work in progress and will be for some more years to achieve acceptable standards of analysis and disclosure and the required shift to forward-looking FR assessment</p> <p><i>Significantly achieved:</i> Good progress has been made in the broadening and deepening of FR analysis of SOEs in Kosovo and Montenegro with the risk units are making good progress in the application of the IMF FR analysis toolkit (mainly FRAT and HCT). Although operating at a very low level, there has been progress in North Macedonia in the establishment of an institutional mechanism, in the form of the Fiscal Risk Working Group to assemble the skills available across different departments for FR analysis.</p> | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> SEE III has provided a range of technical support tools enabling engagement with countries at different levels of FR management system development | | | | | | |

⁹ · In **ALB**, this has allowed to monitor 11 SOEs (out of approximately 180 in total), the risk-focused application of the SOE-HCT covering 2/3rds of total SOE liabilities. In **BiH/RS**, the SOE-HCT is applied to 21 strategic SOEs, accounting for 74% of the total SOE assets, 82% of total revenues of SOEs and 71% of total employees in SOEs. In **UVK**, the SOE-HCT is applied to 17 out of the 19 National level SOEs, which are those supervised by the Ministry of Economy (MoE), capturing the largest risks. In **MKD**, the SOE-HCT covers 30 central government SOEs; all others are subnational SOEs.

- SEE III has successfully combined different modalities of support – in-person missions, remote missions and training courses in country or delivered regionally
- IMF support has been tailored for country requirements on the basis of an agenda which progresses from basic instruction in FR analysis, to progressively more advanced forms of FR analysis, based on understanding and mapping FR function. An example is the selective use of the IMF’s HCT tool for the analysis of fiscal risks in the SOE sector. This tool has been actively adopted in all the countries falling under this evaluation
- Delivery has been aligned with absorptive capacity in most cases
- In one country (North Macedonia) the SEE III has been flexible in supporting a variant organisational approach for the institutionalisation of FR management capacity using the cross-institutional Fiscal Risk Working Group rather than rapid establishment of a dedicated FR Unit. This was in response to concerns expressed by the authorities that it was critical at the initial stages of FR system development to establish an inclusive approach to bring together the multiple sources of potential skilled analysis located in different MDAs and agencies.

Areas for potential improvements

The building of a network of competencies at institutions within government with FR analysis skills and capability can contribute to easing the staff skill limitations in the FR Units. The network should include key government institutions such as the macro unit in MOF which typically has skills appropriate for analysis of macro fiscal risks and quantification of climate-related risk, but should also extend beyond central government to, for example, the central bank, which has the expertise to analyse market related and financial sector sources of fiscal risk.

Lessons and recommendations

- Fiscal risk disclosure requires (i) existing sound analysis of major risk groups, and (ii) ability and willingness to disclose.
- Staffing constraints in the FR Units continue to be a key limiting factor to rate of progress. One reason for this is that the technical skills required for FR analysis are specific to the government sector, and the pool of appropriately training individuals in the local labour market is very limited in all countries assessed.
- FR Units need to network with other technical agencies in and beyond MoF to get access to skill pools in specialised agencies. This is important in difficult FR topics such as the assessment of FR arising in PPPs which are different in nature from the FR risks associated with SOEs. Interaction with central bank has to be very focused, and analyze fiscal risk, particularly net exposure of government to the financial sector (implied *inter alia*, by deposit insurance, SOCBs, etc.). In some countries fiscal risk is under the responsibility of macro fiscal units that have the macro related FR assessment capability.
- The ability to undertake quality FR assessment is critically data-dependent. Lack of relevant data has impeded FR analysis in all countries assessed and has led to major data collection activities, A good example is the requirement for reliable SOE financial data as the basis of assessing SOE FR. In one country (North Macedonia) there is currently no central database of public sector investments, let alone performance information on these projects. The implication is that continued support for strengthening of data collection systems will be a condition for continuing progress in FR analysis, which is the fundamental requirement for improved FR disclosure.
- IMF should continue the drive towards making FR analysis more forward looking to increase its relevance for fiscal and budget planning.

2. BACKGROUND AND CONTEXT

CONTEXT

The countries which emerged from the former Yugoslavia, including five participating in the SEE III program, emerged into statehood with very different endowments in terms of governmental capacities and institutions. Serbia, as the capital of the former Yugoslavia had long-established institutions for budgetary and fiscal management. Likewise, Albania was already an independent state. Others were less favoured, and those differences have endured to this day. In North Macedonia, for example, the institutional structure remains very weak.

Weak financial management institutions is one of the factors underlying recent difficulties in fiscal management, reflected in large fiscal deficits and accumulation of public debt. Over the past decade the IMF has played a key agenda-setting role in pointing to the significance of unexpected contingent liabilities as one contributing factor in the difficulties experienced in most countries in the region in achieving overall fiscal sustainability. The IMF has also been active in the development of approaches and specific analytical tools to help countries to start addressing the problem of contingent liabilities.

The relation of the SEE III countries to the EU has also led to increased attention to management of fiscal risk with the establishment of conditions related to fiscal risk in access to European financing sources and eventually to assist countries to achieve compliance with the *acquis Communautaire* as a condition for eventual entry to the European Union. SEE III program is a direct response to these issues and the issue of the need to strengthen management of fiscal risk is a major reform strand under the program.

Within the overall issue of fiscal risk, the question of the implementation of the public disclosure of fiscal risks has come increasing to the fore within the FR component. Disclosure of fiscal risks is important as it widens the stakeholder framework which can potentially provide external pressure on the government for responsible fiscal policies. However, increased disclosure faces a range of challenges: the disclosure of fiscal risk is typically bringing bad news about the state of the economy and the institutions which can be a source of unplanned contingent liabilities impacting on the budget. In addition, there are sound reasons for limiting the scope and level of detail of some forms of fiscal risk, notably where disclosure of the status of institutions such as SOEs may have adverse market responses. This requires a sophisticated approach to determine the nature and level of detail of appropriate fiscal risk disclosure.

OTHER IMF ACTIVITIES IN TOPICAL AREA

- The efforts under SEE III take place in the context of fiscal policy recommendations set out in the regular IMF Article IV process, the main avenue for IMF to impact on FR management systems. However, these efforts take place in the context of the regular IMF Article IV missions which contain recommendations and proposed priorities for the strengthening of fiscal policy and are typically used as the basis for defining structural and policy conditions attached to IMF lending programs.
- Serbia: FAD supports the authorities in SOE governance reforms and advised on the SOE Law adopted in 2023. FAD also delivered training on fiscal risk analysis in March 2024.
- Kosovo, March 2024 FAD mission on fiscal risk included training sessions on the use of the IMF FRAT tool for expanding the coverage of FR analysis.

OTHER DONOR ACTIVITIES IN TOPICAL AREA IN COUNTRIES COVERED

Serbia: World Bank implemented support for fiscal risk system development, financed by SECO. Climate risks are covered by WB, mainly through EU funding.

3. ASSESSMENT OF OBJECTIVES

| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | | WEIGHTING |
|--------------------------------------------|------------------------------------------------|------------|------------|------------|------------|----------------|--|-----------|
| Rated in this section | | | | | | | | |
| Objective 1 | Albania MFP Fiscal Risk SEE III | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 2 | 3 | 3 | 3 | 3 | 2.8 | | |
| Objective 2 | Serbia, MFP Fiscal Risk SEE III. | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 2 | 3 | 2 | 3 | 2.6 | | |
| Objective 3 | Kosovo, MFP Fiscal Risk SEE III | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | | |
| Rated under country case study | | | | | | | | |
| Objective 4 | North Macedonia MFP Fiscal Risk SEE III | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 3 | 3 | 3 | 3 | 2 | 2.8 | | |
| Rated under desktop review | | | | | | | | |
| Objective 5 | Montenegro MFP Fiscal Risk SEE III | | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | | |
| | 4 | 3 | 3 | 3 | 3 | 3.2 | | |

ACTIVITIES COVERED UNDER OBJECTIVES

- OBJ 1; Albania: Support for broadening and deepening the coverage of fiscal risk and progress in disclosure.
- OBJ 2: Serbia: limited engagement in training and methodology for assessing SOE fiscal risk.
- OBJ 3: Kosovo: support for enhanced disclosure of fiscal risk in the budget cycle and in the MTEF.
- OBJ 4: North Macedonia: Support to the Fiscal Risk Working Group in starting data collection and analysis of various types of fiscal risk.
- OBJ 5: Montenegro: Support for broadening and deepening fiscal risk of SOEs and PPPs.

COHERENCE

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | OVERALL |
|---------------|-------|-------|-------|-------|-------|---------|
| Rating | 2 | 3 | 3 | 3 | 4 | 3.0 |

As a general observation, given the dominant role of the IMF in providing CD support to FR under SEE III the questions of coherence relate mainly to relations between the IMF and the beneficiary country. This is because the other major DPs largely leave FR to be addressed through the unique technical capabilities of the IMF in this topic.

OBJ 1: Albania. SEE III engagement in Albania has been limited in the past 2 years. However, steady progress has been made by the FAD in terms of deepening the analysis of SOE risks, expanding coverage and preparation of a revised version of the Fiscal Risk Statement. Albania did not move beyond an internal FR report (80 pages, not published).

OBJ 2: Serbia. SEE III involvement in fiscal risk has been limited given the presence of a World Bank implemented support for fiscal risk financed by SECO. The WB initiative introduced methodologies that differ in some respects from the methodologies used by the IMF. FAD has undertaken training activity in analysis. SEE III inputs have taken care to avoid overlap with the WB/SECO initiative and to avoid presenting conflicting methodologies

OBJ 3: Kosovo. With rapid progress on fiscal risk management in recent years the SEE III approach is now concentrated on disclosure of assessed FRs through the annual budget process and the MTEF.

OBJ 4: North Macedonia. Given the stark lack of skilled capacity in the country to undertake FR analysis the SEE III program has gone along with the approach of the government, at least in the initial years, to build FR analysis on a newly created and legally mandated Fiscal Risk Working Group, which brings together the main institutions in government with portfolios with significant FR issues. This constitutes a highly coherent approach to the IMF-Government relations on FR.

OBJ 5: Montenegro. Support to the country under SEE III is based on agreement with the authorities that FR arising from the SOE and PPP sectors should be the principal target of development of the FR management system.

With respect to internal coherence, as detailed above the support to FR adopted by the SEE III has been closely tailored on the situations of the individual countries and based on a sequencing of forms of support appropriate to the situation on the ground and the capacity to advance their system. SEE III support has been closely linked to the analytical findings and policy recommendations arising from successive IMF Art IV reports, which in recent years have placed great emphasis on the need for effective FR management systems. There has been good coordination of the efforts of different branches of the IMF, especially in the linking of training courses, in country and regionally provided to the policy and institutional reform agenda and IMF programs (Kosovo and Serbia).

Given the dominant role of the IMF as a setter of policy agenda and provision of CD in the domain of FR management, there has been less interaction with other DPs than in some other elements of the PFM agenda. The evaluation encountered no instance of tensions between SEE III and other DPs specifically related to FR, although IMF has pointed out there are coordination challenges with WB in Albania and Serbia. The SEE III FR agenda is important in assisting countries to comply with the requirements of the EU for access to EU development funds and eventual compliance with the *acquis communautaire* as part of the EU entry process.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | OVERALL |
|-----------|-------|-------|-------|-------|-------|---------|
| Rating | 3 | 2 | 3 | 3 | 3 | 2.8 |

The achievement of progress in building FR management systems, analysis and disclosure has in most countries moved slower than initially hoped for. This is explained by several factors; (i) the very concept of fiscal risk is complex and initially difficult to grasp even for experienced financial management staff, (ii) the countries covered by the SEE III all faced an acute lack of experienced staff able to undertake analysis of FR, and (iii) the building of institutional capacity has moved slowly across the region. A common situation was the early initial forming of a FR Unit lodged in the MoF but starting with only a single staff member. In most countries this situation improved a little over the past 5 years (IMF has pointed out it has improved quite a lot - although units keep moving locations inside MoF as they are still trying to find balance of leverage/access to information).

OBJ 1: Albania. SEE III support has concentrated on the maintenance of progress in the analysis and reporting on SOE risk, including the preparation of the initial Fiscal Risk Statement (FRS) which has gone through several rounds of simplification.

OBJ 2: Serbia. in view of the WB/SECO support to FR in Serbia IMF activity has been limited, confined to a training mission undertaken by FAD in March 2024 and limited technical support.

OBJ 3: Kosovo. IMF support has concentrated on strengthening of the analysis of Public-Owned Enterprise (PoE) risks, broadening the scope of FR analysis to include in particular analysis of macroeconomic and budget related risks and , more recently, support for linking FR analysis and reporting more closely to the annual budget (through the Fiscal Risk Statement), and the annually renewed MTEF.

OBJ 4: North Macedonia. With the Fiscal Risk Working Group now legally mandated and operational progress has been made in taking what are still initial and elementary steps to establish FR capability. A positive sign is the completion of the recommended steps emerging from the most recent SEE III mission.

OBJ 5: Montenegro. Good progress has been made in delivering FR reports on a large number of SOEs over the past year. The next steps will concentrate on SOEs and PPPs operated by local governments.

Progress is being made in the majority of the SEE III countries towards meeting RBM targets. In many cases the scores achieved are relatively low (in the region of 2) reflecting the fact that many activities are on-going and in general there is a tendency for delays in the implementation of FR milestones and outcomes. Three of the SEE III countries are well advanced in meeting RBM targets on the latest assessment, name (North Macedonia, Kosovo and Montenegro).

In general, the evaluation has found the scorings in the RBM to be appropriate. They have been amended in the evaluation in 2 situations: (i) where the RMB rating is not up to date, and (ii) where the ongoing and recent progress allows a predictive element in the scoring typically raising the evaluated score compared to the most recent RBM score.

EFFICIENCY

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | OVERALL |
|-----------|-------|-------|-------|-------|-------|---------|
| Rating | 3 | 3 | 3 | 3 | 3 | 3.0 |

A standard score has been applied in the absence of detailed assessment at the Objective level and the absence of evident identified sources of concern related to inefficiency.

As recorded under Effectiveness above, there has been overall progress in the take up of SEE III recommendations by authorities, though FR progress is typically slower than planned, owing to institutional and staff weaknesses in the relevant bodies.

In several countries in the region SEE III has fielded multiple missions for the FR topic in the past year. In the opinion of the evaluation the fielding of multiple missions within a year is a sign of efficiency, in terms of ensuring that the benefits targeted to be achieved from SEE III inputs are actually achieved. Efficiency has also been enhanced by the adoption of combination of high cost in-field missions and online trainings and engagements. The ability of online engagements to be effective is mainly confined to the relatively advanced countries in terms of the institutionalisation of the FR system as they have a greater capacity to follow and benefit from online instruction and discussions. Online missions are not recommended in weaker country environments such as North Macedonia.

In the countries assessed by the evaluation Regional Advisers based in JVI and CEF have played a critical role as the dominant agents for CD delivery in-country and are the authors of the majority of the Technical Assistance Reports. Their inputs have spanned in-country visits (the majority) and online engagements. The technical quality of the TA reports is uniformly high. In one instance the evaluation noted that the technical level of advice was beyond the reach of the recipients and recommended follow up by the authorities was set at too high a level given the low skill level on FR in the country. This weakness was noted in a follow-up mission and the technical level of input was simplified to ensure effective engagement.

IMPACT

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4 | OBJ 5 | AVERAGE |
|-----------|-------|-------|-------|-------|-------|---------|
| Rating | 3 | 2 | 3 | 3 | 3 | 2.8 |

OBJ 1: Albania. Although Albania started developing FR management systems earlier than other countries in the region the pace of progression has been slow with the scope of FR analysis still largely confined to analysis of SOE risk. However, there has been steady if not spectacular progress in the key area of SOE FR analysis and the development of the initial FRS. Given the presence of the long-established FRD the impact of the progress to date is real.

OBJ 2: Serbia. The country has received support on FR management from a World Bank implemented project supported financially by SECO, SEE III has undertaken only limited activity in Serbia.

OBJ 3: Kosovo. The progress made to date on FR in Kosovo has had substantial impact. This takes two main forms: the strengthening of the institutional framework and, secondly, the depth and coverage of the analysis undertaken, with the emphasis of IMF support now shifting to disclosure through the budget process and the MTEF. The impact of the progress made in FR analysis is high and growing over time as the reporting of FR into annual and multiannual processes increases.

OBJ 4: North Macedonia. A degree of impact has been achieved as the Fiscal Risk Working Group has started meeting more regularly in the past nine months (after the completion of the election process). The experience gained to date as demonstrated the need for the FSWK to reach out to other institutions with FR laden portfolios. The FSWG institutional framework will be tested in the coming months in terms of its ability to undertake the required technical analysis and reporting without the benefit of any dedicated staff, as under the legal framework establishing the FSWG it cannot hire staff. This renders the impact achieved to date vulnerable.

OBJ 5: Montenegro. The strong role played over the past year by the FR Unit in undertaking a large number of SOE assessments using the IMF HCT tool is generating significant impact in terms of the establishment of an initial portfolio of assessed SOEs which can be monitored more easily in future based on the work undertaken to date.

The initial signs of SEE III CD support for FR making an impact on the budgetary systems are beginning to show. Typically, this takes the form of the preparation of an annual FRS, which in some countries is attached to the budget documentation while in other countries it continues to be a stand-alone document or provides a dedicated chapter in the Fiscal Strategy document

SUSTAINABILITY

| Objective | OBJ 1 | OBJ 2 | OBJ 3 | OBJ 4. | OBJ 5 | AVERAGE |
|-----------|-------|-------|-------|--------|-------|---------|
| Rating | 3 | 3 | 3 | 2 | 3 | 2.8 |

OBJ 1: Albania. There are good prospects for sustainability of FR support in Albania. This judgment is based on the long period for which the FR management strategy has been operating, the accumulated experience of the FR Unit in the ministry, and also the progressive increase in the staffing level achieved in the unit. IMF has pointed out that there are new staff which need to be trained, and a new Fiscal Risk Directorate will move (out of the Budget Department) to the Macroeconomic Department in mid-2025, creating the need for new processes and arrangements. TA has been requested for this.

OBJ 2: Serbia. Given the relatively high capacity in the Serbian government the progress being made largely in the absence of IMF involvement is expected to be sustainable.

OBJ 3: Kosovo. Prospects for sustainability are good. The rate of implementation of recommended work on FR has accelerated substantially compared, for example, to the SEE II period. Present SEE III efforts are oriented to inclusion of the FR assessments in the budget cycle and in the MTEF. As these reforms take hold the prospects for sustainability are increasing.

OBJ 4: North Macedonia. There is a continuing question over the sustainability of FR reforms in the country, The main weakness lies in the institutional framework based on a FSWG which has the ability to bring in skills from a range of institutions, but is not legally enabled to hire its own staff. At some point the institutional framework will need to be modified to conform more closely to the standard pattern of establishment of a fully mandated and staff-empowered Fiscal Risk Unit.

OBJ 5: Montenegro. Prospects for the speed of progress in sustainability are good. The authorities have put a substantial effort into the analysis of fiscal risks especially in the SOE sector, but now extending to PPPs and inclusion of the institutions operated by local governments.

In the majority of countries, the efforts for reform of FR management have reached the point of achieving high likelihood of sustainability even in the absence of continuing IMF support. However, first, in all countries the rate of future implementation progress will be lower if IMF support is discontinued, and second, the exception is North Macedonia, where there is a significant probability that the progress made to date will be lost in the absence of continuing support from SEE III.

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

- PEA: While the evaluation has not encountered any formal PEA studies, it has seen evidence that political considerations are taken very seriously. A good example is in Serbia, where SEE III involvement has to be carefully considered in the light of two factors, first the presence of a WB/SECO project in fiscal risk which enjoyed support from the government, and second, the complex institutional context in Serbia. The result of these considerations was that SEE III only programmed very modest activities on fiscal risk in Serbia
- Formal Resource Analyses of counterpart staffing levels, skills and motivation to identify and address gaps: The evaluation has not encountered any formal capacity assessments, but it is clear that considerations of counterpart capacity are taken closely into account in planning activities, especially training activities. In one country (North Macedonia) initial training was set at too high a level in relation to the training and experience of the trainees. This was corrected in subsequent missions.
- Shift focus more to consolidation and capacity building. Since SEE II there has been a shift towards more comprehensive emphasis on training. This is appropriate and should be maintained in the remaining period of the program

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|---------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. Date | Evaluator assessment | Status/comments |
| Project: Albania-Fiscal Risks-SEE-III | | | | | | |
| Objective 1: Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | |
| OC1. Outcome 1 | | Analysis, disclosure and fiscal oversight of public corporation risks are strengthened | 1 | 05/03/2025 | 2 | The country has made steady progress in extending the depth and coverage of FR in the SOE sector |
| OC1 Indicator 1 | | Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (Record Score: PEFA PI-10.1, FTC 3.3.2, PIMA 3.c) | n/a | n/a | 2 | Some progress has been achieved in expanding the scope of fiscal risk analysis. Activity has centered on the refinement of the draft Fiscal Risk statement which was initially prepared as an excessively lengthy and detailed document unsuitable for publication |
| ▪ MS1a: | 15/05/2025 | Coverage of entities is expanded, and the analysis are improved, regular, and more forward looking | 2 | 18/04/2024 | | Same progress in terms of expanding the coverage of the SOE sector but the analysis continues to be backward rather than forward looking |
| OC2. Outcome 2 | | Analysis, disclosure and management of other specific fiscal risks are more comprehensive | n/a | 18/04/2024 | 2 | Progress has been made in the preparation of the Fiscal Risk Statement, but this document is not placed in the public domain |
| OC2 Indicator 1 | | Analysis, disclosure and management of fiscal risks related to public assets and liabilities (Record Score: FTC3.2.2) | n/a | 18/04/2004 | n/a | n/a |
| OC2 Indicator 2 | | Disclosure and management of contingent liabilities and other risks (Record Score: PEFA PI-10.3, OBI 42) | n/a | 18/04/2004 | n/a | n/a |
| MS1a: | 15/05/2025 | The data covered in the FRS progressively be increased in scope and depth through the implementation of the Instruction 35 (Dec. 2022) | 2 | 18/04/2024 | | Some progress relating to the coverage of SOE risk both in terms of the number of SOEs covered and the depth of the analysis undertaken |
| MS1b. | 15/05/2025 | A larger range of contingent liabilities and other specific fiscal risks are quantified. | 2 | 16/04/2024 | | |

| Project: Serbia-MFP-Fiscal Risks-SEE III | | | | | | |
|--------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Objective 1: Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | |
| OC1. Outcome 1 | | Analysis, disclosure and fiscal oversight of public corporation risks are strengthened | 2 | 05/02/2025 | | IMF provided CD on FR in Serbia has been limited given the presence of the support provided by a WB implemented program financed by SECO |
| OC1 Indicator 1 | | Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (Record Score: PEFA PI-10.1, FTC 3.3.2, PIMA 3.c) | n/a | [] | | This is not rated as the IMF involvement in FR in Serbia has been limited |
| ▪ MS1a: | 31/12/2025 | The methodology related to fiscal risks arising from public corporations started to be implemented effectively – data entry and interpretation issues are solved, and the results are interpreted in a more comprehensive way in the Fiscal Strategy | 2 | 23/04/2024 | 2 | IMF involvement has been limited and has avoided engagement on the question of appropriate methodologies for assessing SOE fiscal risk to avoid overlap with WB/SECO support |
| OC2. Outcome 2 | | Analysis, disclosure and management of other specific fiscal risks are more comprehensive | 2 | 05/02/2024 | 2 | The IMF is not closely involved in this activity (scoring based on RBM scoring) |
| OC2 Indicator 1 | | Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (Record Score: PEFA PI-1) | n/a | | 2 | Steady progress is being achieved in the broadening and deepening of SOE FR analysis |
| MS1a: | 31/12/2025 | Fiscal risk monitoring and reporting started covering the risk related to local self-governments and natural disasters by initially preparing relatively simple historical tables to reflect the observed outcomes on a range of other specific risks0.1, FTC 3.3.2, PIMA 3.c) | 2 | 23/04/2024 | | Based on IMF reporting of achievements. |

| Project: Kosovo-MFP-Fiscal Risks-SEE III | | | | | | |
|--------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Objective 1: Strengthened identification, monitoring, and management of fiscal risks – FRK | | | | | | |
| OC1. Outcome 1 | | Analysis, disclosure and fiscal oversight of public corporation risks are strengthened | 2 | 05/02/2025 | 3 | Scored higher in anticipation of rapid progress expected in the coming months on the actions proposed in the Feb 2025 SEE III mission |
| OC1 Indicator 1 | | Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (Record Score: PEFA PI-10.1, FTC 3.3.2, PIMA 3.c) | Close to PEFA B | [] | 3 | Good progress being made in the analysis of SOE FR and preparations for increased disclosure |
| MS1a: | 31/12/2025 | Continued CD support on strengthening the human capacity in the FRU. Focus will be on deepening the analysis of POE data and the outputs of the FAD SOE HC tool for risk mitigation and fiscal policy decision making. | 2 | 18/04/2024 | | Progress in the past year as volume of analysis of Public Owned Enterprises (PoE) has increased including extensive application of the HCT Tool. The improvement of scoring is based on progress in the recent period and the good prospects for follow-up by the authorities after the latest (Feb 2025) virtual SEE III mission |
| MS1b: | 31/12/2025 | The authorities initiated a process to begin quantifying the costs associated with any quasi-fiscal activities (QFAs) being undertaken by the POEs in one priority sector+Z20 | 1 | 18/04/2024 | | Not yet due |
| OC2. Outcome 2 | | Analysis, disclosure and management of other specific fiscal risks are more comprehensive | Progress towards PEFA B | | 3 | The most recent (Feb 2025) mission report notes a range of areas where progress has been made since the 2024 FAD mission, including a significant expansion of analysis relating to macroeconomic and budget-sourced risks |
| OC2 Indicator 1 | | Disclosure and management of contingent liabilities and other risks (Record Score: PEFA PI-10.3, OBI 42) | Progress towards PEFA B | | 3 | Given the progress reported for 2025 year there are grounds to expect that there will be good progress in implementation of the recommendations of the SEE III virtual mission of Feb 2025 which concentrated on development of the reporting structure in line with the budget and MTEF cycles. Hence the upbeat scoring |

| | | | | | | |
|-------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MS1a: | 30/04/2025 | MFTL's "Analytics and Fiscal Risk Analysis Division" prepares the standalone FRS as annex to the Medium-term Expenditure Framework (MTEF) document in April and the revised version as an annex to the Budget Document in October. | n/a | | 2 | This is currently the priority for progress in Kosovo FR. The scoring assumes that the rate if progress noted in the past 12 months will continue, it is noted that these developments are also in line with commitments under the IMF Stand-by Arrangement and conditions arising from the EU programs |
|-------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Please see the following sections for the other RBM logframe rating tables:

Objective 4: North Macedonia-MFP-Fiscal Risks SEE-III

Section V.I

Objective 5: Montenegro-MFP-Fiscal Risks-SEE III

Section V.V

DRAFT

III. PFM DESKTOP REVIEW: BiH – PFM strategy

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|--------------------------------------------------|-----------------------------------------------------|------------|------------|------------|------------|------------|----------------|
| Workstream | PFM | | | | | | |
| Country | Bosnia and Herzegovina | | | | | | |
| Objectives assessed | Improved PFM laws and effective institutions | | | | | | |
| Topical areas assessed | PFM Strategy | | | | | | |
| No. of missions assessed | 3 | | | | | | |
| Country-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | OVERALL |
| | | 3 | 2 | 3 | 2 | 2 | 2.4 |

Summary of country-level assessment

The Bosnia and Herzegovina PFM project received DAC evaluation ratings of Coherence (3), Effectiveness (2), Efficiency (3), Impact (2), and Sustainability (2), resulting in an overall score of 2.4.

The project has been successful with regard to coherence, addressing critical coordination needs across four administrative levels (IBiH, FBiH, RS, BD) and aligning well with development partner priorities. The project successfully established foundational frameworks with rules of procedures in December 2022 and developed tools for structured preparation of Annual Action Plans (AAPs) and Annual Implementation Reports (AIRs). However, effectiveness, efficiency, impact, and sustainability were constrained by common underlying challenges: while institutional mechanisms were established, horizontal PFM reforms implementation has not yet started, capacity for autonomous strategy development remains limited, and coordination across the complex multi-level governance structure continues to pose significant challenges.

However, there hasn't been significant improvement in PFM practices in BiH. Of the 2021-2023 PFM strategy only 11% of activities planned for 2023 had been marked completed as of March 2025. Due to limited effectiveness and resource constraints, this workstream is being discontinued post-May 2025, with focus shifting to supporting authorities on fiscal risk mitigation and PIMA implementation rather than continued strategy production.

Key achievements

Fully achieved:

- The authorities successfully established the Working Group for Implementation of PFM Strategy (WG) in December 2022 with formally adopted rules of procedures, creating the institutional foundation for cross-level coordination.
- Tools for structured and systematic preparation of Annual Action Plans (AAPs) and Annual Implementation Reports (AIRs) were developed and pre-prepared by FAD experts, providing standardized frameworks for implementation monitoring.
- The authorities initiated work on updating the PFM reform strategy for 2026-2030 with targeted FAD support, demonstrating commitment to continuity beyond the current strategy period.

Significantly achieved:

- Progress was made in strengthening the framework for implementing the PFM Reform strategy by exploring options for better defining performance indicators to measure progress across all government levels.
- The comprehensive approach successfully maintained coordination between individual strategies prepared by each administrative level while working toward a unified country-wide strategy.
- Enhanced coordination mechanisms between FAD missions and development partners (*SIGMA, EU, SECO*) ensured consistent messaging and avoided duplication of efforts, though coordination was challenging due to different strategic approaches between EU preferences for top-down country-wide strategy versus authorities' preference for merged individual strategies.

What has been done well/has been successful

- The project successfully addressed the complex institutional coordination needs across four distinct administrative levels in BiH, establishing unprecedented cooperation mechanisms.
- *The Working Group for Implementation of PFM Strategy led by the authorities* represents a significant institutional achievement, bringing together representatives from IBiH, FBiH, RS, and BD under unified procedures.
- The comprehensive PFM strategy adopted in July 2022 represents the first country-wide coordinated approach to PFM reform in BiH, building on individual strategies prepared by each administrative level.
- Strong alignment with development partner priorities, particularly EU integration requirements and budget support conditionalities, ensuring external support for reform implementation.
- The hybrid delivery approach (on-site and virtual support) proved effective in maintaining continuity of assistance while optimizing resource utilization.
- The LTX was involved in a very hands-on way, supporting authorities on how best to structure the strategy.

Areas for potential improvements

- Implementation of horizontal PFM reforms has not yet started despite the established institutional framework, indicating gaps between planning and execution *likely due to political motivation challenges and coordination barriers between jurisdictions*.
- Authorities' capacity to update strategies, implement reforms, and develop action plans *autonomously remains limited as evidenced by historical patterns showing that without significant support, only limited progress is made*, suggesting need for continued intensive capacity building support.
- The complex governance structure with four administrative levels continues to pose coordination challenges, requiring more robust mechanisms for ensuring consistent implementation across all levels.
- *PFM Strategy* performance indicators framework needs strengthening to provide more effective measurement of reform progress and impact across different government levels.
- Limited evidence of tangible improvements in PFM practices at the operational level, suggesting need for more focus on implementation rather than strategy development.
- The cross-country dimension of the strategy, while being strengthened, still requires enhanced mechanisms for managing interdependencies between different administrative levels.

Lessons and recommendations

- Multi-level governance requires sustained institutional support - regular coordination mechanisms and clear accountability frameworks are essential for managing complex reform processes across different administrative levels.
- Phased implementation with pilot approaches can help identify practical challenges and build implementation capacity before full-scale rollout across all government levels.
- Continuous capacity building combined with knowledge management systems is crucial for maintaining institutional memory and ensuring reform continuity despite potential staff changes.
- Learning from regional peers and sharing experiences through communities of practice provides valuable insights for addressing similar multi-level coordination challenges.
- Clear performance measurement frameworks with standardized indicators across administrative levels are necessary to ensure effective monitoring and demonstrate reform impact.
- Development of autonomous capacity should proceed in parallel with CD support to ensure sustainable reform implementation beyond external support periods.
- The unified SEE logframe for BiH should be separated out, one for each jurisdiction, to enable more accurate reporting of progress in project performance at the different entities.
- Resource allocation should focus on areas where support can be most effective, including shifting from strategy development to implementation support for fiscal risk mitigation and PIMA recommendations when strategy development proves insufficient.

2. BACKGROUND AND CONTEXT

CONTEXT

BiH has a unique and complex governance structure comprising four administrative levels: the Institutions of Bosnia and Herzegovina (IBiH), Federation of Bosnia and Herzegovina (FBiH), Republika Srpska (RS), and Brčko District (BD). This structure requires unprecedented coordination for effective PFM reforms. The authorities approved the Comprehensive PFM Strategy for BiH in July 2022, representing the first country-wide coordinated approach to PFM reform. The country-wide strategy comprises four individual strategies prepared by each administrative level, all synchronized in timing and structure with FAD CD support.

The Comprehensive PFM Strategy 2021-2025 is in its fourth annual implementation cycle and is due to expire at end-2025. A mid-term review was foreseen in 2023 to correct course based on achievements to date but was not initiated. The PFM WG for Monitoring the Comprehensive PFM Strategy is charged with initiating preparation of strategies for 2026 and beyond, at the latest in 2024. The authorities are expected to engage in their first PFM policy dialogue with development partners, promoting accountability over reforms across all PFM areas and contributing to discussion on reform priorities, sequencing, and addressing implementation issues.

The new approach requires enhanced coordination mechanisms and sustained capacity building across all administrative levels. Authorities have limited capacity to update the strategies, implement horizontal reforms, develop AAPs and prepare AIRs. The WG for Implementation of PFM Strategy was established with rules of procedures in December 2022, but tools for structured and systemic preparation of AAPs and AIRs remain largely pre-prepared by FAD experts rather than being internalized by authorities.

Implementation has been limited, with only 11% of 2021-2023 PFM strategy activities planned for 2023 marked completed as of March 2025. There have been some good pockets of improvement, for instance fiscal risk management of SOEs in RS, but it is not sufficiently widespread. Bosnia is much earlier in its reform journey than other countries, which is why the focus has been more on diagnostic assessments, particularly on PIM, rather than implementation support.

| | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------|------------|------------|------------|------------|------------------|
| SEE III ACTIVITIES | | | | | | | |
| <ul style="list-style-type: none"> ▪ Duty Station-Based Work (April 25 - May 25, 2023): Provided guidance to authorities from four levels of government on performance indicators to measure reform progress. Analyzed indicators used in multiple strategic documents and assessments completed with development partner support. Mission delivered remotely. ▪ Field-Based Work Mission (May 21 - June 28, 2024): Mission provided comprehensive support to authorities from four levels of government to develop individual PFM Reform Strategies and the Comprehensive PFM Reform Strategy for 2026 and beyond. Mission delivered in hybrid mode with both experts providing CD support on-site during the first week and virtually afterwards. ▪ Duty Station-Based Work (October 10, 2024 - April 30, 2025): Providing ongoing support for strategy update process. | | | | | | | |
| OTHER IMF ACTIVITIES | | | | | | | |
| <p>Bosnia-PFM-PIM-SEE III (BIH23PIM1): Parallel project focusing on Public Investment Management with PIMA updates completed for all four entities (BD, RS, FBiH, IBiH) and consolidated cross-country action plan development. Strong coordination with PFM strategy work to ensure alignment of investment planning with broader PFM reforms. Given the limited effectiveness of strategy development, future focus will shift to supporting PIMA implementation and fiscal risk mitigation rather than continued strategy production.</p> | | | | | | | |
| PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS | | | | | | | |
| <ul style="list-style-type: none"> ▪ 2016-2017 FAD Support: First support in developing individual and country-wide PFM reform strategy started in 2016, but aggregation was never completed because the strategy of RS was not completed nor adopted. Reform strategies adopted in 2017 by IBiH, FBiH, and BD expired at end-2020. ▪ FY21 FAD Support: Supported authorities to prepare four draft PFM reform strategies for the period 2021-2025 that were afterwards finalized and adopted by IBiH, FBiH, RS and BD, providing foundation for comprehensive approach. ▪ December 2021 FAD Support: Led to development of Comprehensive (country-wide) PFM Reform Strategy 2021-2025 for BiH and its adoption by all four levels of government in July 2022, representing unprecedented coordination achievement. ▪ Ongoing Development Partner Coordination: <i>There was extensive coordination between donors including discussion at the EU's 2nd PFM round table. However, the EU and authorities had slightly different approaches (EU wanted a top-down country-wide strategy whilst authorities wanted to produce their own strategies which were then merged) which in practice made the coordination position difficult. Continuous engagement with SIGMA, EU and SECO delegations in Sarajevo ensuring coordination of PFM strategy development with EU integration requirements and budget support conditionalities.</i> | | | | | | | |
| 3. ASSESSMENT OF OBJECTIVES | | | | | | | |
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
| Objective 1 | Improved PFM laws and effective institutions | | | | | | |
| Rating | | COH | EFT | EFY | IMP | SUS | AVERAGE |
| | | 3 | 2 | 3 | 2 | 2 | 2.4 |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | |
| <p>OBJ 1: The Bosnia-PFM-Laws and Institutions-SEE III project is currently in execution phase and focuses on strengthening capacity for coordinated PFM reform implementation across four administrative levels. While significant progress has been made in establishing institutional frameworks and coordination mechanisms, implementation of horizontal reforms and development of autonomous capacity remain key challenges that need to be addressed to achieve the project's full objectives. Due to limited progress and resource constraints, this workstream is being discontinued post-May 2025, with efforts redirected toward more targeted implementation support.</p> | | | | | | | |
| COHERENCE | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3,0 |
| <p>The project demonstrated strong coherence both internally and externally:</p> <p>Internal coherence:</p> <ul style="list-style-type: none"> ▪ Good alignment between individual PFM strategies at each administrative level and the comprehensive country-wide strategy, ensuring synchronized timing and structure across all reforms ▪ PFM strategy work directly supports FAD's broader reform agenda in BiH, linking to public investment management and fiscal risk management objectives ▪ Strong complementarity between different mission types (field-based and duty station-based work) building progressively on institutional development and capacity building ▪ Coordination between different FAD activities ensuring consistent messaging and approach across all PFM-related interventions. | | | | | | | |

External coherence:

- Full alignment with EU integration requirements and Western Balkans development priorities, particularly budget support conditionalities
- Integration with development partner activities through SIGMA, EU and SECO delegations, ensuring coordinated approach and avoiding duplication
- Complementarity with ongoing institutional development supported by other donors, with missions coordinating to maximize synergies
- Alignment with country's fiscal governance objectives and need for enhanced coordination across complex multi-level structure.

Government ownership:

- *Reforms directly respond to government request following adoption of Comprehensive PFM Strategy in July 2022, though subsequent implementation challenges raise questions about the depth of commitment across all levels*
- Strong alignment with all four administrative levels' reform priorities and institutional development needs
- Integration with existing government planning and monitoring systems rather than creating parallel structures
- Active participation of all levels in WG for Implementation demonstrates sustained political commitment.

The only minor coherence challenge is the complexity of coordinating across four different administrative levels with varying capacities and priorities, requiring careful change management and sustained engagement.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | | | | | OVERALL |
|-----------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | 2.0 |

The project has achieved moderate effectiveness in improving PFM laws and institutions:

- Successfully established institutional coordination mechanisms including WB for Implementation of PFM Strategy with formal rules of procedures
- Developed comprehensive tools and frameworks for structured preparation of AAPs and AIRs
- Delivered targeted capacity building across all four administrative levels through multiple CD delivery missions
- Made progress in defining performance indicators framework for measuring reform progress across different government levels
- Initiated work on updating PFM reform strategies for 2026-2030 demonstrating forward planning capability.

However, the project's effectiveness has been significantly constrained by limited implementation results. Only 11% of 2021-2023 PFM strategy activities planned for 2023 had been completed as of March 2025, demonstrating the gap between institutional framework development and operational reform implementation.

The project assessment reveals a significant gap between institutional framework development and operational implementation of PFM reforms. While the project achieved notable success in establishing foundational coordination mechanisms—including the Working Group for Implementation of PFM Strategy chaired by the authorities with formal rules of procedures in December 2022 and structured frameworks for Annual Action Plans (AAPs) and Annual Implementation Reports (AIRs)—the transition from institutional setup to meaningful reform execution has proven challenging. The "Partially Achieved" rating demonstrates strong performance in creating institutional infrastructure contrasted with persistent dependence on FAD expert-prepared tools rather than internalized technical capabilities, and most critically, the complete absence of horizontal PFM reforms implementation despite established institutional mechanisms.

The project limitations appear fundamentally rooted in Bosnia and Herzegovina's multi-level governance complexity, requiring coordination across IBiH, FBiH, RS, and BD administrative levels with varying capacities and political dynamics. While the project successfully addressed the coordination challenge at the institutional design level, the operational reality of managing reform implementation across four distinct governmental structures has proven more complex than anticipated.

EFFICIENCY

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 3 | | | | | 3.0 |

The project achieved moderate efficiency despite inherent challenges in resource utilization and delivery:

Resource utilization:

- Good leverage of regional expertise and coordination with development partners optimizing costs
- Effective combination of different delivery modes (field-based and duty station-based) balancing intensive support with cost considerations
- Efficient use of expert resources with focused missions addressing specific capacity needs.

Timeliness:

- Timely response to Comprehensive PFM Strategy adoption in July 2022 with structured follow-up support
- Quick adaptation to changing needs, including shift from mid-term review to new strategy development for 2026-2030
- However, delayed implementation of horizontal reforms reduced efficiency of capacity building efforts.

Delivery approach:

- Efficient hybrid delivery format covering multiple administrative levels in coordinated approach
- Good use of practical guidance and hands-on support for developing planning and monitoring tools
- Coordination with other missions (PIM, development partners) avoiding duplication and maximizing synergies.

Areas of inefficiency:

- Complex multi-level governance structure requiring repeated coordination efforts and extended consultation processes
- Limited progress in developing autonomous capacity requiring continued intensive technical assistance
- Need to address similar coordination challenges repeatedly across different administrative levels.
- Given the limited implementation results relative to resources invested, efficiency considerations have led to the decision to discontinue this workstream post-May 2025 and redirect resources to more targeted implementation support areas.

Overall, the project achieved reasonable efficiency given the inherent complexity of multi-level governance, though institutional coordination challenges reduced the full efficiency potential of the technical assistance provided.

IMPACT

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | 2.0 |

The project has demonstrated moderate impact to date on PFM laws and institutions:

- Creation of unprecedented coordination framework across four administrative levels represents significant institutional reform with potential for substantial governance impact
- Establishment of WG for Implementation provides foundation for sustained coordination beyond current strategy period
- Development of standardized tools for planning and monitoring creates basis for systematic approach to PFM reform implementation
- Enhanced framework for performance measurement potentially improving accountability and transparency of reform progress
- Preparation for first PFM policy dialogue with development partners strengthening external accountability mechanisms

However, full impact is constrained by limited implementation of horizontal reforms [and continued dependence on external technical assistance for operational capacity. The limited implementation results (11% completion rate for 2023 activities) indicate that while institutional frameworks were established, they have not translated into meaningful operational improvements in PFM practices.

SUSTAINABILITY

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | 2.0 |

Project sustainability is supported by institutional framework established through WG and formal rules of procedures, integration with EU accession requirements providing external incentive, and planned continuation of FAD support including strategy update for 2026-2030.

However, sustainability faces significant challenges such as:

- Limited autonomous capacity for strategy development and implementation across all administrative levels
- Dependence on pre-prepared tools and templates rather than internalized technical capabilities
- Complex coordination requirements that may prove difficult to sustain without continued external support
- Need for ongoing political commitment across four different administrative levels to maintain reform momentum
- Tools for structured preparation of AAPs and AIRs remain largely FAD expert-prepared rather than being fully owned by authorities.
- The sustainability challenges are evidenced by historical patterns showing that without significant support, only limited progress is made. This has contributed to the decision to discontinue the strategy development workstream and focus resources on more targeted implementation areas where impact can be more readily achieved.

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------|----------------|-------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Improved PFM laws and effective institutions | | | | | | |
| OC1. Outcome 1 | | The capacity of ministry of finance to plan, implement and sustain PFM reforms is enhanced | 2 | 13/04/2025 | 2 | The assessment shows that the Working Group for Implementation of PFM Strategy (WG) represent institutional progress. However, tools for structured and systemic preparation of AAPs and AIRs are of annual nature and prepared by FAD experts. No implementation of horizontal PFM reforms has yet started. |
| OC1 Indicator 1 | | Strategic and/or operational PFM action plans | 2 | 13/04/2025 | 2 | The evaluation found that while institutional mechanisms have been established, the persistent dependence on FAD expert preparation of tools and the absence of horizontal reform implementation indicate limited development of autonomous institutional capacity. The 11% completion rate for 2023 strategy activities demonstrates significant implementation challenges. |
| ▪ MS1a: | 12/31/2025 | A draft PFM reform strategies update is prepared | | 13/04/2025 | | While work has been initiated on the strategy update, this workstream is being discontinued post-May 2025 due to limited effectiveness. Future focus will shift to supporting implementation of existing diagnostic recommendations rather than continued strategy development. |
| ▪ MS1b: | 12/31/2026 | Annual action plans and monitoring reports are prepared by the authorities | | 13/04/2025 | | The development of autonomous capacity for preparing action plans and monitoring reports faces significant challenges given the historical pattern of limited progress without extensive support. The discontinuation of this workstream indicates that this milestone may not be achievable within the current framework |

IV. PFM DESKTOP REVIEW: BiH - PIMA

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|--------------------------------------------------|---------------------------------------|------------|------------|------------|------------|----------------|--|
| Workstream | PFM | | | | | | |
| Country | Bosnia and Herzegovina | | | | | | |
| Objectives assessed | Improved public investment management | | | | | | |
| Topical areas assessed | PIMA | | | | | | |
| No. of missions assessed | 3 | | | | | | |
| Country-level OECD DAC Evaluation ratings | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 4 | 2 | 2 | 2 | 2.6 | |

Summary of country-level assessment

The Bosnia and Herzegovina (BiH) PIM project involved comprehensive PIMA assessments across all levels of government - Institutions of Bosnia and Herzegovina (IBiH), Federation of Bosnia and Herzegovina (FBiH), Republika Srpska (RS), and Brcko District (BD). The project was implemented through three key missions (including an implementation mission that has been excluded from the assessment). The PIMAs were successfully completed for all government levels by 2024. However, the translation of recommendations into actionable reforms remains limited. The fragmented governmental structure of BiH presents unique coordination challenges.

Key achievements

Fully achieved:

- Completion of PIMA assessments for all four government levels (RS and BD completed by November 1, 2023; IBiH and FBiH completed by April 30, 2024).
- Development of action plans for strengthening PIM across all government levels.
- Federation-level PIMA is an important step toward integration of activities of the jurisdictions.

Significantly achieved:

- FAD provided comprehensive technical assistance through three missions
- Improved coordination mechanisms across government levels through structured assessments
- Enhanced understanding of PIM weaknesses and bottlenecks across the country
- Strengthened analytical capacity for public investment management.

What has been done well/has been successful

- Comprehensive country-wide PIMA coverage ensuring no government level was left unassessed
- Successful completion of diagnostic assessments within planned timeframes
- Development of targeted action plans specific to each government level's needs
- Enhanced transparency through planned publication of PIMA reports
- Effective coordination with development partners including EU, World Bank, and SECO.

Areas for potential improvements

- Low implementation rate of PIMA recommendations, with most action plans remaining in early stages

Lessons and recommendations

- Multi-level government structures require sustained coordination mechanisms because activities must be replicated across different entities, creating inherent inefficiencies and higher costs compared to unified countries, while political realities must be accepted as given.
- Capacity development strategies must be tailored to specific government level needs and constraints since each government level inevitably chooses its own priorities and proceeds at different speeds, requiring flexible and adaptive approaches.
- Legal framework improvements should be prioritized to enable effective implementation as legal constraints often serve as prerequisites that must be overcome before meaningful implementation can occur, as demonstrated by the RS PIM decree enabling feasibility studies.
- Regular follow-up missions are essential to support action plan implementation given the complexity of operating across four government levels and the need to maintain momentum in moving from diagnostic to operational phases.
- Development partner coordination must continue beyond assessment phase to leverage complementary expertise and resources, building on the successful World Bank team member participation and EU/Swiss delegation engagement.
- Consider separating out the logframes for the four BiH jurisdictions to better reflect the different speeds and priorities of each government level while maintaining overall coordination. Following IMF feedback, this recommendation has been removed, but at least separate milestones for the jurisdictions, clearly identified, should be considered.

2. BACKGROUND AND CONTEXT

CONTEXT

- BiH faces significant public investment management challenges across its complex multi-level governmental structure. Public investment execution has been consistently weaker than budgeted over recent years, with an estimated efficiency gap of 52% at the country level identified through the comprehensive PIMA assessments. The 2023 Article IV staff report identified infrastructure development, green energy, and digitalization as priority areas requiring strengthened project implementation and monitoring alongside improved public procurement processes.
- Building on the 2018 PIMA that covered IBiH and FBiH, authorities across all government levels have identified prioritized PIM reforms including: improving legal and methodological frameworks, building capacities of budget agencies, better identifying and prioritizing projects in line with sector strategies, upgrading PIM information systems, and improving transparency and reporting.
- The fragmented nature of capital spending presents ongoing coordination challenges, although the establishment of a National Investment Committee has improved coordination of externally funded investment. Each level of government - IBiH, FBiH, RS, and BD - maintains separate PFM reform strategies with specific PIM components, creating a need for comprehensive assessment across all levels.

SEE III ACTIVITIES

- **October 2023 mission (Mission dates 10/18/2023-11/1/2023):** Conducted PIMA assessments for Republika Srpska and Brcko District. Mission assessed PIM institutions based on PIMA analytical framework, identified main gaps and weaknesses, and proposed prioritized action plans. Used 100 direct delivery resource days and 4 backstopping days.
- **April 2024 mission (Mission dates: 4/11/2024-4/26/2024):** Conducted PIMA assessments for Institutions of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina. Mission assessed PIM frameworks including developments since 2018 PIMA, assisted in preparing action plans, and recommended follow-up technical assistance areas. Used 126 direct delivery resource days with no backstopping days.
- **(Not assessed) November 2024 mission (Mission dates: 11/13/2024 - 11/19/2024):** Provided implementation support for PIMA recommendations, reviewed draft legal changes for PIM, helped develop and prioritize implementation steps, and supported capacity development strategy for PIM departments. Used 15 total resource days and 1 backstopping day.

OTHER IMF ACTIVITIES

The activities are closely coordinated with the 2023 Article IV consultation recommendations and integrate with broader PFM reform strategies across government levels. Within the SEE III program, there is also a separate PFM strategy project that has interlinkages with the PIMA work, as both focus on strengthening public financial management framework across the multi-level governmental structure. There is extensive other IMF activity in the country, including support on wider fiscal reforms and PIM within the SEE program, as well as support from RA and TP departments. The area department undertakes a surveillance role, with regular coordination meetings between mission chiefs and program teams. A country office in Sarajevo provides ongoing coordination across IMF work, with economists from that office regularly joining missions.

PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS

2018 PIMA Mission: Joint assessment covering IBiH and FBiH with focus on the latter, providing foundational diagnostic and recommendations that informed subsequent reform strategies pursued through the SEE III missions. *This builds on previous SEE Phase II interventions that established the groundwork for comprehensive PFM reform support across the region.* The missions were coordinated and in partnership with European Commission (EC) and SECO to ensure comprehensive country-wide PIM assessment coverage, facilitated through mission coordination.

The missions had ongoing collaborations with World Bank, European Commission, and SECO delegations for complementary PIM support activities, with mission teams providing briefings to development partners in Sarajevo. Donor coordination was particularly effective: The World Bank contributed team members to the PIMAs and participated in the concluding workshop. The EU and Swiss delegations in Sarajevo were kept updated throughout, and a presentation on the consolidated PIMA was made at the recent PFM strategy meeting.

RELATED TRAINING/WORKSHOPS

PIM regional workshop, February 2024.

| 3. ASSESSMENT OF OBJECTIVES | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------|--------------|-------------|------------|------------|----------------|--|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING | |
| Objective 1 | Objective 1: Improved public investment management – PIM | | | | | | | |
| Rating | | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | | 3 | 4 | 2 | 2 | 2 | 2.6 | |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | | |
| <p>The Bosnia and Herzegovina PFM PIM SEE III project is being implemented through missions focused on comprehensive diagnostic assessment across all government levels and initial implementation support. Significant progress was achieved in completing PIMA evaluations and developing action plans through the October 2023 and April 2024 missions. The project remains in early implementation phases with substantial work needed to translate recommendations into meaningful reforms. Implementation is generally on track with expected timelines, considering that PIMAs were only completed in 2023 and 2024, and the priority now is to encourage authorities to actually start implementing the recommendations. The early-stage implementation should not be viewed as a delay but rather as the natural progression from diagnostic to operational phases.</p> | | | | | | | | |
| COHERENCE | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | AVERAGE | |
| Rating | 3 | | | | | | 3.0 | |
| <p>The project demonstrated strong coherence through coordinated approach across all government levels and effective partnership with development organizations. Internal coherence was achieved through systematic PIMA methodology applied consistently across IBiH, FBiH, RS, and BD.</p> <p>External coherence was maintained through alignment with Article IV recommendations and coordination with EC and SECO for comprehensive country coverage. Government ownership was evidenced through active participation across all levels and integration with existing PFM reform strategies. The mission team effectively coordinated with development partners including EU Delegation, Swiss Embassy, and World Bank throughout the assessment process.</p> | | | | | | | | |
| EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES) | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | AVERAGE | |
| Rating | 4 | | | | | | 4.0 | |
| <p>The project achieved strong effectiveness in diagnostic assessment phase with successful completion of all planned PIMA evaluations and development of targeted action plans. However, implementation of recommendations remains limited with most outcomes rated as "Not Achieved" or "Partially Achieved" <i>against their target dates</i>. While institutional frameworks for assessment were successfully established through the expert missions, translation into operational improvements has been constrained by capacity limitations and coordination challenges across multiple government levels. While the project demonstrated strong performance in completing all planned PIMA assessments and developing comprehensive action plans across the four government levels (IBiH, FBiH, RS, and BD), the transition from assessment to meaningful reform implementation has proven challenging. However, this transition challenge is often constrained by legal requirements that must be addressed before real implementation can occur. For example, in RS a PIM decree was published in November 2024 that provided the legal framework to undertake feasibility studies, representing concrete progress from the PIMA recommendations.</p> <p>According to RS authorities, their November PIM decree couldn't have happened without the PIMA as they didn't know what needed to be done until then, indicating that reform momentum is building from the diagnostic work.</p> | | | | | | | | |
| EFFICIENCY | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | AVERAGE | |
| Rating | 2 | | | | | | 2.0 | |
| <p>The project achieved reasonable efficiency in assessment delivery through coordinated missions and effective use of expert resources from the international team. However, the complex multi-level governmental structure required significant resource allocation for comprehensive coverage. Follow-up implementation support indicates recognition of need for sustained engagement beyond diagnostic phase to achieve meaningful impact, which requires continued resource investment given the coordination complexities. The multi-level structure creates inherent inefficiencies as activities must be replicated across different entities.</p> | | | | | | | | |

| IMPACT | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|------|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | AVERAGE |
| Rating | 2 | | | | | | 2 |
| <p>The rating reflects the early stage of the implementation phase of the project, the significant time it is likely to take in achieving impact, and the uncertainty surrounding it.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | OBJ 3 | Etc. | | | OVERALL |
| Rating | 2 | | | | | | 2 |
| <p>Project sustainability faces challenges due to the complex multi-level governmental structure requiring sustained coordination mechanisms. While PIMA reports and action plans developed through the mission work provide foundation for continued reforms, implementation depends on sustained political commitment and capacity development across all government levels. Commitment levels vary across the different government levels, with recent good engagement from RS and IBiH, but less engagement from FBiH. IBiH is particularly important for PIM given their central role in PIMIS and country-wide PIPs.</p> <p>Risks to sustainability are likely to be alleviated once a critical mass of the important PIMA recommendations have been implemented.</p> | | | | | | | |

DRAFT

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------|-------------------------|---------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Objective 1: Improved public investment management - PIM | | | | | | |
| OC1. Outcome 1 | 12/31/2025 | The capacity to plan, implement and sustain infrastructure governance reforms is enhanced | 4 fully achieved | 13/04/2025 | 4 | The assessment found that the project successfully completed PIMA assessments for all government levels (IBiH, FBiH, RS, BD) and developed action plans. |
| OC1 Indicator 1 | 12/31/2025 | Diagnostic of infrastructure governance framework (PIMA) | 4 completed | 11/7/2023 | 4 |]The assessment indicates that the diagnostic of infrastructure governance framework was completed. |
| OC1 Indicator 2 | 12/31/2025 | Strategic and/or operational infrastructure governance action plans | 4 completed | 11/7/2023 | 4 | The assessment shows that the strategic and or operational infrastructure governance action plans were completed. |
| ▪ MS1a: | 12/29/2023 | Complete PIMA for RS and propose an action plan for strengthening PIM | 4 Fully completed | 11/7/2023 | 4 | The assessment revealed that the project completed all planned PIMA assessments and developing comprehensive action plans across the four government levels (IBiH, FBiH, RS, and BD), . |
| ▪ MS1b: | 12/31/2025 | Complete PIMA Update for FBiH | Fully completed | 11/7/2023 | | |
| ▪ MS1c: | 12/31/2025 | Updated PIM Action Plan | Fully completed | 11/7/2023 | | |

V. PFM DESKTOP REVIEW: MNE – SOE FISCAL RISKS

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|--------------------------------------------------|-------------------------------------------------------------------------|------------|------------|------------|------------|------------|----------------|
| Workstream | PFM | | | | | | |
| Country | Montenegro | | | | | | |
| Project | Montenegro-MFP-Fiscal Risks-SEE III | | | | | | |
| Objectives assessed | Strengthened identification, monitoring, and management of fiscal risks | | | | | | |
| Topical areas assessed | SOE Fiscal risks | | | | | | |
| No. of missions assessed | 3 | | | | | | |
| Project-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | OVERALL |
| | | 4 | 3 | 3 | 3 | 3 | 3.2 |

Summary of country-level assessment

The Montenegro fiscal risk management project focused on strengthening SOE oversight through systematic implementation of the IMF State-Owned Enterprise (SOE) Health Check Tool and development of the country's first Fiscal Risk Statement. The project followed a programmatic approach with annual follow-up missions from 2023-2025, ultimately achieving the publication of Montenegro's first FRS in December 2024, ahead of the original June 2025 target.

Key achievements

Fully achieved:

- Successful implementation of SOE Health Check Tool for systematic financial analysis
- **Publication of Montenegro's first Fiscal Risk Statement in December 2024, ahead of June 2025 target**
- Development of systematic data collection and analysis processes for central-level SOEs
- Creation of semi-automated data transfer processes from SOE financial statements to analytical tools
- Establishment of regular engagement framework with individual SOEs.

Significantly achieved:

- Enhanced capacity of Ministry of Finance staff for SOE financial analysis and risk assessment
- Step-by-step capacity building through detailed interpretation of financial ratios
- Initial expansion to include local government officials in SOE oversight framework
- Development of draft fiscal risk statements for budget integration
- Guidance provided for quasi-fiscal activities analysis.

What has been done well/has been successful

- **Hands-on capacity building:** Practical training focusing on real SOE cases and detailed financial ratio interpretation was more effective than theoretical approaches
- **Programmatic approach:** Regular annual follow-up missions proved effective for building sustainable capacity and maintaining reform momentum
- **Tool implementation:** Successful deployment of SOE Health Check Tool enabling systematic risk assessment
- **Government engagement:** Strong government ownership demonstrated through active participation and commitment to reform implementation
- **Milestone achievement:** Publication of first comprehensive FRS ahead of schedule represents major transparency breakthrough
- **Institutional development:** Progressive expansion from central SOE focus to include local government engagement.

Areas for potential improvements

- **Budget integration:** While FRS was published, full integration into formal budget cycle and decision-making processes requires continued development.
- **Local SOE coverage:** Limited progress in systematic analysis of 150 local-level SOEs representing significant fiscal exposure
- **Quasi-fiscal activities:** Framework for analysing SOE quasi-fiscal activities remains underdeveloped
- **Risk mitigation:** Need for systematic risk mitigation strategies based on identified fiscal risks
- **Broader fiscal risk framework:** Integration with other fiscal risk categories (PPPs, contingent liabilities) limited
- **Sustainability:** Continued dependence on technical assistance for advanced analytical work

Lessons and recommendations

- **Programmatic engagement:** Medium-term approach with regular annual missions proves most effective for institutional capacity building
- **Political commitment:** Strong government ownership essential for achieving transparency milestones demonstrated by genuine political desire for change and personnel changes that brought committed, high-capability counterparts
- **Sequenced expansion:** Success with central SOEs provides foundation for expanding to local level and other risk categories

- **Step-by-step capacity building:** Detailed training on financial ratio interpretation crucial for institutional expertise development and proved critical for enabling authorities to independently conduct the analysis that led to FRS publication

2. BACKGROUND AND CONTEXT

CONTEXT

Montenegro has significant fiscal exposure from state-owned enterprises, with SOE expenditure equal to over 14% of GDP. At the central level, the country had approximately 46-50 SOEs, with around 150 additional SOEs at the local level. Prior to SEE III support, the Ministry of Finance received financial information and investment plans from central-level SOEs but lacked comprehensive fiscal risk analysis and disclosure mechanisms. No fiscal risk statement related to SOEs was included in budget documentation, representing a critical gap in fiscal transparency and risk management.

The authorities recognized the need to strengthen SOE financial oversight and requested IMF support to develop systematic analysis capabilities through the SOE Health Check Tool and establish regular fiscal risk reporting.

SEE III ACTIVITIES

Activities covered under the Montenegro PFM Fiscal Risk Management SEE III are:

- **September 18 - October 20, 2023 mission :** Strengthen SOE financial oversight function through inputting 2022 SOE financial information into SOE Health Check Tool, analysing fiscal risks from SOEs with newly available data, conducting meetings with individual central-level SOEs, preparing/updating fiscal risk statement for potential 2024 budget documentation, and promoting inclusion of local SOEs in future fiscal risk analyses.
- **June 3-28, 2024 mission :** Strengthen SOE oversight and build analytical capacity by inputting 2023 SOE financial information into SOE Health Check Tool, providing hands-on support for detailed analysis of 2-3 selected SOEs, delivering step-by-step training on interpreting financial ratios from SOE-HCT, commenting on draft fiscal risk statement for 2025 budget documentation, and including local government officials for first time to initiate local-level work.
- **January 21-23, 2025 mission :** Build on previous work to improve SOE risk management by advising on improvements to 2025 SOE fiscal risk report building on 2024 version, providing guidance on analysing quasi-fiscal activities in SOEs, advising on integrating SOE-HCT outputs into budget cycle, and discussing risk mitigation steps based on 2024 Fiscal Risk report. Major Achievement: Confirmed publication of first Fiscal Risk Statement in December 2024.

OTHER IMF ACTIVITIES

Previous missions in 2021 and 2022 established the foundation for SOE oversight work, with SEE III missions representing programmatic follow-up support. There is extensive other IMF activity in the country. Within the SEE program there is support on wider fiscal risks and PIM. There is also support from RA and TP departments. The area department provides TA on macro issues and to the central bank alongside their surveillance role. Regular coordination meetings are held with the Mission Chief and area department members participate in Fiscal Risks missions to ensure coordination.

3. ASSESSMENT OF OBJECTIVES

| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | | WEIGHTING |
|--------------------------------------------|--------------------------------------------------------------------------------|------------|------------|------------|------------|------------|----------------|-----------|
| Objective 1 | Strengthened identification, monitoring, and management of fiscal risks | | | | | | | |
| Rating | | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | | 4 | 3 | 3 | 3 | 3 | 3.2 | |

ACTIVITIES COVERED UNDER OBJECTIVES

The Montenegro fiscal risk management project focused on enhancing SOE oversight capabilities through systematic financial analysis, development of fiscal risk statements, and building institutional capacity for ongoing risk monitoring and management. The project followed a programmatic approach with annual follow-up missions from 2023-2025, ultimately achieving the publication of Montenegro's first FRS in December 2024, ahead of the original June 2025 target.

COHERENCE

| Objective | OBJ 1 | | | | | | | AVERAGE |
|---------------|-------|--|--|--|--|--|--|---------|
| Rating | 4 | | | | | | | 4.0 |

The project demonstrated strong coherence both internally and externally:

Internal coherence:

- Strong programmatic approach with consistent annual follow-up missions building systematically on previous work
- Good alignment between SOE risk management and broader PFM fiscal risk objectives
- Effective progression from framework establishment (2023) to capacity building (2024) to achievement confirmation (2025)

- Complementarity between different mission activities, each building on previous foundations
- SOE Health Check Tool implementation directly supported fiscal risk statement development.

External coherence:

- Full alignment with government priorities for fiscal transparency and SOE oversight improvement
- Integration with broader Ministry of Finance PFM reform agenda
- Complementarity with EU accession requirements and fiscal governance standards
- Alignment with IMF broader fiscal risk management framework and international best practices
- Strong coordination with other IMF activities in Montenegro including effective coordination with World Bank where WB leads on governance changes and IMF leads on fiscal risk analysis, with regular coordination calls to respect different roles

Government ownership:

- Reforms directly respond to government recognition of fiscal risk exposure from SOEs (14% of GDP)
- Strong commitment demonstrated through active participation and early achievement of FRS publication
- Government requested IMF support indicating demand for reform
- Progressive expansion from central to local SOE coverage shows sustained engagement.

The programmatic approach proved highly coherent, with each mission building logically on the previous one.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 3 | | | | | 3.0 |

The project achieved largely effective results in strengthening fiscal risk management:

Major achievements:

- Successful publication of Montenegro's first Fiscal Risk Statement in December 2024, six months ahead of June 2025 target
- SOE Health Check Tool successfully implemented for systematic financial analysis of central-level SOEs
- Transformation from "Not Achieved" status in early 2024 to successful completion by December 2024.
- Strong institutional capacity building with hands-on training methodology
- Establishment of regular analytical cycle with annual updates
- Progressive expansion to include local government officials.

Critical success factors for the breakthrough. Three main drivers enabled the transformation from "Not Achieved" to successful completion: (i) the SOE-HCT tool plus IMF capacity building gave authorities a fairly easy-to-use tool that wasn't difficult for them to implement; (ii) there was a change in personnel with counterparts who were both committed to making progress and had high capability; (iii) there appears to be genuine political desire for change, although governance reforms are not yet complete.

Effective delivery mechanisms:

- Programmatic approach with annual follow-up missions proved more effective than one-off interventions
- Hands-on, practical training focusing on real SOE cases more effective than theoretical approaches and was critical for success, as evidenced by the FRS analysis being largely based on SOE-HCT outcomes with clear acknowledgment of IMF's role
- Step-by-step methodology for financial ratio interpretation built sustainable expertise
- Direct engagement with individual SOEs improved data quality and institutional relationships.

Evidence of institutional capacity: The analysis for the December 2024 report was undertaken by the authorities independently. When contacted in January and May 2025, they did not raise any concerns or need for further technical assistance on the analytical work, demonstrating successful knowledge transfer.

Areas of limited effectiveness:

- Progress on broader fiscal risk categories (PPPs, contingent liabilities) remained limited.
- Integration of quasi-fiscal activities analysis still underdeveloped
- Full integration into formal budget cycle and decision-making processes requires continued development.

The assessment demonstrates strong performance in achieving the core SOE oversight objectives, with the project successfully transforming from "Not Achieved" status in early 2024 to full achievement of the primary milestone by December 2024, six months ahead of schedule. The publication of Montenegro's first Fiscal Risk Statement represents a

significant institutional breakthrough, supported by the successful implementation of the SOE Health Check Tool and comprehensive capacity building through hands-on training methodologies.

However, the outcome status reveals a clear limitation in scope, with the project achieving strong results within its defined SOE focus while making limited progress on broader fiscal risk management objectives. The "partially achieved" and "limited progress" ratings for outcomes related to other fiscal risk categories highlight that while the project succeeded in its primary mandate, the broader fiscal risk framework covering PPPs, contingent liabilities, and guarantees remains underdeveloped. This suggests that while the project delivered effectively on its core objectives, future phases will be necessary to achieve comprehensive fiscal risk management capabilities across all risk categories as envisioned in the broader project framework. IMF has pointed out that there was an HQ led fiscal risk mission in March 2025 that looked at specifically these issues as well as institutional frameworks.

| EFFICIENCY | | | | | | | |
|------------|-------|--|--|--|--|--|---------|
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3.0 |

The project achieved good efficiency in resource utilization and delivery:

Resource utilization:

- Efficient use of expert resources with focused, targeted missions
- Good progression from remote (September 2023) to field-based (June 2024) to shorter LTX missions (January 2025)
- Effective combination of international expertise with practical, hands-on approach
- Cost-effective programmatic approach compared to continuous embedded support.

Timeliness:

- Responsive mission timing aligned with government needs and reform momentum
- Quick turnaround from framework establishment to practical implementation
- Achievement of FRS publication six months ahead of target demonstrates efficient delivery
- Annual mission schedule maintained consistent reform momentum.

Delivery approach:

- Practical workshop format covering multiple competencies in concentrated timeframes
- Effective use of real SOE case studies for hands-on learning
- Semi-automated data collection processes reduce future resource requirements
- Progressive capacity building reduces dependence on continued technical assistance.

Areas of inefficiency:

- Some repetition required due to staff turnover in government counterpart institutions
- Limited scope to 150 local-level SOEs requiring additional future resources
- Continued dependence on technical assistance for advanced analytical work.

| IMPACT | | | | | | | |
|-----------|-------|--|--|--|--|--|---------|
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3.0 |

The project has demonstrated substantial impact on fiscal risk management:

Institutional impact:

- Creation of Montenegro's first comprehensive Fiscal Risk Statement represents major transparency breakthrough.
- Establishment of systematic SOE financial oversight framework where none existed previously
- Development of sustainable analytical capabilities within Ministry of Finance
- Progressive expansion from central SOE focus to include local government engagement.

Fiscal impact:

- Systematic identification and monitoring of fiscal risks from SOEs representing 14% of GDP
- Improved data quality and institutional relationships with individual SOEs
- Enhanced capacity for fiscal risk assessment supporting better budget planning
- Foundation established for risk mitigation strategies based on identified exposures.

Capacity impact:

- Ministry of Finance staff developed expertise in SOE financial analysis and risk assessment
- Step-by-step methodology for financial ratio interpretation builds institutional knowledge
- Semi-automated data collection processes enable ongoing analysis
- Regular analytical cycle established with annual updates.

Broader impact:

- Model for fiscal risk statement development potentially replicable in other Western Balkan countries
- Integration with broader PFM reform agenda supporting overall fiscal management improvements
- Foundation established for expansion to other fiscal risk categories.

| SUSTAINABILITY | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--|--|--|--|--|---------|
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3.0 |
| <p>Project sustainability is supported by strong foundations but faces some challenges:</p> <p>Sustainability strengths:</p> <ul style="list-style-type: none"> ▪ Strong government ownership demonstrated through active participation and early FRS publication ▪ Systematic analytical framework (SOE Health Check Tool) embedded in institutional processes ▪ Step-by-step capacity building methodology builds sustainable institutional expertise ▪ Regular analytical cycle established with annual updates reducing dependence on technical assistance ▪ Semi-automated data collection processes enable ongoing analysis ▪ Progressive expansion to local government officials broadens institutional support base. <p>Sustainability challenges:</p> <p><i>There are three major sustainability risks: (i) it is perfectly plausible that the political will for robust SOE oversight dissipates; (ii) as ever with Montenegro the size of the skilled team is small there is significant 'key person' risk; (iii) there are further ambitious reforms including creating an oversight unit, without further resource there is a risk they spread themselves too thin.</i></p> <ul style="list-style-type: none"> ▪ Continued dependence on technical assistance for advanced analytical work and system improvements ▪ Need for ongoing political commitment to maintain transparency and reform momentum ▪ Risk of staff turnover affecting institutional knowledge retention ▪ Limited progress on broader fiscal risk framework integration ▪ 150 local-level SOEs still require systematic inclusion in oversight framework. <p>Sustainability measures:</p> <ul style="list-style-type: none"> ▪ Documentation of step-by-step methodologies supports knowledge retention ▪ Hands-on training approach builds practical expertise rather than theoretical knowledge ▪ Integration with existing government systems rather than parallel structures ▪ Establishment of regular engagement framework with individual SOEs ▪ Foundation established for risk mitigation strategies based on identified exposures. <p>The authorities don't appear to need further technical assistance on using the Health Check Tool but now need help on the next step of actually using the analysis to mitigate risk. The programmatic approach and strong government commitment provide a solid foundation for sustainability, though continued technical support may be needed for advanced analytical work. The next steps are to support authorities on mitigating the fiscal risks from SOEs and to successfully implement the ambitious reform plan that they have in place.</p> | | | | | | | |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Objective: Strengthened identification, monitoring, and management of fiscal risks - FRK | | | | | | |
| OC1. Outcome 1 | | Analysis, disclosure and fiscal oversight of public corporation risks are strengthened | 3 Largely achieved | April 13, 2025 | 3 | The evaluation shows that the project successfully achieved this outcome with the publication of Montenegro's first Fiscal Risk Statement in December 2024, ahead of the June 2025 target. The SOE Health Check Tool was successfully implemented for systematic financial analysis. The transformation from "Not Achieved" status in early 2024 to successful publication demonstrates the effectiveness of the programmatic approach and hands-on capacity building methodology. |
| OC1. Indicator1 | | Comprehensiveness and timeliness of monitoring and reporting public corporation's fiscal risks (Record Score: PEFA PI-10.1, FTC 3.3.2, PIMA 3.c) | 3 Largely achieved | March 31, 2025 | 3 | .The systematic data collection and analysis framework was established through the SOE Health Check Tool with regular annual updates achieved |
| OC2 Outcome 2 | | Analysis, disclosure and management of other specific fiscal risks are more comprehensive | 2 Partially achieved | April 13, 2025 | 2 Partially achieved | Limited progress beyond SOE-specific risk management. |
| OC2. Indicator1 | | Analysis, disclosure and management of specific fiscal risks (Record Score: FTC3.1.2) | 0 (Limited progress) | April 4, 2025 | 1 Not achieved | |
| OC2 Outcome 3 | 31/12/2025 | The capacity of ministry of finance to plan, implement and sustain PFM reforms is enhanced | 3 Largely achieved | April 13, 2025 | 3 | Strong institutional capacity building achieved through hands-on training and practical application of SOE Health Check Tool |
| OC3 Indicator 1 | | Enhanced analytical and oversight capacity for SOE fiscal risk management | 3 Largely achieved | April 13, 2025 | 3 | Ministry staff successfully trained in SOE-HCT use, financial ratio interpretation, and risk assessment methodologies. Regular analytical cycle established with annual updates. Expansion from central |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|---------------------------------|------------------------------------|---------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | | | | | SOE focus to include local government officials demonstrates growing institutional capacity |
| Milestone | 12/31/2024 | FRS with SOE analysis published | 4 Fully Achieved ahead of schedule | 6/13/2025 | 4 | FRS with SOE analysis published in December 2024, six months ahead of June 2025 target date. The FRS analysis was largely based on SOE-HCT outcomes with clear acknowledgment in the executive summary of the importance of the IMF role and technical assistance provided |

Note: Only one milestone was explicitly documented in the source briefing documents

DRAFT

VI. PFM DESKTOP REVIEW: SER - PIM

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|--------------------------------------------------|---------------------------------------|------------|------------|------------|------------|------------|----------------|
| Workstream | PFM | | | | | | |
| Country | Serbia | | | | | | |
| Objectives assessed | Improved public investment management | | | | | | |
| Topical areas assessed | PFM | | | | | | |
| No. of missions assessed | 2 | | | | | | |
| Project-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | OVERALL |
| | | 3 | 2 | 2 | 2 | 2 | 2.2 |

Summary of project-level assessment

The Serbia PIM project received DAC evaluation ratings of Coherence (3), Effectiveness (2), Efficiency (2), Impact (2), and Sustainability (2), resulting in an overall score of 2.4.

The project has been successful with regard to the coherence. It has had an internal alignment between PIM reforms and complementary MTBF/baseline estimates work, good coordination between the February and December 2024 capacity-building missions, and full integration with government priorities including the MTBF Action Plan and EU accession requirements. However, effectiveness, efficiency, impact, and sustainability were all constrained by common underlying challenges: while the project successfully established the legal and institutional framework through the 2023 PIM Decree and supporting rulebooks, implementation suffered from high staff turnover in the PIMU unit, institutional resistance from line ministries accustomed to autonomy, and critical gaps in the framework itself—including exclusions for SOEs, security sector projects, and strategic projects that undermined comprehensive coverage. IMF has pointed out that PPPs are excluded in a sense that there is no unified framework PIM/PPP, which MoF wishes to overcome as a next strategic objective

Key achievements

Fully achieved:

- The government successfully adopted a new PIM Decree in September 2023 along with four supporting rulebooks covering: (i) project documentation; (ii) monitoring project realization and rationalization; (iii) prefeasibility and feasibility studies; and (iv) evaluation of the impacts of implemented capital projects.
- Seven new forms were introduced to improve PIM documentation, covering the full project cycle from preliminary evaluation to final implementation reports, demonstrating a comprehensive approach to project management.
- The establishment of a single project pipeline under a new Capital Investment Commission represents a significant step toward centralizing and coordinating public investment management within the Ministry of Finance.

Significantly achieved:

- FAD provided targeted CD support through multiple missions (February 2024, March 2024, and December 2024) that included practical training, workshops, and hands-on guidance for PIM Unit (PIMU) staff.
- Progress was made in aligning PIM procedures for both self-funded and EU-funded projects, creating a more unified approach to public investment management.

What has been done well/has been successful

- The project successfully addressed capacity building needs through structured training programs covering baseline estimation methodology, appraisal procedures, and medium-term expenditure projections.
- *LTX played a crucial role in shaping the capacity building approach, delivering training, tailoring support to needs, building trust with authorities, coordinating across MoF units, and aligning with country team for ongoing IMF programs*

Areas for potential improvements

- The new PIM Decree contains critical deficiencies including: (i) exclusion of SOE capital projects executed from internally generated funds; (ii) limited coverage of PPPs (only those requiring MoF opinion); (iii) exclusion of all security sector projects; and (iv) multiple exceptions for special or strategically important projects.
- High staff turnover in the PIMU at both management and technical levels poses a significant risk to institutional knowledge retention and consistent implementation of reforms.
- Implementation challenges remain, particularly in enforcing new appraisal procedures, as PIMU staff still struggle with fully understanding and applying the new processes.
- Long-entrenched autonomy of line ministries continues to pose challenges to the centralized approach, as ministries had previously followed their own procedures.
- The effectiveness of medium-term planning for public investments remains low, with fiscal rules not providing a firm and stable anchor for the medium-term budgetary framework. IMF has pointed out that there has in fact been, with decision taken in 2025, a temporary postponement of fiscal targets to 2029.
- There is insufficient integration between capital spending plans and related recurrent spending requirements in the budget process.

Lessons and recommendations

- Continuous capacity building is essential given high staff turnover - regular refresher training and documentation of procedures can help maintain institutional knowledge.
- Phased implementation with pilot projects can help identify practical challenges before full-scale rollout of new procedures.
- Strong coordination between PIMU and the Budget Department is crucial for successful integration of public investment planning with medium-term budget frameworks.
- Learning from regional peers (such as the Slovak Republic's Value for Money Unit) provides practical insights for implementation challenges.
- Clear criteria and limited exceptions in the PIM framework are necessary to ensure comprehensive coverage and avoid undermining the reform objectives.
- Development of baseline budgeting capabilities should proceed in parallel with PIM reforms to ensure sustainable fiscal planning.
- *Alternative assessment approaches can substitute for formal PIMA updates, including Fiscal Transparency Evaluations and EU-requested policy notes, while providing strategic guidance on reforms.*

2. BACKGROUND AND CONTEXT

CONTEXT

The government adopted a new PIM Decree in September 2023 along with four rulebooks (pre-feasibility and feasibility; monitoring; evaluation; documentation) and seven regulations ("forms") to improve PIM processes. Under a single project pipeline, a new Capital Investment Commission will prioritize projects, and align funding from different sources, including from the European Union. This new approach centralizes public investment management in the Ministry of Finance (MoF), which requires overcoming long-entrenched autonomy of line ministries which in part had followed their own procedures. The PIM Decree allows exceptions for special and strategically relevant projects.

The government is planning to scale up public investment in the next years. While in 2025-26 the fiscal space for public investments is mostly committed, due to expiring projects new fiscal space will be available as of 2027 for about 2 percent of GDP, not considering yet the EU Western Balkans Growth Facility (€1.6 bn, 1/3 grants, 2/3 loans) with project implementation planned to start from 2027. This requires setting up robust and transparent appraisal for new projects assessing the medium-term fiscal requirements for operation and maintenance of public investments. Baseline budgeting has been officially by MoF as of May 2025.¹⁰

The new approach requires the PIMU staff's full understanding of the procedures in the assessment, selection, and implementation of the capital projects, and enhanced coordination with the Budget Department. PIMU staff still encounter challenges particularly in implementing new processes of the appraisal stage. Authorities requested FAD support to provide practical guidance and learn from the experience of Eastern European countries.

SEE III ACTIVITIES

Activities covered under the Serbia PFM PIM SEE III are:

- **February 2024 mission (2/7/2024-2/13/2024):** Provided training to PIMU staff on implementation of new PIM Decree and rulebooks, reviewed project assessment processes, and proposed improvements to avoid implementation bottlenecks. Mission focused on strengthening technical capacity to implement and enforce provisions effectively.
- **December 2024 mission (12/16/2024-12/19/2024):** Delivered practical guidance on appraisal stage and costing/budgeting through three half-day workshops, identified implementation challenges through sample project reviews, rehearsed key appraisal methodologies, and provided peer learning from Eastern European countries, particularly Slovak Republic's Value for Money Unit.

OTHER IMF ACTIVITIES

Until end 2024, Serbia had a Standby Agreement; since January 2025, Policy Coordination Instrument (PCI). PFM activities/reforms are aligned with these programs. There is also support for revenue authorities out of the EU-SECO funded Fiscal Reform Project.

PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS

- **2016 FAD PIMA Mission:** Comprehensive assessment of PIM institutional framework, identifying key weaknesses and providing foundational recommendations for reform program. The assessment identified low effectiveness scores in planning, appraisal, and project management, with institutional fragmentation endangering systematic presentation of recurrent costs.
- **2018 FAD Mission:** Focused on developing unified and transparent PIM framework, with specific attention to project appraisal and selection processes.

¹⁰ An update from a SEE III May 2025 mission highlights that there is the need for some fiscal consolidation starting in 2027, which requires a gradual scale down of public investment expenditures in the medium-term.

- **2020 FAD Mission:** Concentrated on developing capacity of PIM Unit and establishing operational procedures for project management and database development.
- **PIMU Establishment:** The PIMU was established in 2019 with the 2019 Decree on Capital Projects Management and supporting by-laws, providing the foundation for current reforms.
- **June 2023 FAD mission:** Identified that budget process was still driven by bottom-up pressures and closer to incremental budgeting than strategic MTBF, leading to the development of the MTBF Action Plan.

3. ASSESSMENT OF OBJECTIVES

OBJECTIVES ASSESSED AND SUMMARY OF RATINGS

| Objective 1 | Improved public investment management - PIM | | | | | | WEIGHTING |
|-------------|---------------------------------------------|-----|-----|-----|-----|---------|-----------|
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 2 | 2 | 2 | 2 | 2.2 | |

ACTIVITIES COVERED UNDER OBJECTIVES

OBJ 1: The Serbia-PFM-PIM-SEE III project is currently in execution phase and focuses on strengthening public investment management systems. While significant progress has been made in establishing unified frameworks through the 2023 PIM Decree, implementation and enforcement remain key challenges that need to be addressed to achieve the project's full objectives.

COHERENCE

| Objective | OBJ 1 | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|---------|
| Rating | 3 | | | | | | 4 |

The project demonstrated strong coherence both internally and externally:

Internal coherence:

- Good alignment between PIM reforms and MTBF/baseline estimates work, with both initiatives reinforcing the goal of strategic resource allocation
- Strong complementarity between February and December 2024 missions, building progressively on capacity development
- PIM reforms directly support FAD's broader PFM agenda in Serbia, linking to budget preparation and fiscal risk management objectives
- Coordination between different FAD missions (PIM, MTBF, baseline estimates) ensuring consistent messaging and approach

External coherence:

- Full alignment with government's MTBF Action Plan, a structural benchmark under the Stand-By Arrangement
- Integration with EU accession requirements and Western Balkans Growth Facility preparation
- Complementarity with World Bank PFM activities in Serbia, with missions coordinating to avoid duplication
- Alignment with SECO and European Commission development priorities as funding partners.

Government ownership:

- Reforms directly respond to government request following 2023 PIM Decree adoption
- Strong alignment with Serbia's fiscal consolidation objectives and need to scale up public investment efficiently
- Integration with existing government systems (PIMIS, SPIRI, ISKRA) rather than creating parallel structures.

The only minor coherence challenge is the tension between centralized PIM approach and existing line ministry autonomy, requiring careful change management.

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ 1 | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|---------|
| Rating | 2 | | | | | | 2 |

The assessment shows a mixed performance pattern characterized by successful legal and institutional framework establishment but significant implementation and verification gaps. While the project achieved substantial progress in developing the comprehensive 2023 PIM Decree and supporting rulebooks, the translation into operational effectiveness remains incomplete. The "largely achieved" rating for unified project planning processes demonstrates meaningful institutional progress, yet the "not achieved" status for core planning outcomes and the multiple "assessment pending" designations indicate that fundamental implementation verification has not been completed. The establishment of the Capital Investment Commission and alignment of EU and budget-funded project procedures represent important institutional advances, but the continued exceptions for strategic projects and limited coverage scope constrain the comprehensive application envisioned.

The absence of a PIMA update since 2016 reflects practical considerations including transaction costs, ongoing institutional changes after the 2023 Decree adoption, and the EUR 20 million threshold for specific processes. Progress is measured through alternative approaches including the February 2025 Fiscal Transparency Evaluation (providing

strategic guidance on PIM reforms, Dimension 2.1.4) and FTE follow-up in late 2025, while further TA has been requested for May 2025.

The status of the outcomes highlights a critical challenge in transitioning from framework development to operational implementation and measurement. All outcomes are regularly rated, with last updates from April 2025, contradicting any suggestion that assessments are pending. The "partially achieved" rating for capacity enhancement, coupled with ongoing staff turnover challenges in the PIMU unit, indicates that sustainable institutional capability development requires continued attention. This pattern suggests that while the project has successfully established the foundational elements for improved PIM, achieving full effectiveness will depend on sustained implementation efforts, comprehensive verification processes, and resolution of the identified framework limitations.

Interim impact from the 2023 Decree implementation includes: projects above EUR 20 million are embedded in sectoral planning strategies; the new Capital Commission meets quarterly and prepares prioritized project lists; climate-related capital projects are formally published in the 2025 Budget as "ANNEX 1A - LIST OF GREEN PROJECTS." However, the framework still needs to be fully applied and enforced, and the MoF's PIM Department role remains largely compliance-based rather than risk-based.

The project has achieved moderate effectiveness in improving public investment management:

- Successfully developed and adopted comprehensive new PIM framework including Decree, rulebooks, and operational forms
- Established institutional structures including Capital Investment Commission and single project pipeline for projects larger than EUR20m.
- Delivered targeted capacity building to PIMU staff through multiple training missions
- Made progress in aligning procedures for different funding sources
- Improved documentation and standardization of project management processes.

However, implementation challenges remain due to staff capacity constraints, institutional resistance, and framework limitations.

| EFFICIENCY | | | | | | | |
|------------|-------|--|--|--|--|---------|--|
| Objective | OBJ 1 | | | | | AVERAGE | |
| Rating | 2 | | | | | 2 | |

The project achieved moderate efficiency in resource utilization and delivery:

Resource utilization:

- Efficient use of expert resources with focused missions
- Good leverage of regional expertise (Slovak Republic expert) providing cost-effective peer learning
- Effective combination of international and regional advisors optimizing costs.

Timeliness:

- Timely response to September 2023 PIM Decree adoption with February 2024 mission
- Quick follow-up in December 2024 addressing identified implementation challenges
- However, high PIMU staff turnover reduced efficiency of capacity building efforts, requiring repeated training.

Delivery approach:

- Efficient workshop format covering multiple topics in concentrated timeframes
- Good use of practical exercises and sample project reviews for hands-on learning
- Coordination with other missions (MTBF, baseline estimates) avoiding duplication.

Areas of inefficiency:

- Multiple exceptions in PIM Decree limiting scope of reforms and requiring workarounds
- Need to repeatedly address similar issues due to staff turnover
- Limited ability to reach all line ministries given centralized training approach.

Alternative approaches:¹¹

- Embedded advisors might have provided more continuous support but at higher cost.

Overall, the project achieved reasonable efficiency given constraints, though staff turnover and institutional resistance reduced the full efficiency potential of the technical assistance provided.

¹¹ IMF has pointed out that the approach with Public Sector Academy is not yet functioning, this would "outsource" core PIM training.

| IMPACT | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--|--|--|--|--|---------|
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 2 | | | | | | 2 |
| <p>The project has demonstrated moderate impact to date on public investment management:</p> <ul style="list-style-type: none"> ▪ Creation of centralized PIM framework represents significant institutional reform with potential for substantial fiscal impact ▪ Government planning to scale up public investment with new fiscal space of 2% of GDP available from 2027 ▪ EU Western Balkans Growth Facility (€1.6 billion) implementation will test new PIM systems ▪ Improved coordination between PIMU and Budget Department enhancing fiscal planning ▪ Introduction of systematic project appraisal potentially improving investment quality. <p>However, full impact is constrained by implementation gaps and continued exceptions for strategic projects.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 2 | | | | | | 2 |
| <p>Project sustainability is supported by the legal framework established through Decree and rulebooks, integration with EU funding requirements providing external incentive and Planned continuation of FAD support including baseline budgeting assistance in 2025.</p> <p>However, the project Sustainability faces significant challenges such as:</p> <ul style="list-style-type: none"> • High staff turnover in PIMU threatens continuity of reforms and institutional knowledge • Multiple exceptions in PIM Decree (SOEs, security sector, strategic projects) undermine comprehensive application • Long-entrenched line ministry autonomy continues to resist a central MoF role • Dependence on continued CD support for implementation • Need for ongoing political commitment to maintain reform momentum. | | | | | | | |

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| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-----------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Improved public investment management - PIM | | | | | | |
| OC1. | 2/11/26 | Planning of Public Investments is Strengthened to Ensure Sustainability (milestone) | 1 not achieved¹² | April 13, 2025 | 2 | The new framework still needs to be fully applied and enforced. The role of MoF's PIM Department is still largely compliance based, lacking a more risk based and public financed focus to assess capital projects. |
| OC1 Indicator 1 | | Capital spending and related recurrent spending are undertaken through the budget process (Record Score: PIMA7) | 1 not achieved | April 13, 2025 | 2 | Reforms are underway. Fiscal space calculations through the development of baseline estimates will be strengthened and provide a credible anchor for the MTBF and new capital projections. |
| OC2. Outcome 2 | | Planning of public investments is strengthened to ensure sustainability Outcome indicator | 3 largely achieved | April 13, 2025 | 3 | New PIM Decree adopted in 2023 aligned the process for the EU and budget funded projects and avoided fragmentation in the decision making in project selection. |
| OC2 Indicator 1 | | Capital spending and related recurrent spending are undertaken through the budget process (Record Score: PIMA7) Outcome indicator Although the fragmentation in the decision making for the EU funded and budget funded projects was avoided by the adoption of the new PIM Decree. SOE's PIM Decisions are not considered under the new PIM Decree provisions. | Assessment pending | April 13, 2025 | na | [] |
| OC3. Outcome 3 | 31/12/2025 | The Capacity to Plan, Implement and Sustain Infrastructure Governance Reforms is Enhanced (Milestone) | 2 partially achieved | April 13, 2025 | 2 | PIMA update has not been conducted yet. at the request of the European Union, the MoF is preparing a Policy Note on PIM strengthening and infrastructure governance for end-April 2025, which is expected to lay out a medium-term strategic plan with action steps |

¹² IMF has since the evaluation cut-off date revised the OC1 and OC Indicator 1 ratings to 2.

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|----------------------------------------------------------|----------------|----------------|----------------------|-----------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| OC3 Indicator 1 | | Diagnostic of infrastructure governance framework (PIMA) | Not verified | April 13, 2025 | | [] |

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VII. PFM DESKTOP REVIEW: UVK – CASH MANAGEMENT

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|--------------------------------------------------|-----------------------------------------------|------------|------------|------------|------------|------------|----------------|
| Workstream | PFM | | | | | | |
| Country | Kosovo | | | | | | |
| Objectives assessed | Improved asset and liability management - ALM | | | | | | |
| Topical areas assessed | Cash forecasting and cash management | | | | | | |
| No. of missions assessed | 3 | | | | | | |
| Project-level OECD DAC Evaluation ratings | REL | COH | EFT | EFY | IMP | SUS | AVERAGE |
| | | 3 | 3 | 2 | 3 | 2 | 2.6 |

Summary of country-level assessment

The Kosovo ALM project received preliminary DAC evaluation ratings of Coherence (3), Effectiveness (2), Efficiency (2), Impact (2), and Sustainability (2), resulting in an overall score of 2.2. The project demonstrated good coherence with government priorities and EU accession requirements, with effective coordination between multiple missions. However, effectiveness and sustainability were constrained by institutional capacity limitations, staff turnover, and the challenge of rebuilding cash forecasting capabilities that had been dormant since 2016. While the project successfully introduced modern tools like Cash Forecasting and Analysis Tool (CFAT) and established new institutional frameworks, full implementation remains dependent on continued capacity building and institutional commitment.

Key achievements

Fully achieved:

- Successfully introduced FAD's CFAT to the Treasury
- Established legal and institutional framework for renewed cash forecasting through operational guidelines
- Created action plan for August 2024-February 2025 implementation timeline
- Designated staff for cash forecasting function (one staff assigned as of July 2024, with Cash Forecasting Division planned for January 2025).

Significantly achieved:

- Conducted comprehensive back-testing exercise for 2024 cash forecasts using CFAT
- Developed framework for monthly rolling forecasting process for upcoming three months
- Established foundation for cash coordination committee comprising key stakeholders.

What has been done well/has been successful

- Provided intensive capacity building through three major technical assistance missions (April 2023, July 2023, October-November 2024)
- The project successfully reintroduced cash forecasting capabilities after a 6-year suspension (2016-2022)
- Effective coordination between Treasury and Central Bank of Kosovo (CBK) was re-established
- The introduction of a tailored template with CFAT features provided modern analytical capabilities for cash management
- Strong government ownership and commitment to reform, demonstrated by staff allocation and institutional changes
- Good integration with existing systems (Kosovo Financial Management System - KFMIS)
- Practical training approach with hands-on workshops and real-time exercises using actual data
- Successful coordination with European Commission and SECO representatives ensuring donor alignment.

Areas for potential improvements

Areas for potential improvements

- Limited capacity with only one dedicated staff member for cash forecasting as of July 2024, though expansion to two staff planned for January 2025
- Dependence on proxies for cash-based expenditure data from budget organizations (BOs) due to lack of reliable bottom-up data
- Gradual rollout of bottom-up cash forecasting capacities in revenue agencies and BOs only starting in late 2025 at the earliest
- High cash balances (3-3.5% of GDP) indicate room for more efficient cash management
- Limited integration between Treasury Cash Management Division and macro fiscal unit responsibilities
- Need for stronger coordination between cash and debt management functions (although IMF has indicated this has been improving), as the Treasury moves to bottom-up cash forecasting.

Lessons and recommendations

- Phased implementation approach is essential when rebuilding dormant institutional capabilities

- Investment in modern analytical tools (like CFAT) should be accompanied by intensive capacity building
- Regular follow-up missions are crucial for embedding new processes and maintaining momentum
- Strong coordination between cash management and budget departments is essential for effective medium-term planning
- Bottom-up forecasting capabilities need systematic development across all relevant institutions.
- *Future priorities should focus on achieving regular update frequency of cash forecasts, enhancing coordination between cash and debt management, and using cash forecasts in Liquidity Committee decision-making.*

2. BACKGROUND AND CONTEXT

CONTEXT

The Ministry of Finance, Labor and Transfers (MFLT)'s Treasury currently manages government cash through a modern Treasury Single Account (TSA) system held at CBK. However, cash forecasting capabilities were suspended in 2016 due to diminished investment options resulting from negative interest rates. Currently, the Treasury maintains high cash balances of around 3-3.5% of GDP throughout the year, indicating potential for more efficient cash management.

Kosovo's December 2017 Debt Management Performance Assessment (DeMPA) rated cash flow forecasting and cash balance management (Debt Performance Indicator 11) as meeting only minimum requirements (score C), highlighting the need for substantial improvements in this area.

The Treasury Cash Management Division (CMD) primarily focuses on budget execution, controlling and approving monthly cash allocations to budget organizations, rather than forecasting future cash flows. Starting from 2022, the macro fiscal unit has been producing monthly cash flow projections instead of the CMD, creating a disconnect between operational cash management and forecasting functions.

With the improving interest rate environment, authorities requested FAD support to strengthen cash forecasting capacity and revise the 2015 Memorandum of Understanding (MoU) between the Treasury and CBK on investment policy. The goal is to establish more sophisticated cash management practices that can support efficient investment of surplus funds while maintaining adequate liquidity buffers.

SEE III ACTIVITIES

Activities covered under the Kosovo PFM ALM SEE III are:

- **April 2023 mission (4/24/2023-4/27/2023):** First FAD CD mission on cash management in five years, focused on presenting key principles of cash management, taking stock of current capacity, and explaining the importance of more granular cash forecasts. Mission developed framework for weekly and daily cash forecasts and supported authorities to establish formal mechanisms for data collection from budget organizations.
- **July 2023 mission (7/10/2023-7/14/2023):** Follow-up mission implementing April 2023 recommendations, focusing on identifying cash flow items for top-down and bottom-up forecasting, identifying key budget organizations for bottom-up forecasts, preparing summary guidelines for bottom-up forecasting process, revising cash plan structure, and establishing cash coordination committee framework.¹³
- **October-November 2024 mission (10/30/2024-11/1/2024):** Supported Treasury in adopting FAD's Cash Forecasting and Analysis Tool (CFAT), conducted comprehensive back-testing exercise for 2024, developed information collection and analysis processes, and provided intensive practical training. Mission focused on establishing foundation for annual cash forecast to be presented in early 2025.

OTHER IMF ACTIVITIES

The cash management work is integrated with broader PFM initiatives in Kosovo, including medium-term budget framework development and baseline budgeting support planned for 2025.

Kosovo has an IMF Stand-by Arrangement (SBA) and the Resilience and Sustainability Facility (RSF), which included the relaunch of the Liquidity Committee and broadening tasks to cash forecasting as a Structural Benchmark, achieved in January 2025. There is also support to revenue authorities out of the same EU/SECO funded Fiscal Reform Project.

¹³ IMF has indicated there was also a July 2024 mission, documentation for which was not reviewed for this assessment.

| PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----|-----|-----|-----|-----|-----------|
| <p>Previous interventions and linkages with SEE III activities are :</p> <ul style="list-style-type: none"> ▪ World Bank project covering cash management (2018-2023): Comprehensive cash management support that preceded the current SEE III intervention. There was no immediate "overlap" with another development partner; the cash management/cash forecasting work covers an area where IMF has a role as sole provider in Kosovo. The World Bank had the GDRM project with SECO financing active in some regional countries including Albania, but not Kosovo. ▪ 2015 MoU between Treasury and CBK: Original framework for cash investment policy that requires updating ▪ Treasury Single Account establishment: Foundation for modern government banking arrangements. | | | | | | | |
| 3. ASSESSMENT OF OBJECTIVES | | | | | | | |
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
| Objective 1 | Improved asset and liability management - ALM | | | | | | |
| Rating | | COH | EFT | EFY | IMP | SUS | AVERAGE |
| | | 3 | 3 | 2 | 3 | 2 | 2.6 |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | |
| <p>The Kosovo-PFM-ALM-SEE III project focuses on strengthening cash forecasting and balance management capabilities. While significant progress has been made in introducing modern analytical tools and rebuilding institutional capacity, full implementation and sustainability remain dependent on continued capacity building and institutional development.</p> | | | | | | | |
| COHERENCE | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3 |
| <p>Internal coherence:</p> <ul style="list-style-type: none"> ▪ Strong alignment between cash forecasting improvements and broader asset-liability management objectives ▪ Coordination between different CD components (guidelines, training, tool implementation) ▪ Good coordination between reviewed missions, building progressively on previous recommendations ▪ Integration with CFAT tool adoption supporting systematic analytical approach. <p>External coherence:</p> <ul style="list-style-type: none"> ▪ Full alignment with government priorities to improve cash management efficiency ▪ Complementarity with CBK cooperation frameworks ▪ Integration with EU accession requirements and modern PFM standards ▪ Coordination with European Commission and SECO as funding partners. <p>Government ownership:</p> <ul style="list-style-type: none"> ▪ Reforms directly respond to government request following recognition of cash management inefficiencies ▪ Strong commitment demonstrated through staff allocation and institutional planning (CFD establishment) ▪ Integration with existing government systems (KFMIS) rather than parallel structures ▪ Political support evidenced by continued engagement across multiple missions. <p>The main coherence challenge is the institutional separation between the CMD and Debt Management Department, with macro department needing to provide more regular updates on key information.</p> | | | | | | | |
| EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES) | | | | | | | |
| Objective | OBJ 1 | | | | | | AVERAGE |
| Rating | 3 | | | | | | 3 |
| <p>The project achieved moderate effectiveness in rebuilding cash management capabilities:</p> <p>Achievements:</p> <ul style="list-style-type: none"> ▪ Successfully introduced CFAT-based tool with comprehensive training and back-testing exercises ▪ Established operational framework for monthly rolling cash forecasts ▪ Rebuilt analytical capacity after 6-year suspension of cash forecasting ▪ Created institutional foundation for Cash Forecasting Division ▪ Developed practical guidelines for implementation. | | | | | | | |

The Treasury adopted cash forecasting based on a CFAT Template since November 2024, taking gradual steps. Success was enabled by three inter-connected TA reports that provided action steps tailored to the Treasury's capacities, though not all milestones were "largely achieved" and delays were noted in achieving some targets.

Limitations:

- Limited staff capacity constrains full implementation (one dedicated staff member as of July 2024)
- Reliance on proxies for cash-based expenditure data due to lack of bottom-up forecasting from budget organizations
- Gradual rollout means full capacity will not be achieved until late 2025
- High cash balances indicate implementation gaps in efficient cash management (IMF has indicated this primarily signals the use and build-up of a cash buffer)
- Limited progress on establishing formal cash coordination committee.

The assessment demonstrates substantial progress in rebuilding Kosovo's cash forecasting capabilities, with most milestones achieving "fully achieved" or "largely achieved" status. The project's performance is noteworthy given the challenge of reestablishing institutional capacity after a six-year suspension of cash forecasting activities. Key deliverables include the timely adoption of operational guidelines, establishment of the Cash Forecasting Division with dedicated staff, and implementation of rolling quarterly forecasts with systematic monthly updates. The introduction of CFAT and comprehensive staff training provided a technical foundation that enabled progression from basic capacity building to operational implementation.

The status of the outcomes reveals that while operational progress has been achieved, institutional formalization remains incomplete in certain areas. Although informal coordination mechanisms are functioning and technical capabilities meet Score B requirements, formal processes such as DEMPA reassessment and Liquidity Committee mandate amendments have not been finalized. This indicates that while the project achieved rapid technical implementation, continued focus on institutional formalization will be necessary for long-term sustainability. The "partially achieved" rating for the DEMPA improvement indicator, despite substantial technical advancement, underscores the importance of completing formal validation processes to consolidate the operational gains realized.

EFFICIENCY

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 2 | | | | | 2 |

The project achieved moderate efficiency in resource utilization:

Resource utilization:

- Efficient use of expert resources with focused, practical missions
- Good leverage of FAD's CFAT tool providing cost-effective modern analytical capability
- Effective combination of capacity building and tool implementation.
- Limited staff capacity (expanding from one to two dedicated staff) had no noticeable effect on training efficiency; sessions were delivered well in a small group setting.

Timeliness:

- Good sequencing from basic concepts (April 2023) to practical implementation (October 2024)
- However, 6-year gap in cash forecasting required extensive rebuilding of basic capabilities.

Delivery approach:

- Practical workshop format with hands-on exercises using real data
- Back-testing approach provided concrete learning experience
- However, limited staff capacity reduced efficiency of training investments.

Areas of inefficiency:

- Dependence on continued technical assistance for full implementation
- Limited reach to budget organizations requiring separate capacity building.

IMPACT

| Objective | OBJ 1 | | | | | AVERAGE |
|-----------|-------|--|--|--|--|---------|
| Rating | 3 | | | | | 3 |

The project demonstrated moderate impact to date on cash management:

Reestablishing cash forecasting capabilities after 6 years represents significant institutional advancement with broader PFM implications including: potential borrowing cost reductions over time, better arrears problem control (though stock has already decreased), improved routing of scarce funds to service delivery units particularly for public investment, and opportunities to enshrine changes in the legal framework through ongoing Organic Law on Public Finance and Accountability reforms.

Potential impact:

- Reestablishment of cash forecasting represents significant institutional advancement
- Modern analytical tools (CFAT) provide foundation for sophisticated cash management
- Framework for more active cash investment policy with improving interest rates.

Current constraints:

- Full impact dependent on scaling up staff capacity and budget organization participation
- Gradual implementation timeline delays full benefits.

SUSTAINABILITY

| Objective | OBJ 1 | | | | | | AVERAGE |
|-----------|-------|--|--|--|--|--|---------|
| Rating | 2 | | | | | | 2 |

Project sustainability faces mixed prospects:

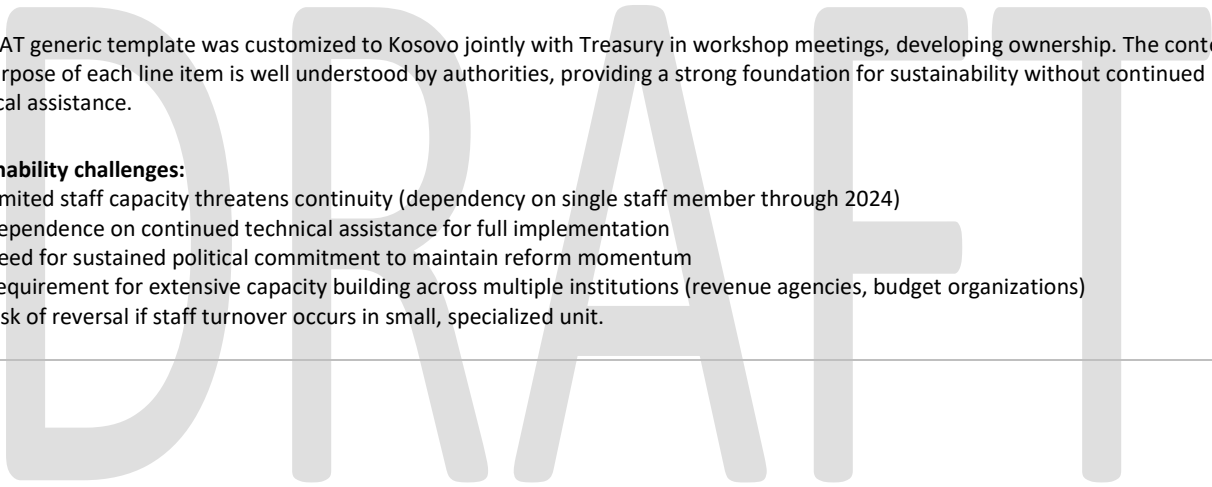
Positive factors:

- Government ownership and commitment evidenced by institutional planning (CFD establishment)
- Integration with existing government systems and processes
- Modern analytical tools (CFAT) provide sustainable technological foundation
- Legal and procedural framework established through operational guidelines.

The CFAT generic template was customized to Kosovo jointly with Treasury in workshop meetings, developing ownership. The content and purpose of each line item is well understood by authorities, providing a strong foundation for sustainability without continued technical assistance.

Sustainability challenges:

- Limited staff capacity threatens continuity (dependency on single staff member through 2024)
- Dependence on continued technical assistance for full implementation
- Need for sustained political commitment to maintain reform momentum
- Requirement for extensive capacity building across multiple institutions (revenue agencies, budget organizations)
- Risk of reversal if staff turnover occurs in small, specialized unit.



| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Improved asset and liability management - ALM | | | | | | |
| OC1. Outcome 1 | 12/31/2025 | Cash and debt management are strengthened and better integrated | 3 largely achieved | April 13, 2025 | 3 | Evaluation found that the Treasury has successfully reestablished cash forecasting capabilities through CFAT-based tailored template adoption and comprehensive staff training. Work-in-progress on integration between cash and debt management significantly improved through enhanced coordination procedures with the Central Bank of Kosovo. High cash balances beginning to be optimized through more active cash management. |
| OC1 Indicator 1 | | Effectiveness and timeliness of cash flow forecasting and cash balance management (DEMPA DPI 11) improved from Score C to Score B | 2 partially achieved | April 13, 2025 | 2 | Progress achieved since 2024. Baseline Score C from December 2017 DEMPA has been substantially improved through CFAT implementation, operational CFD establishment, and cash forecasting procedures (work-in-progress). Rolling quarterly forecasts with monthly breakdowns now operational. Technical capabilities and institutional framework now meet Score B requirements, but sustained implementation track record needed for formal upgrade |
| ▪ MS1a: | 8/30/2024 | An Action Plan September 2024-February 2025 has been adopted. Cash forecasting operational guidelines are still pending. | 4 fully achieved | 30/09/2024 | 3 | The Treasury adopted comprehensive cash forecasting action plan with clear implementation timeline through February 2025. Action plan fully implemented including CFAT adoption, staff training, institutional setup, and coordination mechanisms. Cash forecasting operational guidelines are still pending. |
| ▪ MS1b: | 6/30/2025 | Cash forecasting function or unit is established at Treasury | 2 partially achieved | 13/04/2025 | 2 | Cash Forecasting Division (CFD) became operational in January 2025 with two dedicated staff members as planned. Unit is fully functional and conducting regular cash forecasting activities. Staff capacity building completed through intensive |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|-------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | | | | | training programs. CFD successfully integrated within Treasury structure and coordinating effectively with Budget Department and Central Bank of Kosovo |
| ▪ Ms1c. | 12/31/2025 | Rolling quarterly cash flow forecasts are prepared with cash flow forecasts for the coming month broken down on a weekly basis. Forecasts are updated monthly and based on data collected from budget organizations and revenue administration | 2 partially achieved | 15/06/2024 | 2 | Implemented ahead of target date. Rolling quarterly forecasts with monthly breakdowns operational since early 2025 (albeit not with all data). Monthly updates systematically maintained. Data collection mechanisms from budget organizations and revenue administration established, though no bottom-up forecasting capacity yet functioning. CFAT tool-based tailored template operational providing analytical foundation |
| Ms1d: | 12/31/2025 | The mandate and composition of the Liquidity Committee have been amended for it to function as a cash coordination committee | 4 fully achieved | 13/04/2025 | 4 | Regular coordination meetings established between Treasury CFD, Budget Department, and Central Bank of Kosovo. Informal coordination protocols operational. Formal committee structure still developing. Changes to the Liquidity Committee have been approved end January 2025 (meeting also a SB of the program). It will still have to review cash forecasts. |

VI. TAX POLICY PROJECT ASSESSMENTS

I. TP COUNTRY CASE STUDY: ALB

1. KEY DATA AND OVERVIEW

| | | | | | | | |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|----------------|
| Workstream | Tax Policy (TP) | | | | | | |
| Country | Albania | | | | | | |
| Objectives assessed | <ol style="list-style-type: none"> Improve Tax Policy Design – TPD Strengthen Policy monitoring, Evaluation, and Institutions – TPM | | | | | | |
| Topical areas assessed | TPU Capacity, Tax Expenditure Analysis, VAT Tax Expenditure Modelling, Property Tax | | | | | | |
| No. of missions assessed | Six missions (up to January 2025) | | | | | | |
| Case study-level OECD DAC Evaluation ratings | | COH | EFT | EFY | IMP | SUS | OVERALL |
| | | 3.0 | 2.5 | 3.0 | 2.0 | 3.0 | 2.7 |

Summary of country-level assessment

Tax Policy has been making progress in Albania, with the expected activities being undertaken broadly as anticipated. However, TP is very much a work-in-progress. The delivery of TP under SEE III is novel, as it is a new component (and the first regionally delivered TP program) compared to SEE I and II. Although it cannot harness momentum in the same way as RA and PFM (the two focal areas of SEE I and SEE II), it assumes the focal role of IMF TP CD, building on preceding HQ engagement with Albania on Tax Expenditure Analysis (TEA), Medium-Term Revenue Strategy (MTRS) and the RGF (both formalised during 2024) and various TP reform proposals.

TP reform is characterised by long horizons, typically between CD activity and any potential achievement of outcomes, and subject to numerous externalities (such as high-level policy change, legislative amendments and approval and subsequent implementation), that inhibit drawing definitive conclusions at this stage of the SEE III. Albania has faced capacity related issues, such as frequent changes in political leadership, fragile commitment to significant reforms, high turnover of MoF staff, scarcity of skills and experience for complex analytical work. MoF is responsive to addressing these challenges, and absorptive capacity is increasing.

As indicated above, TP CD activity in Albania under SEE III builds on IMF HQ support provided to the authorities pre- inclusion of the workstream in the program, covering areas such as TEA, MTRS and various TP reform. In addition, important CD has been provided in early 2025, the results of which are likely to materialize in the short to medium-term. The evaluation has taken a broad view of CD achievement, taking into account the results of earlier work, and recognizing likely outcomes in the near future, rather than strictly focus on achievements realized from CD during SEE III.

Key achievements during SEE III

Partially achieved: Improved Tax Policy Design and Strengthen Policy Monitoring, Evaluation and Institutions

- The institutional capacity of MoF has been improved towards undertaking VAT Modelling (through identifying, obtaining and using data)
- The institutional capacity of MoF has been improved relating to tax policy and analysis (identify, understand and quantify VAT tax expenditures)
- MoF immovable property tax draft legislation has been reviewed and options identified to address deficiencies, and better secure the potential revenue, including identification of administrative implementation requirements – this activity demonstrated the benefit of an experienced LTX expert who respond rapidly and authoritatively to MoF request, in collaboration with the World Bank
- Ownership and management of the models and tools that improve institutional capacity is within and is exercised by MoF.

What has been done well/has been successful

The use of multi-modal delivery of CD, anchored around an LTX resident in the region, is the foundation of the successful delivery of timely, appropriate and relevant CD. It has enabled rapid response and reaction to MoF requests and provides for the LTX to generate a thorough knowledge, not just of the TP technical requirements but of the political economy surrounding both the CD content and method of delivery. A position of “trusted and reliable adviser” features in how the MoF perceives the SEE III CD. This has been complemented by CD delivered by HQ staff or STXs, delivering discreet elements of the planned CD. The quality of technical advice is of the highest standard, with numerous world-class authorities on complex areas of TP components (such as valuation methodology for property tax) featuring in the delivery. Delivery of CD features both knowledge transfer and skills development, through ownership and management of the activity resting with MoF, and IMF TA focusing on enabling MoF to undertake the technical activities. *Ad hoc* follow-up TA has been provided (at MoF request) in the case of VAT modelling – and this demonstrates (and deepens) the partnership between SEE III and MoF and supports the eventual achievement of outcomes. There is evidence of MoF embarking on subsequent TEAs. Complementary regional CD through the 2024 TP conference has enabled peer-to-peer learning and awareness of potential approaches to TP reform (including lessons learned), particularly where the SEE III countries face similar challenges and share many

tax, legal and administrative commonalities. TP activities do not feature a “silo” mentality within the MoF; MoF has proactively involved all units within General Directorate of Tax Policies (GDP), other directorates in MoF, the General Directorate of Taxation (GDT) responsible for tax administration and the Institute of Statistics (for provision of data) thus generating additional value.

Areas for potential improvements

- Ministerial direction and ownership of TP can be fragile, due to repeated changes of Ministers, often with a short tenure. Where TP involves multiple agencies within government, such as property tax, or sectoral VAT treatments, clearer identification of risks that are likely to impact high-level decision making could assist in planning and designing CD.
- Where CD delivery features the creation or enhancement of institutional capacity, and given the historic challenges of staff retention, the approach (within MoF) to assessing how that capacity is embedded and applied could be more clearly articulated (and thus contributing to future measurement of the capacity uplift).
- Institutionalisation, transparency and human capacity deficits could be addressed through partnerships between MoF and external institutions (such as a university of good repute in the field of economics) that would enable relevant but discrete skill-sets to be jointly developed inside and out of the MoF, thus expanding the pool of capacitated TP specialists, making the core data more robust and increasing the neutrality of the analyses (distinguishing them from the from political decision making after consideration of the analyses).

Lessons and recommendations

- Designing appropriate metrics for TP, beyond activities, is challenging. There are very long horizons between CD delivery and concrete realisation of the outcomes, whilst subject to numerous external risks (such as the passage of legislation, resistance from interest groups). Consideration could be given for more clearly identifying the extent and regularity of TP decision-making being undertaken on a “best informed” basis: that is to say, ensuring that all relevant probable consequences of tax policy option are explored and understood, and that the information is presented as robust and neutral, for the political decision maker to take into account, ensuring that the political decision is taken on a fully informed basis This could encompass PFM linkages (such as publication of Tax Expenditure Assessment Reports within the budget process) or revised engagement or consultation processes on proposed changes. Both of these would contribute to Outcome TPM2.
- Consider providing, through short duration, remotely delivered TA, update events, which could address evolving issues with the use of models or assessing tax expenditures, as a way of embedding and complementing the initial CD.
- Establish a joint approach with an external institution (university) to receive, manage and analyses relevant data for use in TP models and tools.
- Design and use of the RBM logframe needs to be updated to ensure it fully captures the currently programmed CD. Consideration might be given to developing a series of ‘intermediate outcomes’, mapping the results chain, to enable monitoring and reporting of progress. Alternatively, more extensive use of milestones could be considered.

2. BACKGROUND AND CONTEXT

CONTEXT

Albania’s tax framework has undergone substantive reforms in recent years, driven partly by its EU accession agenda, which has lately become more focussed. As part of its 2024–2027 Economic Reform Programme and under the Western Balkans Reform and Growth Facility, the government established a MTRS and working group in April 2024. This sets a target to raise tax revenues by approximately 2.5% of GDP, aiming for 27.7% by 2027. The entire process was significantly supported by IMF HQ. Complementing this, Albania is aligning its legislation with OECD-G20 Base Erosion and Profit Shifting (BEPS) standards, signed the OECD’s Multilateral Convention to Implement Tax Treaty–Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) in 2019, and joined the Inclusive Framework, and thereby removing itself from the EU’s non-cooperative tax list. IMF has provided extensive TP CD support since 2016, including on TPA, tax expenditures costing, property taxes, and tax policy design. Since 2016, the IMF has been delivering extensive CD support on tax administration reform (under SEE) and TADAT assessments. Parallel support has come via the World Bank and UNDP-UN Joint projects focusing on SDG-related policy and integrated financing frameworks.

Other significant contributors include the EU, through IPA III (2021–24) and Global Gateway, funding public finance and tax alignment as part of its €455 million package. DPs have also supported measures to tighten VAT exemptions—which now cost Albania about 5% of GDP and create a significant VAT compliance gap. The macro-fiscal environment has been buffeted by the COVID-19 pandemic which, despite some initial recovery, has resulted in an overall reduction in resilience to weather external shocks, such as the

economic impacts flowing from the invasion and continued war in Ukraine. Albania is also identifying some latent effects of the measures taken during the pandemic.

Albania has been pursuing – at various speeds and levels of commitment – an ambitious fiscal reform agenda as part of its (lengthy) EU accession process, with tax policy and domestic revenue mobilisation increasingly central to government priorities. Although the country has achieved progress in tax administration and digitalisation, its tax policy framework continues to face significant structural issues: a narrow base, high reliance on tax expenditures—particularly in VAT—and, although TPU capacity has been built through earlier CD, there is scope for further strengthening in the areas such as policy analysis and distributional assessment. These challenges have contributed to relatively low revenue yields compared to regional peers and underline the need for deeper reform.

SEE III marks the first time FAD tax policy CD is delivered through a regional based program, and is thus significant departure from previous delivery of TP CD, which was hitherto provided directly from IMF HQ. SEE III builds on the groundwork laid by IMF HQ and responding to priorities identified during the MTRS process and through key IMF–Country engagement (such as the Spring Meetings). IMF has highlighted ‘*remarkable process in capacity improvement at the MoF, including thanks to the IMF CD*’. Support under SEE III is now aligned with MoF’s demand for policy-oriented assistance, particularly in areas such as tax expenditure review, base-broadening measures, legal drafting, and equity analysis. This complements continued IMF (funded by EU and SECO) support on revenue administration and PFM, World Bank engagement on digital and PFM reforms, and SIDA-funded assistance on property tax administration.

SEE III ACTIVITIES

- TP Activity design and planning combined with VAT sectoral issues and MTRS finalisation (Nov 2023)
- Diagnosis of the capacity of the TPU (to undertake its core function of TP analysis) (Nov 2023)
- Microsimulation of income tax and VAT modelling: preparation of necessary data (Jan 2024)
- Microsimulation of income tax and VAT modelling: developing models and protocols (April 2024), including training, application of models and operating manual
- Property Tax: Review of revised draft Property Tax Law (Nov 2024), with report on legal, policy and administrative deficiencies and potential remedies
- Comprehensive VAT Tax Expenditures Assessment and VAT Modelling Capacity (Jan 2025), with *aide-memoire* of findings, and updated model using revised data. The main purpose was to identify for elimination or modification the inefficient preferential tax treatments.

OTHER IMF ACTIVITIES

- Regional Tax Policy Workshop (Sep 2024) – served as a platform for participants from SEE III countries to exchange experiences and lessons in the design and implementation of tax reforms, and in building tax policy analysis capacity.

PHASE II/PREVIOUS IMF/EU/SECO INTERVENTIONS

- IMF HQ provided bilateral TP activities prior to SEE III, covering core matters: TEA, MTRS and various TP reform proposals.
- SEE I and II proved CD on Revenue Administration
- A repeat TADAT assessment was undertaken in June 2022.

3. ASSESSMENT OF OBJECTIVES

| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
|--------------------------------------------|------------------------------------------------------------------|------------|------------|------------|------------|----------------|-----------|
| Objective 1 | Improve Tax Policy Design - TPD | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 2 | 3 | 2 | 3 | 2.6 | |
| Objective 2 | Strengthen Policy Monitoring, Evaluation, and Institutions - TPM | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 3 | 3 | 2 | 3 | 2.8 | |

ACTIVITIES COVERED UNDER OBJECTIVES

OBJ 1 – TPD: TPD Objective covers the design of tax policy, through reduction or elimination of unjustified or non-performing tax expenditures, aligning expenditures with wider economic and social policy goals, and enhancement of revenue through removal of distortions or combatting of externalities.

OBJ 2 – TPM: TPM Objective covers strengthening of policy monitoring, evaluation and institutions, through the formal structures of the TPU (staffing, organisation, skills, etc.), the use of tools and models to inform policy analysis and advice, and engaging with taxpayers and stakeholders,

| COHERENCE | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|--|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE |
| Rating | 3 | 3 | | | | 3.0 |
| <p>The two TP Objectives demonstrate strong coherence. The SEE III CD, whilst new within the SEE Program, builds on earlier FAD CD. In Albania, it builds on both existing IMF regional presence and activities, and external DP activities and Albania’s strategic commitments.</p> <p>Internal Coherence</p> <p>The program displays a good degree of internal consistency between:</p> <ul style="list-style-type: none"> ▪ The two strategic objectives: Improve Tax Policy Design (TPD) and Strengthen Policy Monitoring, Evaluation, and Institutions (TPM). ▪ There is logical sequencing between TPM and TPD: strengthening analytical capacity (TPM) is seen as a prerequisite for achieving improvements in policy design (TPD), and that the TPD element will be sub-optimal at best unless it is founded on a capacitated TPU. ▪ The delivery of CD and previous IMF engagements (including TADAT, revenue administration TA, and MTRS formulation). The links with SEE III RA could be explored to ensure a stronger contribution (based on the experience of GDT) to improved tax policy design. ▪ Important contributions have also been made to IMF Article IV reports. <p>External Coherence</p> <p>SEE III ALB TP CD are well-aligned with Albania’s broader reform and development agenda, including:</p> <ul style="list-style-type: none"> ▪ The EU accession process, which requires alignment with EU VAT and other tax directives and BEPS standards. ▪ The MTRS, which provides the national roadmap for domestic revenue mobilisation and underpins the relevance of SEE III support. ▪ Coordination with other development partners, particularly the EU (IPA III), SECO, World Bank, UNDP, and SIDA, all of which contribute to complementary reforms in tax, public finance management, and statistics. <p>SEE III support builds upon and complements these other initiatives rather than duplicating them. For example, the program helped inform the VAT policy reforms linked to fiscal consolidation and enhanced equity, which are supported by other donor-financed reforms.</p> <p>There is evidence of the CD activity design and delivery being driven by demand from MoF consistent with its reform agenda.</p> | | | | | | |
| EFFECTIVENESS | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE |
| Rating | 2 | 3 | | | | 2.5 |
| <p>It is challenging to determine the effectiveness of the CD, particularly for Objective TPD. This is not attributed to a failing in the CD, but rather to the current lack of evidence to demonstrate improved tax policy design. Indeed, the TPD Objective is contingent on the delivery of SEE III CD under Objective TPM. The capacity of the MoF will increase over time, consistent with the use and application of the model and expenditure tools. Through their use and application, policy options will be generated that, if accepted, legislated and implemented, will be the tangible evidence of improvements to tax policy design.</p> <p>SEE III CD activities to date have supported the achievement of TPM. The strengthened institutional capacity will subsequently feed into TPD. Some evidence (May 2025) suggest that this process has commenced, but, for now, it is not possible to reliably identify TPD outcomes that are attributable to the TPM CD. There a more than reasonable expectation that such outcomes will occur and be identified in time.</p> <p>IMF has pointed out that significant work has been done, including by January 2025 mission, to rigorously assess 70 TEs in VAT, PIT, and CIT, to identify ineffective/inefficient tax expenditures for elimination. This was a necessary condition to support the decision-makers with policy reforms (aiming at broadening the tax base). Evaluators have pointed out that it is too early to see outcomes of the January mission work, but the rating reflects anticipated outcomes.</p> | | | | | | |
| EFFICIENCY | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE |
| Rating | 3 | 3 | | | | 3.0 |
| <p>The SEE III program made efficient use of a regional-based advisor (LTX), supported by IMF HQ and short-term experts (STXs), to deliver coordinated and cost-effective CD support. Findings are:</p> <ul style="list-style-type: none"> ▪ The use of a resident LTX who was embedded in the region provided rapid and context-aware CD directly indirectly through inputs into design of TA delivered by HQ. | | | | | | |

- The LTX's role enabled continuity and relational depth, supporting better alignment with MoF needs and an enhanced partnership between SEE II and MoF.
- The design allowed adaptive delivery, ensuring outputs (e.g., VAT models, TEA) were produced timely and tailored to Albania requests and requirements.
- Complementary remote delivery and follow-up in-mission CD support helped sustain momentum.
- Direct cost comparisons with alternative modalities (e.g., exclusive HQ-based TA or RTAC models) are not readily available; however, although LTXs are an expensive resource, the regional delivery model clearly has leveraged both expertise and proximity to improve responsiveness and reduce overheads.
- Peer learning (via the 2024 Regional TP Conference) was a value-added of the regional model, improving cost-efficiency by enabling effective cross-country learning, and complementing the technical CD activities.

IMPACT

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 2 | 2 | | | | | 2.0 |

The long-term ambition of the SEE III tax policy component is to improve:

- Revenue mobilisation by reducing inefficient tax expenditures and broadening the base.
- Equity and fairness in the tax system through distributional analysis.
- Institutional capacity to undertake evidence-based tax policy design.

However, tax policy reform is a long-horizon process, especially in Albania where legislative cycles, turnover of high-level decision-makers, and external factors can strongly influence the pace and direction of reform.

While it is too early to definitively attribute impacts, some early indicators of impact exist:

- MoF is using models and tools introduced developed or enhanced with SEE III. These are institutionally embedded.
- There is evidence of institutional learning and importance of continued application within MoF.
- Albania's participation in the 2024 regional TP workshop has contributing to improved policy awareness and peer learning, with potential spillovers into national-level decisions, and the awareness that Albania perceives itself as good practice example for other SEE III countries.
- Adoption of MTRS as the formal strategic commitment for TP reforms.

Despite these, no reforms have yet passed through the full political-legislative cycle, and thus no large-scale policy shifts or fiscal outcomes can be directly attributed to SEE III but are reasonably expected in time.

SUSTAINABILITY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 3 | 3 | | | | | 3.0 |

- MoF has made clear gains in institutional capacity:
- Staff have been trained in VAT modelling and TE analysis.
- Ownership of models/tools has been encouraged, with manuals and protocols developed.
- Inter-agency cooperation (with GDT and statistics agencies) has increased.

However, sustainability of these gains is challenged by:

- Turnover in political leadership.
- Historic difficulties with staff retention, weakening the persistence of technical skills.

This creates a situation where CD gains may not fully persist or evolve without external reinforcement. These challenges are ameliorated to various extents by:

- Recent enhancement of staff remuneration in MoF.
- The stability of the government and of the Prime Minister as counterbalance to changes in ministerial office holders.
- The commitment of the Government of Albania (GoA) to the MTRS framework to drive fiscal reforms.
- The obligations flowing aligning with EU acquis as part of the accession process.

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

A distinguishing and defining feature of SEE III is the use of resident regional LTX. The establishment of an LTX post (for ALB and BiH) has generated various benefits:

- **Continuity and Relationship Building:** a stable institutional interface for senior tax policy officials, enabling sustained engagement with MoF, often supporting medium-term planning and reform prioritization beyond the confines of short missions.
- **Strategic Coherence and Cross-Country Learning:** LTX facilitated methodological consistency, such as replicating North Macedonia’s TEA framework in Albania (and RS (BiH)) and enabled GoA learning from regional peers.
- **Follow-Up and Integration:** key role in ensuring that the work of STX was institutionally anchored and strategically leveraged.
- **Efficient Use of Resources:** the regional model struck a good balance of cost-effective coverage, with delivery of customized support.

The Counterpart Surveys (for ALB) identified additional evidence regarding

- **Positive Perception of Support:** Respondents rated the technical quality of SEE III support as high; TA helped improve **strategic planning**; feedback praised the value of the LTX, described as responsive and regionally knowledgeable.
- **Challenges Noted:** Institutional absorptive capacity was limited due to staffing issues; Feedback called for greater **coordination among TA providers**; project-oriented TA delivery perceived as being desirable and more effective.

DRAFT

| EFFECTIVENESS (OUTCOMES) | | | | | | |
|--------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective 1: Improve Tax Policy Design -TPD | | | | | | |
| Outcome (TPD1) | 12/2026 | Improved distributional fairness across taxpayers due to amended tax rates or base | 2 - partially achieved | 05/2025 | 2 | The impact of VAT expenditures and VAT modelling, and PIT, cannot be seen unless and until political decisions and are made, legislation approved and subsequently implemented. This results in a distant horizon. Evidence exists of political willingness to achieve this outcome, using assessments and analysis for example, to inform the political choices. |
| Outcome (TPD2) | 12/2026 | Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures | 1 - not achieved | 2024 | 1 | As above |
| Outcome (TPD3) | 12/2026 | Increased/decreased revenue quantity | 2 - partially achieved | 2024 | 1 | As above, noting that increased revenue quantity cannot be evidenced for now, given the stage of implementation of the CD, and unless and until tax policy changes are made and implemented. The clear expectation is that that adoption of reforms would result in revenue increase. In light of EU alignment requirements, and reforms under MTRS, revenue increase will flow from TP decisions. |
| Objective 2: Strengthen Policy Monitoring, Evaluation, and Institutions - TPM | | | | | | |
| Outcome (TPM1) | 12/2026 | Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis. | 2 - partially achieved | 05/2025 | 3 | MoF capacity (through creation and use of TP tools) to improve TP has increased |
| Outcome (TPM2) | 12/2026 | Improved transparency and outreach | 2 - partially achieved | 05/2025 | 3 | MoF has multiple routes to achieve transparency and outreach (some as part of the parliamentary process) and engages meaningfully through these routes |

* Note that the outcomes are not numbered in the Program logframe. Numbers have been provided in this table for clarity.

The logframe as originally set out in the Program Document (pp 68-70) consisted of the following Objectives and Outcomes for Tax Policy in Albania:

| Tax Policy | | ALB |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Strategic Objective | Outcome | |
| Strengthening tax policies to enhance revenue mobilization, tax efficiency and reduce inequity | The tax base is broadened through TE streamlining | • |
| | The equity of the tax system is improved | • |
| | Labor tax wedge analysis is fully utilized and taken into consideration in the personal income tax reform analysis | • |
| | Environmental taxation reforms are analysed, including their distributional impact and possible impact on competitiveness. | • |
| | The impact of Pillar II reforms is analysed to identify and inform implementation of a strategic tax policy response | • |
| Improved institutions and human capacity for tax policy analysis | Improved organization of tax policy units in Conducting analysis as demonstrated by the regular production and publication of reports on tax policy analysis | • |
| | Improved institutional capacity for tax policy analysis, e.g., the use of simulation modelling, and other methodologies for tax policy analysis, e.g., labour tax wedge analysis, effective tax rate analysis. | • |
| | Improved capacity to analyse incidence of taxation/distributional impact of tax policy changes (including as a result of improved environmental taxation) | • |
| | Improved capacity to cost preferential tax treatments/tax expenditures and analyse their effectiveness (cost-benefit analysis) | • |
| | Improved revenue forecasting, including through better utilization of simulation models and other tax analysis tools. | • |

The logframe was adjusted in the first year of implementation. The FY24 Progress Report sets out the adjustments, consisting of:

- Revision of the Strategic Objectives (to align titles with IMF internal results measurement),
- Reorganisation of the Outcomes to better characterise the results expected from the planned activities (involving renaming and merging existing outcomes and adding a new outcome). This results in reduction of outcomes from 10 to 5.

The revised Log frame (for all countries, including Albania) consists of:

| Strategic Objective | Outcome |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Improve Tax Policy Design - TPD | Improved distributional fairness across taxpayers due to amended tax rates or base |
| | Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures |
| | Increased/decreased revenue quantity |
| Strengthen Policy Monitoring, Evaluation, and Institutions - TPM | Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis. |
| | Improved transparency and outreach |

The Strategic Objectives are referenced as TPD and TPM respectively. The strategic objective TXP has occasionally been used in place of TPD, in a way that it appears to be describing TPD.

The Program Document sets out baselines and target states for the proposed activities for Tax Policy in Albania (see Table 17, page 69 -70). These are not carried over directly into the FY2024 Progress Report revision of the logframe. Thus, any indicators have been drawn from the logframe annual scoring (2024 and 2025) which sets out narrative assessments of the progress made in the respective review period. Baselines are not specifically set out (though can in some cases be implied from the progress narrative or from the baselines for activities in Table 17; noting of course that these are related to the original objectives and outcomes, and therefore cannot be transferred directly or completely to the revised outcomes.).

The combined revised logframe is used to attribute both IMF periodic rating and the evaluation rating.

The May 2025 rating provided the following scoring on a single Objective and Outcome:

| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
|------------------------------------------------------------------------------|-------------|------------------------------------------------------------------------------------|----------------|---------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Project: Albania - FADT1 - Tax Policy | | | | | | |
| Objective 1: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome C-OUT-8540 | | Improved distributional fairness across taxpayers due to amended tax rates or base | 2 | May 2025 | 2 | A draft new Income Tax Law, developed with FAD support, went into effect from 1/1/2023, which shifts the tax burden to higher incomes. |

| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
|------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | <i>Evaluator: This assessment is attributed solely to the passage of the new Income Tax Law, effective Jan2023, at the start of the SEE III CD (and for which CD was delivered prior to SEE III).</i> |
| Indicator C-OBJ-26197 | | Laws implementing amendments aimed at reduced taxation of lower income households or increased taxation of upper income households are passed | 2 | May 2025 | 2 | IMF: A draft new Income Tax Law, developed with FAD support, went into effect from 1/1/2023, which shifts the tax burden to higher incomes; Baseline N/A, Target value 100, Status 100 (per May 2025 IMF Ratings). <i>Evaluator: As above</i> |
| ▪ Milestone C-OBJ-30688 | | Tax preferences (exemptions, low rates, etc.) benefiting mainly high-incomes are reduced | 2 | May 2025 | | IMF: The new Income Tax Law improved progressivity by strengthening the SME tax regime, but PIT rates and brackets were not changed significantly. <i>Evaluator: as above</i> |

It is noted that the logframe used by the SEE III workstream does not include outcome indicators or milestones linked to the CD programmed and undertaken by SEE III. This fails to reflect the focus of the CD (which is demand driven and focussed on TPU capacity, development of TP tools and subsequent use for VAT TEA) and also is unable to capture the various activities (including the demand driven review of the draft Property Tax Law).

| II. TP TOPICAL CASE STUDY: TAX EXPENDITURE ANALYSIS AND REPORTING | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|----------------|
| 1. KEY DATA AND OVERVIEW | | | | | | | |
| Workstream | Tax Policy (TP) | | | | | | |
| Topical area | Tax Expenditure Analysis and Reporting | | | | | | |
| Objectives assessed | ALB: Improved tax and non-tax revenue policy (SDG 17.1) – TXP BiH: Improved tax and non-tax revenue policy (SDG 17.1) – TXP MNE: Strengthen Policy Monitoring, Evaluation, and Institutions – TPM MKD: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Topical-level OECD DAC Evaluation ratings | | COH | EFT | EFY | IMP | SUS | AVERAGE |
| | | 3.0 | 2.8 | 2.5 | 2.3 | 2.8 | 2.7 |
| Summary of topical level objectives assessment | | | | | | | |
| <p>The tax expenditure analysis (TEA) [also referred to as assessment] activities across Albania, Republika Srpska (RS), Bosnia Herzegovina, Montenegro, and North Macedonia demonstrate variable but broadly positive progress. The strongest performance is evident in North Macedonia, where sustained institutional commitment, multiple CD missions, and EU-aligned reform frameworks have embedded TEA into fiscal governance processes. RS also showed significant achievement, notably in generating Tax Expenditure Analysis Report (TEAR) for VAT¹⁴ and building internal modelling capacity for Personal Income Tax (PIT) and Corporate Income Tax (CIT) that will enable future TEA and generate TEARs. Albania has been producing TEARs since 2018, and has with recent SEE III CD been making progress in TA assessments (supported by alignment with its 2024 MTRS and prior microsimulation work). Montenegro’s engagement remains not fully definitive and partially institutionalized.</p> <p>Effectiveness and impact are highest where TEA has been integrated with fiscal planning and budget documentation, backed by strong policy interest (MKD, RS). Coherence was most notable where TE support aligned with broader tax policy reforms and EU accession benchmarks. Efficiency was bolstered by continuity of expert support and integration of TE into related CD activities. Sustainability hinges on institutional anchoring, with MKD and RS showing the strongest prospects for self-sustained TEA practices. Countries with less structured (or yet to take place) follow-up (ALB, MNE) showed moderate or uncertain prospects for sustaining gains without further support. We understand from IMF that a follow-up on MNE happened in March-April 2025, and progress has been positive.</p> | | | | | | | |
| Key achievements | | | | | | | |
| <p>Largely achieved:</p> <ul style="list-style-type: none"> Albania produces detailed TEAR, costing and reporting on TEs for all major tax instruments. Further, the capacity is improved, and institutional framework is established for rigorous assessment of TEs. North Macedonia institutionalized TEA with annual updates, assigned responsibilities within the MoF, and integrated reporting into budget documentation. RS produced detailed TEAR for PIT and CIT; strengthened technical skills in simulation modelling; and coordinated with BiH-level institutions. <p>Partially achieved:</p> <ul style="list-style-type: none"> Montenegro initiated a TEA process linked to PIT reform. The country published its first TEA in 2024, and is updating it with IMF support for 2025.¹⁵ Albania undertaken a VAT TEA and engaged multiple agencies. | | | | | | | |
| What has been done well/has been successful | | | | | | | |
| <p>Effectiveness and impact are highest where TEA has been integrated with fiscal planning and budget documentation, backed by strong policy interest (MKD, RS). Coherence was most notable where TE support aligned with broader tax policy reforms and EU accession benchmarks. Efficiency was bolstered by continuity of expert support and integration of TE into related CD activities. Sustainability hinges on institutional anchoring, with ALB, MKD and RS showing the strongest prospects for self-sustained TEA practices. Countries with less structured (or yet to take place) follow-up (MNE) showed moderate or uncertain prospects for sustaining gains without further support. Follow-up support has been provided to MNE in March-April 2025.</p> <ul style="list-style-type: none"> Strategic alignment: TEA support was strongly linked to EU accession goals and MTRS processes in MKD, RS, and ALB. Capacity building: Hands-on modelling and benchmarking significantly improved technical competency within the TPUs. Technical delivery: Missions in structured tools that were adapted to local systems (e.g., VAT I-O simulation, benchmark matrix) and reflecting prioritised areas (e.g. VAT for ALB). Continuity and follow-up: Repeated missions and the reuse of experienced STX/LTX enhanced efficiency and learning outcomes. | | | | | | | |

¹⁴ The above information is based on mission reports. IMF has indicated that TEAR in RS was for CIT and PIT.

¹⁵ EU assessment April 2025 was that TE had been done by MoF but no TE proposals had been taken forward.

- **Internal ownership:** counterparts demonstrated growing self-reliance and internal coordination between tax and budget units.

Areas for potential improvements

- **Follow-through and institutionalization:** Albania and Montenegro require structured follow-up to transition from initial engagement to regular (and more comprehensive) TE reporting. IMF has indicated that it believes MNE is well on track based on March-April 2025 mission (an earlier (dated April 2025) EU assessment was that TE had been done by MoF, but no TE proposals had been taken forward).
- **Donor coherence:** Coordination with EU and World Bank programs could be enhanced to embed TEA in wider PFM reform and EU acquis requirements.
- **Strategic pacing:** CD delivery could be optimised in terms of timing with better account for staff capacity and administrative cycles (e.g., budget preparation season).
- **Documentation and dissemination:** TEAR publication remains limited; open sharing (voluntary or as a regulatory requirement) would support transparency and peer learning.

Lessons and recommendations

TEA Provided a Low-Risk Entry Point but Needs Institutional Anchoring:

- TEA was a highly effective technical entry point. It allowed engagement in politically sensitive contexts by focusing on transparency and measurement rather than immediate reform. However, without strong institutional ownership—such as integration into the annual budget cycle or reporting mandates—TEA risks remaining a one-off product
- **Recommendation:** Embedding TEA in PFM frameworks is necessary for sustainability.

MTRS Processes Offer a Strategic Vehicle for Alignment:

- The existence of an MTRS enabled tax policy reforms to be aligned with administration, legal, and PFM reform (MKD, ALB)
- **Recommendation:** Anchoring TP CD within the broader MTRS framework, where available, to enhance prioritization, sequencing, and government buy-in.

Regional LTX Model Brings Strategic Continuity but Has Coverage Limits:

- The presence of a regional LTX improved consistency of engagement and allowed for continuity of dialogue across missions and countries.
- **Lesson:** The regional LTX model is cost-effective and builds institutional memory, but it depends on clearly scoped responsibilities and adequate resourcing to avoid overextension or uneven engagement.

Administrative Data Readiness Shapes Feasibility:

- Countries with earlier investments in revenue administration (e.g., e-filing, risk registers, VAT audit flags) were better able to generate TE estimates and conduct policy simulations.
- **Lesson:** Revenue administration reforms are also critical enablers of tax policy reform and analysis.

2. BACKGROUND AND CONTEXT

CONTEXT

TEA has emerged as a priority area for CD in Southeast Europe due to its relevance for fiscal transparency, improved PFM, and EU accession alignment. Across the Western Balkans, including Albania, Montenegro, North Macedonia, and Republika Srpska (RS), governments are increasingly required to estimate and disclose revenue forgone through tax policy provisions such as exemptions, deductions, reduced rates, and tax credits. These disclosures help inform fiscal risk assessments, tax policy evaluation, and distributional analysis—key components of sound revenue policy and sustainable public finance.

The European Commission and SECO (along with others) have emphasized the need for regular, credible tax expenditure reporting as part of budget documentation reforms. The EU’s *acquis communautaire*—particularly Chapter 16 on Taxation and Chapter 32 on Financial Control—further underscores the need for transparency on tax incentives and their fiscal impact. Within the IMF-supported Revenue Administration and Public Financial Management CD activities, tax expenditure analysis has become increasingly central to both tax policy modernization and evidence-based fiscal planning.

The SEE III Program has supported TEA by embedding it within the tax policy (TPD) and tax performance monitoring (TPM) workstreams. This support responds to country-specific priorities, especially those articulated in national MTRSs. and EU progress reports. The inclusion of TEA reflects a maturing of tax policy work in the region, moving beyond administrative reforms to deeper analytical capabilities. Countries and jurisdictions like North Macedonia and Republika Srpska (BiH) have already incorporated TEA into their budget planning cycles. Others, such as Albania and Montenegro, are in earlier stages but have demonstrated commitment through skills and knowledge development missions and alignment with national reform strategies.

Overall, TEA provides a critical diagnostic lens on the efficiency, equity, and transparency of tax systems, especially as countries in the region transition from recovery-phase budgeting to longer-term fiscal consolidation and EU convergence. By building TEA capacity and embedding reporting practices, SEE III supports counterparts in strengthening accountability, improving policy evaluation, and enhancing the credibility of fiscal frameworks.

| RELATED WORKSHOPS/CoP | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|---------|---------|---------|-----------|
| The SEE III organised one workshop for the six SEE countries in September 2024, held in Vienna - Tax Policy and Tax Analysis in the Western Balkans: Progress and Possibilities - enabled peer-to-peer engagement, knowledge sharing and increased awareness of the context of tax policy. Tax expenditures were covered as a specific session within the workshop. Country presentations were made by RS (BiH) and MKD. | | | | | | | |
| OTHER IMF ACTIVITIES IN TOPICAL AREA | | | | | | | |
| <ul style="list-style-type: none"> Article IV reports for ALB, MNE and MKD recommend policy measures to reduce tax expenditures and limited exemptions and reduced rates. | | | | | | | |
| OTHER DONOR ACTIVITIES IN TOPICAL AREA IN COUNTRIES COVERED | | | | | | | |
| <ul style="list-style-type: none"> WB's Public Finance Review (PFR) and Public Expenditure Review (PER) frameworks, recommend use of TEA (in MKD, MNE and RS (BiH)). | | | | | | | |
| 3. ASSESSMENT OF OBJECTIVES | | | | | | | |
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
| Rated in this section | | | | | | | |
| Objective ALB | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 2 | 2 | 2 | 2 | 2.2 | |
| Objective BiH | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 3 | 2 | 2 | 3 | 2.6 | |
| Objective MNE | Strengthen Policy Monitoring, Evaluation, and Institutions – TPM | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 3 | 3 | 2 | 3 | 2.8 | |
| Objective MKD | Improved tax and non-tax revenue policy (SDG 17.1) – TXP | | | | | | |
| Rating | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3 | 3 | 3 | 3 | 3 | 3.0 | |
| ACTIVITIES COVERED UNDER OBJECTIVES | | | | | | | |
| ALB: | Capacity building to undertake VAT tax expenditure analysis (January 2025), no TAR | | | | | | |
| BiH (RS): | TE identification, initial analysis of PIT/CIT/VAT, and planning (Mar 2023) TE analysis undertaken (Sep 2023), leading to VAT TEAR (Nov 2023) | | | | | | |
| MNE: | Workplan for TEA capacity building, with TEAR (Mar 2024) Conduct of TEA (May 2024), no TEAR | | | | | | |
| MKD: | Capacity building for TEA (May 2023), with TEAR (Oct 2023) Capacity building for TEA (Nov-Dec 2023), with updated TEAR (Mar 2024) and TEAR Follow-Up (Mar 2024) on Costing, Data Sharing and Evaluation Principles | | | | | | |
| TAR = Technical Assistance Report, TEAR = Tax Expenditures Assessment Report | | | | | | | |
| COHERENCE | | | | | | | |
| Objective | OBJ ALB | OBJ BiH/RS | OBJ MNE | OBJ MKD | AVERAGE | | |
| Rating | 3 | 3 | 3 | 3 | 3.0 | | |
| This criterion evaluates the alignment of TE support with national strategies, IMF objectives, and other donor programs. | | | | | | | |
| <p>Albania: The TE support was coherent with internal IMF goals, such as promoting fiscal transparency. However, it was not clearly expressly integrated with Albania’s broader fiscal or PFM reform strategies or with donor programs from the EU and World Bank. The MTRS since approved and published makes explicit reference to TEA and IMF support. Eu accession (and alignment requirements on budgeting documentation) will formalise as a factor to support</p> <p>Republika Srpska (BiH): Coherence is moderate to high. The TE work was part of a sustained TA initiative that linked PIT, CIT, and VAT TE modelling. Coordination between RS MoF and the Indirect Tax Authority (ITA) was evident in the September 2023 mission, which quantified VAT TEs at the BiH level and assessed the distributional effects of VAT exemptions. While donor alignment could be further developed, the TA showed strong internal coherence across tax domains and institutions.</p> | | | | | | | |

Montenegro: Moderately coherent. The IMF TE support was technically aligned with PIT reform but did not fully integrate with Montenegro’s PFM or EU accession benchmarks. Some initial contacts with World Bank staff were noted but not formalized. The intervention lacked a clearly defined strategy to embed TE analysis into institutional processes.

North Macedonia: Highly coherent. The TE support built upon earlier IMF missions, aligned with the EU-supported PFM reform strategy, and reinforced fiscal transparency measures. The initiative also encouraged interdepartmental collaboration within the MoF and supported reporting practices consistent with EU Chapter 16 (Taxation).

EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES)

| Objective | OBJ ALB | OBJ BiH/RS | OBJ MNE | OBJ MKD | | AVERAGE |
|-----------|---------|------------|---------|---------|--|---------|
| Rating | 2 | 3 | 3 | 3 | | 2.8 |

Albania: The effectiveness was not visible at the time of evaluation, at least in terms of no published TEAR. A single STX-led mission in early 2025 introduced concepts and tools for undertaking VAT TEA (building on earlier CD on microsimulation and VAT modelling). Consequent to that, the TEA findings have been fed into draft policy options for consideration at a ministerial level (their sensitivity prevents a quantitative or qualitative assessment at this time). There was evidence of wide and inter-agency involvement in earlier processes. MoF expressed confidence and institutionalising the process (within the budget framework and responding to EU accession requirements).

Republika Srpska (BiH): Moderate to high effectiveness. In March 2023, the RS authorities received hands-on assistance in defining benchmark systems for PIT and CIT and produced a draft TEAR. By September 2023, this was expanded to include VAT TE analysis using input-output tables. The team worked collaboratively with RS MoF officials and ITA staff. Preliminary estimates were developed, and RS officials gained experience in using a VAT simulation model to analyse forgone revenue and assess the distributional impact of exemptions. Institutional familiarity with TE tools and analysis methods improved significantly.

Montenegro: Moderate to high effectiveness. The March and May 2024 missions introduced TE concepts and laid the foundation for a reporting framework. The March 2024 mission did a TEAR and, with further support in May 2024, the first TEAR was published in 2024 together with the Fiscal Strategy.

North Macedonia: High. TE estimates were produced, staff were trained, and the TE reporting process was institutionalized. A follow-up mission confirmed that TE data was being integrated into fiscal planning and budget documents. Institutional roles for TE analysis were assigned within the MoF, including the Tax Policy and Budget departments.

EFFICIENCY

| Objective | OBJ ALB | OBJ BiH/RS | OBJ MNE | OBJ MKD | | AVERAGE |
|-----------|---------|------------|---------|---------|--|---------|
| Rating | 2 | 2 | 3 | 3 | | 2.5 |

Albania: The mission was completed as planned (and benefitting from the continuity of FAD expert from earlier planning and microsimulation CD). The timing of the approval of the MTRS inhibited its formal use as a foundational premise for the exercise.

Republika Srpska (BiH): Moderate efficiency. The missions made efficient use of staff time, integrating multiple taxes into a cross-cutting TE framework. The September 2023 VAT TE modelling effort used a structured and participatory approach with RS MoF staff and ITA experts. Although the results have yet to be published, the TA’s technical depth and delivery model yielded lasting tools for future use.

Montenegro: Moderately efficient. Combining TE with PIT reform created synergies and optimized resource use. IMF has indicated that it followed up regularly with the MNE team in the intense phase leading up to the publication of the Fiscal Strategy.

North Macedonia: Highly efficient. Repeated missions with complementary STX and regionally experienced advisors allowed consistent follow-through. Methodologies were reused and refined. Stakeholders across the MoF were engaged, and the timing aligned well with the country’s fiscal and EU reform milestones.

| IMPACT | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------|---------|---------|--|--|---------|
| Objective | OBJ ALB | OBJ BiH/RS | OBJ MNE | OBJ MKD | | | AVERAGE |
| Rating | 2 | 2 | 2 | 3 | | | 2.3 |
| <p>Albania: Emerging, with prospects for strengthening. Although no current TE publications or formal integration into fiscal planning processes were observed, there were clear indications of institutional capacity growth and understanding of the usefulness of the tool, including its presentation and neutral provision of robust information, to inform decision by those with responsibility for tax policy. There is awareness that EU accession requirements will frame formal requirements for TEAR. There was commitment to continued usage, and confidence in being able to undertake future iterations or updates. Given the MTRS Although awareness may have increased, institutional change is not evident.</p> <p>Republika Srpska (BiH): Emerging. RS has taken concrete steps toward institutionalizing TE analysis. TEARs were prepared for PIT, CIT, and VAT. TE modelling capacity has improved. While full publication and legal anchoring are still pending, the groundwork laid in 2023 demonstrates substantial potential for long-term transformation.</p> <p>Montenegro: Moderate to good potential. Initial outputs and MoF engagement indicate interest in sustaining TE work. IMF has indicated that there is strong interest from the authorities: the TEAR was published, so was the Fiscal Strategy.</p> <p>North Macedonia: High. TE estimates are now included in budget documents, and institutional responsibility for TE reporting is assigned. This supports long-term fiscal transparency, policy evaluation, and alignment with EU reform objectives.</p> | | | | | | | |
| SUSTAINABILITY | | | | | | | |
| Objective | OBJ ALB | OBJ BiH/RS | OBJ MNE | OBJ MKD | | | AVERAGE |
| Rating | 2 | 3 | 3 | 3 | | | 2.8 |
| <p>Albania: Moderate potential for sustainability. Although no TEAR has yet been published, the work aligns with Albania’s MTRS (approved in 2024), which explicitly identifies TE analysis as a strategic reform objective. The Ministry of Finance expressed confidence in continuing TE analysis without heavy reliance on external support. Institutional memory exists due to continuity in CD delivery (same expert as earlier microsimulation TA), and there is a clear driver in the form of EU fiscal reporting requirements. However, sustainability depends on follow-through to embed TEA in budget documentation and capacity retention within the MoF technical units. MoF TPU has 18 staff (15 female), with leadership provided by experienced long-standing members of the administration, but supported many early career professionals. Continuation of a broad group of CD recipients is likely to bring about sustainability in TEA capacity.</p> <p>Republika Srpska (BiH): High likelihood of sustainability. RS has demonstrated significant internal ownership of the TEA process. TEARs have been drafted for PIT, CIT, and VAT. RS officials have been trained in benchmark design, simulation modelling, and forgone revenue estimation, with materials adapted for their use. The September 2023 mission involved both RS and BiH-level coordination, suggesting broader institutional uptake. The work was structured in such a way that RS authorities can update and expand their TE work independently. Ongoing EU accession reforms and structured tax policy development are likely to support institutionalisation.</p> <p>Montenegro: Reasonable sustainability. Initial missions laid important groundwork for TE analysis and proposed integration with PIT reform. IMF has indicated the TEAR was published and follow up engagements in 2025 have ensured that the MoF team will be well placed to produce new TEARs on a regular basis, as is envisaged for 2025 and thereafter.</p> <p>North Macedonia: High sustainability. TEA is now a regular element of North Macedonia’s PFM processes, with annual updates incorporated into budget documentation. Institutional roles have been assigned, and technical staff are familiar with TE tools. The March 2024 mission focused on refining evaluation principles, costing, and data sharing—further embedding the practice within fiscal institutions. The country’s strong EU integration trajectory provides an external anchor to sustain the reform.</p> | | | | | | | |

STRATEGY AND OPERATIONS MANAGEMENT (NOT TO BE RATED)

The TEAs benefitted from the regionally located LTXs:

- **Continuity and Follow-Up:** In North Macedonia, sustained engagement by an experienced regional advisor—functioning in a quasi-LTX role—ensured that TEA efforts were continuously adapted, reinforced, and advanced. This resulted in tangible institutional outcomes: regular TE estimation, public reporting, and integration into the budget cycle.
- **Cross-Country Learning:** The use of a single advisor across multiple SEE III countries promoted sharing of good practices and allowed for the replication of working templates (e.g., the North Macedonia methodology was adapted for use in Albania).
- **Coherence and Strategic Alignment:** Regional LTXs were well placed to embed TE work within broader fiscal reform agendas (e.g., MTRS, EU accession benchmarks), particularly where repeat missions allowed advisors to work across departments and reforms.

LTXs added strong value where mission planning and institutional readiness were aligned (notably in North Macedonia). Their regional scope enhanced consistency, knowledge transfer, and policy coherence.

Survey responses confirmed the observations:

- LTXs are highly valued (with variations).
- Technical quality of IMF TA is well-regarded in all four countries.
- The main challenge is converting TEA from a technical product into a policy-relevant and strategically integrated tool.
- Institutional capacity, constraints and coordination remain key obstacles.

DRAFT

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|----------------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Objective ALB: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome | | Improved distributional fairness across taxpayers due to amended tax rates or base | 2 | May 2025 | 2 | Tax Expenditure Assessment (for VAT) undertaken in January 2025. MoF indicating willingness to undertake future TEA and produce TEARS |
| Outcome Indicator | | N/A | -- | -- | | |
| ▪ Milestone | | N/A | -- | -- | | |
| Objective BiH: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome C-OUT-12181 | | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | 2 | May 2025 | 3 | Capacity to conduct PIT and CIT policy analysis at the Fiscal Analysis Unit of the Republika Srpska has improved. A VAT TEAR has been prepared |
| Outcome Indicator C-OBJ-35960 | | Models or tools developed or improved | 2 | May 2025 | 3 | Data for PIT and CIT modeled processed; initial model designed in the RS. Robust/comprehensive PIT model, developed. Additionally, the IMF tax and benefit simulation model (TaxFit) piloted. |
| ▪ Milestone CIT 35961 | | Microsimulation model for CIT is in use by the Tax Policy Unit for tax expenditures estimates | 2 | May 2025 | Progress on modelling is moderate, with different scales according to the particular tax: with VAT proving to be most challenging – reflecting its greater complexity and data issues). | |
| ▪ Milestone PIT 37594 | | Microsimulation model for PIT is in use by the Tax Policy Unit for tax expenditures estimates | 3 | May 2025 | | |
| ▪ Milestone VAT 37595 | | Input-output matrix-based VAT model is in use by the Tax Policy Unit for tax expenditures estimates | 2 | May 2025 | | |
| Objective MNE: Strengthen Policy Monitoring, Evaluation, and Institutions - TPM | | | | | | |
| Outcome C-OUT-17648 | | Improved transparency and outreach | 2 | May 2025 | 3 | The authorities received FAD CD support on tax expenditure in April 2024, and this has resulted in the development and publication of a TEAR |
| Outcome Indicator C-OBJ-49399 | | Tax expenditures are published | 2 | May 2025 | 3 | The authorities received FAD CD support on tax expenditure in March 2025, which has enabled MoF to |

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS) | | | | | | |
|--------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| | | | | | | improve and publish TEAR on a regular basis. |
| ▪ Milestone | | N/A | -- | -- | | |
| Objective MKD: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome C-OUT-10084 | | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | 3 | May 2025 | 3 | <p>Baseline: The capacity of the tax policy unit (TPU) to produce credible analysis of tax policy options is constrained by insufficient staffing levels, equipment constrains, and scarce training opportunities. Both the human and institutional capacity need to be strengthened. TPU staff needs to be trained in modern fiscal analysis techniques and equipped with the necessary tools to conduct in-depth analysis for informed decision-making.</p> <p>FY24: A new member of staff with IT skills joined the TPU in late 2023. The staff also received training in running and updating tax policy models (CIT, PIT and VAT), but capacity remains constrained and further on-the-job training is needed. The tax expenditures assessment report drafted by FAD was used as part of the Fiscal Strategy 2025-2029. The report is to be updated by the TPU and submitted to the Parliament as part of the Annual Budget Report (Organic Budget Law of 2022).</p> |
| Outcome Indicator C-OUT-31242 | | Policy analysis/advice/monitoring work produced by tax policy and analysis unit | 3 | May 2025 | 3 | PIT model developed; training on the use in tax policy analysis provided. First draft report of tax expenditures provided. Its update to 2022 data to be carried out by authorities. |
| ▪ Milestone 46279 | | Skills in conducting TE costing and reporting | 3 | May 2025 | | |

| III. TP DESKTOP REVIEW: RS (BiH) - PIT | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|----------------|------------------|
| 1. KEY DATA | | | | | | | |
| Workstream | Tax Policy (TP) | | | | | | |
| Project assessed | BIH22TXP1: Personal Income Tax, Republika Srpska, Bosnia Herzegovina | | | | | | |
| Objectives assessed | Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Project-level OECD DAC Evaluation ratings | COH | EFT | EFY | IMP | SUS | AVERAGE | |
| | 3.0 | 2.0 | 3.0 | 2.0 | 2.0 | 2.4 | |
| 2. MAIN FINDINGS | | | | | | | |
| What has been done well/has been successful | | | | | | | |
| <ul style="list-style-type: none"> The Personal Income Tax (PIT) technical assistance was highly relevant to Republika Srpska's fiscal and policy context. The intervention addressed core structural weaknesses in the entity's revenue mix. The logical sequencing of Tax Policy Unit (TPU) capacity, identification of Tax Expenditures (TE) and measurement of their distortionary impact on fair distribution in the PIT system, and the timely delivery, and demonstrable success factors. | | | | | | | |
| Areas for potential improvements | | | | | | | |
| <ul style="list-style-type: none"> The engagement with RS to ensure political acceptance and ownership of the drafted legislation to give effect to policy changes is a key focus area, noting the remote drafting of the amendments. Liaison with RA progress the administrative changes that are appropriate and necessary to support the implementation of the policy changes has not been a significant feature of the policy activities. | | | | | | | |
| Lessons and recommendations | | | | | | | |
| <ul style="list-style-type: none"> Engage directly with RA to identify collaborative support to the tax authority that would progress the administrative changes that are appropriate and necessary to support the implementation of the policy changes. | | | | | | | |
| 3. ACTIVITY OVERVIEW | | | | | | | |
| CD in relation to PIT in RS has been undertaken in three parts: | | | | | | | |
| <ul style="list-style-type: none"> Support to TPU to undertake an analysis of PIT tax expenditures (in-country mission Mar 2024), resulting in an aide-memoire of microsimulation of PIT TEs, Analysis and recommendations for reform of PIT and Social Security Contributions (SSC) (in-country mission Sep 2024), resulting in TAR Dec 2024, and Drafting of amendments to PIT law (remotely conducted Dec 2024/Jan 2025). | | | | | | | |
| RELATED TRAINING/WORKSHOP(S)/CoP | | | | | | | |
| <ul style="list-style-type: none"> Regional Tax Policy workshop (September 2024): served as a platform for participants from SEE III countries to exchange experiences and lessons in the design and implementation of tax reforms, and in building tax policy analysis capacity. | | | | | | | |
| 4. ASSESSMENT OF OBJECTIVES | | | | | | | |
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING |
| PROJECT: Bosnia and Herzegovina - FADT1 - Tax Policy | | | | | | | |
| Objective 1 | Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | AVERAGE | |
| | 3 | 2 | 3 | 2 | 2 | 2.4 | |
| Objective 2 | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | AVERAGE | |
| | 3 | 2 | 3 | 2 | 2 | 2.4 | |
| COHERENCE | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE | |
| Rating | 3 | 3 | | | | 3.0 | |
| The PIT Project in RS aligns well with the Strategic Objectives of the TP workstream. | | | | | | | |
| One of the key activities included under SEE III is the support for a comprehensive review and quantification of TEs, with a view to institutionalize their periodic reporting and where feasible and necessary, rationalize their scope. This project leverages the achievements of previous activities: | | | | | | | |

- PIT is recognised as critical component of RS’s tax base and, with SSC, constitutes around 41% of overall tax revenues. The project addresses longstanding weaknesses in RS’s PIT and SIC system—highlighting the narrow PIT base (2.2% of GDP vs. 14.5% for SICs) and the inequitable treatment of similar income types. The system’s fragmentation and use of special regimes (e.g., for IT professionals) reduces revenue, distributes treatments inconsistently and without regard to overall fairness of the PIT system. PIT TEs (for 2021) were identified to be 1.5 the amount of revenue collected. Removing or reducing TEs clearly could bring about positive impacts on both quantity of revenue and overall fairness of the PIT system.
- The March mission clarified institutional baselines and data capacity needs, facilitating coherent sequencing. Nonetheless, inter-entity coherence with the Federation of BiH remains underdeveloped, even as legal coherence within RS has improved. The logical alignment from analytical diagnosis to legal action reinforces internal coherence.
- The motivations for the CD did not make express reference to external factors and actors (such as BiH’s aspirations for EU accession, the Fiscal Council (though operating sub-optimally) and the WB support on PFM including budgeting) and the lack of an MTRS or equivalent to guide revenue strategy (as observed by IMF Art. IV 2023-24).

EFFECTIVENESS

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 2 | 2 | | | | | 2.0 |

The TA has been effective in achieving its immediate objectives:

- A set of clear and implementable reform recommendations were developed (e.g. unifying dividend income treatment, tightening rules on mixed income, proposing alternative rate structures).
- A microsimulation tool based on local administrative and survey data was used to estimate the distributional and fiscal effects of reforms. This allowed both technical staff and decision-makers to visualize revenue gains and incidence shifts.
- The December 2024 briefing note confirmed that legal drafting would be undertaken, based directly on September 2024 outputs.

However, effectiveness in terms of final results is still pending:

- There is no formal results framework to assess whether the reforms will meet long-term goals (e.g. improved equity, compliance, or tax buoyancy).
- While simulations anticipated a positive revenue and progressivity impact, these assumptions are not yet being validated through real-time indicators or monitoring.
- Although cross-agency understandings have been initially addressed, administrative enforcement mechanisms, which are crucial for full realization of outcomes, will require to be fully developed—especially in identifying disguised employment and enforcing dividend declarations.

Conclusion: Immediate deliverables (outputs) were successfully achieved. Final effectiveness depends on implementation, monitoring, and enforcement measures. In particular, political buy-in to the drafted legislation will need to be secured.

The evaluation scoring matches the FAD RBM assigned ratings, and reflects a realistic appraisal of the progress made and the steps taken to reform policy.

EFFICIENCY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 3 | 3 | | | | | 3.0 |

The sequencing and delivery of TA were cost-effective and time-sensitive:

- The three-mission structure (March → September → December) – enabled and supported by the LTX - avoided overlap and created a pipeline of progressive outputs.
- March laid groundwork (scoping and simulations), September translated findings into policy design, and December facilitated legal translation of these into draft texts.
- The December 2024 mission was delivered remotely, minimizing cost while maintaining continuity with RS authorities. This reflects strong responsiveness and use of modern TA delivery models.
- Use of existing data sources (including administrative records and prior IMF data) reduced duplication and built institutional capacity among local staff.

That said, risks to future efficiency remain:

- The TA does not fully resolve how the reforms will be implemented or administered. RS institutions may face administrative bottlenecks in adjusting tax return forms, IT systems, audit protocols, and public communication strategies.
- Without a dedicated implementation support plan, future efficiency in execution may falter. This is an opportunity for coordination with the RA workstream.

The coordination with the LTX and the undertaking of simultaneous work on Property Taxation provided clear efficiencies in terms of time and cost, and provided value add across the TP activities.

Conclusion: The TA was efficiently designed and executed, but sustained efficiency will require institutional support to embed reforms and carry out compliance measures.

| IMPACT | | | | | | |
|-----------|-------|-------|--|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE |
| Rating | 2 | 2 | | | | 2.0 |

The intervention is expected to generate meaningful long-term impact, though this is not yet measurable due to the early stage of implementation. The PIT reform aims to rebalance RS’s tax structure toward greater equity, simplicity, and sustainability.

Expected systemic impacts include:

- Improved vertical and horizontal equity by eliminating income-type arbitrage and addressing preferential treatment for dividends and self-employment income.
- Redistribution effects: Simulations conducted during the September 2024 mission indicated that reform packages could increase tax liability on higher-income individuals while maintaining or reducing burden on lower-income deciles.
- Better alignment of taxation with ability to pay, leading to enhanced public trust and voluntary compliance over time.
- Greater fiscal resilience and diversification of revenues, particularly if SSC pressure is reduced and PIT becomes a more robust instrument.
- Gender-sensitive impact: Reforms affecting survivor pension rules and second-income earners may positively affect female labour force participation and intra-household equity.

However, impact is currently hypothetical. Realization depends on the adoption and implementation of draft laws, effective communication with taxpayers, and concurrent benefit-side reforms.

Conclusion: The TA lays the foundation for strong future impact in tax equity and fiscal sustainability, but actual impact is conditional and requires follow-through in legislation, enforcement, and broader public finance reform. Currently, it is too early to draw a firm conclusion.

| SUSTAINABILITY | | | | | | |
|----------------|-------|-------|--|--|--|---------|
| Objective | OBJ 1 | OBJ 2 | | | | AVERAGE |
| Rating | 2 | 2 | | | | 2.0 |

Sustainability depends on several interlinked factors.

First, the legal drafting underway in December 2024 will require institutional ownership, which is a precondition for sustainability.

The reforms are designed to correct structural flaws in RS’s tax system, such as:

- Overuse of regressive SSCs,
- Narrowness of the PIT base,
- Weak horizontal equity in treatment of dividends and capital income.

Second, if implemented, these changes will rebalance the tax system and improve long-term fiscal resilience. By being legislated the policy changes should be sustained in the longer-term.

However, sustainability risks remain substantial:

- PIT reforms are not accompanied by social benefit reforms, such as changes to pension formulas, eligibility criteria, or SSC benefit linkages.
- The Tax Administration’s enforcement capacity remains unaddressed—meaning compliance, especially from high-income groups or self-employed professionals, may not materialize.
- RS still lacks a system for tracking and reporting PIT performance and taxpayer composition, which makes it difficult to institutionalize the reform’s benefits.

Conclusion: Reforms have the potential to be sustained, but only if supported by broader systemic changes in benefits, enforcement, and monitoring systems.

STRATEGIC OPERATIONS AND MANAGEMENT (not scored)

- The activity was delivered through a short-term expert under regional coordination. While the expert engagement was technically strong, the lack of follow-on coordination mechanism limited sustained operational traction.
- There was no evidence of an overarching workplan or results framework to guide implementation beyond the mission period. Communication channels existed but were not institutionalised or supported by structured monitoring or reporting practices.
- Strategic links to wider reform efforts (e.g. EU IPA, World Bank fiscal reform support) could have been clearly articulated and support synchronisation with wider reforms.
- Internal follow-up within the MoF appeared limited, with no evidence of an interdepartmental mechanism to review, endorse, or implement the recommendations.

DRAFT

| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS): | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project: Personal Income Tax, Republika Srpska | | | | | | |
| Objective 1: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome C-OUT-10138 | | Improved distributional fairness across taxpayers due to amended tax rates or base | 2 | May 2025 | 2 | The indicator target value is unclear. |
| Indicator C-OBJ-35950 | | Laws implementing amendments aimed at reduced taxation of lower income households or increased taxation of upper income households are passed | 25% | May 2025 | 2 | Legislation to give effect to recommended PIT amendments (in the form of a revised PIT Law) is in process of being drafted (by SEE III, 2025) |
| ▪ Milestone 37593 | | TPU utilizes PIT micro-simulation model in distributional impact analysis | 3 | May 2025 | The evidence justifies the RBM rating | |
| ▪ Milestone 37591 | | Labor tax wedge analysis methodology is fully utilized by the TPU staff | 2 | May 2025 | | |
| ▪ Milestone 35962 | | Analysis of revenue and equity effects of personal income tax and social security contribution reform completed | 3 | May 2025 | | |
| Objective 2: Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | | | | | | |
| Outcome C-12181 | | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | 2 | May 2025 | 2 | Structures are in place and initial steps taken to develop and use PIT microsimulation model, using existing data. |
| Indicator C-OBJ-35960 | | Models or tools developed or improved | 60% | May 2025 | 2 | Initial uptake and application of microsimulation model. |
| ▪ Milestone 35961 | | Microsimulation model for PIT is in use by the Tax Policy Unit for tax expenditures estimates | 2 | May 2025 | The evidence justifies the RBM rating | |

Note: The Objectives and Outcomes applied to this project are those under the original logframe. They have not been adjusted to reflect the revised logframe, as set out in the FY2024 Progress Report (see pages 68-70).

| IV. TP DESKTOP REVIEW: UVK – TP DESIGN | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----|-----|-----|------|---------|
| 1. KEY DATA | | | | | | |
| Workstream | Tax Policy (TP) | | | | | |
| Project assessed | Kosovo, Republic of-FADT1-Tax Policy-TXP-FY23-1 | | | | | |
| Objectives assessed | Improve Tax Policy Design – TPD Strengthen Policy Monitoring, Evaluation, and Institutions – TPM | | | | | |
| Project-level OECD DAC Evaluation ratings | COH | EFT | EFY | IMP | 3SUS | AVERAGE |
| | 2 | 1.5 | 2 | 1 | 1 | 1.5 |
| 2. MAIN FINDINGS | | | | | | |
| What has been done well/has been successful | | | | | | |
| <ul style="list-style-type: none"> The design of the project anticipates a sound understanding of the status of Kosovo’s TP reforms and future reform needs. Maintaining communication (through the LTX) with Ministry of Finance, Labour and Transfers (MFLT) for assessing potential future engagement has been achieved. | | | | | | |
| Areas for potential improvements | | | | | | |
| <ul style="list-style-type: none"> More granular documentation of project management, involving both administrative cooperation and political ownership/direction. Use of the RBM framework should be reviewed, to ensure consistent approach to TPD and TPM outcomes, that clearly differentiates between the foundational institutional capacity building (TPM) and the subsequent development of tax of policy, based on institutional capacity and use of tools. | | | | | | |
| Lessons and recommendations | | | | | | |
| <p>The following are offered as suite of potential recommendations for consideration and, if assessed to be workable and appropriate with MFLT, to be implemented.</p> <ol style="list-style-type: none"> Tie Future CD support to Institutional Milestones – Only re-engage once the MoF officially assigns staff and launches TPU operations (which IMF has indicated has been the approach followed ¹⁶since December 2023). Establish MFLT Leadership Commitments – Secure a public statement of TPU implementation signed by the Minister or Deputy. Align with World Bank Milestones – Link IMF TA to any relevant fiscal policy conditions under the Bank’s support program. Deploy Time-Bound and Conditional Missions – Deliver tools and training only after staffing and mandates are confirmed. Use granular milestones – Monitor implementation via e.g. (i) staff assignment; (ii) first policy product; (iii) annual review of MFLT response to TA advice. | | | | | | |
| 3. ACTIVITY OVERVIEW | | | | | | |
| SEE ACTIVITIES COVERED UNDER ASSESSED PROJECTS IN CURRENT PHASE | | | | | | |
| <ul style="list-style-type: none"> Diagnostic of MFLT for TP analysis and creation of dedicated TPU (Dec 2023) Combined mission on Property Tax and Automatic Exchange of Information and Tax Policy Capacity Analysis (April 2025) and subsequent TAR, Kosovo – Elevating the Role of Tax Policy Analysis (April 2025) <p>Whilst this latter activity was delivered outside the evaluation period (up to end February 2025), it has been included in the assessment as it provides valuable (indeed the only) information that enables a fuller understanding of the project, including the program’s approach to engagement with MFLT.</p> | | | | | | |
| RELATED TRAINING/WORKSHOP(S)/COP | | | | | | |
| <ul style="list-style-type: none"> Regional Tax Policy workshop (September 2024): served as a platform for participants from SEE III countries to exchange experiences and lessons in the design and implementation of tax reforms, and in building tax policy analysis capacity. | | | | | | |

¹⁶ IMF has indicated that in full coordination with WB SEE III did not deliver tools or training (in order not to duplicate) and would not do so until there are stronger commitments.

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| 4. ASSESSMENT OF OBJECTIVES | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------|------------|------------|------------|--|----------------|--|
| OBJECTIVES ASSESSED AND SUMMARY OF RATINGS | | | | | | | WEIGHTING | |
| PROJECT: Kosovo, Republic of-FADT1-Tax Policy-TXP-FY23-1 | | | | | | | | |
| Objective 1 | Improve Tax Policy Design – TPD | | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | | AVERAGE | |
| | 2 | 1 | 2 | 1 | 1 | | 1.4 | |
| Objective 2 | Strengthen Policy Monitoring, Evaluation, and Institutions – TPM | | | | | | | |
| Rating | COH | EFT | EFF | IMP | SUS | | AVERAGE | |
| | 2 | 2 | 2 | 1 | 1 | | 1.6 | |
| COHERENCE | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | OVERALL | |
| Rating | 2 | 2 | | | | | 2.0 | |
| Overview: | | | | | | | | |
| <p>The CD support was well-aligned with strategic needs and formally requested by the MFLT. It aimed to establish a TPU and support analysis and reform of PIT, CIT, and VAT laws. These objectives matched previous IMF (2021) diagnostics, echoed reform goals under a World Bank policy loan, and reflected Kosovo’s broader fiscal modernization agenda.</p> <p>MFLT officials welcomed the CD assistance, and legal provisions to establish the TPU were finalized a year before the December 2023 mission. The intervention supported Sustainable Development Goal 17.1 (domestic resource mobilization).</p> <p>The CD was coherent within the SEE III program and aligned with IMF-FAD objectives. Its sequencing (diagnosis → planning → reform design) and the LTX’s ongoing presence ensured alignment with the Fund’s broader public finance reform priorities.</p> <p>The LTX actively supported the mission, built internal relationships, and ensured continuity despite stalled institutional change. TA design considered complementarities with ongoing World Bank support.</p> <p>Specifically, the World Bank was providing technical assistance in adjacent tax policy areas, including tax expenditure analysis and compliance risk modelling—activities highlighted in both the IMF field reports and the April 2025 final report. These intersect with IMF’s work on PIT and VAT, but there was no joint reform matrix, donor dialogue mechanism, or harmonized workplan. Nevertheless, IMF has pointed out that the UVK authorities requested SEE III support on TE modelling as the WB tools are essentially black boxes, without the scope for tailoring. Moreover, IMF raised with WB some methodological issues, e.g., lack of TE inventory, which the latter addressed subsequently. IMF maintained dialogue with WB to inform its approach to engagement.</p> <p>Internal coherence within the MFLT remained weak. The TPU, though legally established, was not operationalized, and responsibilities for tax policy were scattered across divisions. IMF did not conduct any CD missions between December 2023 and April 2025 due to this shortcoming, assessing that the circumstances would likely not bring about successful delivery. Fund re-engagement was conditional on a) the TPU being adequately staffed, and b) there being a strong buy-in from the Kosovar counterparts. There was very little analytical work undertaken at MFLT, and only very minor PIT, VAT and CIT reforms. Accordingly, IMF activities were focused on TPU establishment (December 2023) and AEOI & Property Taxes (April 2025), i.e., specific topics without a strong modelling component.</p> <p>Conclusion: TA coherence was strong at the conceptual and technical levels but both the MFLT’s internal structure, contributed to primarily by inadequate TPU staffing, and changes in leadership, inhibited MFLT from presenting a strong coherence platform. Maintaining strong inter-donor collaboration (through IMF’s on-going exchanges with WB) and securing demonstrable institutional anchoring within the MFLT would be necessary for future success.</p> | | | | | | | | |
| EFFECTIVENESS (PLEASE REFER TO TABLE AT THE END OF THIS SECTION FOR DETAILED RATINGS FOR OUTCOMES AND MILESTONES) | | | | | | | | |
| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE | |
| Rating | 1 | 2 | | | | | 1.5 | |
| TA deliverables—mission briefings, diagnostic summaries, and reform roadmaps—were completed on time and technically sound. But the core goal initiating substantive tax reform was not met. | | | | | | | | |

The TPU was established, at least in a formal legalistic sense, but remained effectively non-operational (due to issues with appointment of staff, and their tenure within the TPU, and TPU leadership) with no progress toward staff consolidation, task allocation, or formal launch. No legislative drafting occurred, and no modelling tools or analysis methods were adopted (SEE III re-engagement was deferred until clear signs of commitment from authorities, and adequate TPU staffing).

Barriers to effectiveness included absence of high-level MFLT leadership engagement (SEE III HQ mission in December 2023 sought to engage counterparts and secure commitments), no internal MFLT champion for the TPU, poor communication across departments, and high staff turnover. These were significant counterpart circumstances that contribute to decision making on if and how SEE III engagement would occur.

Conclusion: The December 2023 TA achieved no substantive implementation as SEE III needed demonstration of implementation commitment and adequate TPU staffing before more fully re-engaging in April 2025. Effectiveness was blocked by persistent bureaucratic inertia and lack of decision-making from the MFLT leadership. The situation was monitored by IMF to identify any positive steps taken by MFLT that could justify additional engagement.

EFFICIENCY

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 2 | 2 | | | | | 2.0 |

The TA was delivered with modest resources (as further CD was made conditional on counterparts meeting resourcing and implementation requirements) and well-targeted technical support. The LTX provided low-cost, ongoing advice and helped maintain a thread of engagement despite organizational dysfunction.

The December 2023 mission (22 days delivery, 5 backstopping) was well-organized, conducting diagnostics, stakeholder engagement, and roadmap development. However, no outcomes were achieved - no policy changes, staffing, or tools adopted—rendering overall efficiency low.

Conclusion: Technical efficiency was strong, but strategic efficiency was low - resources were deployed into an environment that was not institutionally or politically ready to act. The decision was appropriate in light of the counterpart’s institutional capacity situation.

IMPACT

| Objective | OBJ 1 | OBJ 2 | | | | | AVERAGE |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 1 | 1 | | | | | 1.0 |

The intervention has had no tangible impact on tax policy outcomes, legal structures, or institutional capacity.

None of the following occurred: meaningful TPU activation following formal establishment (delays in hiring new staff as old staff left), effective use of WB tax modelling tools, submission of tax reform proposals. MFLT had not assigned budget or staff as of April 2025.

Awareness among some MFLT officials improved, but this did not translate into substantive action (two new staff hired in early 2025). No change in policy, legislation, or institutional function occurred.

Conclusion: Tangible impact is limited to the TPU establishment. The TA has helped conceptual framing, but no structural, legal, or fiscal effects may be observed (given the lack of readiness of UVK to progress beyond formal establishment).

SUSTAINABILITY

| Objective | OBJ 1 | OBJ 2 | | | | | OVERALL |
|-----------|-------|-------|--|--|--|--|---------|
| Rating | 1 | 1 | | | | | 1.0 |

The sustainability of any outcomes is currently non-existent, but a recovery path may exist. TPU remains non-functional despite being approved in legal documents. We understand the TPU head is not qualified for the job and is about to be replaced by someone with a more suitable skill set. Staff have no formal links to TPU mandates; responsibilities remain fragmented. MFLT systems and incentives do not currently support interdepartmental coordination or proactive tax policy formulation.

The April 2025 draft report suggests a potential policy reboot in response to renewed fiscal reform interest, although there is currently only a caretaker government. If the government activates the TPU, assigns a policy lead, and continues alignment with World Bank support, a second phase of TA could be more successful.

Conclusion: Sustainability is near zero given modest SEE III engagement to date (for reasons highlighted above) but could improve if institutional activation occurs with coordinated support and strong leadership.

STRATEGIC OPERATIONS AND MANAGEMENT (not scored)

- The December 2023 mission was well-structured and consultative; nor formal documentation emerged as next stage engagement was considered inappropriate due to counterpart situation.
- Strategic alignment with other donor operations was not directly evident from the relevant documents, but was conveyed from additional IMF information.
- Limited local ownership and weak internal leadership within the MFLT further constrained operational follow-through.
- The engagement of the LTX enabled an awareness of the extent of the challenges, and also the concerted effort to re-engage in 2025.

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| EFFECTIVENESS (OUTCOMES AND MILESTONES RATINGS): | | | | | | |
|------------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcomes and milestones | Target date | Description | IMF assessment | IMF ass. date | Evaluator assessment | Status/comments |
| Project: Kosovo, Republic of-FADT1-Tax Policy-TXP-FY23-1 | | | | | | |
| Objective: Improved tax and non-tax revenue policy (SDG 17.1) - TXP | | | | | | |
| Outcome C-OUT-11830 | | Improved structures and capacity related to tax policy advice and analysis, including organization of tax policy units and building tax models or other tools for analysis and revenue forecasting | 2 | May 2025 | 1 | The new tax policy division was created, (2023), however, staffing remains limited and turnover high. Some progress has been made regarding tax expenditure costing. |
| Indicator | | Improved tax analysis, including use of economic models, to evaluate tax policy design and forecasting revenue | 1 | May 2025 | 1 | See above. |
| ▪ Milestone OBJ-35301 | | Staff of the TPU trained on new analytical methods and tools | -- | -- | | |
| ▪ Milestone OBJ-35302 | | TPU adopts additional analytical methods and tools | -- | -- | | |
| Objective: Improve Tax Policy Design – TPD | | | | | | |
| Outcome C-OUT-19701 | | Increased/decreased revenue quantity. | 1 | May 2025 | 1 | Tax revenue has increased slightly but this is not driven by policy changes. In fact, only very limited reforms have been enacted since 2021. |
| Indicator | -- | N/A | -- | -- | | |
| ▪ Milestone | -- | N/A | | | | |
| Objective: Strengthen Policy Monitoring, Evaluation, and Institutions – TPM | | | | | | |
| Outcome C-OUT-19702 | | Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis. | 2 | May 2025 | 2 | The TPU was established but staff turnover remains very high. As of April 2025, the unit consists of two junior staff who have been hired very recently. No new models or tools have been developed yet although there was some progress on TE costing (based also on WB support). |
| Indicator | -- | N/A | | | | |
| Milestone | -- | N/A | | | | |

NOTE *: Three Objectives are listed. It appears that the first Objective applied at the project commencement. With the Logframe adjustment in FY2024, the subsequent Objectives are taken to have been substituted for the original Objective. In the May 2025 RBM report, an assessment was made against all Objectives, but effectively in the same terms. The latter Objectives (i.e. those consistent with the adjusted Logframe for TP) are included in the evaluation for rating purposes.

VII. SEE III BUDGET VS ACTUAL FINANCIAL TABLE

| SEE III COMPARISON OF ANNUAL BUDGET VS ACTUAL SPEND | | | | | | |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | FY2023 (4M) | FY2024 | FY2025 | FY2026 | FY2027 (8M) | TOTAL |
| | US\$K | US\$K | US\$K | US\$K | US\$K | US\$K |
| PFM | | | | | | |
| Program Document (PD) | | | | | | |
| Budgeted CD | 567.5 | 1,933.6 | 1,501.3 | 1,263.2 | 696.0 | 5,961.6 |
| Budgeted PM (40% of total) | 24.8 | 78.1 | 65.9 | 50.4 | 19.2 | 238.4 |
| Workstream PD budget | 592.3 | 2,011.7 | 1,567.2 | 1,313.6 | 715.2 | 6,200.0 |
| IMF rolling budget | 336.1 | 2,168.3 | 1,946.8 | 1,372.5 | 456.0 | 6,279.7 |
| Actual cost | 336.0 | 2,168.3 | 1,958.3 | | | 4,462.6 |
| <i>Under/(Over) spend vs PD budget</i> | 256.3 | (156.6) | (391.1) | | | (291.4) |
| RA | | | | | | |
| PD | | | | | | |
| Budgeted CD | 734.2 | 2,204.1 | 1,870.3 | 1,143.1 | 9.8 | 5,961.5 |
| Budgeted PM (40% of total) | 24.8 | 78.1 | 65.9 | 50.4 | 19.2 | 238.4 |
| Workstream PD budget | 759.0 | 2,282.2 | 1,936.2 | 1,193.5 | 29.0 | 6,199.9 |
| IMF rolling budget | 283.2 | 2,824.2 | 2,021.2 | 1,006.8 | | 6,135.4 |
| Actual cost | 283.2 | 2,824.2 | 2,022.4 | | | 5,129.8 |
| <i>Under/(Over) spend vs PD budget</i> | 475.8 | (542.0) | (86.2) | | | (152.4) |
| TP | | | | | | |
| PD | | | | | | |
| Budgeted CD | 198.4 | 745.2 | 745.2 | 745.2 | 546.8 | 2,980.8 |
| Budgeted PM (20% of total) | 12.4 | 39.1 | 32.9 | 25.2 | 9.6 | 119.2 |
| Workstream PD budget | 210.8 | 784.3 | 778.1 | 770.4 | 556.4 | 3,100.0 |
| IMF rolling budget | 129.4 | 1,086.9 | 1,090.6 | 750.9 | | 3,057.8 |
| Actual cost | 129.4 | 1,147.9 | 1,090.6 | | | 2,367.9 |
| <i>Under/(Over) spend vs PD budget</i> | 81.4 | (363.6) | (312.5) | | | (594.7) |
| Total | | | | | | |
| PD budget | 1,562.1 | 5,078.2 | 4,281.5 | 3,277.5 | 1,300.7 | 15,500.0 |
| IMF rolling budget | 748.7 | 6,079.4 | 5,058.6 | 3,130.2 | 456.0 | |
| Actual cost | 748.6 | 6,140.4 | 5,071.3 | | | 11,960.3 |
| <i>Under/(Over) spend vs PD budget</i> | 813.5 | (1,062.2) | (789.8) | | | (1,038.5) |
| Monthly | | | | | | |
| PD budget/month | 391 | 423 | 357 | 273 | 163 | |
| IMF rolling budget/month | 187 | 507 | 422 | 261 | 57 | |
| Actual cost/month | 187 | 512 | 423 | | | |

VIII. INTERVIEWS

| Institution | Position | Name |
|-------------------------------------------|-------------------------------------------------------------------------|--------------------------|
| IMF | | |
| Fiscal Affairs Department | | |
| Revenue Administration | Deputy Division Chief (incl. Europe) | Mr. Andrew Okello |
| | Program Deputy and Project Manager – Albania, Kosovo, and Montenegro | Mr. Frank Van Brunschot |
| | Project Manager for Bosnia and Herzegovina, North Macedonia, and Serbia | Mr. Michael Hardy |
| | Senior Economist | Ms. Andja Komso |
| | Regional Revenue Administration Advisor | Mr. Dmitri Jegorov |
| | Regional Revenue Administration Advisor | Mr. Jim Sorensen |
| | Regional Revenue Administration Advisor | Mr. Aksel Sorensen |
| | STX | Mr. Paul Duffus |
| | STX | Mr. Michael O'Grady |
| | STX | Mr. Stephen Vesperman |
| | STX | Ms. Lynette Hirst |
| | STX | Mr. Rickey Fisher |
| | STX | Mr. Søren Pedersen |
| | STX | Mr. Jean-Francois Ruel |
| | STX | Mr. Matthew Lewis |
| STX | Mr. Stuart Hamilton | |
| STX | Mr. Stephen Howlin | |
| STX | Ms. Telitia Snyckers | |
| STX | Mr. Jan Hansen | |
| Public Financial Management | Deputy Division Chief (incl. Europe) | Mr. Maximilien Queyranne |
| | Program Lead and Project Manager – North Macedonia | Mr. Fritz Bachmair |
| | Senior Economist | Ms. Yasemin Hurcan |
| | Regional PFM Advisor | Mr. Jamie Carter |
| | Regional PFM Advisor | Mr. Jonas Frank |
| | Previous LTX/STX | Mr. Eivind Tandberg |
| Tax Policy | Division Chief (incl. Europe) | Mr. Mario Mansour |
| | Program Lead and Project Manager | Ms. Parvina Rakhimova |
| | Regional Tax Policy Advisor | Mr. Martin Grote |
| | Senior Economist – Tax Policy | Ms. Nariné Nersesyan |
| | STX | Mr. Ben Waltmann |
| | STX | Mr. Marijn Verhoeven |
| Resource Management | Technical Assistance Officer FADRM | Neeraj Rajpal |
| European Department | | |
| | Mission Chief (ALB) | Ms. Anke Weber |
| | Mission Chief (BiH and UVK) | Mr. David Amaglobelli |
| | Mission Chief (MNE) | Mr. Srikant Sheshadri |
| | Mission Chief (MKD and SER) | Ms. Anette Kyobe |
| Institute for Capacity Development | | |
| ICDGP | Senior Technical Assistance Officer | Mr. Benoit Wiest |
| | Senior Technical Assistance Officer | Ms. Marion Muscat |
| | Budget Officer | Ms. Lizette Hanson |

| Institution | Position | Name |
|-----------------------------------------------------|-------------------------------------------------------------------------------|------------------------------|
| ICDSE | Senior Economist | Ms. Dilek Goncalves |
| SEE III Steering Committee | | |
| EU | Policy Officer for Public Finance Management and Economic Governance, DGNEAR | Mr. Vasyl Zubaka |
| SECO | Program Manager, Macroeconomic Support Unit | Mr. Aurèle Cotton |
| Case study countries | | |
| Kosovo: Revenue Administration | | |
| TAK – Kosovan Revenue Authority | Acting General Director | Mr. Ilir Murtezaj |
| | Acting Deputy General Director 1 | Mr. Nijazi Asllani |
| | Acting Deputy General Director 2 | Mr. Sami Salihu |
| | Director of Information Technology Department | Mr. Rifat Hyseni |
| | Dir. Planning & Risk Management | Mr. Agron Hamiti |
| | Dir. Debt Collection Management | Ms. Valbona Krasniqi |
| | Dir. LTO Department | Mr. Blerim Hamiti |
| | Dir. MTO Department | Mr. Burim Troni |
| | Dir. Regional Tax Department | Mr. Ibrahim Çoçaj |
| | International Liaison | Ms. Arta Meha |
| | International Liaison | Ms. Valentina Hasani |
| Kosovo EU Office | Head of Good Governance Team | Ms. Laura Fallavollita |
| | Economic Officer | Ms. Feride Zeka |
| Kosovo SECO Office | National Program Officer | Mr. Berat Thaqi |
| World Bank | Regional Senior Public Sector Specialist | Mr. Jonas Fallov |
| Kosovo GiZ Office | Project Manager | Ms. Vanessa Sabelski |
| North Macedonia: Public Financial Management | | |
| Ministry of Finance | Head of Public Investment Management Department | Ms. Ana Veljanovska |
| | Head of Public Investment Management Department | Mr. Jordan Trajkovski |
| | Head of Budget and Funds Department | Ms. Fljoreta Hasani |
| | Head of Municipalities Unit | Ms. Radmila Sandeva |
| | Head of Medium-Term Budgeting Unit | Ms. Keti Ilievska |
| | Member Fiscal Policy Working Group | Ms. Desanka Zdravkovska |
| | Member Fiscal Policy Working Group | Mr. Viktor Lazarovski |
| | Macro Forecasting Unit | Mr. Gjoko Gjorgeski |
| IMF | Resident Representative | Mr. Sebastian Sosa |
| EU | Economic Adviser | Mr. Javier Castillo Alvarez |
| World Bank | Regional Adviser | Ms. Sanja Madzarevic-Sujster |
| | Regional Adviser | Ms. Mediha Agar |
| Other | Adviser to the former Minister of Finance | Ms. Alexandra Nakeva Ruzin |
| Albania: Tax Policy | | |
| Ministry of Finance | Director, Directorate of Programming, Statistics and Analysis of Tax Revenues | Mrs. Arjana Dyrmishi |
| | Director, Directorate of Indirect Taxes | Mrs. Enkeleda Kuci |
| | Specialist, Indirect Taxes Directorate | Ms. Çupi Huta |
| | Director, Direct Taxes | Mrs. Zarina Taja |
| | Director, General Directorate of Property Tax | Mrs. Enhela Shehu |
| | General Director of Property Tax | Mr. Arben Sefaraj |

| Institution | Position | Name |
|---------------------------------|-----------------------------------------------------|------------------------|
| Swedish Tax Agency | Resident Adviser, Albania | Ms. Sara Olin |
| | Office for International Projects | Ms. Helene de Faire |
| | Resident Expert, Property Taxation | Mr. Bjarni Sigurdsson |
| SIDA | Programme Officer, Albania | Ms. Ermelinda Xhaja |
| World Bank | Country Economist, Albania | Ms. Esida Bujupi |
| DIHA | Chief Executive | Mr. Bledar Mankollari |
| | Public Relations & Projects | Ms. Sara Hoxha |
| | Deputy Head of Cooperation in Albania | Mr. Philipp Arnold |
| KPMG Albania | Associate Partner, Tax | Ms. Alba Paparisto |
| SECO | National Programme Officer for Economic Development | Ms. Sigita Stafa |
| EU | Programme Manager | Mr. Wim Ulens |
| Other | | |
| Joint Vienna Institute | Director | Mr. Hervé Joly |
| Center of Excellence in Finance | Chief Officer, Strategy | Mr. Robert Bauchmuller |

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