

ANNEX C1

STANDARD TWINNING PROJECT FICHE

1. Basic Information

1. Basic Information

1.1 Publication notice reference number: EuropeAid/ 138-391/IH/ACT/ME

1.2 Programme: Annual Action Programme for Montenegro (Financing Decision: IPA/2014/032-022.1/ME) under indirect management mode with ex ante control.

1.3 Twinning Number: MN 14 IPA FI 01 16

1.4 Title: Support to Tax Administration

1.5 Twinning Sector: Finance, Internal market and economic criteria (Democracy and governance)

1.6 Beneficiary country: Montenegro

2. Objectives

2.1 Overall Objective(s):

The overall objective of this Action (Project) is to support Montenegro in the process of fulfilling the EU pre-accession requirements in field of Taxation, especially with regard to adopting and integrating the EU standards in the operations of the Montenegrin Tax Administration (MTA).

2.2 Project purpose:

The purpose of the Project is strengthening of administrative and operational capacities of the Montenegrin Tax Administration in accordance with EU standards and requirements specified in Chapter 16 - Taxation.

2.3 Contribution to National Development Plan/Cooperation agreement/Association Agreement/Action Plan

The Project will contribute to the fulfilment of the obligations from the Stabilisation and Association Agreement (SAA) signed on 15 October 2007 and entered into force on 1 May 2010. Activities envisaged by this Project are focused on meeting the criteria for full membership in the EU and correlate with the priorities defined in the Montenegrin Negotiation Position for Chapter 16 – Taxation. This Project will contribute to the

implementation of activities envisaged by the Montenegrin *Programme for Accession 2014 – 2020*.

One of main objectives of the *Public Finance Management Reform Programme 2016-2020*, which has been adopted by the Government of Montenegro in December 2015, is related to the strengthening of administrative capacity of the Tax Administration of Montenegro to increase tax collection thus contributing to maximizing the government's fiscal revenues. This Project will contribute to the fulfilment of this objective, and will allow for the implementation of the activities envisaged by the Programme: further improvement in efficiency, taxpayer services and tax compliance through capacity building and systems improvement in MTA an enhancement of the MTA administrative and institutional capacities in the field of application of VAT EU common system.

The Project will contribute to the implementation of the MTA strategic objectives defined by the *Business Strategy of the Tax Administration 2014-2019*, which has been adopted in November 2014: 1) the EU integration process and strengthening of Tax Administration administrative capacities, 2) IT modernization for supporting business processes, 3) Tax Administration human resources modernization, 4) introduction of the performance assessment system, 5) taxpayer-oriented Tax Administration, 6) increased budget revenue collection with fiscal consolidation and reduction of the tax debt, 7) prevention of the grey economy and reduction of the tax gap.

The *Indicative Strategy Paper for Montenegro (2014-2020)* (the Strategy Paper) outlines that the customs and taxation are specific negotiation chapters with a number of EU accession related requirements, especially in terms of interoperability. Furthermore, Customs and taxation have a significant impact on good governance, in particular in the economic area, ensuring an appropriate spending of public funds and the efficient collection of the necessary budgetary revenues. Therefore, the main challenges will be to reinforce administrative capacity, improve the monitoring and control over tax/customs collection, align the legislation with "Union acquis" and develop interconnectivity and interoperability of customs and tax administration IT systems in line with EU standards.

The Government of Montenegro adopted the *National Interoperability Framework* in December 2011 (revised in 2013) as a strategic document defining the rules and manners of setting up interoperability in Montenegro and defined the *Annual Action Plan for e-Government* which treats interoperability with focus on cross-border cooperation as one of the important activities.

3. Description

3.1 Background and justification:

Tax Administration of Montenegro is fully aware that its current administrative capacity is not sufficiently developed to meet the needs and requirements relating to the acquis, regarding the administrative cooperation and mutual assistance. As the first step in overcoming this

problem, the Tax Administration of Montenegro has developed a business strategy which included all the business and IT processes. The business strategy envisages the strengthening of administrative and operational capacity through the systematization of the new job positions, comprehensive training for the employees in the part of the new defined processes in order to successfully uniform application of the relevant "Union acquis" in the area of indirect and direct taxation.

In the negotiating position of Montenegro for Chapter 16 – Taxation, having in mind the current situation of the MTA, the EU made several recommendations that should be fulfilled: Montenegro needs to amend its legislation in order to comply with the EU acquis in the field of administrative cooperation and mutual assistance in the area of VAT, direct taxation, including the modifications that are necessary for the legislation concerning the secrecy of banking operations, in order to allow the collection of tax information and their exchange. Harmonisation with the Directive on Administrative Cooperation (2011/16 / EU) to the date of accession, means that Montenegro will be ready and among other things will be able to perform automatic exchange of information; moreover, Montenegro has committed to assure a legislative and administrative framework in order to provide the necessary assistance for the settlement of claims in accordance with Council Directive 2010/24 / EU.

As far as the administrative capacities concerns, the EU stresses out that capacity building, especially including professional and trained staff, should represent a priority for an efficient administration to ensure its proper functioning and effective operation in areas such as the implementation of legislation, tax procedures, voluntary execution of tax obligations, as well as the fight against tax fraud and tax evasion.

Amendments to the Law on Tax Administration and relevant regulations will be fully harmonized with the Acquis until we become part of the EU. We will include recommendations for transposing the relevant requirements of Council Directive 2011/16 / EU on administrative cooperation in the field of taxation and Council Directive 2010/24 / EU concerning mutual assistance for the recovery of claims relating to taxes, and other measures. It is emphasized that Montenegro needs to ensure that the appropriate administrative structures and information systems are established within the Tax Administration, in order to effectively collect relevant tax data, as well to process and successfully manage the exchange of tax information.

For this purpose, the Central Liaison Office (CLO) will be established (fully operational by the date of accession) by the IV quarter of 2018. At this stage of development, the preparatory work for its formation will be included such as: the legislation, definition of necessary jobs in the organizational Scheme Tax Administration, clearly defined business functions, as well as the structure of employment within the future CLO, including the manuals for future employees in CLO.

The proposed project under the programme IPA 2014 covers a wide scope of results such as further alignment with the Montenegrin legal framework with "Union acquis" - indirect and direct taxes, as defined in Chapter 16 – Taxation; a comprehensive training programme to be

implemented, consequently MTA organisation, risk management, administrative and control procedures to be enhanced; improved administrative co-operation and mutual assistance with EU Member States; strengthened operational capacity and computerization of Montenegrin Tax Administration.

The most challenging activities in the implementation of the *acquis* are related to the Tax Administration, which require the significant investments in the IT infrastructure and capacity building. Strengthening of administrative and operational capacities of the Tax Administration will be conducted in accordance with the EU standards and strategic objectives defined in the Fiscal Blueprints. Fiscal blueprints, drafted jointly by experts of the Commission and EU member states, are practical guidelines laying down clear criteria based on EU best practice, against which a fiscal administration can measure its own operational capacity. They can be used to analyses gaps between the existing situation in individual countries and the blueprint standards and they provide a basis for plans to undertake tax reforms as well as preparations for compliance with international rules and standards. Strategic documents of the development of Montenegrin Tax Administration should be prepared and adjusted in accordance with the better regulation approach with the strategic objectives of the applicable EU Fiscal Blueprints, which should result in enhanced organization, management and administrative procedures, as well as control procedures for VAT in the Tax Administration.

Furthermore, the activities envisaged in this Project also reflect the priorities defined in the *Program of Accession of Montenegro* – Chapter 16.

3.2 Linked activities (*other international and national initiatives*):

The Tax Administration was the beneficiary of the IPA 2007 Project *Strengthening the Efficiency and Functionality of the Tax Administration in Accordance with EU Standards* and IPA 2010 Project *Upgrade IT Capacity of Tax Administration*. Through IPA 2007 Project the risk management system (e-control and automated report generation) in VAT and direct taxes fields has been implemented. IPA 2010 project strengthened the capacity of the MTA through introduction of new IT solution which allows electronic submission of VAT returns, tax return, balance sheet and income statement.

Experiences gained through the above mentioned assistance clearly demonstrate the necessity to address weaknesses of the IT system. The Project should ensure that the pre-defined methodology standards are strictly followed, as well as that business modelling and testing methodologies are developed. This means that a comprehensive IT strategy should be developed and implemented. In addition to this, Tax Administration shall have an active role in taking ownership for deliverables and IT and administrative capacities should be significantly strengthened as well.

Based on the previous experience and identified weakness, the Tax Administration of Montenegro has already taken the necessary steps to strengthen its IT and administrative capacities. Support previously provided through IPA reinforced the capacities of the IT sector, which currently has 22 employees, 15 of which are working in the Department for Maintenance and Software Development and 7 in the Department for the Maintenance and Infrastructure Development.

Technical assistance has been provided to the Tax Administration by EU Customs and Fiscal Assistance Office (CAFAO) between 2005 and 2007. The main objectives of the assistance were: strengthening of capacities related to the collection of revenues and audit for the purpose of fight against corruption and tax frauds, implementation of amended tax legislation aligned with the "Union acquis" and inspection and controls.

Montenegro concluded Agreement for the participation in the "Fiscalis 2020 Programme", and commenced its participation in this Programme in 2015.

The Tax Administration Diagnostic Assessment Tool (TADAT) has been implemented in the Tax Administration of Montenegro, by the experts from the International Monetary Fund and the European Commission in the field of fiscal policy and tax administration. The assessment has been finalized, and report on current state of performance of the MTA, with comparison and rating related to the international practices, issued in November 2015. This report served as a basis for defining further priorities for the reform and improvement of the Tax Administration functioning and performance.

The EU-IMF IPA multi-country programme "Strengthening Economic Governance and Public Financial Management" foresees to support Montenegrin Tax Administration reforms. In 2016-17, technical assistance will be provided on the way forward in reform efforts taking into account the findings of the TADAT mission; strategic management and governance, core business processes, and compliance management; VAT filing and payment compliance; register cleansing and maintenance; arrears management; and large taxpayer administration and CRM. Coordination between the twinning team and the technical assistance provided under the UE-IMF IPA multi-country programme will be crucial.

In 2015 SIGMA (Support for Governance and management) performed a full assessment of the functioning of the Public Administration in Montenegro. On this basis Montenegro developed a comprehensive PAR Strategy 2016-20 and an Action Plan covering 2016-17 which expected to be adopted by the 3Q 2016. The Strategy includes a number of reforms which may have an impact of proposed activities. In particular a) by the end of 2016 Montenegro is expected to adopt the Law on General Administrative Procedures (LAP – Law on Administrative Procedures); development of special administrative procedures should be limited to the minimum extent and in any case they shall be harmonised with the LAP; b) with the support of SIGMA Montenegro is conducting a functional analysis of public bodies and agencies performing public duties to review of the accountability lines and rationalise

public administration organisation. This reform may be relevant and should be considered when providing assistance for the establishment of the Central Liaison Office.; c) a further relevant reform envisaged by the PAR strategy is about the development of a more comprehensive and improved system for ex-ante assessment of regulatory impacts on the society and the business environment which should be taken into consideration when developing new laws and policy documents; d) finally Montenegro has planned an overarching functional review of public administration both at central and local level to address the competing needs of strengthening European Integration capacities while containing the public debt.

In 2016 and 2017, SIGMA is expected to provide assistance to develop a methodology for determining the target values for right-sizing at both central and local level, to finalise an analysis of the status of public agencies and to develop policy options to rationalise accountability lines and to define uniform rules for establishing new state bodies, and to improve the Regulatory Impact Assessment system.

3.3 Results

The project will produce a complex set of results to address the mandated accession requirements “Chapter 16 - Taxation”, the core of which will be comprised of the following results and measurable indicators:

R 1: Montenegrin legal framework in the field of tax administrative cooperation further aligned and mutual assistance developed in line with "Union acquis" - indirect and direct taxes, as defined in Chapter 16 – Taxation;

Indicators of achievement:

- Gap analysis of the existing legislation, in particular in the field of direct and indirect taxation, administrative cooperation and mutual assistance with potential performance, conducted;
- Corresponding report with recommendations for improvement of legal framework, in accordance with the requirements set out in Chapter 16 – Taxation prepared;
- Legislation (laws and bylaws) harmonized with the "Union acquis" (in terms of direct and indirect taxation, administrative cooperation and mutual assistance) developed in accordance with a better regulation approach.
- Law on Tax Administration and the Law on VAT and *related* Rulebooks developed in accordance with a better regulation approach
- Procedures, guidelines, rulebooks and manuals for *improvement* of the structure, management and operations of the Tax Administration services developed;
- Analysis of the existing strategic documents of the Montenegrin Tax Administration conducted and corresponding report with recommendations for improvement and revision of the documents in accordance with the EU Fiscal Blueprints prepared;

- Relevant strategic documents and implementation plans; developed in accordance with a better regulation approach and new procedures drafted consistently with the provisions of the LAP;
- Tax Administration supported with a comprehensive benchmarking exercise, and Business Change Management Plan (BCMP) based on the new Fiscal Blueprints adopted;
- Assistance in setting up, monitoring and implementation of relevant Business Change Management Plan, provided;

R 2: A comprehensive training programme implemented, consequently MTA organisation, risk management, administrative and control procedures enhanced;

Indicators of achievement:

- Number of comprehensive training workshops/seminars for the MTA employees delivered and number of trainers and experts trained in relation to EU standards which improve business operations (At least 8 training workshops/seminars delivered and minimum 5 trainers and 5 experts trained)

R3: Improved conditions for the administrative co-operation and mutual assistance with EU Member States.

Indicators of achievement:

- Analysis of the existing organizational structure of MTA, as well as business processes in the field of VAT, administrative cooperation and mutual assistance, performed;
- Corresponding report with recommendations and proposals for reorganization and improvement of business processes (particularly with regards to the administrative cooperation in exchange of information in line with Council Directive 2011/16/EU (DAC1) and its amendments: DAC 2, DAC 3 and DAC 4) prepared.
- Necessary internal conditions in the MTA for efficient international cooperation, administrative cooperation and mutual assistance and fulfilment of Montenegrin obligations under Chapter 16 - Taxation, established;
- Number of employees trained in accordance with EU best practices to improve conditions for the administrative cooperation and mutual assistance (at least 5 employees);

R4: Operational capacity and computerization of Montenegrin Tax Administration further strengthened in accordance with the national standards for interoperability

Indicators of achievement:

- Analysis of business processes of the existing IT systems, IT Project management support and procedures in MTA performed;

- Recommendations for necessary improvement of the systems, which would allow for the connection with EIS, prepared;
- Business and IT strategies upgraded in order to create conditions for interoperability and interconnectivity of IT systems, which would allow for the exchange of information with EU member states;
- Preparatory activities for the implementation of the interconnectivity and interoperability system including VAT Information Exchange System (VIES) conducted;
- Initial elements for IT interoperability and interconnectivity with the EU prepared in conjunction with enhancing operational capacity and computerization of MTA;

3.4 Activities:

Activities planned for this Project are set according to results.

Member State(s) is kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.

3.5 Means/ Input from the MS Partner Administration:

The Twinning team will be composed of a Resident Twinning Advisor (RTA), Project Leader and a team of sufficient number of short term experts.

The experts should be civil servants/public officials of the relevant MS administration or permanent staff of its authorized mandated bodies (all experts must be administrative practitioners). One expert among the other experts will act as Project Leader. The project implementation requires participation of minimum four experts (MS can offer more experts if it is justified) with the profiles provided below.

During the implementation of their assignments, proposed experts shall consider the general administrative environment and the ongoing horizontal public administration reforms, promote participatory process and wide cooperation with all relevant stakeholders and donors. In accordance with the principle of co-ownership of results between the twinning project and the beneficiary, the twinning team is expected to provide methodological assistance, guidance and hands-on support to achieve expected results without replacing the beneficiary institutions in their tasks.

3.5.1 Profile and tasks of the Project Leader

The MS Project Leader must comply with the following profiles:

Qualifications and skills:

- University degree
- Good communication skills

- Excellent English language skills
- Good computer skills

General professional experience

- Minimum 10 years of experience in the taxation field in one of the EU Member States

Specific professional experience

- Experience as a high-ranking official
- Proven experience at the managerial level and work in an international environment
- Previous experience in twinning project management would be considered as an asset

The MS Project Leader will be responsible for:

- Overall coordination and managing of the implementation of the project in cooperation with the BC Project Leader
- being responsible for signing official documents regarding the project;
- co-ordinating and co-chairing the Project Steering Committee (PSC), which will meet every quarter;
- monitoring and evaluating the MTA needs and priorities, the quality of the Resident Twinning Adviser's contribution, and that of short term experts and of the Montenegrin partner institution, project risks, progress against the project budget, benchmarks, and outputs, and taking any necessary remedial action;
- reviewing Project Quarterly and Final Reports (co-signed by the BC project leader) before its submission to the Project Steering Committee (PSC);
- reviewing key project outputs such as the situation analysis, and any revisions to the Work Plan, according to the European Commission rules.

3.5.2 Profile and tasks of the RTA

The Resident Twinning Adviser (RTA) must comply with the following profiles:

Duration of the RTA secondment: 18 months.

Qualifications and skills:

- University degree or equivalent experience
- Excellent English language skills
- Good computer skills

- Good communication skills

General professional experience

- Minimum 10 years of experience in the taxation field in EU Member States
- Experience in aligning taxation core business to the *acquis communautaire* in New Member States will be considered as an asset

Specific professional experience

- Experience and appropriate knowledge *in writing strategic* documents and carrying out training on methodology of strategy development
- Knowledge of application of VAT EU common system,
- VAT administrative cooperation will be considered as an asset,
- Experience of using Project Management and control tools will be considered an asset.

Tasks of the Resident Twinning Adviser:

- Support and coordination of all activities in the BC
- Day to day management of the project in the beneficiary institution
- Coordination and assistance to the short-term experts
- Coordination of the project implementation and proposing corrective actions, if required
- Organization of visibility events (kick-off and final event)
- Organization of PIU and Steering Committee meetings
- Participation in Steering Committee meetings
- Executing administrative issues (e.g. assisting in reporting)
- Providing technical advice on EU policies and best practices, and assisting Montenegrin administration in the context of project work plan

3.5.3 Profile and tasks of the short-term experts

The twinning team will be composed as well of a pool of **short-term experts** complying with the following profiles:

Qualifications and skills:

- Excellent English language skills
- Good computer skills
- Good communication skills

General professional experience

- Minimum 5 years of experience in taxation service in EU Member States

- Experience in implementing core business in the taxation field in line with the *acquis communautaire* in a New Member State will be considered as an asset

Specific professional experience

- Good knowledge of EU taxation legislation/direct and indirect tax
- *Experience and appropriate knowledge* in the field of taxation
- Knowledge of application of VAT EU common system will be considered as an asset
- Detailed knowledge regarding the "Union acquis" related to VAT EU common system and detailed knowledge regarding the EU Code of Conduct for Business Taxation and EU best practises will be considered as an asset.

Tasks of Short-term experts:

- Close cooperation with the Montenegrin experts in undertaking all activities
- Advance preparation and familiarization with relevant documentation
- Participating in relevant activities under the scope of the project in cooperation with other experts

4. Institutional Framework

The main beneficiaries of the Project will be the Ministry of Finance and Montenegrin Tax Administration. Tax Administration is the administration under jurisdiction of the Ministry of Finance. Therefore, the Head Office of the MTA is responsible for execution of tax policy, determination of standards and organisation of the implementation of regulations. The Regional offices have to organise immediate implementation of the determination, monitoring and collection of taxes. They are also responsible for direct implementation of regulation regarding external audit, offence procedure and enforced collection of taxes. Local offices are responsible for immediate implementation of determination, monitoring and collection of taxes. There are six Departments, three divisions and eight Branch Offices formed within the Tax Administration by the new Act on systematisation, as following:

- Department for services and registration;
- Department for processing of tax returns and payments;
- Department for information technology in the field of tax system;
- Department for plan and analysis;
- Department for monitoring of tax regulations and tax audit;
- Department for human resources and logistic;

- Division for Internal Control and integrity;
- Division for risk management;
- Division for development;
- Branch Offices (8).

Tax Administration of Montenegro has in total 575 employees. The new systematization of the Tax Administration (adoption is pending) has foreseen a new Department for International Cooperation.

Establishing the necessary internal conditions in MTA for international cooperation and fulfilment of Montenegrin obligations under Chapter 16, especially for future administrative cooperation and mutual assistance (legal framework and to create a baseline for establishing the Central Liaison Office (CLO) with 4 employees) is of a great significance.

The implementation of the aforementioned results of this Project will lead to a change and improvement of the institutional framework.

The realisation of the set results and activities will impact mainly the business processes, administrative and operational capacities, as well as a part of the legislation which indicates the finalization of the first phase. It also represents a means for moving to the next stage of development, aiming the fulfilment of the obligations arising from Chapter 16-Taxation.

Cooperation with the Ministry of Interior, which will be coordinating the implementation of the PAR strategy and leading a large number of specific reforms, will be crucial. In particular, consultation and coordination with the Ministry of Interior is crucial with regard to establishment of new administrative structures and procedures. Likewise, all training activities should be developed and implemented in coordination with the Human Resources Management Authority, which coordinate training measures for the civil service and which is currently upgrading the Central Personnel Register (CPR); the system is expected to include also data on training activities provided with both national and other donors' funds.

With reference to legislative and policy development activities, the project shall ensure coordination with the General Secretariat of the Government, which has responsibility over the harmonisation of Government's policy planning and which is currently engaged on reforms intended to improve the policy and legislative making process.

Finally, all IT assistance should be coordinate with the Ministry for Information Society and Telecommunications (MIST) which is currently working on interoperability between registers and electronic exchange of data between administrations.

The co-financing requirement foreseen under Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

5. Budget

Total cost for this twinning fiche is EUR 1 million.

The EU contribution under IPA is EUR 900. 000

The MNE contribution is EUR 100.000

The co-financing requirement foreseen under Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

6. Implementation Arrangements

The responsible bodies for the implementation of the Project are:

- The Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) of the Ministry of Finance, as the Contracting Authority on behalf of the Government of Montenegro;
- The Project Implementation Unit of the Ministry of Finance, headed by the Senior Programming Officer (SPO);
- Montenegrin Tax Administration (MTA), as the main beneficiary institution.

Considering IPA structures established for management of IPA funds under the indirect management mode, the CFCU will appoint Project Manager. The Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) will be supported by the Project Implementation Unit (PIU) within the Ministry of Finance of Montenegro. The PIU is headed by the Senior Programming Officer (SPO). The PIU will be committed to deliver the appropriate technical support to the CFCU, based on the information and reports provided by the Tax Administration, as the project beneficiary. In this regard, the PIU (SPO) should establish close cooperation with the Tax Administration of Montenegro, being the main beneficiary of the contract outputs and results. In this regard, the CFCU, PIU and beneficiary institution(s) and other stakeholders will closely cooperate. Organization of PIU and Steering Committee meetings will be the responsibility of the RTA. Project Leader will be obliged to participate in these meetings.

6.1 Implementing Agency responsible for tendering, contracting and accounting (AO/CFCU/Commission), *including contact person and full contact details.*

Mrs. Marija Radenović

The Directorate for Finance and Contracting of the EU Assistance Funds CFCU

The Ministry of Finance of Montenegro

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6.2 Main counterpart in the BC

Head of Department for International Cooperation in Tax Administration

Ms. Lidija Šečković

Senior Advisor I in Tax Administration

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6.3 Contracts

- 1 twinning contract

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals (3rd quarter of 2016)

7.2 Start of project activities (1st quarter of 2017)

7.3 Project completion (2nd quarter of 2018)

7.4 Duration of the execution period (18 months).

8. Sustainability

The achievements of this Twinning project are expected to contribute to the Tax Administration reform and contribute to the capacity building in legislative and operational expertise based on EU standards. This will enable further alignment of the legal framework with the, "Union acquis" related to direct and indirect taxes, as well as administrative assistance and cooperation, namely – amendments to the laws and bylaws, rulebooks and manuals related to the aforementioned fields, especially when mentioning the VAT.

Development and amendment of the strategic and legislative framework will be done in accordance with the better regulation approach, which entails inclusiveness and evidence-based process of legislative and policy development: new laws, amendments and policy documents will be prepared in consultation between the relevant authorities and with the external stakeholders which are likely to be affected by legislative and policy development, and fiscal implications and impacts on the society and the business environment will be duly assessed. This will have positive effect on implementation and sustainability of reforms. In order to ensure sustainability of achievements, the project will pay due attention to the overall consistency of the legal framework. In this sense, it will be important to respect the general regulation for state administration and the organisation of Government structures. In case the solutions proposed by the project would require changes to the overall legal framework, the project shall facilitate amendments also to this as needed, rather than leaving the country with inconsistent approach. Whenever job descriptions or internal procedures manuals are developed, it's necessary to ensure that these are consistent with the formal decrees setting the organisational structure and job requirements for the organisation and any by-laws that exist for all government bodies in relation to job-descriptions and written procedures. In addition, all manuals, rulebooks and guidelines will be developed in close cooperation with the beneficiary and will be made simple enough to be regularly updated and modified by the staff of the beneficiary organisations without further external support. Any guidelines or procedures developed cannot contradict with any legal provision of the country.

Additionally, the Project should support transformation of the Tax Administration into an efficient institution to ensure strengthening of the administrative capacities in terms of modelling and familiarizing with the business processes related to interconnectivity and interoperability of the MTA's IT system in line with the EU systems, with the aim of good management and exchange of information. Sustainability is also achieved by having a sufficient number of trained staff capable to deliver tasks related to the MTA in the future.

Therefore, legal and institutional results of the Project should be implemented in a consequent manner and ensuring sustainability of the staff trained.

The implementation of the aforementioned activities is crucial to the future support needs and the definition of the business processes of the Tax Administration. It also represents a

preparation phase for the upcoming requirements set out in the negotiation position in the Chapter 16.

Any IT development will respect the national standards for interoperability; consultations with the Ministry for Information Society and Telecommunications shall be a prerequisite for launch of any tenders.

9. Crosscutting issues

The activities envisaged under the present Project are not affecting the environment. During the design and implementation phase of the Project production of printed materials will be kept to the strictest minimum and therefore have positive influence on environment.

The various coordination mechanisms for external assistance, particularly the sector-based coordination group, have ensured that all the central-level stakeholders have been consulted on this Project. Likewise, all the primary stakeholders have been consulted during formulation of the intervention and will participate in the implementation both as direct beneficiaries and as members of the Steering Committee. The views of civil society (including business stakeholders) will be sought during the implementation of the Project. In particular, its role on legislative and policy development will be crucial.

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. In supporting legislative harmonisation and further institutional and administrative capacity building, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All of the planned activities will respect the principles of equal treatment and opportunities for women, especially trainings and awareness events.

Special attention to minorities and vulnerable groups will be integral part of any activity to be implemented within the Project. Being the multi-ethnic society, Montenegro is committed to preserve the culture, history, language and religion of the national minorities and of the majority. Thus the beneficiary institutions will implement mechanisms to ensure that in the legislative process, the internal policies, structure or operating procedures, the principle of equitable representation of ethnic minorities and the protection of their rights is taken into consideration.

10. Conditionality and sequencing

The twinning fiche will be implemented through planned activities of the Action Document “Support to the Tax Administration”

The Tax Administration and the Ministry of Finance coordinate the work of the beneficiary and both of them are obliged to implement the proposed project. Before the commencement

of the implementation of the Project, Tax Administration of Montenegro(MTA) has pledged to provide timely and adequate resources and sufficient capacity to implement recommendations. The internal legislative timetable will be respected, in accordance with the Accession Program of Montenegro and Government Annual Work Plan, and MTA will be committed to Fiscal Blueprints benchmarking recommendations.

It is expected that the implementation of the Project will commence in 1th quarter of 2017.

The previously mentioned institutions will also provide necessary working premises and all the facilities for the implementation of the twinning fiche. However, where translation or interpretation will be needed, the costs will be covered by the Twinning budget.

ANNEXES TO PROJECT FICHE

ANNEX I: Logical framework matrix in standard format (compulsory)

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	
To fulfil the EU pre-accession requirements in field of taxation	Provisionally closed Chapter 16	EC Progress Reports DG TAXUD reports	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS
To strengthen the administrative and operational capacities of the Montenegrin Tax Administration (MTA) in accordance with EU standards and requirements specified in Chapter 16 –Taxation	Number of relevant strategic documents (to be identified during the gap analysis phase) prepared in line with strategic objectives of the Fiscal Blue Prints at the end of the Project (Business strategy IT strategy, BCMP). top level business managers trained on strategic and modern performance oriented management (6-8 managers)	EC Progress Reports DG TAXUD specific reports Ministry of Finance reports	Commitment of the Government of Montenegro to accession process
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION	ASSUMPTIONS

<p>R 1: Montenegrin legal framework in the field of tax administrative cooperation further aligned and mutual assistance developed in line with "Union acquis" - indirect and direct taxes, as defined in Chapter 16 - Taxation</p> <p>R 2: A comprehensive training programme implemented, consequently MTA organization, risk management, administrative and control procedures enhanced</p> <p>R3: Improved conditions for the administrative co-operation and mutual assistance with EU Member States</p> <p>R4: Operational capacity and computerisation of Montenegrin Tax Administration strengthened further</p>	<p>Laws and bylaws needed for compliance with the <i>acquis</i> drafted and prepared for adoption (Law on Tax Administration and the Law on VAT and related Rulebooks)</p> <p>Relevant strategic documents, implementation plans, new procedures in place (Business Strategy, IT Strategy, BCMP, CRM in accordance with EU requirements contained in Fiscal Blueprints</p> <p>Number of training workshops/seminars delivered and number of trainers and experts trained in relation to EU standards which improve business operations (At least 8 training workshops/seminars delivered and minimum 5 trainers and 5 experts trained)</p> <p>Capacity and operations of IT department of MTA increased to better meet obligations in order to support various business processes as defined in the Business Strategy (especially interoperability and interconnectivity)</p>	<p>Official Gazette of Montenegro</p> <p>Ministry of Finance reports</p> <p>Action Progress Reports</p> <p>EC Progress Reports</p>	<p>Commitment of the Government to engage in reform process in line with the Fiscal Blueprints</p> <p>Timely and adequate resources of Ministry of Finance available</p> <p>Timely and adequate resources of MTA available</p> <p>Sufficient MTA capacity to implement recommendations</p>
ACTIVITIES	FINANCING METHODS	OVERALL COST	ASSUMPTIONS

<p>R1 - A1: Gap analysis and drafting legislation in the field of tax administrative cooperation and mutual assistance</p> <p>R1 - A2: Review and revision if necessary of strategic document are in accordance with EU Fiscal Blueprint</p> <p>R2 - A1: Training needs analysis performed and execution of comprehensive training programme</p> <p>R3 - A1: Establishing necessary internal conditions in MTA for international cooperation and fulfilment of Montenegrin obligations under Chapter 16, especially for future administrative cooperation and mutual assistance</p> <p>R4 - A1: Preparation of Initial elements for IT interoperability and interconnectivity with the EU in conjunction with enhancing operational capacity and computerisation of Montenegrin Tax Administration</p>	Twinning	EUR 1 000 000	<p>Timely and adequate resources for co-financing available</p> <p>Internal legislative timetable respected in accordance with the Accession Program of Montenegro and Government Annual Work Plan</p> <p>Sufficient human resource capacities to implement the Project in the Ministry of Finance and MTA</p> <p>MTA committed to Fiscal Blueprints benchmarking recommendations</p> <p>Business Strategy 2014-2018 adopted</p>
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ANNEX V: List of relevant Laws and Regulations (optional)

- 1) Value Added Tax Act (Official Gazette RCG no 065/01; 021/03; 0014/06; Official Gazette CG No 016/07; 040/11; 029/13; 009/15;)

Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (recast) (OJ L 268/1, 12.10.2010)

- 2) Ordinance on the Value Added Tax (Official Gazette RCG No 065/02; 013/03; 059/04; 016/06; Official Gazette CG No 064/08; 030/13; 032/15)

- 3) Tax Administration Act
Directive 2011/16/EU; Directive Council 2010/24/EU;

- 4) Corporate Profit Tax (Official Gazette RCG No. 65/01, 12/02; 80/04, 40/08, 86/09, 40/11; 14/12; 61/13)
Directive (2011/96/EU); Directive (2009/133/EZ); Directive (2003/49/EZ). Directive 2003/48/EZ, recently updated 2014/48/EZ),

ANNEX VI:

Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc) (optional)

- **Reference to MIPD**
- **Reference to National Development Plan**

Reference to national / sector investment plans

- In October 2014 the **Tax Administration adopted the MTA Corporate Strategy for the period 2014-2019**, which contains the analysis of the state of play: advantages, weaknesses, possibilities, threats and strategic objectives in the areas of strategic importance for the Tax Administration, such as:
 - Strategic development and risk management
 - Human resources management, training and development
 - Organization and processes
 - Legal issues
 - Information technology

The strengthening of the administrative capacity of the Tax Administration and all the procedures that are associated with the process of European integration it, and the responsibility of the Tax Administration, represent a strategic objective of MTA. The Tax Administration has directed its efforts towards ensuring the smooth functioning and contributing to the progress in the negotiation process.