



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

BOSNIA AND HERZEGOVINA

Indirect Taxation Authority – Diagnostic Review
of Progress of Reforms

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High-Level Summary Technical Assistance Report
Fiscal Affairs Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The current state of implementation of capacity development (CD) advice and reforms, dating back to a 2018 TADAT performance assessment, reveal slower than expected progress on implementation. The report contains observations about CD advice being repeated in many areas because it had not been implemented. The slower than expected progress seems to relate to piecemeal implementation, which may be due to the Indirect Taxation Authority (ITA) not having a programmatic approach to the implementation's governance. This may mean that the ITA is not able to prioritize resources to implement reform or to even properly identify whether and in what areas it may defensibly need additional resources. The mission provided renewed recommendations in many areas of past CD advice, but also provided a key recommendation that the ITA should seek to initiate a transformation program to progress all of the CD recommendations and reforms in a well-governed and integrated process.

JEL Classification Numbers H20, M10, (consult <https://www.aeaweb.org/econlit/jelCodes.php>)

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Background

The Indirect Taxation Authority (ITA) of Bosnia and Herzegovina (BiH) requested the IMF to undertake a diagnostic review of the progress of reforms being implemented as a result of IMF CD recommendations or recommendations from similar organizations. The review would provide a basis for how to move forward with the implementation of recommendations, particularly as BiH is hopeful of progressing in the accession process to become a member of the European Union (EU).

Summary of Findings

The ITA has reached a critical point in its development. It has been established for 20 years. While it is functional, its organizational structure, which was contemporary at the turn of the century, is now less likely to be suitable for a revenue administration operating in the twenty-first century. Similarly, the operating processes are dated and lag behind processes in more modern administrations. The structure and processes of the ITA, across many areas of the organization, have been the subject of repeated CD recommendations for the last six years. The underlying cause considered most likely to be the reason for the slowed progress on implementation is the lack of a rigorous reform implementation process, resulting in piecemeal implementation of CD recommendations with no evidence of overall governance or monitoring.

The review found that the ITA was making slower than expected progress on the implementation of CD recommendations across seven areas of focus: (1) planning, organization and governance; (2) human resource management; (3) compliance risk management; (4) performance measures and metrics; (5) core customs administration; (6) core tax administration; and (7) technological development. In reviewing the progress of implementation going back to 2016, but mostly anchored on a 2018 Tax Administration Diagnostic Assessment Tool (TADAT)¹ report, the mission team noted that implementation timeframes for CD recommendations had not been met, resulting in CD recommendations being repeated in subsequent CD assignments.

The mission team acknowledged that resource constraints, partly determined by factors outside of the control of the ITA, may be partly responsible for slower than expected implementation. However, it was not clear that the ITA has a good process to either prioritize existing resources, or to properly identify defensible additional resource requirements.

Summary of Recommendations

The mission made 42 recommendations, mostly consolidating and updating past recommendations in each of the seven focus areas. The key recommendation is that the ITA should embark upon a Transformation Program which would allow for all the other reforms and recommendations to be implemented in agreed timeframes with good governance and monitoring.

The mission also recognized that the ITA may need additional assistance in preparing a proposal that would allow for the creation of a Transformation Program.

¹ TADAT is designed to provide an objective assessment of the health of key components of a country's system of tax administration, measured across 9 performance outcome areas. www.tadat.org