

In order to fund the provision of goods and services to the population and redistribute income, the government raises revenues in several ways (e.g. taxes, custom duties). Comparing the size of revenues between Western Balkan, OECD and EU economies reveals the challenges that each group of countries faces. Economies in the Western Balkan region have a small revenue base which hinders governments' capacity to promote inclusive growth. COVID-19 is bringing a new wave of digitalisation in the region, fostering the development of new tools for revenue collection, especially taxes. OECD and EU countries have a larger revenue base, which has allowed them to expand the services to the population and to implement relevant governance reforms over the years, but face the challenge of increasing their collection at the same rate as their expenditures.

In 2018, on average, in the Western Balkan region, governments generated revenues amounting to 37.1% of GDP. This represents a similar share to the level raised in OECD countries (37.5%), but lower than the average of EU countries (45.2%). Furthermore, the trends diverge between EU and Western Balkans on average: in comparison to 2008, there has been a decrease of 1.2 p.p. in the Western Balkans and an increase of 1.4 p.p. in the EU.

There are differences in terms of the revenue collected among the Western Balkans, both in size and trend. Bosnia and Herzegovina collected 42.8% of GDP in 2018 (close to the EU average), while Kosovo collected 26.1% of GDP. Furthermore, while Montenegro (-7.4 p.p.), North Macedonia (-4.3 p.p.) and Bosnia and Herzegovina (-2.7 p.p.) decreased their revenue collection as a share of GDP in comparison with 2008, Kosovo increased it by 1.8 p.p.

Kosovo has a lower level of government revenues than European economies, as its tax-base is narrow. This is due to several factors including the high rate of informality in the economy (e.g. many firms and households do not have property titles for their assets), the large dependence on remittances, the low rate of labour-market participation (especially among women) and the large tax debts of individuals and enterprises (IMF, 2018).

Another way of measuring the revenue collected is on a per capita basis. Western Balkans collected on average USD 5 694 PPP in 2018. This represents around a third of the OECD average (USD 17 865 PPP) in the same year, and even less when compared to the EU average (USD 20 124 PPP). Revenues per capita in the Western Balkans have grown faster than those of EU countries in the period 2008-18 (at rate of 1.8% vs 1.0%).

Montenegro (USD 7 930 PPP) had the highest revenues per capita, which are over twice those of Albania (USD 3 683 PPP) and Kosovo (USD 3 043 PPP). In comparison with 2008, the revenues per capita of these two economies have increased the most, in Albania at an annual rate of 3.3% and in Kosovo at an annual rate of 3.8%. In contrast, Montenegro has had the smallest increase at an annual rate of 0.1% over the same period.

Albania is making significant progress in modernising its tax administration, by expanding the use of online

services and improving VAT registration (through compliance campaigns and reductions in registration thresholds). Nevertheless, revenue collection has remained below many of the targets set by Albania's government due to ad-hoc tax policies (for example, VAT refunds or tax cuts). Additionally, these ad-hoc policies generate VAT arrears because the annual budget is prepared based on revenue projections (which do not consider VAT refunds), and the funds are committed before actual revenues (taking VAT refunds into account) are calculated (IMF, 2019).

### Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the overarching System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. For definition of general government see section 2.4.

Revenues encompass taxes, net social contributions, and grants and other revenues. For information on calculating revenues per capita see section 2.5. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

### Further reading

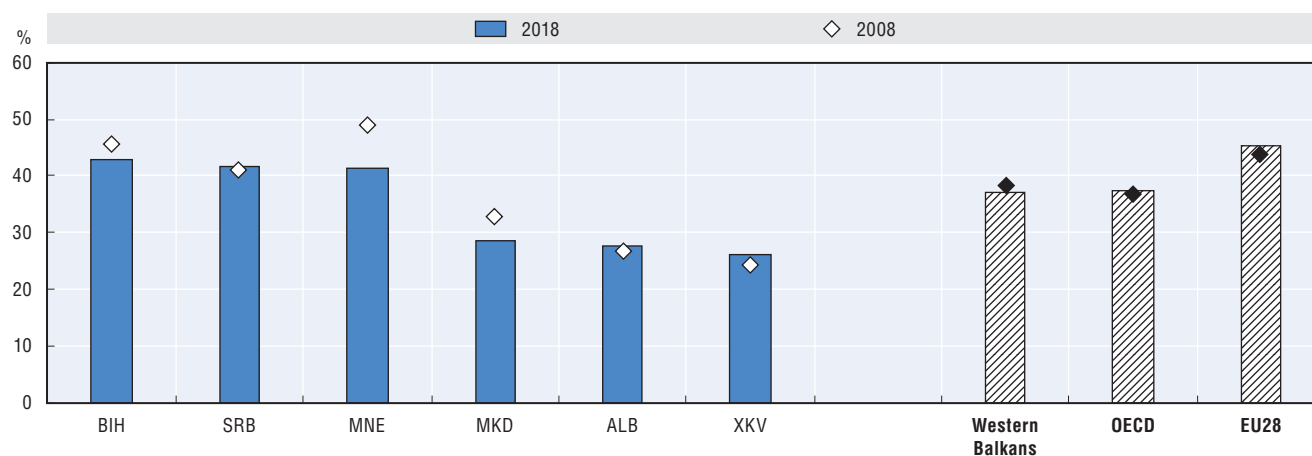
IMF (2019), Albania 2018 Article IV Consultation. *IMF Country Report No. 19/29*. IMF, Washington, DC.

IMF (2018), Kosovo 2018 Article IV Consultation. *IMF Country Report No. 18/368*. IMF, Washington, DC.

### Figure notes

For more information on country specific notes please refer to: <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>

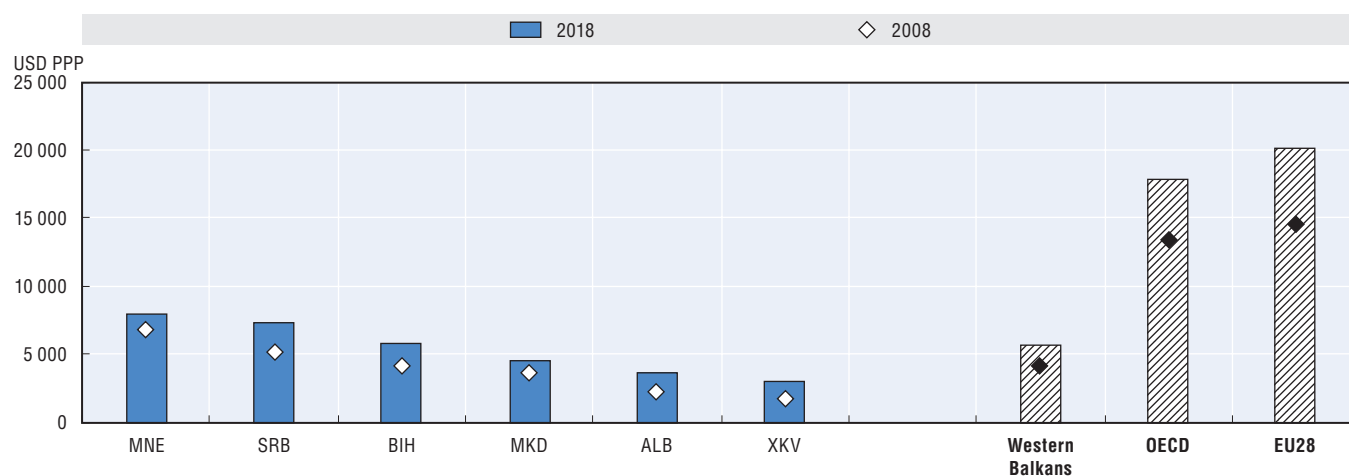
## 2.6. General government revenues as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink <https://doi.org/10.1787/888934128517>

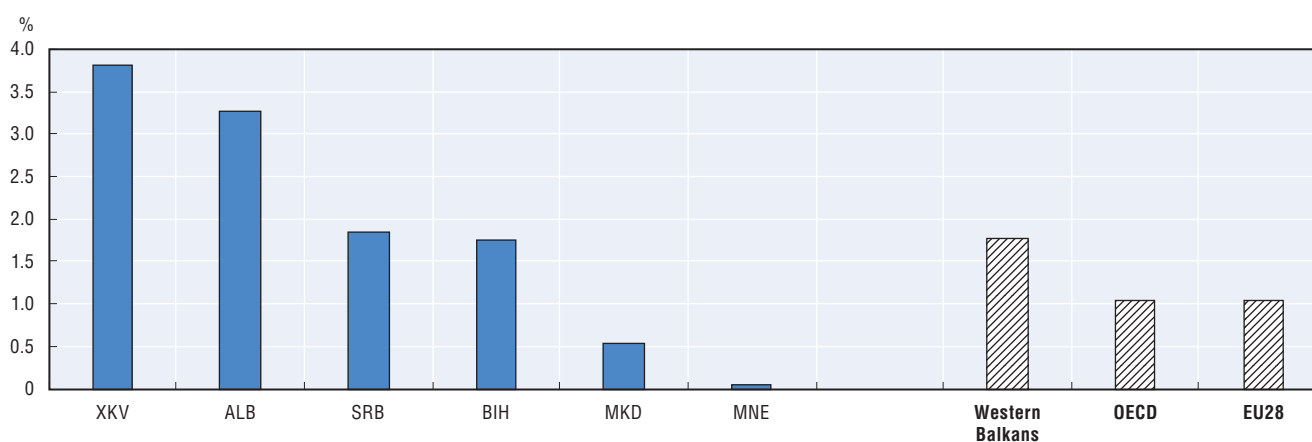
## 2.7. General government revenues per capita, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

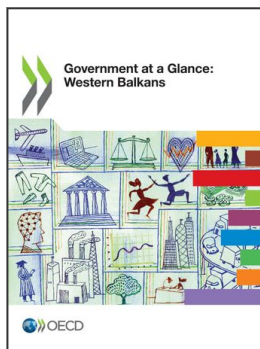
StatLink <https://doi.org/10.1787/888934128536>

## 2.8. Annual average growth rate of real government revenues per capita, 2008-18



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink <https://doi.org/10.1787/888934128555>



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