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Sida Decentralised Evaluation

FCG Sweden

Evaluation of the project “Building Market Value Based Property Tax in Albania (ProTax)”

Final Report

Evaluation of the project “Building Market Value Based Property Tax in Albania (ProTax)”

**Final Report
June 2022**

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Abbreviations and Acronyms

AAM	Association of Albanian Municipalities
ASHK	Albanian National State Cadastre Agency
AKSHI	Albanian National Agency for Information Security
ALA	Association for Local Autonomy
ALDA	European Association for Local Democracy
CBO	Community Based Organisation
CSO	Civil Society Organisation
CoM	Council of Ministers
EQ	Evaluation Question
EU	European Union
GDPT	General Directorate of Property Tax
GiZ	Gemeinschaft für Internationale Zusammenarbeit (Germany)
GoA	Government of Albania
IPRO	Immovable Property Registration Office
MFE	Ministry of Finance and Economy
Mol	Ministry of Interior
MoU	Memorandum of Understanding
NALAS	Network of Associations of Local Authorities of South-East Europe
NGO	Non-Governmental Organisation
OSHEE	Operatori i Shpërndarjes së Energjisë Elektrike (Albanian Electricity Company)
PT	Property Tax
QA	Quality Assurance
SC	Steering Committee
SCA	Swedish Central Authorities
SDC	Swiss Development Cooperation
SGA	Swedish Central Government Authority
Sida	Swedish International Development Cooperation Agency
STA	Swedish Tax Agency
STAR	Support to the territorial and Administrative Reform
TBI	To Be Identified
ToC	Theory of Change
ToR	Terms of Reference
UAB	Union of Albanian Businesses
EU4M	EU for Municipalities
UNDP	United Nations Development Programme

Preface

This evaluation was contracted by the Embassy of Sweden in Albania through the Sida Framework Agreement for Evaluation Services. The Evaluation Team consisted of Frans van Gerwen, Anders Kragh Bingen and Silvana Rusi. The Final Report was quality assured by Derek Poate, whose work was independent of the evaluation team. Anders Kragh Bingen provided project management support.

Executive Summary

Introduction

This external evaluation considers the Market-Value Based Property Tax in Albania (ProTax) project, funded by the Swedish Government and implemented by Swedish Tax Agency (STA). The STA works closely together with the Albanian Ministry of Finance and Economy (MFE) and its General Directorate of Property Tax (GDPT). This evaluation covers the entire implementation period of ProTax from 2018, with a two-year prolongation period, until the end of 2022. Developments were considered until the end of the first trimester of 2022.

This evaluation was implemented by a team of two international consultants and one regional consultant based in Albania in the period April until June 2022.

Evaluation objective and criteria

The objective of this evaluation is to assess the implementation of the ProTax project and formulate recommendations and lessons learned. The recommendations of this evaluation may inform the preparation of a possible new phase of the ProTax project from 2023 onwards.

The key evaluation questions in this evaluation consider seven OECD-DAC evaluation criteria: 1) Relevance; 2) Coherence and complementarity 3) Effectiveness; 4) Efficiency; 5) Impact; 6) Sustainability. A seventh criterion was added on Cross-Cutting policy priorities, particularly related to the inclusiveness of the ProTax project.

Evaluation approach and methodology

The evaluation research combined a variety of research methods and instruments, most importantly: reconstruction of the Theory of Change of ProTax; Key Informant Interviews with project partners and property tax related stakeholders; desk review of relevant documents; field visits and interviews in four Albanian municipalities to discuss ProTax relevance and implementation at the local level with local level stakeholders; A survey administered to all Albanian Municipalities; and a debriefing and validation meeting with key project partners at the end of the field research. Findings from different sources were triangulated and crosschecked to produce a number of key findings and conclusions on the ProTax project design, planning and implementation.

Key findings

The ProTax project in Albania started in 2018, and was to a considerable extent, based on the design and set up of a previous property tax project in Kosovo. The ProTax project, as was the case in Kosovo, is funded by the Swedish Embassy and implemented

by the MFE with support from the STA, focusing on capacity development of national partners in the MFE, particularly at the level of the GDPT.

Since its start, the project has suffered multiple setbacks and delays resulting in repeated redesign and planning of the project. After a two-year extension period until the end of 2022, the project isn't likely to be able to deliver its key outcomes that were anticipated.

ProTax has reached out to municipalities, with awareness raising and basic training, though it has not been able to actively and systematically involve municipalities or their representative organisations. At the end of 2021 only a small group of municipalities expressed interest in the project. The majority of municipalities kept a sceptical view on the project mainly, related among others with challenges faced by the project to get up-to-date access to quality data on property needed to develop operational and functional systems.

More recently, after the Covid-19 pandemic and with leadership level changes in the MFE, the ProTax project has gained momentum and activities are now ongoing in legislative review, systems development and the piloting of ProTax in a number of pilot municipalities.

Key conclusions

The ProTax project contributes to an important need of the Albania Government to reform property tax, as the most important structural local taxation and source to invest in local development in the country. While this general need was addressed, ProTax was not developed and designed based on a proper interest- and needs analysis among all stakeholders and the project plan did not include an inception phase. The tax reform process requires strong ownership of the Albanian Government as a whole, and MFE specifically, which may not have been sufficiently secured throughout the project.

The ProTax implementing partners; the Ministry of Finance and Economy (MFE) and its General Directorate of Property Tax (GDPT) and STA have insufficiently involved Municipalities and Local Government Associations as partners in the design and set-up of the project. Instead, Municipalities were considered mainly beneficiaries.

The Protax project was developed primarily as a technical intervention to solve a fundamentally political challenge, as taxation is profoundly a political instrument. Political and policy aspects were not sufficiently considered in the project design and interventions.

The focus of ProTax project on property taxation alone has led to a certain isolation of the project and its implementing partners within the broader context of fiscal decentralisation and local finance.

The ProTax project has suffered from a difficult cooperation with the Albanian National State Cadastre Agency (ASHK), while this institution is key for the success

of the project. Consolidation of property registries and specific data in the ProTax system presents a key bottleneck in the project.

The ProTax project implementation has not sufficiently sought active cooperation and coordination with other “local finances” oriented projects and partners, such as the Local Finance and Strong Municipalities projects supported by Swiss development Cooperation (SDC), the Support to the territorial and Administrative Reform (STAR) project of the United Nations Development Programme (UNDP) (also co-funded by Sida) and the EU for Municipalities (EU4M) project implemented by the Network of Associations of Local Authorities of South-East Europe (NALAS).

The project implementation, since its start in 2018 and until the moment of this evaluation has suffered multiple setbacks, changes in plans and delays in activities. Even at the end of the extension period, the ProTax project is unlikely to deliver most of the outcomes that were included in the original project plan. The ProTax experience until 2021 may be considered a rather expensive inception phase of a possible new phase of interventions in a next ProTax project cycle.

The ProTax project and MFE/GDPT have not yet been sufficiently effective in reaching out to all municipalities and gaining their interest and trust in the ProTax system. The approach on piloting with nine selected municipalities has been pragmatic and not strategic, which may limit the potential for further replicating the project and the ProTax system in 52 remaining municipalities nationwide.

While the implementation of the ProTax project has suffered major set-backs in previous years, most partners and stakeholders interviewed in this evaluation process, see a clear change in willingness and speed of the ProTax implementation in the last months. ProTax has regained momentum, particularly related to changes at the senior leadership of the MFE in the past year of implementation.

The ProTax project implementation will still need considerable time and effort before it can reach impact level changes. This would require most municipalities to actively and successfully use the ProTax systems resulting in substantial tax income increases with related increase in expenditures of tax income in local social-economic development.

The work done by the ProTax team with GDPT and MFE in preparing a draft legislation on property tax is an important step ahead in ensuring institutional sustainability of the system- and procedural changes proposed by ProTax. This is a promising development, though final approval will still take considerable consultation and time.

An important bottleneck to ensure future sustainability of the capacity development support interventions by ProTax, can be seen in the limited human resources available at the GDPT and at the municipal level to properly exercise (property) taxation-related mandates and functions.

The ProTax project has followed a centralised approach to provide standardised systems and services to municipalities. While this centralised approach in systems development is helpful and important for efficiency and transparency reasons, also other capacity development interventions need to consider the enormous diversity in contexts and capacity development needs that exist among municipalities.

The strength of ProTax lies particularly in the fact that a centralised support system will support more transparency and uniformity in tax collection processes, thus establishing a level playing field. The centralised systems will decrease the room for human error, fraud and corruption. These aspects are important contributions to Swedish development cross-cutting priorities and are also important in terms of requirements in the EU pre-accession process, aspired by Albania.

Recommendations

1. Considering that the Swedish Embassy in Tirana is positively inclined to consider a follow-up project proposal of STA for a phase 2 of the ProTax project, the Swedish Embassy and STA are recommended to start-up preparations for the new project proposal as soon as possible and to take time for a proper inception phase of the next ProTax phase 2 project;
2. The Swedish Embassy and the STA will need to jointly engage in a dialogue with MFE and GDPT, to see how the change in scope of the ProTax to include policy and strategy level interventions on Local Finances, fiscal decentralisation and local governance strengthening can be addressed during a next phase of ProTax;
3. STA and MFE/ GDPT should address the long-standing challenges encountered by ProTax in getting access and links to required data from the Albanian National State Cadastre Agency (ASHK) to populate the ProTax IT systems;
4. The Swedish Embassy and STA, in a dialogue with MFE/GDPT, may contribute to clarifying and consolidating the position of the GDPT within the MFE, as this directorate is currently understaffed and to some extent isolated from other key entities and departments within the MFE;
5. STA and MFA/GDPT are recommended to develop a comprehensive Theory of Change, including assumptions, for the next phase of ProTax that clearly addresses the policy-level and strategic changes that are aspired by ProTax on the longer term;
6. STA and MFE/GDPT should ensure that the inclusive process of consultation in the inception phase of the next ProTax phase will be translated into a more frequent and effective coordination of other support provided to the MFE in the area of local finance. This will require clear leadership and pro-active coordination by the MFE of different development partners;
7. STA and MFE/GDPT are recommended in organisational and institutional capacity development strategies and actions to consider more systematically the variety and

complexity of contexts, needs and demands of local authorities in the design and planning of the new phase of ProTax;

8. MFE/GDPT with technical support from STA should develop an approach and strategy to provide incentives to municipalities to embark on the ProTax systems. This will require the project partners to develop a joint strategy and approach to insert performance-based management principles in fiscal decentralisation and local governance strengthening.

1 Introduction

The Swedish Embassy in Tirana has commissioned an external evaluation of the Market-Value Based Property Tax in Albania (ProTax) project. This is a project to support the Albanian Government with a specific capacity development intervention to strengthen the Albanian Government to implement a coherent property tax reform at national level. This project is funded by the Swedish Government and is implemented by Swedish Tax Agency (STA). The STA works closely together with the Albanian Ministry of Finance and Economy (MFE) and its Directorate General for Property Tax (GDPT). This evaluation covers the entire implementation period of ProTax from 2018, with a prolongation period until the end of 2022. Developments were considered until the end of the first trimester of 2022.

This evaluation was realised in the period April-June 2022 by a team of two international consultants and one regional consultant, based in Tirana.

This evaluation report describes the evaluation approach and methodology and presents the key findings, conclusions and recommendations of the research. The report is structured as follows.

Chapter 2 contains a description of the evaluation approach and methodology and it presents the challenges and limitations that were encountered during the research phase. Chapter 3 presents a descriptive background and analysis of developments in the implementation of ProTax until the end of March 2023. This chapter also presents lessons learned in a recent evaluation of the ProTax project in Kosovo, which was the predecessor and source of inspiration for the ProTax in Albania and of a recent evaluation of capacity development support by the Swedish Central Government Agencies, among which the STA, in the Western Balkans. Chapter 4 presents the key evaluation findings, structured according to the original evaluation questions in the ToR of this evaluation. Chapter 5 contains the key conclusions of this evaluation based on the research findings in the previous chapter and the final Chapter 6 presents recommendations, clearly addressed to the different partners in the ProTax implementation, as an input for considerations of the partners on a possible continuation of the ProTax project in a subsequent phase.

This report has 5 annexes:

Annex 1: Terms of Reference

Annex 2: Evaluation Matrix

Annex 3: List of Key Informants Interviewed

Annex 4: Document List

Annex 5: Analysis of Survey Results

2 Evaluation Approach and Methodology

The following sections introduce the evaluation subject and objectives. The key stakeholder groups in the ProTax project and this evaluation are presented. After the introduction of the key evaluation criteria and questions, the approach and methodology followed by the evaluation team in realising the fieldwork of this evaluation. The chapter ends with an overview of the risk and limitations encountered in this evaluation and the actions taken by the evaluation team to mitigate these risks and limitations.

2.1 EVALUATION SUBJECT, PURPOSE, OBJECTIVES AND SCOPE

Subject

The subject of this evaluation is the ProTax implementation from its start in 2018 until May 2022. The evaluation includes the involvement and performance of STA as the key agency supporting the project owner, the MFE, and the arrangements for the cooperation with the GDPT. Additionally, the evaluation subject includes the Albanian municipalities who are considered a key beneficiaries of the project.

This evaluation, as requested in the ToR, will also place the ProTax project in the context of a recently completed evaluation commissioned by Sida on Institution Building In Practice: an Evaluation of Swedish Central Authorities', Reform Cooperation in The Western Balkans, EBA, April 2020.

Purpose

The evaluation has a dual purpose. It will assess the results achieved in order to account for the resources invested by Sweden in this cooperation and provide input to upcoming discussions concerning the preparation of a new phase of intervention. The evaluation is also intended to contribute to the learning on this cooperation experience.

Objective

The objective of this evaluation is to assess the implementation of the ProTax project and formulate recommendations and lessons learned as an input to the preparation of a new phase of the intervention. The findings will guide all the key stakeholders and the management team in order to improve and adjust the implementation model.

Scope

The evaluation scope shall include the time frame of the intervention 2018-2022, with its actual implementation until May 2022, with still 7 months to go until the end of the implementation period. Outcomes in capacity development and institutional strengthening of partners involved in the project and the process and quality of

cooperation between project partners will be included in the evaluation. Other stakeholder groups to be included in this evaluation are the Agency For Support of Local Self-Government at the Ministry of Interior (MoI), the Albanian National State Cadastre Agency (ASHK), the Albanian National Agency for Information Security (AKSHI) and the two national associations of municipalities, Association of Albanian Municipalities (AAM) and Association for Local Autonomy (ALA). Furthermore, four municipalities (Tirana, Vlore, Selenice, and Korce) were included as part of the more in-depth research activities on the ground.

2.2 EVALUATION STAKEHOLDERS

As part of the evaluation, a number of different stakeholder groups were identified through programme documentation and reporting and in the preliminary interviews conducted during the inception phase. These stakeholders are listed below.

Primary stakeholders and direct user groups of this evaluation

The primary stakeholders in this evaluation are:

- The Swedish Embassy in Tirana
- The Ministry of Finance and Economy (MFE)
- The General Directorate of Property Tax (GDPT)
- The Swedish Tax Agency (STA)

It is foreseen that the outcomes of this evaluation will be used by these primary users in decision making on possible next phases of the ProTax and related tax reform initiatives.

Secondary stakeholders in this evaluation

Secondary stakeholders in this evaluation are:

- Municipalities (and Associations of Municipalities)
- Government of Albania (GoA) and specific ministries/institutes responsible for decentralisation and local governance (i.e. MoI and the Agency for Local Self-Government)

These stakeholders were consulted as part of the research activities during the implementation of this evaluation.

Other stakeholder groups

Other indirect stakeholders in this evaluation are:

- IMF
- EU
- Civil Society
- Private Sector (business owners and investors etc.)

Table 1 - Stakeholder categories

Stakeholder category	Specific organisations/departments
Swedish Embassy	
Swedish Tax Agency (STA)	ProTax staff and managers (dealing with Albania and Kosovo)
Government of Albania (GoA)	MFE, MoI; ASHK, AKSHI
Ministry of Finance and Economy (MFE)	GDPT
Associations of Municipalities	AAM, ALA
Civil Society	Partners for Albania
Private Sector	Union of Albanian Businesses
(Inter)national Development Partners	IMF, EU, SDC (Profinance and Strong Municipalities projects), NALAS among others
Municipalities and units	61 municipalities and 375 units

2.3 MAIN EVALUATION CRITERIA AND QUESTIONS

During the inception phase, the original evaluation questions from the ToR (see Annex 1) were revisited to enable a better alignment with OECD-DAC evaluation criteria and to reflect the team's understanding of the evaluation. In this process, some original evaluation questions were revised. The key evaluation questions are now grouped under six OECD-DAC evaluation criteria, complemented with a review of Swedish development policy cross-cutting priorities:

1. Relevance
2. Coherence and complementarity
3. Effectiveness
4. Efficiency
5. Perspectives for Impact
6. Perspectives for Sustainability
7. Cross-Cutting Policy Objectives

The detailed evaluation questions, and indicators and pointers for assessment of the evaluation criteria and questions are presented in the evaluation matrix that can be found in Annex 2 of this evaluation report.

During the inception phase, it was decided that this evaluation does not look into detailed aspects of efficiency, though general aspects of cost-efficiency are included in the analysis of research findings.

And finally, during the inception phase, it was recognised that the Covid-19 pandemic has drastically slowed down implementation and changed delivery modalities of the project to online activities only. These effects of Covid-19 are further discussed in this evaluation report.

2.4 EVALUATION APPROACH AND METHODOLOGY

The following builds on the outline presented in the proposal submitted prior to the evaluation, updated and fine-tuned to reflect the engagement with the material reviewed during the inception and data collection phase. The key features of the approach used in the evaluation are:

Theory-based approach analysis: In line with the nature of the subject to be evaluated, a **theory-based approach** has been applied. Theory-Based Evaluations go beyond log-frame-focused evaluations by looking at processes, causal linkages, explanatory factors that underlie achievements, problems encountered, the effectiveness of mediating measures adopted. The theory-based approach has enabled us to develop a Theory of Change (ToC) of the ProTax project, so that the ToC can be applied to inform the next planning cycles of the ProTax project.

Utilisation-focused approach: In our approach, the evaluation team considered how to take a utilisation-approach in the different stages of the evaluation aiming at ensuring a high level of utility and usefulness of the exercise, during the kick-off, briefing, debriefing, validation meetings and evaluation seminar at the end of the exercise to disseminate the evaluation findings.

Methods and tools for data collection

The following methods and tools were used by the evaluation team, throughout the evaluation process:

Desk review: The amount of documentation available in English related to the ProTax project is relatively limited and mainly constitutes the project progress reports.

In addition to project related documentation, the evaluation team has also considered relevant contextual documents on the subject of fiscal decentralisation and governance in Albania.

Reconstruction of ToC: the team has discussed the intervention logic bilaterally during the research phase with the key evaluation stakeholders (Swedish Embassy, STA, and GDPT). The starting point has been the current ToC of ProTax, which was updated based on the team's understanding and dialogue with these stakeholders.

- A briefing meeting was done with the Swedish Embassy and STA at the start of the fieldwork, during this meeting the intervention logic was briefly discussed among these stakeholders and the evaluation team;
- A final debriefing meeting at the end of the fieldwork was realised to present the preliminary key findings from the research phase and at to discuss and develop a reconstructed and more detailed version of the ToC of the ProTax project.

The evaluation team, after submission of this final evaluation report, is still available to arrange an evaluation seminar with a larger group of stakeholders (e.g. Swedish

Embassy, STA, GDPT, MFE, Municipalities) for dissemination of the evaluation findings and conclusions among a wider audience and to discuss the utility of the recommendations of this evaluation.

Survey: The evaluation team conducted an online survey that was sent out to all 61 municipalities in Albania to elicit feedback on awareness raising and capacity development activities that were conducted in the ProTax project and to obtain more insight in their views, needs and demands in the area of property tax collection and spending and fiscal decentralisation.

The length of the survey was purposefully short (in terms of number of questions), to encourage a high response rate. The number of responses received was 20 out of 61, corresponding to roughly one-third of the entire population. However, some responses were incomplete and only 12 qualitative inputs were received from municipalities. During the inception phase a lower response rate of only 25% was expected as many of the municipalities have not been actively involved in the implementation until present, as ProTax outreach has been limited and for most municipalities mainly contained awareness and basic training activities. The main purpose of the survey was to allow municipalities to participate in the evaluation and provide input and as such the survey was mainly a secondary and complementary source of information, used for cross-checking other research findings.

Key Informant Interviews (KIIs): The evaluation involved 48 key informants either through personal or group interviews.

The interviews followed a semi-structured format, using question guides. The evaluation team recorded notes from interviews in a common template and all interview data was anonymised. In total interviews were conducted with 31 key informants at the national level and 17 key informants at the municipal level.

Visits to municipalities: To supplement the survey and interview data, the Evaluation Team visited four municipalities (Tirana, Korce, Vlore, and Selenice (Selenice stakeholders could only be met in nearby Vlore, due to road construction at the time of the evaluation visit). These visits provided detailed information from municipal stakeholders on the ProTax project and the specific needs and interests of municipalities in the area of market value-based property tax collection. The team conducted a strategic selection of these municipalities based on size, location, and involvement with the ProTax project. The visits to municipalities included four different stakeholders (three from the municipalities involved in local taxation and with the local tax collecting utility company).

2.5 LIMITATIONS ENCOUNTERED IN THE RESEARCH PHASE

Limitations for conducting the research phase of this evaluation were identified already during the inception phase and considered during the data collection phase. The table below presents the limitations that were encountered in the research phase and explains how these limitations were mitigated during the research realisation.

Table 2 - Limitations encountered and mitigated during the evaluation's research phase

Limitation	Mitigating actions
<p>Limited exposure of municipalities to the ProTax project and possible bias in their opinions on the project</p>	<p>The basic characteristics of ProTax were explained to municipalities when approaching them with the survey and for interviews. Questions focused on their relationship with the national tax authorities. Furthermore, as ProTax has not yet reached out substantially to municipalities (other than pilot municipalities), questions also focused on interests and expectations of municipalities to complement their limited experience with actual activities of ProTax.</p>
<p>Political interests of different stakeholder groups and its influence on their opinions on fiscal decentralisation and their assessment of the ProTax project</p>	<p>The evaluation team emphasised that all information provided by individuals in interviews and surveys would be treated as strictly confidential. The evaluation report does not contain direct quotes from individuals. The team believes that it was able to establish the political interests at play (e.g. at national Vs the local level, and at the State Cadaster Vs the municipalities in relation to data and market values).</p>
<p>Limited coverage of survey respondents</p>	<p>As mentioned the response to the survey was 33% a (20 municipalities) and not all responses provided sufficient information. As such the results cannot be generalised statistically as findings representing all municipalities in Albania. Instead the survey is used to support or challenge the findings from other data sources and to explore the open comments receive as part of the survey to get a better understanding of the needs of particular municipalities. The use of the survey was mainly complementary to the other research instruments.</p>

3 The ProTax Project and Implementation in Albania

3.1 CONTEXT AND BACKGROUND

3.1.1 Swedish support to institutional strengthening in the Balkan region

The Strategy for Sweden's reform cooperation with Western Balkans and Turkey for 2021-2027 encompasses two higher level objectives, which are contributing to "human rights, democracy, the rule of law and gender equality", and secondly, "peaceful and inclusive societies". These objectives each contain more specific overall objectives where the objective of "improving conditions for accountability, increased transparency and reduced corruption" is well aligned with the ProTax Albania project.

The strategy goes on to analyse the context in the Western Balkans and it is underlined that the stimulation of closer ties with the EU is an underlying condition for the efforts, which require extensive reforms, which are also part of the ProTax project.

Sida's current strategy for Albania contains the same aspects as the regional strategy and there are three priority areas focusing on i) increased economic integration with the EU; ii) human rights, democracy and rule of law; and iii) environmental and climate-resilient sustainable development. 60% of the funding is allocated to the second priority area, which is also the predominant area for the ProTax project.

More specifically the aim is to strengthen the public administration both at the local level and at the central level as a way of enhancing accountability, transparency, and reducing corruption, which is also at the centre of the ProTax project.

3.1.2 Swedish support to Public Finance Management Reform

Sweden has supported public finance management reform in Albania through the above-mentioned strategies since 2014. One of the important goals has been to contribute to an increased revenue collection system based on a more transparent and fair tax collection system. In order to achieve this, there was a need to enhance both the central and the local level capacity to collect the specific taxes and to inform the taxpayers of the procedures and benefits of paying taxes systematically.

Sweden, in the area of decentralisation and local governance strengthening in Albania, has been historically co-funding the implementation of the STAR programme of UNDP: "Sustaining and Advancing Local Governance Reform". This project has been developed as a collaborative effort in consultation and agreement with the MoI and the Project Development Partners and is currently in its third phase.

STAR's overall goal is: "to strengthen local government effectiveness and efficiency through enhancing STAR3 the supporting framework, consolidating systems,

standards and organisational capacities in place, expanding and sustaining service delivery innovation and best practices, and institutionalising local government accountability to women and men for enhanced participatory governance” (see: www.al.undp.org).

Specific areas of interventions of the STAR project are:

- Local government participatory governance practices are in place and functional and encourage civic engagement;
- Municipal systems and standards are enhanced, expanded, and consolidated for improved service delivery and overall municipal performance;
- Government institutions, responsible for decentralisation and local government, are capacitated to effectively drive policy development, coordination, and monitoring.

In the area of local taxation more specifically, Sweden has been supporting a specific project on value-based property taxation in Kosovo, since 2008. This support ends in 2021. This long-term cooperation on property tax was done with the Swedish Tax Authority (STA) as implementing agency. The project was named ProTax. The project in Kosovo was known among stakeholders in Albania, including the Swedish Embassy and the Ministry of Finance and Economy (MFE) and also considered relevant for the Albanian context because Albania has experienced poor performance in tax collection. The local governments have scarce financial resources and depend heavily on central government funding. The intention was that the adoption of a modern market value-based immovable property tax would increase the local governments’ own sources of revenue. In that sense, the ProTax project would be the tool for securing these objectives, as has been achieved previously in Kosovo.

3.1.3 The ProTax project in Albania (The Evaluand)

In 2018 the Government of Albania (GoA) through the Ministry of Finance and Economy (MFE) entered an agreement with Sida to support the development of a market value-based property tax (ProTax) in Albania for the period 2018-2020.

The GoA approached Sida to request their assistance as a result of the IMF’s recommendation for an improved and strengthened tax regime in Albania, including property tax. In 2014, The GoA asked Sweden for support in establishing a Fiscal Cadaster. As poor registers were the main obstacle, the approach proposed was a massive registration campaign to digitalise the paper-based register of the Immovable Property Registration Office (IPRO, after a merger with the Agency for Legalisation, Urbanisation and Integration of Informal Zones and Buildings (ALUIZNI) in 2019 has now become ASHK). In 2015, STA submitted a project proposal, which was turned down by MFE, as they preferred to implement this project with a private company in a Public-Private Partnership (PPP). However, MFE was not successful in setting up the PPP, though the pressure for reforms from IMF remained. In 2017, Albania signed a Memorandum of Understanding (MoU) with Kosovo for technical assistance in establishing a centralised Fiscal Cadaster, and then reached out to Sweden for further

support, based on the knowledge that the STA had supported the property tax reform project in Kosovo successfully.

The intervention was to be implemented as an “Agency-to-Agency” cooperation model between the Swedish Tax Agency (STA) and the MFE and specifically the General Department of Property Tax (GDPT). The ProTax project was designed and implemented, largely following the design and set-up of the ProTax project in Kosovo, where the STA also supported the implementing agency.

The purpose of the ProTax project is to contribute to strengthened municipalities in Albania by substantially increasing their own source of revenues by implementing market value based immovable property tax on buildings, i.e. object units.

The ProTax project is a specific capacity development intervention to strengthen the Albanian Government to implement a coherent property tax reform at national level, which is a longer-term and more inclusive process depending on many different key national actors. ProTax as a specific project has particularly focused on technical assistance in legislative reform, technical systems development and capacity development support to government entities and municipalities on implementing property tax reform in the longer term.

The Theory of Change (ToC) of ProTax

The logic, or rather the objectives and results, of the ProTax project is presented on the front page of the project document and reports, as a visualisation of the hierarchical relationship between the different project elements.

Figure 1 - ToC Diagram of ProTax



Source: Protax 2018

The diagram above is can be considered a basic design of a ToC, as the diagram summarises and visualises the key features of the ProTax project. The basic ToC for Albania is the same as the ToC of the ProTax project in Kosovo. The project has developed a logical framework matrix with development goals (outcomes) and project results (Outputs) that are shown in the bottom two rows of the ToC diagram presented above. However, the highest level of the ToC is missing in the project planning and the Logical Framework matrix does not present the outputs clearly subordinated to specific outcomes, and as a result, no concrete pathways of change are visualised with related assumptions. The intervention logic of the ProTax project thus is not fully developed to the level of a comprehensive framework. The logical framework presents specific indicators with outcomes and outputs, which were monitored in a logical framework tracking table. With subsequent changes in planning and implementation, the intervention logic deviated more and more from the original planning and, as a result, the narrative reports ceased to refer to ProTax progress, alongside the original logical framework. In the project planning document, an extensive risk assessment table was developed and risks were related to the results area in the logical framework. The basic ToC diagram, presented above, was taken as a starting point for a process of further development and elaboration (reconstruction) of a more coherent and complete ToC for the ProTax Albania project in the framework of this evaluation. This reconstruction of the ToC will incorporate the key findings obtained in the evaluation results and is presented in the Findings chapter of this evaluation report (see 4.8).

The project has formulated one overall objective or purpose, which is to strengthen the municipalities in Albania.

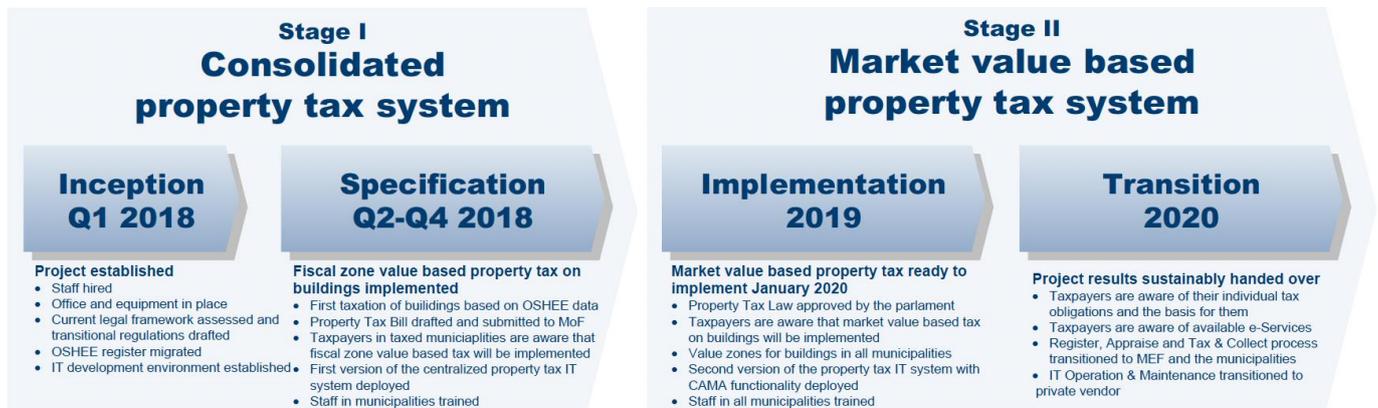
The project then has three development goals or immediate objectives that are to be achieved in the medium-longer term during or after the project ends. The goals are interrelated in the sense that the introduction of a market value-based property tax system would be a contribution to raising property tax revenues of municipalities and evidently contributing to a better functioning economy, but this relationship is not analysed in detail in the project documents.

The project has focused on five results, which relate to the legal foundation for the property tax regime, raising awareness among taxpayers, and having the necessary registers, IT systems, and business processes to allow for an efficient tax collection.

3.2 THE PROTAX PROJECT IMPLEMENTATION IN THE PERIOD 2018-2021

The project was originally envisaged to be implemented in two stages as in the figure below.

Figure 1 - The original stages of ProTax Albania



In the original project design, based on a request of the Government of Albania (GoA), during the first phase of ProTax, property tax collection would be kick-started through the existing infrastructure being provided through the Albanian Operator for Distribution of Electricity (OSHEE), which has an extensive register covering the vast majority of buildings in Albania. This already existing infrastructure was to be the backbone during the first phase of the project, to be complemented initially (in Stage I) with simple and compatible sub-legal acts. In a subsequent phase, a structural long-term collection institutional arrangement would be established.

Already prior to the project start, despite it being part of the project scope, a new methodology for taxing buildings entered into force by the Council of Ministers (CoM), that was not compatible with the characteristics of the client register of OSHEE. Furthermore, already in September 2018, MFE decided that OSHEE should not be used as a collection agent for the system. These setbacks undermined the preconditions set in the project document and related planning agreed between parties. The initial response of the ProTax project was to focus on the launch of an IT system containing registration and tax-assessment functionalities in October 2018 and to train municipal tax officers from all 61 municipalities in Albania. However, municipalities continued to be reluctant to embrace the new IT system, because the initial register was poorly populated, resulting in a very low tax assessment. And municipalities were not willing to make the huge investment to complete the population. And additionally, the output from the system, the gross list of tax assessments, was not useful in the local collection processes as it had to be connected with existing systems of municipalities, which was complex and time-consuming.

During this period (Autumn 2018-Autumn 2019), these challenges resulted in a more difficult cooperation between the MFE and the ProTax project. Many suggestions and demands were made by the MFE to develop systems-changes, though some of the key challenges were not addressed: the poorly populated property tax register and ProTax IT-systems' incompatibility with existing municipal systems.

During the autumn of 2019, the GDPT and the project team jointly developed a revised plan for Stage I. The scope included a complete restructuring of the Fiscal Cadastre Register in order to decrease the need of manual register improvement by the municipalities, and a complete collection module for producing bills and collecting payments via second level banks. The plan was to produce and distribute separate building tax notices, which was achieved by July 2020. Furthermore, functionalities for payment reconciliation and debt management were developed in September 2020. In parallel with these development activities, thorough capacity building and taxpayer awareness raising and preparation would take place in the engaged municipalities.

In spite of these efforts, STA, MFE and GDPT still didn't succeed in effectively engaging municipalities in the ProTax project: the municipalities remained reluctant in moving into a centralised system. A key reason was their lack of faith in the prospects of collecting the property tax through a standalone bill. A common traditional practice in Albanian municipalities was to use water supply companies for collecting taxes directly through the water bill. On top of this, other unforeseen hurdles and obstacles occurred, including earthquakes and the Covid19-pandemic, affecting the pace of work for GDPT and the project and the accomplishment of the so-called Plan C by December 2020. By the end of 2020 it was agreed to prolong the project till the end of 2022.

The main objectives of the prolongation period were:

- The new Law on Immovable Property Tax, as well as associated sub-legal acts, drafted by GDPT with support of the project, shall enter into force by the end of 2022. Thus, at the beginning of 2023, all buildings in Albania shall be taxed based on Market Values.
- In connection with the first taxation based on Market Values, i.e. in early 2023, all municipalities will be ready to use the centralised Fiscal Cadastre for collecting building tax for all relevant building categories.
- 2021: The first 6 pioneer municipalities will use the Fiscal Cadastre system in their building tax processes, under the current legal framework. The remaining municipalities will start preparing for joining in 2022 and 2023.
- 2022: The majority of the municipalities will use the Fiscal Cadastre to collect building tax under the current legal framework. The remaining municipalities will be ready to join in 2023.
- 2023 (after project closeout): All municipalities will use the Fiscal Cadastre to collect building tax under the new legal framework.

After a very slow start, the project has finally picked up momentum during the second Semester of 2021. During this period, the MFE and the GDPT have been more active and shown stronger ownership of the project and in communication with the municipalities. The MFE has expressed a positive inclination toward continuing the cooperation with the STA for another phase to start early in 2023.

3.3 KEY OUTPUTS AND OUTCOMES OF PROTAX OBTAINED UNTIL MAY 2022

An overview of available annual reports of ProTax implementation until the end of 2021 and interviews with key informants confirm the following key outputs and outcomes that were achieved by the project, in spite of the significant bottlenecks and challenges faced by the project, as highlighted in the section above.

Key Outputs of ProTax produced until May 2022

- Draft legal framework for market-value-based property tax. This draft legislation at the time of this evaluation (May 2022) was finalised and submitted to the desk of the Minister of Finance and Economy. After this, it still needs to undergo a process of consultation and final approval by the Council of Ministers (CoM) until the law can be gazetted. In the most optimistic scenario, this may be in the final Semester of 2022, although it is more likely that this will happen in 2023;
- Processes and tools for taxpayer service and communication: Based on the experience of Kosovo a website and platform for publication of taxpayer information is being prepared and TA is provided to GDPT to develop a communication strategy around the review and changing practices around market-value property taxation and will provide expert advice in producing effective information and messages for these platforms. The Property Tax Website, as existing in Kosovo, is not yet operational in Albania;
- IT systems and process development:
 - Population and maintenance of data registers: The Protax project has established a centralised Fiscal Cadaster system with an initial property register based on official property data from ASHK/IPR and self-declared data from the Census conducted by OSHEE (adresari) in 2016. In addition, some register improvements were made by municipalities during 2018-2020. Continuous import of updated official data from ASHK and from the National Agency for Information Society (AKSHI), in an automated centralised process, is not yet achieved, and is challenged by currently unclear arrangements between MFE and ASHK and the still ongoing process of completing and digital Cadastra data by ASHK. An additional effort is required by municipalities to manually complete and correct the data. The project does not support the costs of data migration and development of interfaces;
 - Appraisal of the market value of buildings: ProTax has developed tools and business processes for property value appraisal based on reference prices. The project has developed a generic prototype of a simple appraisal IT system for market value-based mass appraisal (based on the Kosovo model). Further development of this tool and the business processes still relies on analysis of the data situation, i.e. sales transaction data from AKHS. And this provision of data is still highly uncertain at the time of this evaluation;
 - Processes for taxing properties: tools and processes to assess tax on all buildings registered in the Fiscal Cadaster, based on taxable values. IT functionalities are developed for these tax assessment processes;

- Tax collection and debt management: A stand-alone collection module (“financial module”) has been added to the Fiscal Cadaster IT system. The module has all features and functionalities for administering a fully-fledged collection process, such as billing, payment registration and debt management.
- Training and capacity development, mainly in the earlier phases of the project, with new outreach and training activities resuming in the final year of the project. Training has focused mainly at central level, while outreach activities have included all municipalities. In the final year (2022) specific training and communication activities are being implemented with a group of 9 pilot municipalities: Vlore, Selenice, Dimal, Mirdite, Roskovec, Mat, Vau i Dejes, Shijak and Tropoje;

Key Outcomes that are materialising in the first Semester of 2022

At the outcome level, not many tangible changes can be reported in terms of practical application and implementation and further replication of the outputs mentioned above. While the above outputs are available, the actual implementation and replication will depend on the sufficient capacity of the MFE and GDPT to reach out to municipalities with the systems and services that ProTax has delivered and an increase of buy-in and more active involvement of municipalities in piloting the ProTax systems. At the municipality level the key outcomes of ProTax should eventually materialise in embracing the ProTax systems as the new modality for local property tax collection, and possibly also for collecting other local taxes.

At the outcome level the following changes and developments can be identified:

- The MFE and GDPT, after a long period of relative inactivity and slow progress of the ProTax, have now more proactively embraced the ProTax project, and they wish to continue with the introduction and rolling out of the ProTax systems. Support is now provided to the project from the leadership level at the MFE;
- The draft-law is currently at the desk of the Minister of MFE and an approval at this level will allow the draft legislation to pass through a process of consultation. This will be an important phase to further build support for the legislative changes;
- The nine municipalities that have expressed interest in the ProTax are willing and motivated to test and apply the ProTax systems which will serve as evidence of their functionality and this will enable further rolling out and replication of ProTax systems more easily and effectively in a possible next phase of ProTax.

3.4 KEY CONCLUSIONS AND RECOMMENDATIONS OF RECENT PROTAX-KOSOVO AND SWEDISH CENTRAL GOVERNMENT AUTHORITIES EVALUATIONS

Key findings from two relevant and recent evaluations are important in the framework of the current evaluation of ProTax in Albania.

Key conclusions from the Institution Building in the Western Balkan region evaluation (Allen et. al. 2020. P. 14-15) are listed below in a summarised form:

- Swedish Central Government Authorities (SGAs) make a distinctive and cost-effective contribution to development cooperation, providing critical expertise related to the running of government operations, a unique relationship of trust between peers, together with international development approaches;
- The SGAs' contribution is important for the challenging work of supporting institution building in international development. The SGAs have provided tangible improvements in the capacities and performance of partner agencies, and a likely positive contribution to the EU membership aspirations of the countries and the quality of governance in the Western Balkans;
- More successful interventions of SGAs have gone beyond the traditional twinning approach of peer-to-peer learning and sharing of experience. These successful interventions have been in effect change management projects in which the SGA has played the role of consulting partner, project manager and senior level advisor. Success is conditional on teams that were equipped with advanced skills in relationship building, problem analysis, programme design and management of change. But these skills and knowledge have been available to the SGAs largely on the basis of chance and their ability to deliver is somewhat stretched as staff available and well prepared for international work is limited;
- To ensure the future effectiveness of this form of international development support, Sida and the SGAs need to work closely together to invest in the future ability of the SGAs to respond to the demand for their services.

From the recommendations of this evaluation particularly the following recommendations addressed to Sida are relevant for the current evaluation of ProTax in Albania:

- Where project opportunities for capacity development of partner institutions are identified, the Embassy and Sida should lead in the design process, taking into account the strengths and limitations of the SGAs, identifying additional complementary international development skills were necessary both for the design process and as potential partners for implementation;
- At the design stage, Sida should re-orient the agency-specific approach to capacity development towards integrated and system-wide approaches that address

institutional dependencies and interlinkages to enable improved performance and sustainability;

- Sida at the embassy level should support more opportunities for their development partners to share experience, cooperate and learn from each other. (Allen, R. et al. 2020. P. 95)

A key message of this evaluation is that capacity development support should be provided at a comprehensive level, involving all relevant actors to be able to contribute to systems- and institution change.

Important conclusions from the ProTax evaluation in Kosovo (Webber, Kragh Bingen & Russi, 2020. P. vi) that are relevant to this evaluation in Albania are listed below:

- ProTax in Kosovo has made a crucial and substantial contribution to the property tax reform process. The lesson is that substantial engagement of project partners is necessary in order to secure tangible results of a scale necessary for contributing to such a reform initiative;
- The project has made an essential and wide-ranging contribution in terms of assisting the MFE and the Property Tax Department to develop the legislation, set up procedures to support the reform process, build the necessary capacities in the MFE;
- The support of the Embassy of Sweden and Sida has been essential in the achievements secured under the ProTax initiative. It was essential that Sweden maintained support and interest even during periods during which progress seemed slow or not feasible, then proactively promoted adoption of legislation;
- Cross-cutting issues (gender equality, HRBA, environment) have not been afforded sufficient attention in the project design and implementation. More guidance is needed at the design and implementation stage to ensure that adequate attention is paid to cross-cutting issues;
- The project has specifically contributed to an enhanced focus on building the capacity and ownership in the PTD, the ministries, municipalities and ultimately tax-payers in handling property tax.

Two recommendations from the ProTax evaluation in Kosovo are particularly relevant for the current evaluation of ProTax in Albania:

- Maintain a strategic policy dialogue with the Ministry of Finance, Labor and Transfers and stand by to continue to discuss and support the property tax system;
- Assess the need for further support at the local level in implementing the reforms. (Webber, Kragh Bingen & Rusi, 2020. P. 40)

These key messages refer to the need to complement the technical interventions in the ProTax implementation with a high level policy and strategic dialogue. And the recommendations also highlight that capacity development of municipalities requires a long-term approach. In this respect, the following chapter of findings will show that there are a number of similar challenges that are faced by the ProTax projects in Kosovo and Albania.

4 Key Evaluation Findings

This chapter presents the key evaluation findings that originate from the different data-collection methods used throughout this evaluation. These methods include key informant interviews, desk review, visits to municipalities, a survey to municipalities and a debriefing and validation meeting with the Swedish Embassy and the STA at the end of the fieldwork. The findings are presented according to the research criteria and questions from the evaluation matrix that is presented in Annex 2.

This chapter finalises with the presentation of a reconstructed Theory of Change (ToC) for the ProTax project, that integrates lessons learned from an exchange on the ToC with the STA and the Swedish Embassy and further analysis of the research findings under the specific evaluation criteria.

4.1 RELEVANCE

To what extent is the ProTax design and planning built on a proper context and needs analysis? (Q.R.1)

The ProTax project in Albania was started based on a request of the MFE in 2017, which was subsequently motivated by previous advice by the IMF to embark upon a process of property taxation legislative review and the introduction of a value-based property tax in Albania. The MFE staff was exposed to the experience of the Swedish-funded ProTax project in Kosovo also implemented by the STA, through an exposure visit before the start of the project. The MFE was interested in a similar type and design of a value-based property tax project in Albania as in Kosovo. In the beginning of 2018, when an agreement on the ProTax project plan was signed between the MFA, STA and the Swedish Embassy in Albania, the project design largely followed the design and planning of ProTax in Kosovo. The ProTax project document contains a detailed contextual analysis of property tax in Albania. However, at the start of the project in Albania, no comprehensive and systematic interests and needs analysis among partners and beneficiaries was conducted during the inception phase of the ProTax project, though consultations with key property tax stakeholders and partners were conducted.

At the start of the ProTax project, a pragmatic step-by-step approach was suggested. This entailed starting the project with a first phase that was to focus on the “centralisation of tools and unification of processes for carrying out the area-based building taxation under the current legal framework” in Albania (ProTax, 2022, P. 2). During this stage, it was suggested to work with the state-owned electricity company OSHEE as a centralised support tool for local property tax collection. This phase was to be followed by a second phase, with the aim to “convert the area-based property tax

system into a fully-fledged Market Value Based Property Tax System, by a comprehensive legal reform” (ibid, P. 2).

The choice of design of ProTax with this pragmatic two-step approach was based on the overall assumption of starting-up the project as a technical support intervention, by establishing a system and procedures to allow for a more cost-effective local property tax collection, would allow to already make progress by merely technical and IT interventions, supporting municipalities in improving their capacity and efficiency in local property tax collection. The contribution to legal tax reforms could then be done in the longer term, assuming that the system-level improvements of the first could later and easily be integrated in new tax legislative reforms.

This assumption soon proved to be wrong, as the method proposed for centralised support in property tax collection by OSHEE proved not to be feasible in the light of a specific decree of the CoM (DCM 132) to move forward with introducing elements of value-based property taxation while anticipating a more comprehensive legal reform. This change in legislation made collection through OSHEE less feasible. Additionally, the proposal to introduce OSHEE as an instrument for local property tax collection didn’t match with the current practices of many municipalities to collect taxes directly from local businesses and housing-property owners and, as done by a small majority (33) of municipalities, to collect property tax from housing-property owners through their local water supply companies.

The intention of the MFE at the start of ProTax was to offer ready-made and technical solutions to the municipalities for property tax collection. However, these ready-made solutions were not tailored to specific contexts and needs of municipalities and it did not sufficiently consider the current practices of local tax collection among municipalities.

An additional challenge was that the ProTax project was designed as a merely technical solution for a fundamentally political problem. Taxation is a political instrument at the national and municipal levels. Particularly at the municipality level, when tax collection happens close to the taxpaying citizens and businesses, political interests are often considerable. Simply put, taxation is not a popular instrument among taxpayers and therefore can easily compromise the political support from citizens to municipal and national leadership. To that effect, the tax reform process could benefit from stronger ownership and leadership by the Albanian Government.

The recognition of the fact that property taxation is fundamentally political, was not sufficiently included in the project approach and design as it was assumed that the Albanian Government shared the same reform ambitions as the project suggested. This has been a key reason that the technical solutions offered to municipalities have backfired at the start of the project and continued to hamper the progress of ProTax in later years.

Document study and Key Informant Interviews revealed that the project in Albania was to some extent a copy of the ProTax project in Kosovo, where it had demonstrated good progress and results in earlier years of project implementation. This has caused the ProTax partners in Albania to underestimate the need for a thorough and specific context and needs analysis among municipalities.

A second challenge was the fact that the project focused on a specific, though important, local tax only, without considering the wider context of local taxation and fees collection for services combined with central conditional and unconditional transfers to local authorities. While it is acknowledged that the project is only one contributor to a part of the tax reform process, there are limitations to this more narrow approach. The specific legislative changes at the start of the project and the further work on legal tax reforms only focused on property tax. A comprehensive political economy and policy analysis to embed the ProTax project properly in the Albania (fiscal) decentralisation context, which could have benefitted the understanding of the structural challenges, was not done at the start of the project and was also not done at later stages in the project implementation.

At the start of the ProTax a Steering Committee (SC) was established to include consultation and advice from key stakeholders in the project. This SC included both national associations of municipalities, the Albanian National State Cadastre Agency (ASHK) and the National Agency for Information Society (AKSHI) and the EU and IMF were also invited as well as representatives of specific municipalities. While the SC could have been an instrument to overcome the weaknesses observed in context and needs analysis, it has, after the first year of project implementation, become obsolete. The project design and planning of ProTax has not benefited from systematic inputs from Albanian municipalities. And in later stages, the ProTax project has reached out mainly to individual municipalities in training and systems support, though it has not secured inputs of municipalities as an organised stakeholder group in the project. This lack of systematic consultation with project stakeholders became further diluted, due to the Earthquakes and the Covid-19 pandemic not allowing for physical meetings and also due to the fact that both associations of municipalities, the Association for Local Autonomy Albania (ALA) and the Association of Albanian Municipalities (AAM) in Albania faced problems, they were divided in representing their members and unable to collaborate.

The ProTax project has not reactivated the SC and the stakeholders state that they have little knowledge of the further steps and developments of ProTax. Only at the level of specific municipalities, ProTax has established closer support and working relations with a small number of medium and small-sized municipalities: since the end of 2021, a group of six municipalities participating as pilot municipalities in ProTax.

Has ProTax supported willingness to change (ownership and commitment) in the property tax administration, both at the central level and in municipalities? (Q.R.2)

The interest and commitment of the MFE and the GDPT at central level have varied considerably throughout the project implementation period. While at the start of ProTax in 2018, the MFE was pro active in kick-starting the project, after the initial stage, the working relations between MFE and the STA became more tense, when the ProTax team could not offer and roll out the technical solutions that were anticipated at the start of the project. The difficult working relations have further slowed down project progress and problem solving in later years. This was aggravated during the earthquakes in 2019 and the subsequent Covid-19 pandemic in 2020 and 2021, when contacts further decreased and became limited to online communication only, which was not helpful for constructive and effective working relations in this period. As a result of these ongoing challenges, also the start of the prolongation period of 2021-2022 was slowed down until the final half of 2021.

Since then, a clear change is observed by the internal and external project stakeholders. The coming in of a new Deputy Minister in MFE in 2020, with strong background and experience in fiscal matters at both national and local level, has brought a change in the MFE particularly since the second half of 2021, the MFE has expressed renewed interest in ProTax and its commitment to continue to work on the project, including speeding up the process of legal reforms in local property taxation, resulting in a new draft proposal for a local property tax law in the first Semester of 2022. At the level of the GDPT, commitment to the project has also improved, with changes in leadership in this directorate, although the GDPT remained notoriously understaffed, thus challenging its implementation capacity to advance in ProTax implementation.

The recent changes in interest and commitment to the project at the level of MFE and GDPT, have been picked up by STA and the Swedish Embassy, resulting in an interest and openness to consider a possible new phase of the project, after the end of the current prolongation period until the end of 2022. The STA and MFE/GDPT staff are currently starting the preparation of a proposal for a new phase of ProTax in Albania to be considered by the Swedish Embassy later in 2022.

The interest and commitment of Municipalities in the context of ProTax have remained low throughout the entire period of implementation of ProTax and at present most municipalities and their associations are still sceptical about what the project can bring to them. With changes in legislation on local property taxation in 2018 and the new property tax law in draft, municipalities experience that changes in local property tax collection methods and instruments are imminent, and stakeholders met at the national and municipal level in this evaluation, clearly see a value of having a centralised support system to help municipalities in managing and administering local property tax collection and they support this centralised systems-development approach of ProTAX. Many stakeholders encountered in this evaluation, at the same time expressed significant concerns and scepticism about the ProTax system support, as long as technical aspects of populating the property tax register in the ProTax system are not properly solved at the central and decentral level. There is a fear that working with the ProTax project on the short term is causing additional burdens of time and effort to guarantee access to good quality and up-to-date information that may have to be

repeated at different moments, when the system will be further updated. In the meantime, municipalities prefer to work with their own systems and practices in property tax collection. Only a small number of municipalities have expressed interest to work with the ProTax team to pilot the ProTax systems in 2021 and 2022. These municipalities are: Vlora, Selenica, Dimal, Mirdite, Roskovec, Mat, Vau i Dejes, Shijak and Tropoja. The first two municipalities were also included in the field visits of this evaluation. Most, though not all, of these municipalities, are small and not representative of the full community of 61 municipalities and their associations. This community ranges from small rural municipalities with a massive exodus of their population (and abandoned houses), to the large municipality of Tirana that represents a third of Albania's economic activity. The survey and interviews conducted in this evaluation show that the scepticism with the ProTax systems is still widespread among the municipalities.

Furthermore, municipality level stakeholders express that the challenges faced in property tax systems and procedures should be considered and solved in the wider context of local finances, and therefore they would wish to see a more comprehensive approach of ProTax, that does not only address the technical aspects of the specific property tax collection and also provides solutions at the overall systems and policy level, embedded in fiscal decentralisation principles and the decentralisation and local governance strengthening strategy in general.

4.2 COHERENCE AND ALIGNMENT

To what extent has ProTax been in line with fiscal decentralisation and local governance strengthening policies of the Government of Albania? (Q.C.1)

The ProTax planning and implementation at the start of the project has not been closely aligned to policy and legislation processes related to fiscal decentralisation and local governance strengthening. This is illustrated by the fact that the Decision of the CoM (DCM 132) in 2018 on the property tax, introduced a new methodology for value-based property tax collection, which came more or less as a surprise to the project and forced it to consider drastic changes in design and planning and eventually caused delays in implementation.

The project had foreseen legislative changes only in the second phase of the project, and did not anticipate provisional and partial reviews and changes in legislation specified in the DCM 132. In the final years of project-implementation the legislative review process has been taken up and it was decided to develop a specific proposal for a draft law on local property tax. This draft law, at the time of this evaluation, was about to be signed by the Minister to enter a process of consultation in the summer of 2022, to prepare for a final approval by the CoM later in the year or in the course of 2023.

The decision to develop specific legislation on the property tax, might make sense in the light of the complexity and importance of this specific tax in local taxation, though

this decision isolates development in property tax from other relevant pieces of legislation, of which there are at least three directly important:

- Law on local tax system
- Law on local tax procedures
- Law on local finance

The laws on local tax system and procedures contain specific chapters on property taxation, which will need to be taken out once a specific property tax is approved. The approach to isolate a property tax legislative review, may be helpful to provide a focus in efforts to further advance in applying necessary changes in this specific taxation that have been stalled for quite some time. However, on the other hand a specific local property tax law, may not be helpful to strengthen a more comprehensive and systemic approach in (local) tax legislative reforms.

This challenge extends to aligning with policy and strategy development on (fiscal) decentralisation and local governance strengthening by both the MFE and the MoI (spearheaded by its Agency for support of local self-governance). At the level of the MFE itself, at the top leadership level, no comprehensive long-term vision (and related policy and strategy) on national and local taxation and fiscal decentralisation has been developed yet.

This raises the question, in hindsight, if the ProTax project has followed the wrong sequencing of activities, by first starting with (IT) systems development interventions (phase 1), followed by contributing to tax reforms (phase 2). And considering tax reforms, it would likely have been beneficial to have a vision, policy and strategy of the MFE guiding a process of tax reform, as a very first step in the process.

The observations above show that the ProTax project has been aligned only to a limited extent to policies of the Albanian Government, though at the same time it should be noted that these policies on fiscal decentralisation and local governance were not strongly developed at the national level. In 2022 the MoI is leading a process of development of a decentralisation and local governance strategy. The MFE and the ProTax project have not yet aligned and linked up with this strategy development process to ensure that specific fiscal decentralisation efforts, including the local property draft law are aligned with this strategy.

Challenges of alignment can also be observed in the structural arrangements at the level of the MFE. The GDPT was established as a separate directorate within the MFE, with no clear linkages with other structures, such as the National Tax Authority that serves as a semi-autonomous institution of the MFE and the Local Finances Department at MFE. While, as observed above, the complexity and importance of local property, might require specific and special efforts from the MFE to kick start and set up proper systems, which may be served by GDPT, on the longer-term it may be needed that the GDPT is more strongly aligned with the Local Finances department in the MFE. And as a special effort on property tax, the GDPT is not sufficiently sourced to exercise its

function to kick start the property tax. GDPT's current staffing is less than 50% of what was foreseen in functional requirements for this Directorate. And as with policy and legal alignment, the GDPT is not showing strong structural linkages within the MFE, let alone other relevant Government Ministries and entities.

How compatible has the intervention been with other interventions in Albania in sectors or organisations where ProTax is being implemented? (Q.C.2)

The ProTax approach has had a number of incompatibilities and difficult relations right from the start of the project implementation. Two specific challenging relationships may be highlighted in this respect:

- The provision of ready-made solutions and central services to municipalities, was not welcomed by many municipalities. The interviews and survey conducted in this evaluation confirm that the majority of municipalities until the moment of this evaluation have remained rather sceptical and reluctant to participate in the project. According to stakeholders interviewed in this evaluation, the municipalities' experience and inputs have not been sufficiently considered in the project design and implementation. And the SC of ProTax became obsolete, further limiting consultations with and inputs from municipalities in a structural and systematic way. The project did not include policy and capacity support to municipalities to deal with challenges in local taxation in a broader context of local finances, and particularly the fact that collecting taxes is not a popular policy measure to be taken by local authorities. The question how to incentivise local tax collection and how to increase willingness to pay taxes, were not integral parts of the project design;
- The compatibility of data systems with relevant data for local and value-based property tax collection, has remained problematic throughout the entire period of project implementation. Data from different systems, such as the citizens registry, fiscal registry, cadastre, and census are not yet linked properly through well-functioning digital interfaces and at municipal level, other registries such as a business register and water-company data are used. The limited compatibility of these data systems, brings considerable risks to municipalities to change and adopt new data systems and registries. One of the main reasons for the reluctance of municipalities to embrace the ProTax systems, is the fear of double efforts that might be needed to populate the system with adequate and up-to-date data. This fear continues to exist even after municipalities have seen the functionality of the ProTax systems and its potential to serve not only property tax but also other local taxes.

Another key challenge related with compatibility was already mentioned above under the criterion of relevance. This is the fact that the project had not considered the ways in which municipalities have collected their local property taxes historically. This has generated concerns among municipalities around centralising support in tax collection through the national electricity company (OSHEE). Some municipalities were afraid that OSHEE would not transfer property taxation to the accounts of municipalities, or only do so against a high fee. For some municipalities, this fear was very real, because they and/or their local companies were indebted to OSHEE, by structural back-

payments on their electricity bills. The incompatibility with OSHEE was overcome by allowing local authorities to continue to collect their taxes with their own methods and systems. However, a challenge remains because the practices of municipalities vary significantly, leaving room for other incompatibilities, many of them related with enforcing payment and penalising non-payment of taxes and how to deal with tax-exemptions. These aspects of compatibility and diverse practices in implementing local taxation have not received systematic attention in the design of ProTax, which' approach has remained on centralised systems development and uniform capacity development support to municipalities. While the centralised systems development approach clearly makes sense the uniform capacity development support is not recognising the different needs and levels of engagement encountered in property tax reform among the hugely diverse Albanian Municipalities.

The linkages of ProTax with other initiatives of national and international development partners dealing with fiscal decentralisation and local governance finance have remained limited to exchange of information between project staff of the implementing organisations. This exchange was not translated into active coordination and collaboration on the ground. In the recent past, USAID has supported fiscal decentralisation in Albania and it has provided municipalities with IT systems for local tax collection, though only at a decentralised level and this system has after some years become obsolete in most municipalities. The Swiss Development Cooperation (SDC) is supporting two relevant projects, one dealing specifically with local finances and a second more broadly with local governance strengthening. The EU, through NALAS, is providing grants to municipalities in its EU for Municipalities (EU4M) project. And UNDP's STAR project, co-funded also by the Swedish Government is providing support to local authorities in the area of fiscal decentralisation. These projects are implemented with different local partners and there are no structural and systematic exchanges between these projects. This might require setting up a round-table for dialogue on fiscal decentralisation between Albanian Government entities and international development partners.

Within the Swedish Development strategy in the Western Balkans and Albania, the ProTax project is generally aligned. Two specific Swedish strategies are important:

1. The Strategy for Sweden's reform cooperation with the Western Balkans and Turkey for 2021-2027 (See: Swedish Ministry of Foreign Affairs, 2021)

ProTax is primarily contributing to this strategy's first objective on Human rights, democracy, the rule of law and gender equality in this strategy (ibid., P.2):

- Better democratic governance and greater respect for human rights and the rule of law
- Improved conditions for accountability, increased transparency and reduced corruption
- Better prospects for a gender-equal society

ProTax is relevant and contributes particularly to the first two items under this objective, because the centralised support to property tax, will contribute to more

effective and transparent implementation of taxation-related legislation and the application of the centralised IT support system will contribute to improved transparency and potentially decrease of corruption in local tax collection.

Concerning this strategy's second objective of inclusive economic development, ProTax contributes to the second specific item under this objective:

- Better conditions for open economies integrated into regional, EU and international value chains and markets (P.3)

A more transparent and level playing field in tax collection will increase security and stability for local enterprises to plan for investments and local economic activities

2. *The Swedish Central Authorities' reform cooperation in the Western Balkans (recently evaluated in 2020 by EBA. See Allan. R et al. 2020):*

The Swedish central authorities' cooperation involves a wide range of central authorities including the STA. Also, other Swedish Central Authorities (SCA) are active in the Western Balkans, such as the Swedish Police Authority, Swedish National Environment Protection Agency, Swedish Mapping, Cadastral and Land Registration Authority, and Statistics Sweden. Particularly the latter two institutions are relevant to the ProTax project, and ProTax has involved experts of the Swedish Mapping, Cadastral and Land Registration Authority to support the development of ICT systems in the ProTax project.

The ProTax project involves STA as the key implementor and provider of technical assistance and because of STA's involvement in ProTax in Kosovo it also links capacity development support at regional level.

On the other hand, STA's role in the ProTax project is slightly different from the role of Swedish authorities usually involved in twinning projects with national institutions in the Western Balkans. In fact, Sweden supports a second separate SCA project with STA together with the National Tax Authority of Albania. In this project, institutional capacity development in a relation between two sister organisations is core to the intervention. This is slightly different in the ProTax projects, in which STA is responsible for specific technical deliverables. This has influenced the relation between MFE and STA, and MFE has considered STA primarily as a deliverer of technical assistance in IT systems development and contributor to the tax reform process, and less so as partner in organisational and institutional capacity development. This limited scope of the partnership relation has led to misunderstandings and hindered a strategic working relationship between STA and MFE in earlier years. Expanding and enriching the capacity development and cooperation relation would require to open the mandate of the ProTax project's ToR to incorporate more organisational and institutional capacity development aspects.

4.3 EFFECTIVENESS

To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups? (Q.E.1)

At the time of this evaluation, it is unlikely that ProTax will deliver the results as anticipated in the project plan, even after the no-cost extension of two years until the end of 2022. The limitations in delivering these final results are clearly outlined and explained in subsequent project annual reports that are very open and honest about the set-backs that the project has suffered throughout its entire implementation period.

An important contributing factor to the fact that the project did not deliver its expected results that is not mentioned in reports, though confirmed in interviews during this evaluation process, is the fact that the project only had a basic Theory of Change (ToC) and output-oriented implementation framework. The project did not have a long-term overall vision and defined long-term outcome(s) at the policy and strategy level and thus it was impossible to develop a clearly planned sequence of steps to contribute to such a longer-term outcome(s). In practice, the ProTax team has had to replan and redesign almost on an annual basis, due to changing circumstances and to set-backs that influenced project implementation. The development of a more comprehensive ToC and a more extensive results framework would likely have helped to foresee and possibly overcome some of the problems encountered along the road.

During the implementation of this evaluation the evaluators and members of the ProTax team and the Swedish Embassy have exchanged views on the ToC and this has resulted in the development of a more elaborate ToC that is presented in the final section of this chapter of findings. This ToC will incorporate key findings of this evaluation process and it is destined to serve as a source of reference for a further elaboration of a comprehensive ToC for a possible future phase of the ProTax project, in case it is decided to continue the project in a follow-up phase.

At the level of the IT-systems development components, ProTax has delivered most of its practical components, also supported by the fact that many of these elements were already available from the previous ProTax experience in Kosovo. However, while the outputs are largely produced, the systems-development at outcome level has not produced any concrete and tangible results, as the ProTax systems are not being used in practice and only tested and piloted to a minor extent.

At the level of legal reform in property tax, the project, due to its very slow start and many set-backs, has also not delivered tangible outcomes in the form of implementation of tax legislation on the ground. At the output level, the project recently has sped up and now has assisted in the delivery of a draft law on property tax, that has been submitted to the Minister of MFE. After endorsement by the Minister the property tax law will enter a stage of consultations and this process will likely take considerable time. Final approval of the new property tax law will not be before the final Semester of this year and possibly only next year.

In hindsight, many of the stakeholders and particularly the partners involved in ProTax recognise the fact that at the start of the project not sufficient time and effort was taken to contextualise the project to the Albanian contexts and institutions and to ensure a proper embedding of ProTax in the wider environment of fiscal decentralisation and local governance strengthening. With the increased mutual understanding of these aspects among project partners, now ground is prepared to work on a new phase of the ProTax with a more comprehensive scope. However, this can only materialise in a next follow-up phase of the projects.

In these terms, the latest ProTax project annual report speaks of the project until present as follows: “The project in many aspects is still in an inception-like phase, exploring possibilities and anchoring approaches.” (ProTax, 2022. P. 6).

Current specific challenges that stand in the way of reaching ProTax’ planned results that still need to be resolved are listed below:

- The population of the ProTax IT systems with quality and up-to-date information. There is still a lot of confusion on sources of data and costs involved to acquire these data, including the possibility of accessing these data structurally to ensure updates through effective interfaces. ProTax has not yet been able to acquire clarity on these aspects, including on time frame and cost aspects; Particularly with ASHK considerable confusion about availability and access to data to feed the ProTax registry still exists;
- The diversity of municipalities, ranging from rural to urban, from small to big, and from poor to rich. This diversity requires the project to provide answers and tools to municipalities to improve their local finances. In some municipalities, including among the current ProTax pilot municipalities, prospective to achieve tangible results in local property tax collection increase are extremely limited, as could be observed in the field visits to municipalities;
- The technical approach and focus chosen in the ProTax implementation is too limited and while this is widely recognised, it is not clear if and to what extent more policy-, and strategy-oriented support can be provided by the current partners, and if not who else could be involved;
- The ProTax implementation depends on a number of stakeholders that are external to the project design and management and implementation arrangements. Improving this situation will require reactivating the SC and a more active involvement of municipalities as key partners in the project

The challenges mentioned above cannot all be solved in the remaining project implementation period and therefore, the extension of ProTax to a next phase, will likely require a new inception phase.

How has the cooperation among parties worked out in relation to the planning, ownership, resources, etc.? Have the ProTax partners and other contributors kept their respective part of the agreement? What can be improved in the future? (Q.E.2)

In the earlier stages of ProTax implementation, there have been different visions of the MFE and STA on the timing and sequencing of tax related legislation. And the proclamation of changes in property tax law in 2018 were not developed jointly in the framework of ProTax implementation. On the contrary, the speed and direction of the ProTax project were seriously slowed down by these changes in legislation, initiated by the MFE. During the first years of the ProTax implementation, as a result of changes in vision and mutual expectations about the technical support to be provided by the project, relations between MFE and STA ProTax staff were regularly difficult and sometimes tense. The MFE expressed regular disappointment with the fact that STA could not provide the quick and ready-made solutions for technical implementation by the municipalities in property tax collection.

At the same time, the ProTax team struggled in convincing municipalities to embrace the technical solutions provided by the project. The municipalities did not buy in to the project and kept the ProTax at an arms-length to avoid complications and contradictions with their current tax collection practices and out of fear for the burden of extra work in populating the ProTax systems. And as a result, the ProTax team could not advance in providing the technical solutions expected by the MFE.

In hindsight, it has become clearer to project partners, as confirmed in the interviews with key informants in this evaluation, that the project should have taken a time-out in implementation to address and discuss the fundamental policy and strategy related issues and to allow a fundamental redesign of the project. This was not done, pushing the project into a more confined technical mode of operations, without booking real and tangible progress.

Only in the final period (the second half of 2021 and beyond), the exchange between the MFE, GDPT and STA has substantially improved and a joint recognition that the project should not merely be a technical approach gradually grew. The increased mutual understanding between the project partners, and the resuming of the in-country missions and face-to-face exchange between project staff and MFE and GDPT resulted in smoother, regular and more constructive working relations between the ProTax partners. This has enabled ProTax to speed up its activities in its final year of 2022, particularly in terms of legal drafting of the tax law and to increase and intensify the reach to a number of pilot municipalities to test and pilot the ProTax systems. However, some of the fundamental challenges in policy and comprehensive systems changes in fiscal decentralisation have still not been fully addressed.

Have the project planning process and the project management supported the development in appropriate ways? How effective was the approach towards risk management during the ProTax implementation? (Q.E.3 and 4)

The project planning and management have not sufficiently and proactively responded to the challenges mentioned under the previous point. A major shortcoming was that the project staff remained focused at the technical level, while other and more important challenges of the project were political in nature. This can also be clearly observed in

the rather extensive risk management matrix of ProTax: none of the 32 risks identified in the matrix addressed the strategic and policy level and most risk focused on technical constraints and relations with specific project stakeholders. And additionally, all risks were considered ‘managed’ by the project reports and therefore no further risk mitigation was done.

In practice, the key risk mitigation mechanism of the project was to replan the project, introducing new scenarios to respond to the setbacks of the previous period. The ProTax project reports discern at least four different plans, plans a, b, and c and a prolongation plan. None of these different plans considered fundamental changes in the project design and to take time-out from implementation to consider these changes. In this respect, the project planning and risk management applied in the ProTax implementation should be considered limited.

The Swedish Embassy’s involvement in managing the risks of the project has also been limited. The Embassy has engaged with the MFE and occasionally involved the Minister, but staffing at the Ministry was not continuous and focal points have been replaced throughout the cooperation period. The Embassy could have been more instrumental to raise the level of discussions to the policy and strategy level and to stimulate the project partners to address the policy related challenges of the project at higher policy levels in the Ministry and possibly also at a higher political level.

With changes in the higher-level leadership of the MFE, the conditions for policy dialogue on fiscal decentralisation have improved in 2021 and 2022 and could be taken up as an opportunity by the Swedish Embassy to intensify its policy dialogue with the MFE.

4.4 EFFICIENCY

To what extent has the intervention delivered, or is likely to deliver, results in an economic and timely way? Q.EF.1)

In the framework of this evaluation, no specific analysis was foreseen of budget and expenditures and financial performance, so under this evaluation question, no specific findings are presented.

However, in line with the critical observations presented on effectiveness of the ProTax implementation, the following key remarks on efficiency can be made:

- Because the ProTax project at the end of the prolongation period in 2022, will still not deliver its anticipated outcomes, the project implementation cannot be described as efficient;
- The project has produced considerable groundwork in IT-systems development and draft legislative reforms at the output level. This groundwork should be considered as preparatory work for future phases of the project. As was mentioned already above, the entire project period until 2022 should largely be considered an extended inception phase and as such its cost-effectiveness has been rather low;

- The staffing of the ProTax team has secured that all technical and legal deliverables could be delivered, though in some occasions with considerable delay. The staffing of the ProTax team was not matched with proper staffing at the main counterpart level, the GDPT at the MFE. Understaffing at this Directorate has slowed down project implementation and delivery of outputs.

Many external stakeholders, interviewed in this evaluation, expressed that they have seen little value from the ProTax project. And other stakeholders were not aware of the existence of the project at all. This can be largely explained by the fact that the project has not yet achieved effective awareness among all Albanian municipalities about the possible benefits that ProTax can bring and the project not produced yet tangible results on the ground, as also already observed under the effectiveness criterion.

Municipalities are generally aware of the project and have been exposed to awareness raising and training activities conducted by ProTax. However, most municipalities, except for the small group of pilot municipalities, are in the waiting mode until the project can show clear and tangible results, particularly with respect to access to quality and up-to-date data.

STA has regularly reported to the Swedish Embassy about the challenges and delays that were accumulated over time in the ProTax implementation. As a result, the project didn't reach its planned expenditures, allowing to negotiate with the Swedish Embassy a no-cost extension period of two years of the project.

4.5 PERSPECTIVES FOR IMPACT

To what extent is the project responding to the needs of capacity building for the relevant Albanian public authorities? (Q.I.1)

The ProTax project has provided awareness raising and training to municipalities on the systems aspects of property taxation. While these capacity development actions were useful and appreciated by the municipalities, a major constraint was the fact that only the potential use of a centralised support system could be shown. The system utilities were shown based on data that were not up-to-date and the system could not be used in real life. As such, training was done without the immediate perspective of actual day-to-day use of the system. This poses a threat to the actual use of the system, if the actual use of the ProTax by municipalities will be at a later stage, because people will forget the application principles when not able to apply their insights in practice. And over time, with changes in staffing, the capacity built can easily leak away.

To achieve sustainable impact, the actual training on the ProTax systems can be done best when there is an immediate perspective for utilisation of the systems or even during the actual use of the systems.

The capacity building strategy for the ProTax project has been to provide support primarily to the GDPT and the central level with the expectation that this would trickle

down to the local level. However, the evaluation finds that the municipalities would require more direct capacity building support in managing policy and strategy aspects of local value-based property taxation and in developing coherent and systematic practices in local tax collection in general. This is particularly relevant because the ProTax systems can be used for all local taxes.

Another important aspect is how to support and incentivise municipalities in stepping up their efforts in collecting taxes in general. As observed earlier, local taxation is not among the most popular tasks of a local authority. Municipalities receive also capacity development support in reaching out to their citizens and businesses and communicate about conditions and procedures of property taxation and to inform citizens on how local taxes are spent. These capacity development actions can be tied more closely to other capacity development efforts in other local governance strengthening projects, such as local planning and budgeting consultation processes, quality of service provision and inclusiveness of services in municipalities. These linkages in capacity development processes with other decentralisation and local governance interventions are not yet sufficiently strongly established. External communication to citizens and to businesses is also a crucial aspect to show citizens that local taxes in the end will work to the benefit of businesses and citizens themselves. And communication is also needed to secure sufficient transparency in the local taxation process, both on procedures and fairness and equality in tax collection processes among all property owners as well as on how tax-income is spent. These aspects were quite well developed in ProTax in Kosovo and can likely be replicated more strongly in Albania in a following phase of ProTax, when the project is more advanced than it is now.

Another challenge in the capacity development of municipalities is also the need to tailor capacity development to specific contexts and needs of municipalities, which are hugely diverse. While the systems-aspects of training and capacity development can and should be uniform, because the ProTax systems are a uniform centralised service to municipalities, policy aspects of local taxation as well as setting targets to local taxation require a tailor-made approach, at least recognising specific characteristics, such as size of population, size of local economy, the type of economic activity etc.

A crucial measure to improve perspectives for achieving impact in actual utilisation of the ProTax systems and elevating local tax income that is mentioned by several organisations interviewed in this evaluation exercise, is to introduce performance-based management principles and to provide incentives to municipalities that step-up their efforts in local (property) tax collections. These approaches are applied for example in the “Strong Municipalities” project funded by the SDC.

Incentives for good performance are likely required to motivate municipalities to invest more time and effort in local tax collection, as the pressure to raise local tax income will most likely not come from the citizens and businesses at local level.

The current approach of ProTax to work with pilots with a small number of municipalities is considered important by the project partners for improving

perspectives for later impact. With the pilots, the ProTax project can show clear examples of the functionality of the systems and it can show its potential for raising property tax collection as well as the savings in time and effort of property tax collection in these municipalities. The selection of the pilot municipalities, however, was not done based on potential impact of the ProTax system in these municipalities, but it was based on interest shown by the pilot municipalities to become more exposed to ProTax. This approach entails a certain amount of risk, particularly when working with smaller municipalities in rural contexts, where the potential to increase local tax income is quite limited. The ProTax team and GDPT are aware of this risk, though they indicated that the project didn't have the luxury of being able to make strategic choices in selecting pilot municipalities, as there is only a small number of municipalities that expressed an interest in ProTax and showed willingness to participate.

To what extent is the project expected to generate, significant positive or negative, intended or unintended, high-level effects? (Q.I.2)

The ProTax project was started without a clear baseline assessment exercise on key project outcomes and impact indicators, though on the crucial aspect of property tax collection at the municipal level statistical information is available that will allow measuring the impact of the project in terms of increase of tax income. A status report on 2019 on Local Public Finances (Co-Plan, 2020) shows that local tax income has shown an increasing trend in the past decade, though more recently, as shown in the Local Government 2020 report of the Association of Albanian Municipalities (AAM, 2021) show that local tax income is stagnating, most likely because of the Covid-19 pandemic.

As the ProTax systems are not yet operational and used by municipalities, measurement of impact in terms of increased tax income of municipalities, including in the pilot municipalities is still premature. The potential of increase in property tax income is clearly recognised by different stakeholders, particularly among businesses and among housing-owners in urban areas and larger municipalities, such as Tirana, Vlore and Korce, visited during this evaluation exercise. At the same time, potential in smaller rural municipalities, particularly those with a rural exodus, this potential is small, such as in Selenice, also visited during this evaluation.

Unintended and unexpected effects of the ProTax cannot yet be verified as the project did not have achieved outcome-level results at the municipal level.

With respect to the work done on developing the draft legislation of property tax, a possible unintended and unexpected effect can be the fact that with the proclamation of the specific property tax law, other pieces of local legislation that refer to local tax systems and procedures also will need to be updated to avoid overlap or contradictions in legislation. This might be most imminent in the local tax systems and local tax procedures laws, that include articles on property tax.

The specific focus on property tax in the ProTax approach and the existence of a specific directorate on property tax in the MFE, may be functional for a certain period, when the significant changes in systems and procedures around value-based property tax need to be effectuated and replicated at the national level. Though this focused approach may come with the risk of separating and isolating specific pieces of local taxation. On the longer-term, this may require to investigate if a comprehensive and holistic approach on local finances may be desirable on the longer-term, both in terms of pieces of legislation as well as in structural and institutional set-up of the MFE.

Although not in the hands of the ProTax project or the MFE, an important critical success factor for the project is the provision of up-to-date and online information on property. These data are to be provided by other actors, such as ASHK and AKSHI, and possibly from other sources. It was already observed under the criterion of effectiveness that the project is facing limitations in access to these property data. And the institutions working on improving and expanding their information systems and to make available all data in an online format to be able to interface with other users of data, also depend on external factors and resources to ensure that these data become available. At present, these data availability challenges are one of the major factors that limit perspectives of ProTax to reach impact. These challenges should be addressed at higher levels in the MFE and at the inter-ministerial level so that MFE/GDPT and the ProTax get more grip on this in the planning and implementation of future phases of the project.

4.6 PERSPECTIVES FOR SUSTAINABILITY

To what extent are market value-based property tax aspects promoted by ProTax embedded in national legislation, bylaws and institutional arrangements and structures? (Q.S.1)

With the responses on previous evaluation questions in the evaluation matrix, this question has already been addressed to a large extent. To summarise this finding, the following can be stated:

- The start of the ProTax project was influenced by the DCM 132 that introduced elements of value-based property taxation. For the ProTax team and in the ProTax planning this decree was unexpected and forced the project to change its planning and its course. It was originally foreseen to work on property tax legislative review in a second phase of the project. In the past year, the work on a more comprehensive property tax law was started and this work has now led to a draft law that will be put forward for consultation and later approval by the CoM;
- The order of steps chosen in ProTax has been unorthodox and pragmatic, because working on a tax review before developing and rolling out the ProTax systems would have been a more logical order. In a possible next phase of ProTax further steps and actions can be aligned with the new property tax law, provided its approval by the CoM happens in 2002 or in 2023 at the latest;

- The choice made to focus on property tax legislation alone, as was discussed earlier, may challenge a proper alignment with other pieces of taxation related legislation;
- Furthermore, with respect to policy and strategy aspects of property tax, the legislative review and ProTax systems and capacity development actions are not closely linked to the national process of development of a decentralisation strategy by the MoI, foreseen to be finalised at the end of 2022.

To what extent are conditions met by ProTax, to ensure that net benefits, in terms of capacities of key stakeholder entities, of the intervention can be further strengthened and continued? (Q.S.2)

The ProTax team has worked closely together with the GDPT at the MFE and at the level of these project partners, capacity has been transferred to staff-members of GDPT and MFE in systems-development and legal drafting of tax laws. The staff members interviewed in the MFE and GDPT are knowledgeable and capable to continue legal drafting, training and communication activities around the property tax.

However, two significant aspects still limit the sustainability of the capacity development interventions at the MFE and GDPT:

- The staffing of the GDPT is very limited. While the functional staffing of the GDPT according to planning was around 14 FTE, at present the GDPT has only 4 FTEs and further depends on contracting temporary experts. This situation is creating an ongoing dependency of the ProTax project to continue the ProTax activities on the short, medium and long-term. At the same time with the small staffing, the risk that capacity will leak away is considerable and with entry of new staff members at GDPT more training will be required. The staffing challenges at GDPT require due attention from the MFE leadership;
- The relative isolation of GDPT as a stand-alone directorate in the MFE and its specific technical mandate and small staffing, limits its capacity to ensure that property tax measures, support and actions are sufficiently aligned and linked with other aspects of local taxation, local finances and (fiscal) decentralisation. This alignment and coherence of property tax within this wider context is needed to strengthen sustainability and replication of the interventions of the ProTax project.

At the level of municipalities, the sustainability of the capacity development interventions of ProTax is not yet secured, as the municipalities do not yet work with the ProTax system for their local tax collection. Training on the systems is provided based on incomplete and not-yet operational systems and because the municipalities are not actively using the systems, the chances of leaking of capacities are high.

On the other hand, the characteristic that ProTax provides a centralised support system to municipalities that is cheap and easy to use by municipalities, is an important guarantee that once the system is operational it can run with minimal operational costs and without specific IT-systems knowledge requirements at the municipal level. This approach of ProTax is an important step ahead compared to a similar intervention

in the past by USAID, that provided decentralised local IT systems to municipalities. These systems have quickly become obsolete, as capacities of municipalities to use and keep the systems up-to-date were insufficient and it is quite costly to provide continuous IT systems development support to 61 individual municipalities. The centralised set-up of the ProTax is an important guarantee for sustainability on the longer term.

One way of addressing the sustainability challenges mentioned above would be a continuation of the ProTax project in the future and this need for continuation is recognised by all partners involved in the project and the ProTax team has already started a process of a proposal for ProTax phase 2.

4.7 CROSS-CUTTING ISSUES

How have interests of different stakeholder groups been considered in the ProTax project design and secured in implementation? (Q.CC.1)

The ProTax project plan (ProTax, 2018. P. 8-12) contained a good analysis of how cross-cutting issues would influence project implementation and how the project would affect cross-cutting issues. Key elements of this analysis are listed below

- Gender equality: as most of the property in Albania is owned by men, property taxation is by default an instrument that will influence redistribution of wealth between men and women;
- Poverty: while property tax is also an instrument to redistribution of wealth between rich (property) owners and poor people, the redistribution effect is less obvious and requires special efforts to avoid ‘gentrification’ because poorer people can be forced to move out when property values rise and tax burdens become too high. Therefore, primary residence taxation should consider acceptable tax burden levels on citizens;
- Human rights: States have a mandate to raise taxes, though taxation should be fair and transparent and there should be a balance between the level of tax-burden to citizens and businesses and the benefits and services that will be made available in return. These mechanisms should be established in communication and consultation processes on municipal planning and budgeting;
- Environment: the use of property tax (and other taxes) can be used for environmental protection and neighbourhood improvements, such as green areas, parks, water and sewage. And specifically related to the IT systems in the ProTax project, digitalisation of services will decrease the burden on resources, such as transportation, paper etc.

In the work done on drafting of the property tax law the considerations above were included, in terms of specifying taxation rates, exemptions, differences in the primary residence and business rates etc. Within the technical approach chosen by the project, the considerations above, were less directly relevant, as the systems development activities were indifferent to these aspects, which are mainly related to policies and

political decisions on how to use taxation as an instrument to redistribute wealth and to invest in environmental sustainability.

As observed under previous evaluation criteria these policy aspects received limited attention in the ProTax implementation, that mostly focused on technical aspects and IT systems-development. In the systems-development that focused on setting up the centralised digital ProTax system, the contextual considerations mentioned above are included.

In interviews and field visits conducted in this evaluation exercise, a number of challenges were identified that are relevant to consider in capacity development and training activities of the project and in communication. These aspects will also be relevant in the light of the need of a more comprehensive approach of ProTax under previous evaluation criteria:

- Tax exemptions in Albania are common and many groups are excluded from taxation or pay a 0% tax rate. While to some extent, poverty and inclusion aspects need to be considered in taxation, particularly the property tax that is levied on property owners, as a progressive tax, by default is taxing people that have property and people that have higher value property pay more taxes.
- Incomplete tax collection and lack of compliance is a common problem faced by municipalities. This leads to a de-facto tax-exemption for those people that don't pay. More effort and capacity development support are needed for municipalities to strengthen their enforcement and compliance mechanisms;
- With respect to transparency and enforcement of tax payments and penalties, in relation to what is said above, the practices to collect taxes through water-bills, as is done by 33 municipalities. Also, the central government collects taxes (on television and radio) through OSHEE. While this may be efficient and effective, it is questionable to 'hide' taxes in bills for other services that are not directly related with property ownership. Cutting off water or electricity in case of non-payment of property tax may well be illegal;
- Corruption and fraud are also common, and in this respect, the ProTax systems as a digitalised support tool are important instruments to increase transparency with less room for human error, or worse fraud. The fact that ProTax may limit possibilities for corruption and fraud may also be a factor of resistance against ProTax that might require a closer analysis;
- Rural exodus and abandoned properties in rural municipalities in Albania is common. This aspect needs more attention, because particularly in poorer municipalities, this brings the risk that the tax-burden is increasingly levied on a smaller number of people, while a large group don't pay taxes at all.

These examples of challenges listed above, show the importance of a more comprehensive approach to be applied in ProTax to also include these policy aspects and look at property taxation in the broader context of local finances and local taxation and link the project with (fiscal) decentralisation and local governance strengthening

strategies and initiatives. This recommendation was regularly made by key informants in this evaluation process.

To what extent does ProTax respond and adapt to specific contexts of municipalities? (Q.CC.2)

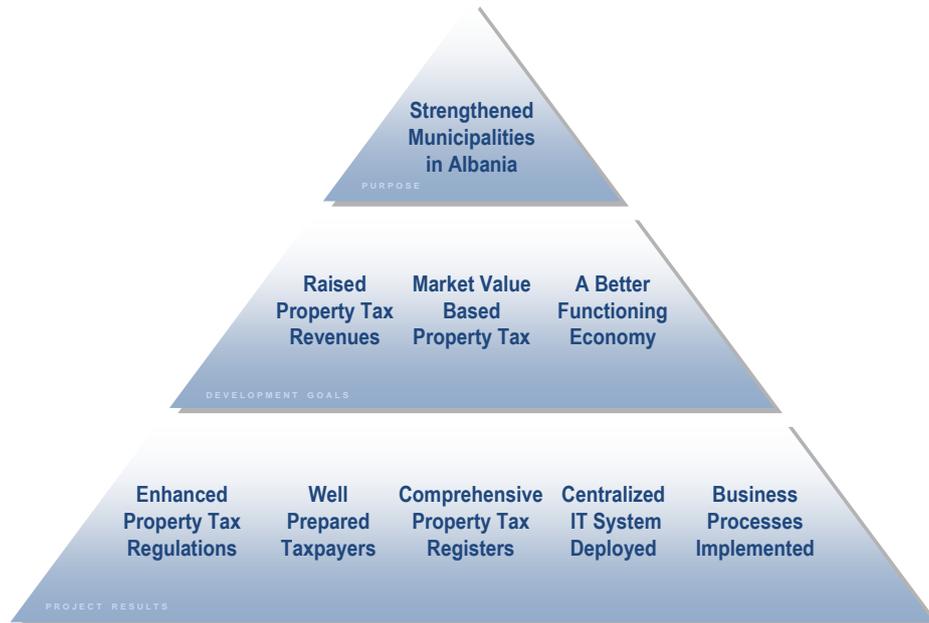
During the visits to municipalities and in the survey conducted in this evaluation, one of the most common complaints that is expressed is the fact that the ProTax has not sufficiently considered the current practices of property tax collection at the municipal level and that in the project design and planning concerns of municipalities were not sufficiently considered. This could also be seen in the ProTax Steering Committee, that after a first year of meetings became inactive from 2019 onwards. In later years, the project had no systematic process and procedure to collect feedback and inputs from municipalities. However, in activities and relations with specific individual municipalities consultation and feedback mechanisms were applied. Because of the fact that relations were established by ProTax with municipalities that expressed interest in the project, there is a considerable risk that this feedback from a small number of more actively involved municipalities is positively biased towards the project.

A key finding from the field visits and interviews, already referred to above, is the fact that municipalities in Albania are hugely diverse and, in many aspects, municipalities require specific solutions for specific problems related with local (property) tax collection. The design of the ProTax project as a centralised and mostly systems-oriented support service for municipalities, was not favourable to address these aspects of diversity. This doesn't mean that the centralised set-up of the ProTax systems should be abandoned, as it is very important and, once applied in practice, it will be more effective, efficient and sustainable. However, other components and additional efforts from ProTax, the MFE and GDPT are needed to also provide responses and solutions for policy aspects and local finance and local economic development related needs of municipalities.

4.8 RECONSTRUCTION OF THE THEORY OF CHANGE OF PROTAX

The original project plan of ProTax contained a basic visualisation of the Theory of Change (ToC) of the project. This ToC was based on the ProTax project in Kosovo and no further adaptations in the diagram were made, also not in revised planning documents of the project. The original ToC is presented in the figure below:

Figure 2 - Original ToC Diagram of ProTax



Source: ProTax, 2018

A component of the current evaluation exercise was to review the existing ToC and to develop a reconstruction of the ToC, based on proceeding insights as a result of the evaluation findings obtained in this evaluation. At the end of the field visit a first preliminary version of a reconstructed ToC was discussed with STA and the Swedish Embassy, during an evaluation debriefing meeting. Below, the process of reconstruction has been further developed to integrate the findings of this chapter and the feedback by STA and the Embassy in this second version of the ToC.

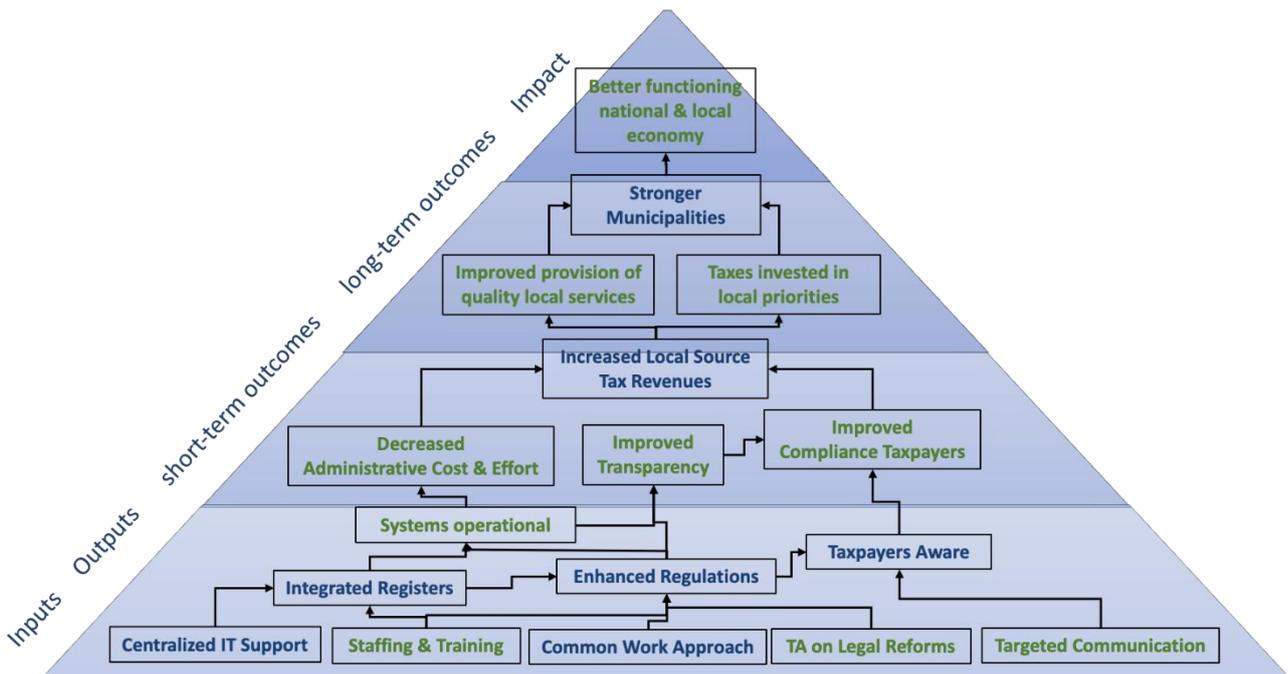
In the diagram presented below a number of additions and changes are proposed for the further development of a more comprehensive ToC for ProTax that can be used to inform the process of designing a proposal for a next phase of the ProTax project.

The key changes suggested in diagram are summarised below:

- The diagram introduces an additional level in the logic to reflect the long-term nature that is required for implementing a comprehensive approach and strategy for the reform contribution and implementation of a new (property) tax system. This additional level allows to more clearly identify activities and outputs at different levels and to separate intermediate and longer-term outcomes to be achieved in the change process;
- The diagram below suggests a more comprehensive approach on local taxation reform and introduction of new systems and practices in tax collection, hence the specific reference to value-based property tax is deleted from the diagram above. This does not impede that the next ProTax project still can have a specific focus on property tax, though it contextualises this focus in a broader approach on tax reform and local finances;

- A number of specific additional items in the pathways of change in the pyramid are suggested to clarify relations between different components and to visualise dependencies in the diagram. What is presented higher in the pyramid is dependent on items lower in the diagram. The new items are presented in green in the diagram below;
- Some of the items in the original diagram are relocated in the new diagram at a different level. These items are also indicated in green;
- Pathways of change are now more clearly indicated in the diagram with arrows that illustrate contribution relations between the items;
- The ToC diagram below, does not yet contain assumptions that are relevant for following the pathways of change to higher levels in the ToC. As the ToC will still have to be further developed and completed in the preparation of a new project proposal, it is suggested to include this task of developing these assumptions at a later stage. A list of relevant assumptions to be considered in this process is presented further below.

Figure 3 - Reconstructed ToC Diagram of ProTax



Source: Evaluation Team, 2018

The diagram above suggest to add a number of items at different levels to better illustrate the complexity of the ProTax project and to specify activities and outputs of the project that were not sufficiently covered in the original diagram:

Important actions that complemented the focus of ProTax on centralised IT support for system development and to ensure a common procedures and work approach are: capacity development of staff members at the MFE and GDPT and at municipalities to implement the ProTax Systems. Important activities that were done in practice though not included in the previous diagram are technical assistance in tax reform process and

also communication and awareness-raising on legal and system changes to different audiences. The latter activity was not prominent in ProTax in Albania, though it was an important element in ProTax in Kosovo and this activity will become more important in Albania, now the ProTax project is advancing again in Albania since the second half of 2021.

An important step that is added in the diagram is that the new ProTax systems advances from testing and piloting to operational systems that are widely used by municipalities.

A number of intermediate outcomes are added in the diagram to illustrate that the operation systems do not directly lead to increased tax income in municipalities. A number of intermediate steps are required, including: the more efficient operations in tax collection enabled by the system, the improved transparency and data provision that is enabled by the systems. And these steps also will lead to increased compliance of tax-payers to pay their taxes. These steps are required to increase tax income of municipalities.

At the outcome level two important additional steps in the pathways are added that are related to the link tax-income to local expenditures to improve quality of services and to increase economic investments at the municipal level. These steps are needed to ensure that taxation is used for local economic development and this is also an important requirement to continue to motivate tax payers to pay their taxes, as they can see how tax-income is spent by municipalities. This requires also linking the tax collection with planning and budget cycles of municipalities and consultation of citizens on these cycles.

In the longer term the increased tax income and improved services and investments at local level will lead to stronger and more effective municipal authorities. And ultimately, as the ProTax systems are a central facility available to all municipalities, ProTax will contribute to local economic development and collectively to national economic development.

A number of important assumptions are relevant to consider in the implementation of the ProTax project. A preliminary list is provided in the table below.

Table 3 - Assumptions in the ToC of ProTax (non-exhaustive and preliminary list)

Level	Assumption
Activities- Outputs	<ul style="list-style-type: none"> - Access to up-to-date and high-quality data in a digital format to populate the ProTax systems - Functioning interfaces to allow operability of systems at central level and at municipal level
Outputs- Intermediate Outcomes	<ul style="list-style-type: none"> - Growing commitment of municipalities to improve systems and methods for local tax collection - Stability and high quality of staffing in central and local authorities for implementing tax reforms
Intermediate Outcomes – Long-term Outcomes	<ul style="list-style-type: none"> - Performing mechanisms and practices in local planning and budgeting processes for consultation with citizens and businesses - A growth strategy at municipality that can expand economic activities and thus the local tax-base - Development of the national decentralisation and local governance strengthening strategy - Performing and representative associations of municipalities
Long-Term Outcomes – Impact	<ul style="list-style-type: none"> - Wide buy in and support to national decentralisation strategies - Inter-ministerial coordination on (fiscal) decentralisation - Economic growth - Advances in the process of pre-accession in EU

Source: Evaluation Team, May 2022

The ToC presented in this section is work in progress and requires further completion by the ProTax team together with the Swedish Embassy and MFE and DGTP. This process can already start during the preparation stage of a new ProTax project proposal and can be continued throughout the inception phase of the new ProTax project.

5 Conclusions

On Relevance

1. **The ProTax project in Albania contributes to an important need of Albania to reform property tax, as the most important local taxation and potentially very important for improving taxation income of municipalities and their capacities to invest in local development. While the ProTax project without a doubt serves an important need, it was not developed and designed based on a proper interest- and needs analysis and the project plan did not include an inception phase** to ensure that the project intervention logic and implementation plan was properly tested and consulted with key partners and stakeholders. Instead, ProTax in Albania was based on a previous experience of a similar property taxation project implemented in Kosovo under the same name and with the Swedish Tax Authority (STA) as the key implementing partner. The project plan, intervention logic and implementation arrangements for ProTax in Albania, including STA again as the key implementing agency relied on the ProTax experience in Kosovo. This weakness observed in a systematic interest and needs assessments and the lack of a proper inception phase to the project have limited the relevance and alignment of ProTax in the Albanian context of fiscal decentralisation and local governance strengthening. Aspects of ownership and commitment of the Government of Albania with property tax reform, may not have been sufficiently addressed throughout the project;
2. **The ProTax implementing partners; the MFE, GDPT and STA have insufficiently involved Municipalities (and their Associations) as partners in the design and set-up of the project.** Instead, Municipalities were considered as beneficiaries to whom ready-made technical solutions in property tax collection systems and methods were to be provided. The project SC that included the Associations of Municipalities, did not resolve this lack of consultation, particularly when after the first year the SC became inactive;
3. The ProTax project was desired by the MFE, as a response to external advice of IMF to the MFE to introduce major reviews in taxation legislations, procedures and systems, urging the Albanian government to move to market-value-based property tax assessment methods. This may explain limitations in ownership of property tax reform by the Government of Albania. **The Protax design, as a response to this request by the MFE, was developed primarily as a technical intervention to solve a fundamentally political challenge, as taxation is profoundly a political instrument. Political and policy aspects were not sufficiently considered in the**

project design and interventions, which has caused severe set-backs in its results-achievement and relations with key stakeholders at national and municipal level;

On Coherence and Complementarity

4. **The ProTax project has focused mainly on property taxation alone. While this focus may be logical when considering the complexity and importance of property taxation in local finance management of municipalities, this focus has led to a certain isolation of the ProTax project and its implementing partners within the broader context of fiscal decentralisation and local finance.** The isolation of the project can be observed at different levels: a) in development and review of taxation-related legislation property tax is considered as a stand-alone law, which is now available in draft form; b) Within the MFE, a specific directorate was set up for property tax (the GDPT), not directly linked with other functional units in the MFE; c) relations with external partners and other projects in the area of fiscal decentralisation and local finance have remained limited. While the specific focus on property tax may be functional to ensure sufficient institutional attention and effort to produce changes, this importance is not reflected in the staffing of the GDPT at MFE. And a longer-term vision and strategy to ensure coherence and alignment with the whole building and institutional set-up of local taxation and local finance was not developed;
5. The ProTax project has suffered from difficult cooperation with the Albanian National State Cadastre Agency (ASHK), while this institution is key for the success of the project. **Consolidation of property registries and specific data in the ProTax system presents a key bottleneck in the project, not allowing the project and MFE/GDPT to offer the ProTax systems as a ready-made solution to municipalities.** Municipalities show a great concern with the fact that population of data in the ProTax systems is cumbersome: not timely, not of high quality, not in the right digital format. This bottleneck has seriously slowed down the speed of implementation and rolling out of ProTax nationwide, which still hasn't materialised. **Alignment, coordination and cooperation with relevant external parties, particularly ASHK and AKSHI has not sufficiently developed to manage and solve these bottlenecks;**
6. **The ProTax Project implementation has not sufficiently sought active cooperation and coordination with other “local finances” oriented projects and partners, such as the Local Finance and Strong Municipalities projects supported by SDC, The STAR project of UNDP (which is also co-funded by the Swedish Embassy) and the EU for Municipalities project implemented by NALAS.** At the level of project implementing organisations exchange of information does occur, but this exchange is not systematic and well-coordinated. The MFE has also not been proactive in coordinating development support efforts with partners, and possibly such coordination of development partners needs to be looked at a higher interministerial level, to ensure that local taxation-oriented

interventions don't remain stand-alone interventions, though are embedded in a more comprehensive decentralisation and local governance strengthening, such as is currently led by the MoI and its Agency for Support to Local Self Governance, and within the context of the national and local authorities council meetings;

On Effectiveness

7. **The project implementation, since its start in 2018 until the moment of this evaluation has suffered multiple setbacks, changes in plans and delays in activities. Even at the end of the extension period of ProTax, the project is unlikely to deliver most of the outcomes that were included in the original project plan.** At the output level, the ProTax project was able to produce its technical outputs, in terms of the centralised IT systems and procedures needed to support municipalities to engage in market-value-based property tax collection, and in terms of a draft legislation on property tax. However, these outputs are not yet operational and in use. Municipalities are still widely sceptical about the ProTax systems, particularly with aspects of data population and compatibility challenges with current tax collection practices. And the draft legislation on property tax still needs to pass a consultation process before it can be submitted for its approval by the CoM.
8. **The ProTax project and MFE/GDPT have not yet been sufficiently effective in reaching out to all municipalities and gaining their interest and trust in the ProTax system as a centralised tool to make their local tax collection processes easier.** Only a small group of nine pilot municipalities could be more closely involved in the ProTax project, only recently in the second half of 2021. Concerns of many municipalities go beyond merely technical aspects of the ProTax system and scepticism has kept most municipalities at a critical distance from the project. ProTax and GDPT have selected nine municipalities for piloting of the ProTax system, although this selection was mainly based on the expression of interest by a small group of municipalities and not on relevance and potential to show convincing evidence of what the ProTax project can deliver as results on the ground. While piloting of the ProTax system at the municipal level is very important to generate evidence that the system works and will support municipalities in more efficient and effective property tax collection. **The approach on piloting with nine selected pilot municipalities has been pragmatic and not strategic, which may limit the potential for further replicating the project and the ProTax system in 52 remaining municipalities nation-wide.**
9. While the implementation of the ProTax project has suffered major set-backs in previous years, most partners and stakeholders interviewed in this evaluation process, see a clear change in speed of ProTax implementation in the last months. **ProTax has regained momentum, particularly related with changes at the senior leadership level in GDPT and in the MFE as a whole in the past year of**

implementation. At present there are clear signs of interest and commitment of MFE and GDPT to the ProTax project and this interest is also translated in a demand to continue the project implementation in the form of a new phase of ProTax. Stakeholders have also indicated that in a possible new phase, the ProTax project approach and scope should be expanded to allow for better alignment and cooperation in the wider context of fiscal decentralisation and local finance. The key project partners indicate that with a renewed effort and a broader scope, the ProTax project can regain speed and more quickly achieve its outcomes that were originally anticipated;

On Efficiency

10. **The ProTax experience until 2021 may be considered as a rather expensive inception phase of a possible new phase of interventions in a nex ProTax project cycle. As such the current ProTax project phase cannot be considered efficient,** as there are not many results that can be reported against a considerable budget and level of effort. On the other hand, there is a considerable number of outputs that are already available at the end of this project phase that might be relatively easy and without major further efforts and costs be replicated in a subsequent project phase. At the same time it should be considered that even while the current ProTax project was in fact a prolonged inception phase of a possible new phase, also the start-up of a follow-up project will again require yet another inception phase. This is required to address the need to develop ProTax as a more comprehensive tax reform project, including political dimensions and a more inclusive involvement of key partners in the project, particularly involving municipalities as key partners in the project implementation;

On Impact

11. **The ProTax project implementation will still need considerable time and effort before it can reach impact level changes. This would require most municipalities to actively and successfully use the ProTax systems resulting in substantial tax income increases with related increase in expenditures of tax income in local social-economic development.** While many municipalities indicate that the ProTax approach of central support IT systems can be beneficial for more effective and efficient tax collection at the local level, they indicate that reliable availability of quality and up-to-date data is still not secured and therefore the systems cannot yet be used. And furthermore, municipalities and other stakeholders, indicate that the ProTax systems alone will not solve all challenges in local tax collection and expenditures in local development. This requires a much more comprehensive approach in capacity development of municipalities and it will also require proper incentives to municipalities to embark upon the not so popular task of promoting and enforcement of tax-payments among citizens and businesses in their territories;

On Sustainability

12. **The work done by the ProTax team with GDPT and MFE in preparing a draft legislation on property tax is an important step ahead in ensuring institutional sustainability of the system- and procedural changes proposed by ProTax.** This is a promising development, though final approval will still take considerable consultation and time. Once the specific legislation on property tax is in place, the work on legislative changes, however, will not yet be completed. **A more comprehensive approach on legal changes in local finance and more broadly a policy and strategy on (fiscal) decentralisation and local governance strengthening still be required, subsequently requiring the ProTax project and MFE/GDPT to establish closer institutional linkages and cooperation to ensure longer-term sustainability of specific tax reforms in a broader context.** However, the draft law on property tax, may serve as an important guarantee to continue the process of change as it will establish new legal requirements for different stakeholders making it more difficult to hold on the tax collection practices from the past.
13. **An important bottleneck to ensure future sustainability of the capacity development support interventions by ProTax, can be seen in the limited human resources available at the GDPT and at the municipality level to properly exercise (property) taxation related mandates and functions.** In order for capacity development interventions to remain embedded at the organisational level, staffing continuity is required and increased efforts in attracting and maintaining knowledgeable and experienced staff members. These challenges and bottlenecks require a stronger focus and increased effort of ProTax in development of human capital, beyond the systems and legislative support provided by the project. At the ministry level, in addition to the staffing constraints at the GDPT, also the institutional embedding of the GDPT in the Ministry presents challenges for synergies and close cooperation with other taxation oriented functions and units within the Ministry, most notably the Local Finance Department and also the National Tax Authority.

On Inclusion, Gender and Human Rights

14. **The ProTax project has followed a centralised approach to provide standardised systems and services to municipalities. While this centralised approach in systems development is helpful, other capacity development interventions need to consider the enormous diversity that exist among municipalities.** This diversity presents very different conditions and prospects for municipalities to apply systems and to improve efficiency and effectiveness of local tax collection. The centralised approach in systems development has not been complemented with tailor-made capacity development support to municipalities to deal with their specific challenges. The following different characteristics of municipalities will require more attention: rural and urban contexts of

municipalities; level of economic activity and prospects; size of population including rural exodus in a number of municipalities, level of complexity of the municipality in terms of lower level units.

15. The centralised systems developments approach in ProTax represents a great strength to secure attention for cross-cutting policy issues, such as poverty inclusion, human rights, gender and environment. **The strength of ProTax lies particularly in the fact that a centralised support system will support more transparency and uniformity in tax collection processes, thus establishing a level playing field. And the centralised systems will decrease the room for human error, fraud and corruption. These aspects are important contributions to Swedish development cross-cutting priorities and are also important in terms of requirements in the EU pre-accession process, aspired by Albania.** And at the very practical level, the digital systems are cheaper to use and maintain and also more environmentally friendly.

6 Recommendations

Key recommendation to the Swedish Embassy and STA

1. **Considering that the Swedish Embassy in Tirana is positively inclined to consider a follow-up project proposal of the Swedish Tax Agency for a phase 2 of the ProTax project, the Swedish Embassy and STA are recommended to start-up preparations for the new project proposal as soon as possible and to take time for a proper inception of the next ProTax phase 2:**
 - a) In the remaining time-frame of the current ProTax extension period STA and the Swedish Embassy are recommended to reach out to a broader group of stakeholders and consult them about their interests and suggestions for a new project phase. This consultation phase is required to ensure more ownership and commitment of stakeholders and to ensure that the new phase better responds to specific needs and expectations of different stakeholders and to ensure that the ProTax project is better contextualised in the wider frameworks and strategies for (fiscal) decentralisation in Albania. It is suggested to include the national associations of municipalities (ALA and AAM) and possibly the regional association (NALAS). Within the national associations, spokespersons of specific municipalities could also be involved in the consultation process. Additionally, key stakeholders such as the Agency for Support of Local Self-Government under the MoI, ASHK and other decentralisation and local governance strengthening project-partners, should also be consulted to ensure that a new project proposal is better contextualised and oriented to systems-changes in (fiscal) decentralisation and the decentralisation and local governance reform strategy that is currently being developed led by the Agency for Support of Local Self-Government. A start of this consultation process could be made with disseminating and discussing the results of this evaluation with a wider audience;
 - b) It is suggested to take at least the first year of the new ProTax project for a proper inception phase. A new inception phase is required because of required changes in the project strategy and scope. And time is needed to investigate a number of critical conditions in the framework of the next phase of ProTax implementation. These conditions, among others, refer to:
 - Analyse the political economy aspects of property tax in the wider context of local finances and conduct a proper context and needs analysis at national and decentral levels on policy, strategy and technical aspects of the project;
 - Ensure the participation of the representative associations of municipalities as formal project-partners in the ProTax project and not merely as beneficiaries;

- Set up a small and effective steering/management committee of the project, closer to the day-to-day operations of ProTax. It is suggested to include current project partners and the Association(s) of municipalities. This committee can be complemented with a more inclusive advisory committee to ensure proper linkages with the stakeholders mentioned under point a) above;
- Analyse the effects Municipal elections in 2023 and expected changes in representation of local authorities by the national associations in 2022 and possible 2023;
- Analyse requirements and design a proper process to guarantee access of the ProTax partners to data of ASHK and possibly other relevant national entities (census, register) and to secure proper interfaces for the flow of digital information between these entities and the MFE and GDPT. For some entities this will require discussing a proper time-path and clarity and agreements on conditions for transfer of information;
- Develop linkages with other projects and partners, such as the local finance and strong municipalities projects funded by the Swiss development cooperation, the EU4M project funded by the EU, the STAR 3 project of UNDP (also funded by Sweden) and establish mechanisms and activities to mutually reinforce specific project interventions.

Policy level recommendations

2. **The Swedish Embassy and the STA will need to jointly engage in a dialogue with MFE and GDPT, to see how the change in scope of the ProTax to include policy and strategy level interventions on Local Finances, fiscal decentralisation and local governance strengthening can be addressed during the next phase of ProTax.** As mentioned above, elevating and expanding the level of ProTax to the policy and strategy level, will also require a more active involvement of the Swedish Embassy in the project implementation to provide policy dialogue level support required in the technical assistance provided to MFE and GDPT and also to support MFE and GDPT in coordinating and negotiating with other Government Ministries and Departments and other partners to secure proper support to ProTax on the one hand and to ensure alignment of ProTax with other key processes in fiscal decentralisation and local governance strengthening. The political weight of Sweden as an important development partner of Albania, should be used more strategically to achieve policy level changes in the context of ProTax implementation.
3. **STA and MFE/GDPT should address the long-standing challenges encountered by ProTax in getting access and links to required data from ASHK to populate the ProTax IT systems.** The access to these data should be timely and in digital format and allowing for automatic updates. If these problems cannot be sorted out at the level of ProTax and GDPT, higher policy level involvement of the MFE leadership and possibly support of the Swedish Embassy

will be required to ensure that clarity on access to these data and required time-paths and budgets is provided during the inception phase of the next ProTax phase.

4. A specific subject, where policy level dialogue and assistance of the **Swedish Embassy and STA** may be helpful is to **clarify and consolidate the position of the GDPT within the MFE, as this directorate is currently understaffed and to some extent isolated from other key entities and departments within the MFE (Local Finance, and the National Tax Authority) and between Ministries, MoI (Local Governance Agency)**. While a specific role and mandate of GDPT to advance in rolling out local property taxation on the short and medium term may well be functional, providing that sufficient staffing is secured, on the longer-term, once property tax is legally established and systems are consolidated, it could be considered to develop new institutional arrangements that guarantee closer alignment and embedding of property taxation in the entire building of local finance and central transfers to local authorities.

Strategy and implementation focused recommendations

5. **STA and MFE/GDPT are recommended to develop a comprehensive Theory of Change, including assumptions, for the next phase of ProTax that clearly addresses the policy-level and strategic changes that are aspired by ProTax on the longer term.** This ToC should include a pathway of change to achieve policy-level changes, which is not yet included in the current project design, set-up and staffing. This may also require adding new to or exchanging experts in the current ProTax team. The preliminary ToC developed and presented in section 4.8 of this report may serve as a starting point for this process of ToC development.
6. **STA and MFE/GDPT should ensure that the inclusive process of consultation in the inception phase of the next ProTax phase will be translated into a more frequent and effective coordination of other support provided to the MFE in the area of local finance.** This will require a clear leadership and pro-active coordination by the MFE of different development partners. And with support of the Swedish Embassy, MFE could establish better and closer inter-ministerial coordination on fiscal decentralisation, with the MoI (Agency of Local Governance), the council of national and local authorities, and the office of the prime minister (State Cadastre).
7. **STA and MFE/GDPT are recommended in organisational and institutional capacity development strategies and actions to consider more systematically the variety and complexity of contexts, needs and demands of local authorities in the design and planning of the new phase of ProTax.** A more tailored and specific capacity development and support approach is required at least considering the following aspect of variety:

- Tirana, representing approximately a third of the Albanian population and economic activities;
 - Larger cities with vibrant economies, where a good potential for raising local tax income exist;
 - Smaller municipalities, including those with a rural exodus, where potential for raising local tax income are extremely limited and where other complementary support interventions are required to support local economic development. Specific approaches should be considered to financially combat further rural exodus in the country.
8. The experience of ProTax has shown that it is important to provide incentives to municipalities to embrace local property taxation. Without mechanisms to stimulate performance of municipalities and to provide incentive to well-performing municipalities, it is unlikely that the speed of rolling out ProTax to all 61 municipalities in Albania will substantially increase. **Addressing this challenge will require the MFE/GDPT with technical support from STA to develop a joint strategy and approach to insert performance-based management principles in fiscal decentralisation and local governance strengthening. This will also involve support of other partners at the national level (MoI) and local level (the municipalities and their associations) and therefore this recommendation is most widely addressed to all partners in ProTax.** It is recommended that in rolling out the ProTax approach and systems at the local municipalities, the project partners consider proposals on the following incentive and performance-based management principles for municipalities
- a) In unconditional transfers of the central government to local authorities, a percentage of central transfers could be subject to performance criteria, thus awarding municipalities that are successful in raising their local property tax income with an extra percentage of central transfers;
 - b) In grant modalities to municipalities (in projects, such as EU4M and strong Municipalities and in the Albanian Development Fund and other funds that provide grants to municipalities, a performance-based mechanisms can be suggested that enable well performing municipalities in local (property) tax collection to gain extra points in competitive calls for proposals or a higher amount of grant support to their projects;
 - c) A possible incentive mechanism at the level of tax-paying citizens could also be considered to stimulate citizens to properly register their property at the relevant authorities. By awarding early registration, through a period of property-tax holiday, citizens could be stimulated to speed up their registrations, thus speeding up the process of populating the different registers needed for a functional property tax system.

Annex 1 – Terms of Reference



Embassy of Sweden

Tirana

Terms of Reference for the Evaluation of the project ”Building Market Value Based Property Tax in Albania (ProTax)”

Date: 21 January 2022

1. General information

1.1 Introduction

Sweden has been supporting the Public Finance Management Reform in Albania within Reform Cooperation Strategy for Eastern Europe, Western Balkans and Turkey 2014 - 2020, strengthened democracy, human rights and rule of law result area. Albania has experienced a very poor performance on the property tax collection during all the transition period. The local government have scarce financial resources and mainly dependent from the central government funding. One of the main recommendations of the IMF has been on adoption of a modern market value based immovable property tax. The application of this reform will fundamentally transform the system of inter-governmental finance, by consolidating local governments into larger and financially viable units with the property tax potentially emerging as a stronger and key source of local finance.

The Albanian Government through Ministry of Finance and Economy (MFE) has entered into an agreement in March 2018 with Swedish Government through Sida, to support the development of a market value based property tax (Protax) in Albania for 2018 - 2020. The intervention would be implemented as a cooperation project between Swedish Tax Agency (STA) and Ministry of Finance and Economy. It followed a Memorandum of Understanding signed in 2016, between the Albanian Ministry of Finance and Ministry of Finance of Kosovo regarding the assistance to be provided from the Government of Kosovo for the Fiscal Cadaster. More specifically, the Kosovar authorities have agreed to assist the Albanian Ministry of Finance with the implementation of the Fiscal Cadaster System (software), training of the staff as well as sharing their experience they have had using the system. The Property Tax Project in Kosovo is also implemented by STA, funded by Sida.

The purpose of the Protax Albania project is to contribute to strengthened municipalities in Albania by substantially increase their own source revenues by implementing market value based immovable property tax on buildings, i.e. object units.

The project has three main development goals that are to be achieved in long term, after project close-out.

1. Raised Property Tax revenues - A realistic ambition as outcome of the project could be to reach 0.5 % to 0.8 % of GDP or more than € 50 million.
2. Market value based property tax system – to be fair, efficient, effective and transparent.
3. A better functioning economy - a more indirect, but yet very important, expected impact of the planned project.

The project is expected to deliver five main project results:

TERMS OF REFERENCE

- Enhanced Property Tax Regulations
- Well Prepared Taxpayers
- Comprehensive Property Tax Registers
- Centralized IT System Deployed
- Business Processes Implemented

The project was envisaged to be implemented in two stages as in the Figure 1.



In the original agreement was defined the base of the new system on the existing collection infrastructure of Albanian Operator for Distribution of Electricity (OSHEE), which has an extensive register covering the vast majority of buildings in Albania. This already existing infrastructure was to be the backbone of the system, to be complemented initially (in Stage I) with simple and compatible sub-legal acts.

Already prior to the project start, despite it being part of the project scope, a new methodology for taxing buildings entered into force by Council of Ministers, that was not compatible with the characteristics of the client register of OSHEE. Furthermore, already in September 2018, MFE decided not to use OSHEE as collection agent for the system. These setbacks undermined the preconditions set in the project document and the plan agreed within parties.

During the autumn of 2019, General Department of Property Tax (GDPT) at Ministry of Finance and Economy and the project team jointly developed a revised plan for Stage I. The scope included a complete restructuring of the Fiscal Cadaster Register in order to decrease the need of manual register improvement by the municipalities, and a complete collection module for producing bills and collecting payments via second level banks. The plan was to produce and distribute separate building tax notices in the beginning of July. In addition, as preparation for Stage II, a sales price register was to be established to facilitate appraisal of buildings based on market valuation methodologies according to international standards. In parallel with these development activities, thorough capacity building and taxpayer preparation would take place in the engaged municipalities.

Various unforeseen hurdles and obstacles occurred, including earthquakes and the Covid19-pandemic, affecting the pace of work for GDPT and the project and the accomplishment of Plan Ce by December 2020. By end of 2020 was agreed to prolong the project till end of 2022.

The main objectives of the prolongation are:

- The new Law on Building Tax, as well as associated sub-legal acts, drafted by GDPT with support of the project, shall enter into force by the end of 2022. Thus, in the beginning of 2023, all buildings in Albania shall be taxed based on Market Values.

- In connection with the first taxation based on Market Values, i.e. in early 2023, all municipalities will be ready to use the centralized Fiscal Cadaster for collecting building tax for all relevant building categories.
- 2021: the first 6 pioneer municipalities will use the Fiscal Cadaster system in their building tax processes, under the current legal framework. Remaining municipalities will start preparing for joining in 2022 and 2023.
- 2022: the majority of the municipalities will use the Fiscal Cadaster to collect building tax under the current legal framework. The remaining municipalities will be ready to join in 2023.
- 2023 (after project closeout): all municipalities will use the Fiscal Cadaster to collect building tax under the new legal framework.

During the prolongation period, the Ministry of Finance and Economy has been more active and shown stronger ownership in carrying over the Protax project and the communication with the municipalities. It is expressed a will from MFE to continue the cooperation with STA for another phase to start early in 2023.

1.2 Evaluation object: Intervention to be evaluated

The evaluation object is the Protax implementation for the period 2018 – 2021 in Albania, including the arrangements for the cooperation with the GDPT and MFE. The evaluation needs to consider the previous evaluation commissioned by Sida on Institution Building In Practice: an Evaluation of Swedish Central Authorities', Reform Cooperation in The Western Balkans, EBA, April 2020, https://eba.se/wp-content/uploads/2020/10/2020_04_webb.pdf.

1.3 Evaluation rationale

- To provide Sida, the Government of Albania and STA with a basis for determining the value of such cooperation and this contribution.
- To identify lessons learned, assess the need for continuous cooperation and provide inputs for designing possible future project.

2. The assignment

2.1 Evaluation purpose: Intended use and intended users

The evaluation has a dual purpose. It will assess the results in order to account for the resources invested by Sweden in this cooperation and provide input to upcoming discussions concerning the preparation of a new phase of intervention. The evaluation is also intended to contribute to the learning on this cooperation experience.

The primary intended users of the evaluation are:

- The Swedish Embassy in Tirana
- The Ministry of Finance and Economy
- The General Directorate of Property Tax
- The Swedish Tax Agency.

The evaluation is to be designed, conducted and reported to meet the needs of the intended users and tenderers shall elaborate in the tender how this will be ensured during the evaluation process.

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2.2 Evaluation scope

The evaluation scope shall include the time frame of the intervention 2018 – 2021 and focus on project implementation and outcomes, cooperation between project partners, capacity building of Albanian authorities. Target groups to be included are the Agency for Local Government at Ministry of Interior, Albanian State Cadaster, Albanian National Agency for Information Security (AKSHI), few municipalities to be proposed by GDPT, Association of the municipalities.

2.3 Evaluation objective: Criteria and questions

The objective of this evaluation is to:

Evaluate the implementation of the project and formulate recommendations as an input to upcoming discussions concerning the preparation of a new phase of the intervention, how its management team can improve and adjust implementation in that case.

The evaluation questions are:

Coherence: How well does the intervention fit?

- How compatible has the intervention been with other interventions in the country, sector or organisation where it is being implemented?

Effectiveness: Is the intervention achieving its objectives?

- To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups?
- How the cooperation among parties have worked out in relation to the planning, ownership, resources, etc. How has the cooperation functioned in general? Have the parties of the cooperation (Sida, STA and MoFE), as well as other contributors to the project, kept their respective part of the agreement? What can be improved in possible future cooperations?
- Have the project planning process and organisation and project management supported the development in appropriate ways?
- How effectively were managed the risks during the implementation and adopted to change?
- Have the management supported a willingness of change and transformation in the property tax administration, both on central level and in municipalities?

Efficiency: How well are resources being used?

- To what extent has the intervention delivered, or is likely to deliver, results in an economic and timely way?

Impact: What difference does the intervention make?

- To what extent the project has contributed to the capacity building of Albanian public authorities?
- To what extent has the project or programme generated, or is expected to generate, significant positive or negative, intended or unintended, high-level effects?

Sustainability: Will the benefits last?

- To what extent will the net benefits of the intervention continue, or are likely to continue?

Questions are expected to be developed in the tender by the tenderer and further refined during the inception phase of the evaluation.

2.4 Evaluation approach and methods

The evaluation is intended to give concrete inputs and learnings for all parties in possible future cooperations, and for MFE/GDPT regarding a sustainable maintenance and development of gained capacity. Thus, the evaluation should apply a holistic and progressive perspective, rather than checking activities.

It should be taken into account that the evaluation will take place before the project is fully concluded. Further more, although long-term effects of the project may not be measurable at this time, qualified predictions are welcome.

It is expected that the evaluator describes and justifies an appropriate evaluation approach/methodology and methods for data collection in the tender. The evaluation design, methodology and methods for data collection and analysis are expected to be fully developed and presented in the inception report. Given the situation with Covid-19, innovative and flexible approaches/methodologies and methods for remote data collection should be suggested when appropriate and the risk of doing harm managed.

The evaluator is to suggest an approach/methodology that provides credible answers (evidence) to the evaluation questions. Limitations to the chosen approach/methodology and methods shall be made explicit by the evaluator and the consequences of these limitations discussed in the tender. The evaluator shall to the extent possible, present mitigation measures to address them. A clear distinction is to be made between evaluation approach/methodology and methods.

A *gender-responsive* approach, methods, tools and data analysis techniques should be used¹.

Sida's approach to evaluation is *utilization-focused*, which means the evaluator should facilitate the *entire evaluation process* with careful consideration of how everything that is done will affect the use of the evaluation. It is therefore expected that the evaluators, in their tender, present i) how intended users are to participate in and contribute to the evaluation process and ii) methodology and methods for data collection that create space for reflection, discussion and learning between the intended users of the evaluation.

In cases where sensitive or confidential issues are to be addressed in the evaluation, evaluators should ensure an evaluation design that do not put informants and stakeholders at risk during the data collection phase or the dissemination phase.

2.5 Organisation of evaluation management

This evaluation is commissioned by Swedish Embassy in Tirana. The intended users are the Swedish Embassy in Tirana, the Swedish Tax Agency, the General Department of Property Tax, Ministry of Finance and Economy. The intended users of the evaluation form a steering group, which has contributed to and agreed on the ToR for this evaluation. The steering group is a decision-making body. It will approve the inception report and the final report of the evaluation. The steering group will participate in the start-up meeting of the evaluation, as well as in the debriefing/validation workshop where preliminary findings and conclusions are discussed.

¹ See for example UNEG United Nations Evaluation Group (2014) Integrating Human Rights and Gender Equality in Evaluations <http://uneval.org/document/detail/1616>

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2.6 Evaluation quality

All Sida's evaluations shall conform to OECD/DAC's Quality Standards for Development Evaluation². The evaluators shall use the Sida OECD/DAC Glossary of Key Terms in Evaluation³ and the OECD/DAC Better Criteria for Better Evaluation⁴. The evaluators shall specify how quality assurance will be handled by them during the evaluation process.

2.7 Time schedule and deliverables

It is expected that a time and work plan is presented in the tender and further detailed in the inception report. Given the situation with Covid-19, the time and work plan must allow flexibility in implementation. The evaluation shall be carried out 10 February – 31 May 2022. The timing of any field visits, surveys and interviews need to be settled by the evaluator in dialogue with the main stakeholders during the inception phase.

The table below lists key deliverables for the evaluation process. Alternative deadlines for deliverables may be suggested by the consultant and negotiated during the inception phase.

Deliverables	Participants	Deadlines
1. Start-up meeting/s [online or physical]	The Swedish Embassy STA GDPT MFE	14 February 2022
2. Draft inception report	The Swedish Embassy	Tentative 15 March
3. Inception meeting	The Swedish Embassy STA GDPT MFE	Tentative one week after
4. Comments from intended users to evaluators (alternatively these may be sent to evaluators ahead of the inception meeting)		Tentative one week after inception meeting
5. Data collection, analysis, report writing and quality assurance	Evaluators	Tentative 22 April

² OECD/DAC (2010) Quality Standards for Development Evaluation.

³ Sida OECD/DAC (2014) Glossary of Key Terms in Evaluation and Results Based Management.

⁴ OECD/DAC (2019) Better Criteria for Better Evaluation: Revised Evaluation Criteria Definitions and Principles for Use.

6. Debriefing/validation workshop (meeting)	The Swedish Embassy STA GDPT MFE AKSHI Cadaster Ministry of Interior Municipality ?	Tentative 27 April
7. Draft evaluation report		Tentative 13 May 2022
8. Comments from intended users to evaluators		Tentative 24 May 2022
9. Final evaluation report		31 May 2022

The inception report will form the basis for the continued evaluation process and shall be approved by Sida before the evaluation proceeds to implementation. The inception report should be written in English and cover evaluability issues and interpretations of evaluation questions, present the evaluation approach/methodology *including how a utilization-focused and gender-responsive approach will be ensured*, methods for data collection and analysis as well as the full evaluation design, including an *evaluation matrix* and a *stakeholder mapping/analysis*. A clear distinction between the evaluation approach/methodology and methods for data collection shall be made. All limitations to the methodology and methods shall be made explicit and the consequences of these limitations discussed.

A specific time and work plan, including number of hours/working days for each team member, for the remainder of the evaluation should be presented. The time plan shall allow space for reflection and learning between the intended users of the evaluation.

The final report shall be written in English and be professionally proof read. The final report should have clear structure and follow the layout format of Sida's template for decentralised evaluations (see Annex C). The executive summary should be maximum 3 pages.

The report shall clearly and in detail describe the evaluation approach/methodology and methods for data collection and analysis and make a clear distinction between the two. The report shall describe how the utilization-focused approach has been implemented i.e. how intended users have participated in and contributed to the evaluation process and how methodology and methods for data collection have created space for reflection, discussion and learning between the intended users. Furthermore, the gender-responsive approach shall be described and reflected in the findings, conclusions and recommendations along with other identified and relevant cross-cutting issues. Limitations to the methodology and methods and the consequences of these limitations for findings and conclusions shall be described.

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Evaluation findings shall flow logically from the data, showing a clear line of evidence to support the conclusions. Conclusions should be substantiated by findings and analysis. Evaluation questions shall be clearly stated and answered in the executive summary and in the conclusions. Recommendations and lessons learned should flow logically from conclusions and be specific, directed to relevant intended users and categorised as a short-term, medium-term and long-term.

The report should be no more than of 30 pages excluding annexes . If the methods section is extensive, it could be placed in an annex to the report. Annexes shall always include the Terms of Reference, the Inception Report, the stakeholder mapping/analysis and the Evaluation Matrix. Lists of key informants/interviewees shall only include personal data if deemed relevant (i.e. when it is contributing to the credibility of the evaluation) based on a case based assessment by the evaluator and the commissioning unit/embassy. The inclusion of personal data in the report must always be based on a written consent.

The evaluator shall adhere to the Sida OECD/DAC Glossary of Key Terms in Evaluation⁵.

The evaluator shall, upon approval by Sida/Embassy of the final report, insert the report into Sida's template for decentralised evaluations (see Annex C) and submit it to Nordic Morning (in pdf-format) for publication and release in the Sida publication database. The order is placed by sending the approved report to Nordic Morning (sida@atta45.se), with a copy to the responsible Sida Programme Officer as well as Sida's Evaluation Unit (evaluation@sida.se). Write "Sida decentralised evaluations" in the email subject field. The following information must always be included in the order to Nordic Morning:

1. The name of the consulting company.
2. The full evaluation title.
3. The invoice reference "ZZ980601".
4. Type of allocation: "sakanslag".
5. Type of order: "digital publicering/publikationsdatabas.

2.8 Evaluation team qualification

A team composed by two consultants, one level I and the other level II, is required for this assignment.

In addition to the qualifications already stated in the framework agreement for evaluation services, it is desirable that the evaluation team includes the following competencies:

- Experience in evaluations in similar projects or areas.
- Prior experience with issues of local government finance and knowledge of the local context.
- Fluency in Albanian.

A CV for each team member shall be included in the call-off response. It should contain a full description of relevant qualifications and professional work experience.

It is important that the competencies of the individual team members are complimentary. It is highly recommended that local evaluation consultants are included in the team, as they often have contextual knowledge that is of great value to the evaluation. In addition, and in a situation with Covid-19, the inclusion of local evaluators may also enhance the understanding of feasible ways to conduct the evaluation

The evaluators must be independent from the evaluation object and evaluated activities, and have no stake in the outcome of the evaluation.

⁵ Sida OECD/DAC (2014) Glossary of Key Terms in Evaluation and Results Based Management.

Please note that in the tender, the tenderers must propose a team leader that takes part in the evaluation by at least 30% of the total evaluation team time including core team members, specialists and all support functions, but excluding time for the quality assurance expert.

2.9 Financial and human resources

The maximum budget amount available for the evaluation is 460 000 SEK.

The contact person at Swedish Embassy in Tirana is Ermelinda Xhaja, Programme Officer. The contact person should be consulted if any problems arise during the evaluation process.

Contact details to intended users (cooperation partners, Swedish Embassies, other donors etc.) will be provided by Ermelinda Xhaja, Swedish Embassy in Tirana.

The evaluator will be required to arrange the logistics for possible international travel and accommodation including any necessary security arrangements and for translation if needed. STA, GDPT and the Swedish Embassy will support in identifying relevant people to meet and in organizing meetings, both digital and physical.

3. Annexes

Annex A: List of key documentation

- Protax Project Document
- Risk matrix
- Protax Albania organization
- Prolongation Plan
- IMF paper A Value-Based Property Tax: Review of Policies, Draft Legislation and Implementation Steps

Annex B: Data sheet on the evaluation object

Information on the evaluation object (i.e. intervention)	
Title of the evaluation object	Evaluation of the Project "Building Market Value Based Property Tax in Albania"
ID no. in PLANit	11217
Dox no./Archive case no.	UM2018/28070/TIRA
Activity period (if applicable)	15.03.2018 – 13.12.2022
Agreed budget (if applicable)	36 281 000 SEK
Main sector	15114 Domestic Revenue Mobilisation
Name and type of implementing organisation	Swedish Tax Agency,
Aid type	Project type

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Swedish strategy	Reform Cooperation Strategy for Western Balkans and Turkey
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Information on the evaluation assignment	
Commissioning unit/Swedish Embassy	Swedish Embassy in Tirana
Contact person at unit/Swedish Embassy	Ermelinda Xhaja, Ermelinda.xhaja@gov.se
Timing of evaluation (mid-term, end-of-programme, ex-post, or other)	End of programme
ID no. in PLANIt (if other than above).	15549

Annex C: Decentralised evaluation report template

Annex 2 – Evaluation Matrix

Relevance	Specific Questions and Indicators	Sources of Information	Methods & Tools
To what extent is the ProTax design and planning built on a proper context and needs analysis?	<ul style="list-style-type: none"> - Existence and quality of context analysis and needs assessment at the start of ProTax project and the start of the prolongation phase? - How inclusive has the process of context and needs analysis been and how have these analyses been appreciated by key national stakeholders? 	<ul style="list-style-type: none"> - Project documentation - Swedish Embassy - MFE - GDPT - STA - (Associations of) municipalities - KIs in civil society & private sector 	<ul style="list-style-type: none"> - Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities - Sense-making workshop
Has ProTax supported willingness to change (ownership and commitment) in the property tax administration, both at the central level and in municipalities?	<ul style="list-style-type: none"> - Which mechanisms and practices are included in ProTax to promote and strengthen national ownership and commitment of partners? - What are the differences in ownership and commitment at different levels, particularly with respect to national authorities and municipalities and to what extent are these differences recognised and address in the project? 	<ul style="list-style-type: none"> - Project documentation - Swedish Embassy - MFE - GDPT - STA - (Associations of) municipalities - KIs in civil society & private sector 	<ul style="list-style-type: none"> - Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities - Sense-making workshop

Coherence & Complementarity	Specific Questions and Indicators	Sources of Information	Methods & Tools
To what extent has ProTax been in line with fiscal decentralisation and local governance strengthening policies of the Government of Albania?	<ul style="list-style-type: none"> - To what extent does the project documentation include references to relevant national policies and legislation? - To what extent are deviations (if any) from national policies and legislation explained and motivated? - What are the differences in the perception of alignment of ProTax at the national and municipal level? 	<ul style="list-style-type: none"> - Project documentation - Contextual documentation - Swedish Embassy - MFE - GDPT - STA - (Associations of) municipalities - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities - Sense-making workshop
How compatible has the intervention been with other interventions in Albania in sectors or organisations where ProTax is being implemented?	<ul style="list-style-type: none"> - What are the number and kind of other relevant interventions involving the key partner entities of ProTax implemented by other (inter)national development partners? - How do key partners assess and appreciate complementarity (and possible contradictions) of different support interventions? 	<ul style="list-style-type: none"> - Project documentation - Contextual documentation - Swedish Embassy - MFE - GDPT - STA - (Associations of) municipalities - International Dev. Partners - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities - Sense-making workshop
Effectiveness	Specific Questions and Indicators	Sources of Information	Methods & Tools
To what extent has the intervention achieved, or is expected to achieve, its	<ul style="list-style-type: none"> - Quality of results framework and Theory of Change. - What are the key results reported by the different partners in the ProTax project? - To what extent is there a common understanding and agreement on these key results? 	<ul style="list-style-type: none"> - Project documentation - MFE - GDPT - STA 	<ul style="list-style-type: none"> - Desk review - ToC workshop - Survey - KIIs

ANNEX 2 – EVALUATION METRIX

<p>objectives, and its results, including any differential results across groups?</p>	<ul style="list-style-type: none"> - On which results do clear differences in appreciation exist and how can these be explained? 	<ul style="list-style-type: none"> - (Associations of) municipalities - KIs in civil society & private sector - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Visits to Municipalities - Sense-making workshop
<p>How has the cooperation among parties worked out in relation to the planning, ownership, resources, etc.? Have the ProTax partners and other contributors kept their respective part of the agreement? What can be improved in the future?</p>	<ul style="list-style-type: none"> - What were the perception and mutual appreciation of the partnership by the different ProTax partners? - What kind of conflicts have arisen in the ProTax implementation and how were these resolved? - What are the needs and expectations identified by the partners for the future of ProTax? - To what extent is the current partnership sufficiently inclusive and have other potential partners been identified? 	<ul style="list-style-type: none"> - Project documentation - Swedish Embassy - MFE - GDPT - STA - (Associations of) municipalities 	<ul style="list-style-type: none"> - Desk review - Survey - KIIs - Visits to Municipalities - Sense-making workshop
<p>Have the project planning process and the project management supported the development in appropriate ways?</p>	<ul style="list-style-type: none"> - What is the appreciation of quality and responsiveness of project management and organisation by the national key partners? - What is the quality of project planning documents and the responsiveness of project planning processes to changing the circumstances? 	<ul style="list-style-type: none"> - Project documentation - Swedish Embassy - MFE - GDPT - STA 	<ul style="list-style-type: none"> - Desk review - KIIs - Sense-making workshop
<p>How effective was the approach</p>	<ul style="list-style-type: none"> - Which risk management principles and measures were in place during the ProTax implementation? 	<ul style="list-style-type: none"> - Project documentation - Swedish Embassy 	<ul style="list-style-type: none"> - Desk review - KIIs

ANNEX 2 – EVALUATION METRIX

towards risk management during the ProTax implementation?	- How many times and how were specific risks encountered and mitigated by the project and how were mitigation measures appreciated by the key stakeholders?	- MFE - GDPT - STA	- Sense-making workshop
Efficiency	Specific Questions and Indicators	Sources of Information	Methods & Tools
To what extent has the intervention delivered, or is likely to deliver, results in an economic and timely way?	- How do national stakeholders appreciate resources and staffing made available by the STA and the Swedish Embassy? - How do national stakeholders appreciate the timeliness and responsiveness of the STA and the Swedish Embassy to respond to changing circumstances?	- Project documentation - Swedish Embassy - MFE - GDPT - STA	- Desk review - KIIs - Sense-making workshop
Perspectives for Impact	Specific Questions and Indicators	Sources of Information	Methods & tools
To what extent is the project responding to the needs of capacity building for the relevant Albanian public authorities?	- To what extent has the project contributed to an improved performance by the tax officials in Albanian authorities: a) at national and municipal levels; b) in different contexts (urban, rural)? - Which key capacity contributions of ProTax are recognised and how are they appreciated by national stakeholders? - Which capacity development interventions of ProTax are replicated by Albanian tax authorities at different levels (national, municipal)?	- Project documentation - MFE - GDPT - STA - (Associations of) municipalities - Fiscal (decentralisation) experts	- Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities - Sense-making workshop
To what extent is the project expected to generate, significant positive or negative, intended or	- To what extent has a base-line measurement been developed and implemented to allow for assessment of progress and longer-term impact of ProTax? - Which positive/negative and intended/unintended effects of ProTax are identified and/or expected by national key stakeholders?	- Project documentation - MFE - GDPT - STA - (Associations of) municipalities	- Desk review - ToC workshop - Survey - KIIs - Visits to Municipalities

unintended, high-level effects?		<ul style="list-style-type: none"> - Representatives civil society & private sector - International Dev. Partners - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Sense-making workshop
Perspectives for sustainability	Specific Questions and Indicators	Sources of Information	Methods & tools
To what extent are market value-based property tax aspects promoted by ProTax embedded in national legislation, bylaws and institutional arrangements and structures?	<ul style="list-style-type: none"> - In which aspects and elements of national legislation, bylaws and institutional arrangements do stakeholders recognise a contribution of ProTax? - What are the gaps and flaws in the national legislation, bylaws and arrangements where stakeholders see a need for further actions of ProTax? 	<ul style="list-style-type: none"> - Project documentation - Contextual documentation - MFE - GDPT - STA - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - KIIs - Sense-making workshop
To what extent are conditions met by ProTax, to ensure that net benefits, in terms of capacities of key stakeholder entities, of the intervention can be further strengthened and continued?	<ul style="list-style-type: none"> - How do key stakeholder entities assess their capacities to effectively develop and implement property taxation policies and systems? - Are there key capacity aspects identified by key stakeholder entities where further ProTax support is required? - What strategy and mechanisms are considered in ProTax to ensure longer term sustainability and exiting? 	<ul style="list-style-type: none"> - Project documentation - MFE - GDPT - STA - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - KIIs - Sense-making workshop

Cross-cutting Issues	Specific Questions and Indicators	- Sources of Information	- Methods & tools
<p>How have interests of different stakeholder groups been considered in the ProTax project design and secured in implementation?</p>	<ul style="list-style-type: none"> - To what extent are interests and characteristics of taxpaying citizens considered in property taxation related design, rules, regulations and systems? - How are interests of women, and other specific populational groups, in property ownership and taxation included in the design and addressed in the implementation of ProTax? - Does ProTax enable property taxation principles allowing for (re)distribution of wealth among citizens and among different categories of property owners (living, industry/commerce, agriculture)? 	<ul style="list-style-type: none"> - Project documentation - Contextual documentation - MFE - GDPT - STA - (Associations of) municipalities - KIs in civil society & private sector - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - Survey - KIIs - Visits to Municipalities - Sense-making workshop
<p>To what extent does ProTax respond and adapt to specific contexts of municipalities?</p>	<ul style="list-style-type: none"> - What mechanisms and actions are included in ProTax to allow municipalities to provide inputs in design and implementation of the project? - To what extent and how does ProTax secure equal opportunities and transparency for all municipalities, while recognising specific different contexts (rural- urban, large-small)? 	<ul style="list-style-type: none"> - Project documentation - Contextual documentation - MFE - GDPT - STA - (Associations of) municipalities - KIs in civil society & private sector - Fiscal (decentralisation) experts 	<ul style="list-style-type: none"> - Desk review - Survey - KIIs - Visits to Municipalities - Sense-making workshop

Annex 3 – List of Key Informants interviewed

Swedish Embassy in Tirana

Ermelinda Xhaja, Programme Officer

Petra Burcher, Head of Development Cooperation (only at debriefing meeting)

Linda Gjermani, Programm Officer (by email)

Swedish Tax Agency / ProTax team

Bjarni Sigurdsson, ProTax Project officer

Stina Färje, Project Manager

Drini Cano, Legal expert

Ana Maria Johansson, Communication Expert

Ministry of Finance and Economy

Vasilika Vjero, Deputy Minister, Ministry of Finance and Economy

Fran Brahimi, Director Local taxes, Local Finance Department

Illir Sallaku, LocalTax Specialist/ Advocate on Tax Claims, Local Finance Department

Directorate General for Property tax

Altin Zeqo, Acting General Director

Alvaro Bulku, Programme specialist

Other key informants

Ministry of Interior

Romina Kuko, Deputy Minister

Ledjon Shanini, Local Finance expert

Agency for Support to Local Self Governance

Enea Hoti, Director

Stilian Lavdaniti,

Association of Albanian Municipalities

Agron Haxhimali, Executive Director

Association for Local Autonomy

Adelina Farrici, Executive Director

Network of Associations of Local Authorities of South East Europe (NALAS)

Elton Stafa, Project Manager

National Resource Centre for Civil Society in Albania

Ariola Agolli, Manager

Partners Albania

Juliana Hoxha, Director

National Agency for Information Society (AKSHI)

Mirlinda Karçanaj, Director

Union of Albanian Business /BiznesAlbania

Kolo Sinjari, Director

Helga Zogolli, Finance Officer

Albanian National State Cadastre Agency (ASHK)

Arben Skenderi, Deputy Head

Andi Prom, Programme Officer

EU Delegation to Albania

Orlando Fusco, Officer for Local Government

IMF

Linda Spahia, Senior Economist

Local Finances (SDC funded project)

Sotiraq Guga, Team Leader

Silvana Meko, Revenue Management Expert

Simon Stone, Public Finance Expert

Stronger Municipalities: Norbert Pijls, Team Leader

Municipality level key informants

Tirana

Jonida Halili: General Director, Finance Department

Edlira Koco, Officer, Finance Department

Arli Naska, Director of Local Taxes

Ylli Shameti, Director of Water Utiliy

Gelda Ndoci, Head of Tax Unit of Water Utility

Vlore

Anjeza Shiko, Director of Local Taxes

Daut Zeraj, Director of Finance Department

Elona Hodaj, Director of Water S Utiliy

Selenice

Lulo Hoxhaj, Director of Finance Department

Pullumbesha Nazaj, Property Tax Specialist
Ilda Caushaj, Specialist of Local Taxes
Marinela Bendaj, Specialist Water Supply

Korce

Sotiraq Filo, Mayor
Kletjon Kita, Deputy Mayor
Soniel Prifti, Director Finance Department
Ariola Cela, Specialist GIS, Property Tax
Petrit Tare, Director of Water Supply Utiliy

Annex 4 – Document List

Project documentation

- ProTax Albania, 2018. ProTax Albania. Project for Implementing Market Value based Property Tax in Albania. Project Plan, version 1.0
- ProTax Albania, 2019. ProTax Albania. Project for Implementing Market Value based Property Tax in Albania. Plan C for Stage I October 2019 – July 2020
- ProTax Albania, 2019, 2020, 2021, 2022. Project for Implementing Market Value based Property Tax in Albania. Annual Narrative Reports on 2018, 2019, 2020 and 2021
- Sida, MFE. 2018. Contribution Agreement ProTax project.
- Sida, STA. 2018. Service Purchase Agreement

Evaluation reports

- Allen, R., G. Ferrari, K. Loshi, N. stlund, D. Razic Ilic , Institution Building in Practice: An Evaluation of Swedish Central Authorities' Reform Cooperation in the Western Balkans, EBA Report 2020:04, Expert Group for Aid Studies (EBA), Sweden.
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Annex 5 – Analysis Survey Results

Note: Specific comments from municipalities are anonymised to protect confidentiality of respondents

The survey was sent out to 61 municipalities, of which 20 municipalities responded, which indicates a response rate of 33%. However, only 12 out of those 20 responses were complete and 8 were incomplete.

Q1

Question 1. What is your gender?		
Answer choices	Responses	
Male	50%	10
Female	35%	7
Prefer not to say	15%	3
	Total	20

Eight respondents did not complete the survey. This is a high number that likely reflects the limited awareness of respondents of the Property Tax project. The respondents that were more aware of the ProTax, have further responded to the survey questions. This has caused a bias among respondents in terms of higher awareness of the project than is the case among other municipalities, including those municipalities that choose not to respond to survey.

This is a finding in itself resulting from the survey. While 33% of the municipalities responded to the survey, only 20% completed the information.

This finding is in line with the limited reach out of ProTax among municipalities and the limited exposure of municipalities to project activities.

Q2

Question 2. My municipality has received adequate information from the Ministry of Finance and Economy about the objectives and activities of the ProTax project.		
Answer choices	Responses	
Strongly disagree	0%	0
Disagree	8.33%	1
Neutral	8.33%	1

Agree	75%	9
Strongly agree	8.33%	1
Don't know/No opinion	0%	0
	Total	12

Among the municipalities that have responded to this questions, four out of five consider that the MFE has provided sufficient and adequate information on the ProTax project. However, in the commentary (see below), they indicate that information provision has not been enough in later years and training has not been sufficient.

Comments:

- During the years 2018-2019, there have been continuous meetings, however, from 2020 until now no meeting has been held. In case joint meetings have been held, there has been no representative from the Municipality of XX;
- Business assessors need training, as the online training conducted during the pandemic has not been very effective;

Q3

Question 3. Our municipality has received adequate support from the Directorate General for Property Tax regarding the implementation of reforms introduced in the property taxation system.

Answer choices	Responses	
Strongly disagree	8.33%	1
Disagree	0%	0
Neutral	8.33%	1
Agree	58.33%	7
Strongly agree	25%	3
Don't know/No opinion	0%	0
	Total	12

Respondents show general appreciation of the support provided by GDPT to their local tax affairs and again 4 out of 5 declare that they have received adequate support. No specific comments were provided.

Q4

Question 4. The reforms introduced in the property tax system reflect the needs of our municipality with regard to property tax revenue collection.

Answer choices	Responses	
Strongly disagree	0%	0
Disagree	8.33%	1

Neutral	0%	0
Agree	75%	9
Strongly agree	16.67%	2
Don't know/No opinion	0%	0
	Total	12

An important finding from this question is that over 11 out of 12 municipalities agree with the fact that Property tax is an important taxation instrument (see also qualitative remark below) and that the reforms introduced are relevant. This generally indicates support to the ProTax project objectives. However, this support might be limited to those municipalities that have been exposed to the project and possibly not at overall municipality level.

Comments:

- Property Tax is an important revenue for each Municipality. It will maximise the collection of the Property Tax in our Municipality;

Q5

Question 5. Reforms in property tax system will strengthen our municipality's overall financial income and capacities.

Answer choices	Responses	
Strongly disagree	0%	0
Disagree	8.33%	1
Neutral	8.33%	1
Agree	50%	6
Strongly agree	33.33%	4
Don't know/No opinion	0%	0
	Total	12

In line with the response to the previous question, municipalities that responded this question indicate that they are confident in the fact that reforms in property tax will increase financial income of municipalities.

Q6

Question 6. We expect that there will be support for a reformed property tax system in our municipality.

Answer choices	Responses	
Strongly disagree	0%	0
Disagree	0%	0
Neutral	8.33%	1

Agree	50%	6
Strongly agree	41.67%	5
Don't know/No opinion	0%	0
	Total	12

The Municipalities that responded this question (11 out of 12) expect that support will be provided to implement new tax reforms and systems in the municipalities.

Q7

Question 7. Our municipality has been sufficiently involved in discussions around design and set-up of reforms in the property tax system.

Answer choices	Responses	
Strongly disagree	0%	0
Disagree	0%	0
Neutral	16.67%	2
Agree	66.67%	8
Strongly agree	16.67%	2
Don't know/No opinion	0%	0
	Total	12

The responses to this question show that municipalities have been involved in reform discussions concerning the property tax system, though the average appreciation with this consultation is in line with or slightly lower than other responses. This might indicate that consultation of municipalities around property taxation shows room for improvement, which is also in line with the qualitative responses to the survey.

Q8

Question 8. It is important that there are centralised and uniform rules and regulations on property taxation at the national level to ensure that property taxation is fair and transparent for all taxpaying citizens in Albania.

Answer choices	Responses	
Strongly disagree	0%	0
Disagree	0%	0
Neutral	8.33%	1
Agree	50%	6
Strongly agree	41.67%	5
Don't know/No opinion	0%	0
	Total	12

The respond to this survey question is important as it shows high support among the respondents to apply a centralised support system for local property taxation. The comment below shows that while centralised support is desired it should leave some room flexibility to recognise differences among municipalities.

Comments:

- Each municipality has its own specifics, thus it would be better with some flexibility regarding treating the property tax in accordance with general regulations, but also taking into account the specifics and differences amongst Municipalities.

Q9. Suggestions to the Ministry of Finance and Economy and the Directorate General for Property Tax to change and improve property taxation in Albania

- I would suggest improving the level of data in the ProTax system. The necessary data we should have to calculate ProTax are the ones kept by the Albanian Cadastre, which should continuously be updated by us through on the site verifications, especially for properties that do not have documentation.
- Efforts should be intensified to better recognise this issue. Assistance should follow in more technical terms. So far held fruitful consultations have been held but they have been focused mostly on ProTax principles.
- We propose to have differences for the annual taxation of abandoned and ruined properties.

Q10. Suggestions to the Swedish Embassy and the Swedish Tax Agency in their support to the Ministry of Finance and Economy and to the Directorate General in the area of property tax reforms in Albania

Technical assistance support should continue related to the implementation of the ProTax Albania program which should contribute to the further improvement of this initiative.



Evaluation of the project “Building Market Value Based Property Tax in Albania (ProTax)”

The subject of this evaluation is the implementation of the Property Tax Project in Albania (2018-2022). The evaluation includes the involvement and performance of the Swedish Tax Agency as key agency supporting the project owner, Ministry of Finance and Economy (MFE), and the cooperation with the General Directorate of Property Tax (GDPT). The evaluation finds that the project contributes to an important need to reform property tax in Albania. However, the project was not designed based on a proper interest- and needs analysis. Since its start, the project has suffered multiple setbacks and delays resulting in redesign of the project. The project is not likely to deliver its key outcomes as anticipated during the project lifetime.

It is recommended that the Swedish Embassy and the STA engage in a closer dialogue with MFE and GDPT, to see how the change in scope can include policy and strategy level interventions. The project partners should address the challenges in getting access to data from the Albanian National State Cadastre Agency to populate the ProTax IT systems. There should also be a closer involvement of the municipalities in the implementation of a next project phase.

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