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Sida Decentralised Evaluation

Allan Gustafsson
Antonin Braho
Sabina Ymeri

Evaluation of the Swedish Support to the Tax Administration in Albania, Phase 2, 2008-2012

Final Report

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Authors: Allan Gustafsson, Antonin Braho and Sabina Ymeri

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SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
E-mail: info@sida.se. Homepage: http://www.sida.se

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Abbreviations and acronyms

C@TS	Customs and Tax System
COTS	Commercial Off-The-Shelf
EU	European Union
GDP	Gross Domestic Product
GTD	General Tax Department
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
LFA	Logical Framework Approach
LGDP	Local Governance Project in Albania
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SIGMA	Support for Improvement in Governance and Management
STA	Swedish Tax Agency
TA	Technical Assistance
USAID	United States Agency for International Development

1 EXECUTIVE SUMMARY

Sweden supported the Albanian Tax Administration from July 2004 to June 2012. This evaluation covers the second phase running from October 2008 to June 2012. Of a total budget 8.6 million SEK, 5.3 million SEK were disbursed. The project was managed by The Swedish Tax Agency (STA or Skatteverket,) which also provided all technical expertise, save for one of the components.

The project was divided into six components: Taxpayer Services, Updated Audit Services, Monitoring GTD Efficiency, EU-alignment of Tax Statistics, Industry Notes and Gender. The project as a whole and the different components have been evaluated for their: relevance, impact, effectiveness, efficiency, and sustainability.

The stated "development goal" for the Swedish project was to "reach an effective and fair tax system in all Albania giving substantial revenue for national development". However, the start-up document for the project[1] did not propose any indicators to measure this intended outcome, and GTD is yet to agree on, and compile the required statistics for such indicators. For lack of hard outcome data this evaluation is thus very qualitative in nature and based on an analysis of produced outputs and other relevant documents as well as on interviews with all immediate stakeholders.

Three of the Swedish projects – taxpayer services, audit manual, and industry notes – could be expected to have a direct impact on the effectiveness and efficiency of tax collection in Albania and were thus highly relevant. The inclusion of a component to monitor GTD efficiency was also relevant even if the impact would be more indirect – if you do not have performance data you do not really know how you perform. Tax statistics are indispensable for macro-fiscal planning and an important basis for decisions by the private sector. The statistics component was thus also relevant. What one may question is the format chosen for making the data available: printed publications. The gender component was an imposition by Sida but, nonetheless, relevant from an effectiveness and efficiency perspective, at least in the longer term; if hiring and promotions are discriminatory, efficiency suffers.

The Swedish project has had an important general impact on the modus operandi of the Albanian tax authorities in stressing the need for a service orientation. STA was not alone in advocating this, but through the work in the different components and by exposing GTD managers as well as officers in the front-line to how the STA works, it has shown very concretely what it means.

Three components: Taxpayer Services, Audit, and Industry Notes have, as far as one sees it, had a direct positive impact on revenue collection. The gender component may have a positive impact in the longer term. The impact of the monitoring component has, at least up to now, been negligible as it is largely unfinished business. The statistics components may have been positive from a transparency and image perspective, but its immediate impact on tax collection has been limited.

Most planned outputs have been realised – with two important exceptions: statistics and performance indicators. The intervention has thus from a limited project perspective been reasonably, but perhaps not exceptionally effective.

[1] General Tax Directorate's Proposal for Prolonged Support 2010- 2012 to Albania's General Tax Directorate (GTD) Strategic Plan, 24 August 2010

The efficiency of the different components varies a great deal – again with statistics and performance indicators as outliers. It is worth noticing that only SEK 5.3 million of a budget of 8.6 million was spent. A relevant question, but one that is difficult to answer, is whether further project input would have made it possible to conclude the components that were not. Constraints on the Albanian side may have been the main reason for the non-completions.

The sustainability of the different components vary. The interaction that the Swedish experts have had with their Albanian colleagues, and the study visits have left indelible marks on GTD. The very concrete interventions in support of the Durrës regional office will also live on. The question is rather to what extent the experiences and gains made in that office will be replicated across the country. The production of the audit manual and the industry notes has created a capacity in GTD that is long-lasting. The gender component has a sown a seed, but a seed that is yet to germinate. The realisation of the need for continuous outreach to and communication with the public and to business has firmly established itself. But rigidities in the budgeting process have, so far, impeded any continuation of the campaigns financed through the Swedish project. There has been no follow-up of the statistical publications financed by Sweden.

While not formally a twinning project, the modus operandi of the project has had most of the characteristics of one. It is clear that Swedish colleagues, in general, have been very much appreciated. The communication between them and their Albanian counterparts seems to have been very good in most cases, despite the language barrier. Most work has been done by working groups involving STA and GTD officers. This has ensured ownership. Study visits to STA have been an important and appreciated component.

Project administration on the Albania side has benefitted from the same people having these responsibilities throughout the project. But, the involvement of the highest management of GTD has been limited, which has negatively affected the impact and sustainability of the project. On the Swedish side, coordination and administration have suffered from frequent changes of team leaders – three in three years – which has contributed to the delays and miscommunications that have occurred.

But, overall, the project has been reasonably successful and much appreciated by GTD.

Improving the effectiveness and efficiency of tax collection is absolutely crucial if Albania is to withstand the negative influences arising from the crises in its major trading partners. Continued support for the Albanian tax administration is therefore definitely warranted and the STA, having accumulated a great deal of experience working with GTD over the last decade, has a great deal to offer. Exactly what and in what areas, should be determined in a joint GTD – STA – Sida workshop similar to the one preceding the second phase. In this exercise, a lot of attention should be paid to sustainability issues. The workshop should also review and decide on measures to strengthen the management of the project.

2 INTRODUCTION

2.1 Background

Sweden supported the Albanian Tax Administration from July 2004 to June 2012. The support was provided under two agreements, the second one, the object of this evaluation, running from October 2008 to June 2012. Of the total of some 8.6 million SEK project budget, 5.3 million were disbursed. The project was managed by Skatteverket, the Swedish Tax Agency (STA) which also provided all technical expertise, save for one of the components.

The project was divided into six components:

- Taxpayer Services
- Updated Audit Services
- Monitoring GTD Efficiency
- EU-alignment of Tax Statistics
- Industry Notes
- Gender

The project was primarily a technical assistance project involving a large number of peripatetic experts from the Swedish Tax Agency doing on average three one-week missions per component yearly. In addition, a number of study visits to STA were organized and some complementary funds were made available directly by Sida to buy equipment and furniture, and to finance the printing of promotional material.

A comparison of budgeted and actual costs can be found in the appendix.

2.2 Terms-of-Reference

The Terms-of-Reference request that the evaluation be carried out following Sida's Evaluation Guidelines in general and specifically that the evaluation assess the: a) relevance, b) impact, c) effectiveness, and d) sustainability of the intervention.

I addition, the evaluation is expected to assess the need for and appropriateness of continued Swedish support to the Albanian tax authorities.

The full ToR are appended.

2.3 Approach to the assignment

The assessment is based on a document review and interviews with all immediate stakeholders. The document review covered all relevant documents produced by the project, other reports by the GTD, the latest PEFA assessment, OECD/SIGMA reports, and other relevant reports. All main stakeholders - GTD management, all component leaders, the last STA coordinator, a number of STA experts involved in the project, as well as stakeholders in other support projects in the same general area – were interviewed.

For the forward-looking part of the assignment, the broader PFM reform strategy as well as underlying detailed GTD strategies were reviewed. The requirements stemming from the accession process and the implications of Albania's adherence to different international conventions, such as the Convention on Mutual Administrative Assistance in Tax Matters were identified, as were the plans by other partners to assist Albania in the tax area. The interlocutors for this part of the assignment were primarily the GTD management, and the local representatives of the external partners concerned.

Briefings were held with at the Swedish Embassy at the end of the mission and at Sida headquarters.

2.4 Sources of information

A list of people interviewed and a list of documents consulted are appended.

2.5 A note on the evaluability of the intervention

At the start-up of the second phase of the Swedish support to GTD, an LFA-type workshop was organised with the participation of representatives of from GTD, STA, and Sida. The workshop eventually resulted in the *General Tax Directorate's Proposal for Prolonged Support 2010- 2012 to Albania's General Tax Directorate (GTD) Strategic Plan*.

The proposal is summarised in a "*Matrix for Evaluation of the Project"* including an overarching Development Goal and, for each component: *Objectives, Activity, Output, Outcome, Indicator, Sources of Verification, External Factors, and Risks.* Now this matrix, should have made the evaluation quite straight forward, simply checking the results against what was intended. This has largely been true for planned outputs which were tangible and easy to monitor. When it comes to assessing the outcomes of the different components, and the intervention as a whole, the *Matrix* has been of limited value.

The Matrix specifies that "*The Development Goal is to reach an effective and fair tax system in all Albania giving substantial revenue for national development*," but there is no suggestion of how this is be assessed: what indicators should be used for measuring the effectiveness of the tax system and what indicators should be used for measuring fairness? Furthermore, effectiveness and fairness are relative concepts not an absolute level that can be reached.

The indicators suggested for the different components are equally nebulous. For example, for the Audit procedure component: "*Assessment of the effectiveness of audit strategies based on results*".

As a consequence there has not been any firm basis for assessing the impact and outcome of the project. Furthermore, even if there had been one in the form of a set of indicators on the effectiveness of tax collection, it would have been difficult, in any scientific way, to attribute the observed changes in the selected outcome indicators to specific interventions by the Swedish project. The different components have been precisely that, components of a slate of initiatives, some of which have been undertaken by the GTD on its own accord, some with the assistance of other external partners, and some within the realm of the Swedish project.

The assessment of the impact of the project as a whole and of the different components is thus very much qualitative in nature and largely based on circumstantial evidence and on the assessments made by the people interviewed.

3 THE CONTEXT OF THE PROJECT

3.1 Macro-fiscal situation

In 1991, Albania was one of the least developed post-communist economies in Europe. To make matters worse, its GDP dropped by over 30 per cent in the first two years of after the fall of the communist regime in 1992. Growth, however, recovered strongly in the period up to 2009 - with the exception of a sharp drop in 1997. By 2010, per capita GDP was USD 3,836 and the poverty had dropped from 25.4 per cent in 2002 to 12.4 per cent by 2008. Revenue collection increased on par with the strong GDP-growth.

The period of very strong growth and actual revenue collections outperforming forecasts ended in 2009 because of the global financial crises. As a consequence revenue collection came in seriously short of expectations. No adjustments of planned expenditure were made and the fiscal stance became very expansionary. In 2010, revenues again came in at a much lower level than forecasted. This time, however, the Government acted more forcefully cutting expenditure drastically in the mid-year supplementary budget thereby reducing the looming very large deficit to 3.1% of GDP. The situation repeated itself in 2011 and 2012; revenue collection turned out a great deal lower than forecast and expenditure had to be adjusted downwards mid-year.

3.2 PFM Reform strategy 2007 – 2013

The 2007 – 2013 PFM Reform Strategy was founded on four pillars. Two of them concerned taxation:

- Broaden the Tax Base and Align Tax Policies with National Priorities
  - Spread the tax burden more equitably;
  - Develop a mix of taxes that better support policies for equity, and economic and business development.
- Strengthen Performance and Credibility of Customs and Tax Agencies
  - Address major sources of tax evasion and reduce the tax gap;
  - Upgrade the quality of service for taxpayers, in particular to establish favourable conditions for business development;
  - Strengthen performance, management control and audit;
  - Accelerate progress with tax and customs administration reform to meet EU requirements;
  - Implement the Government policy of creating a National Revenue Agency.

3.3 PEFA assessment of the tax area

The tax related indicators were not rated in the PEFA carried out in 2006. In the 2011 PEFA report, the three composite indicators related to taxation: Transparency of taxpayer obligations and liabilities; Effectiveness of measures for taxpayer registration and tax assessment; and Effectiveness in collection of tax payments, were rated A, B, and D+ respectively. The qualitative assessment was that this, overall, constituted a considerable improvement on 2006, but that tax collection continues to be a problematic area.

3.4 Other external support

USAID

USAID and the MCC Threshold Programme during this period provided support to GTD especially in areas of Tax Procedures for Businesses (Tax Filing and Tax Payment IT procedures) and Taxpayer Services with the construction of a Tax Payer Service Centre in Tirana. Later on their support continued in the area of tax policy with studies and support to local tax system as part of USAID's Local Governance Program in Albania (LGPA) and in the area of tax legislation. Initially USAID was also involved in preparing the inspection and control (audit) manual. But, it was eventually agreed that responsibility for this work should be taken over by the Sida-funded project.

EU / IPA (Instrument for Pre-Accession Assistance)

Beginning in 2007 EU, through its Instrument for Pre-Accession Assistance supported GTD in four areas:

1. Harmonization of Legislation, Procedures and Practices. (Creation of concrete legal and administrative framework which ensures that excise and tax systems are in line with international and EU standards)
2. Adoption of Internal Audit procedures, aligned with EU standards
3. Support to Tax Investigation Department
4. IT (Establishment of well-functioning IT Department and providing for the connectivity with all regional branches through a secure and reliable network)

IMF

IMF has provided assistance in the preparation of the Strategic Plan for Central Tax Administration 2012 – 2015, the Operational Plan, and the Compliance Strategy 2012 – 2015.

As an outgrowth of this work, IMF has provided advice in the further development of a monitoring framework for GTD. The large number of indicators (some 300 of them) has been grouped in clusters to better reflect the new general strategy. In this area there has been some overlapping with the Sida-financed component Monitoring GTD Efficiency and the work in this area is still very much work-in-progress.

IMF has furthermore provided support in the area of risk-based audit and in a review of the outstanding tax debt, including developing principles for cleaning up the balance sheet from non-collectible debt.

The assistance has been provided entirely on a demand basis. On average the IMF TA assistance has, in recent years, amounted to some 40 working days per year.

4 ASSESSMENT

The assessment of relevance, impact, effectiveness, efficiency, and sustainability of the project is done component by component, then for some cross-cutting issues and finally for the project as a whole.

In order not to burden the document with a lot of descriptive text, the comparisons of planned and actual activities, outputs, inputs, and cost have been relegated to three matrices in the Appendix.

4.1 Components

Taxpayer Services

The Taxpayer Services component of the project included four, slightly disparate sub-components:

- Tax education campaign to increase awareness in society;
- Young taxpayers' campaign;
- Improvement of the archives in Durrës;
- Providing equipment for Taxpayer Service Directorate at the Regional Tax Directorate of Durrës.

For a more detailed comparison of planned and actual: activities, outputs, inputs, and costs, please refer to Appendices 1 and 2.

Relevance

Tax collection is generally more effective and efficient when the relationship between the tax authorities and the public and business is based on mutual respect and trust, and when tax compliance is voluntary rather than forced. The improvement of the quality of the service provided to taxpayers to build that trust, is thus a central theme in the GTD's Strategic Plan for 2009 - 2012 and it is stressed even more strongly in the Strategic Plan that has replaced it.

Impact

Building trust and achieving voluntary compliance is necessarily a long-term endeavour in a country where the relationship between the taxman and public traditionally has been adversarial and often less than transparent.

One of the more important effects of the Swedish project in general, and the close working relationship between the GTD officials and their colleagues in the Swedish Tax Agency in particular, has been to further reinforce this shift in philosophy and approach to collecting taxes.

The campaigns directed to the general public and to the youth have in a very concrete way contributed to improving the contacts between the tax authorities. Practical information has been made more easily available and promotional material has sought to impact the general attitude to paying taxes. In sectors specifically targeted in the campaigns, tax collection has increased by as much as 30 per cent. How much of this increase is attributable to the campaigns is difficult to tell; a number of other measures (e-tax filing and tax return, one stop shop for business registration, simplification of procedures for permits and licenses) have been taken in parallel and the separate impact of each individual one is hard to judge.

The sub-components specifically supporting the Durrës Regional Tax Office have shown that with rather modest investment it is possible to drastically improve the service level in the local offices. The combination of increased possibilities of doing many things on-line (including e-filing) and better logistics related to direct taxpayer contacts has reduced both queuing and processing times considerably.

All in all, the impact on the public's attitude toward the Tax Authorities has been unambiguously positive.

Effectiveness

The component has largely reached its objectives and all outputs, save for the planned promotional movie, and the intended major overhaul of the Durrës Regional Office's archive, have been realised. Problems with the procurement process for the movie threw a spanner in the wheels in that undertaking. The intended expansion of the office facilities for the Durrës office was delayed because another tenant in the building did not move out as intended which necessitated putting the archive sub-component on hold for a while. The change of STA coordinator also impacted negatively on this sub-component. But the new reception facilities are now in place and operating. The component has thus been moderately effective.

Efficiency

Actual cost of the first two sub-component was some SEK 660,000, less than a third of what was budgeted for. In addition SEK 610,000 were paid directly by the Swedish Embassy to finance investments in the Durrës regional tax office. As no benchmark for these types of interventions is available, it is difficult to assess the efficiency, but there is no obvious sign of waste or the costs incurred being unreasonable.

Sustainability

Communicating with the taxpayers to achieve and maintain a high level of voluntary compliance is a never-ending exercise. All of the informational and promotional material produced for the two campaigns was financed by a direct and separate contribution by Sida / the Swedish Embassy. Since the end of the project, no more funding has been available to finance further campaigns. This puts in question the sustainability of the intervention. While the project very much contributed to the change in approach, the lack of budget funding for a continuation of the initiated activities limits the possibility of GTD expressing, in concrete terms, this change of approach and mentality. It will also make it difficult to extend the campaigns and the improved service to the other regions, despite strong evidence that the payback on these reforms and campaigns is high.

Updated Tax Audit Procedure

The focus of this component has been the development, dissemination and application of an up-dated Tax Inspection and Control Manual.

For a comparison of planned and actual activities, outputs, inputs, and costs, please refer to Appendices 1 and 2.

Relevance

A first audit manual, or as it is called in Albanian: Inspection and Control Manual, was produced in 2003 with the help of external technical assistance. But, over time it became apparent that the manual was too voluminous and that "nobody read it". Another reason why the manual had to be updated was the new tax legislation that was introduced in 2007. Initially USAID took upon itself to finance the updating of the manual, but after some discussions between USAID and Sida it was agreed that the Swedish project would take it over. It was completed in November 2010 and distributed to all regional tax offices.

One of the objectives of the manual was to reduce the arbitrariness, and thereby also the opportunities for graft, in the interaction between the tax inspectors and the taxpayers. In the context of the Government's policy to improve the quality of the service provided to taxpayers, to promote voluntary compliance, and to reduce the level of corruption within the tax administration, the component was definitely relevant.

Impact

The impact of the new manual is difficult to measure as its introduction has been one of several factors that have influenced the rapport between the tax authorities and the taxpayers – and, in the end, the collection rates for the different taxes. For a number of industries, the impact of the inspection and control manual has been boosted by the industry notes. The latter provide additional guidance to the tax inspectors on how to tackle challenges particular to important but high risk industries. Other initiatives and reforms, like the information campaigns and the very concrete efforts to improve taxpayer services, have also contributed to higher collection rates. One can, however, fairly safely conclude that the new manual has had and will continue to have a positive impact on customer relations, transparency, and revenue collection.

The work on the notes has furthermore built institutional capacity in the Albanian tax administration. The notes also serve to transfer knowledge to the organisation, especially to newly recruited tax officials.

Another likely positive effect of the new manual is that a link to the risk management process has been created. A set of the forms that are part of the new manual have been designed to capture data which is then feed into the taxpayer database. This information is combined with information filed by the taxpayer in order to produce a risk profile that will guide future inspections and control.

Effectiveness

The component has reached its stated objectives and delivered the agreed-upon outputs; it has been effective.

Efficiency

The production of the Inspection and Control Manual has been very much a collaborative effort. It has involved key staff in GTD and the experts from the STA sharing experiences, discussing and eventually agreeing on a proper structure and content of the manual. The involved GTD staff's exposure to the concrete work of the Malmö office of STA in this area also influenced the shape and content of the manual. The relatively modest STA input into the work (approximately SEK 535,000, 77% of budget) has been leveraged by the GTD input and the priority given to the work. The intervention must thus be considered efficient.

Sustainability

There is full GTD ownership of the Manual. It has already been amended a couple of times without the input of the STA. And it will have to continuously be so in step with changes in the tax legislation, the possibilities opened up by improved IT-support for the inspection process, and because new challenges will always appear. To address the latter, GTD would benefit from continued support and/or increased peer contacts with modern, experienced tax authorities and officials. But what has been achieved so far through this component will be sustained.

Monitoring GTD Efficiency

The focus of this component was on developing a new set of indicators to monitor the performance of the GTD.

For a detailed comparison of planned and actual activities, outputs, inputs, and costs, please refer to Appendices 1 and 2.

Relevance

Tax evasion is a core problem facing the Albanian Tax Authorities and all reform efforts by the GTD and supported by a Sweden and other donors must have the ultimate goal of reducing it and improving collection rates. Indicators to monitor the overall performance of the Tax Authorities as well as the performance of individual offices and units are important from an accountability perspective.

But indicators are also important for monitoring the impact of different initiatives: changes in legislation and regulations, reforms of processes, investments in IT support, training, campaigns, etc.. Ideally all measures should be tested on a pilot basis and, when possible, comparison cohorts identified to be able to quantify the effects of the piloted intervention. Some of the indicators needed for the evaluation of measures to improve the effectiveness and efficiency of the operations of the tax authorities may be the same as those used for monitoring and accountability purposes, but additional ones may be needed.

There were thus good reasons for including a monitoring component in the project. The component was relevant.

Impact

Unfortunately the work was, for various reasons, not completed. Extensive discussions were held between concerned GTD officials and the Swedish expert and a study visit to Sweden was organised. But no concrete product saw the light of day. There is no agreed, reviewed list of indicators, and even less an infrastructure and routines in place for systematically collecting the data required to report on the indicators. Part of the explanation is also the shift in strategy of GTD towards compliance and their decision to work with IMF and to opt for another approach to monitoring than the one explored with Swedish Experts.

Save for perhaps an enhanced awareness of the need for indicators, this component has thus not had any discernable impact.

Effectiveness

Since the objectives have not been met and the planned outputs not produced, the effectiveness of the component is low.

Efficiency

Some SEK 650,000 (91 % of budget) have been consumed in this component. With very limited output, the efficiency is low.

Sustainability

The component has left nothing to sustain.

However, the Tax Department is keenly aware of the need for performance and other indicators but pins its hopes on the eventual implementation of a new taxpayer administration software that is to financed by a soft-loan of 10.2 m€ from the Austrian Cooperation.

EU-alignment of Tax Statistics

The intended output of this component was a reporting manual, a statistical yearbook on taxation, and a statistical bulletin with historic tax data.

Of the three planned outputs, the last two were produced: “Taxes in Albania 2010”, and “Tax Statistics of Central Tax Administration 1994 – 2011”.

For a more detailed comparison of planned and actual activities, outputs, inputs, and costs, please refer to Appendices 1 and 2.

Relevance

Statistics have a value when used. To be used they have to be relevant, comparable, reliable, up-to-date, and easily accessible.

To align, and codify in a manual, the structure and definitions of the Albania tax statistics with the standards established by Eurostat is thus clearly relevant as it is a prerequisite for making proper comparisons with other countries in general and the EU countries in particular. If, on top of it, it’s a formal requirement for accession, it is even more relevant.

The choice of format for making the tax statistics available may, however, be questioned. Any professional user would want to be able to process the data further. A printed publication, or even a pdf-file, does not easily lend itself to that. A better approach would have been to create a template for presenting tax data in a downloadable format on GTD’s web site. The relevance of the support to the publication of the Yearbook and the Bulletin is thus questionable.

Impact

GTD has had no feedback on the two statistical publications. The Albanian versions were each printed in 300 copies and the English versions in 200. They have been distributed to other government institutions, to the libraries, to embassies, to Albania's external partners, etc. How they have been used is unknown. Ministry of Finance, the primary user of the tax statistics, has received and continues to receive them for many years, but in a format prescribed by them.

Publishing tax statistics to a broader audience in the format financed by the Swedish component may have a positive image effect. It shows GTD as an institution that wants to be open and transparent. The value of that image effect is difficult to assess, however.

The impact of this component on the ultimate objective GTD's of increasing collection efficiency has probably been quite limited.

Effectiveness

The component has produced two of the three planned outputs, but not the one that may have been the most important, a statistics manual fully aligned with Eurostat's requirements.

Efficiency

Some SEK 400,000 (51% of budget) of project funds have been used for this component. Whether this is to be considered a reasonable cost is difficult to say. It depends on how much capacity building has taken place in the process of producing the documents.

Sustainability

So far, the publication of the two documents has been a one-off exercise. Funds from the budget have not been made available for producing the equivalent reports in subsequent years. Nor has any initiative been taken to make the information available on the GTD's web site, which a present has none of it. The sustainability of the intervention thus appears limited. But that may be just as well in regard to the bulletin. It would be better to dedicate any future resources in this area to making systematically up-dated statistical information available on GTD's web site.

Industry Notes

The objective and output of this component was producing industry-specific notes to complement the general Inspection and Control Manual. The first industry notes, on construction industry, were prepared during the first phase of the project. During the second phase were produced notes on: gambling, fuel, hotels, and restaurants.

For a more detailed comparison of planned and actual activities, outputs, inputs, and costs, please refer to Appendices 1 and 2.

Relevance

The Manual on Inspection and Control provides general guidance on how inspections and controls are to be carried to be fair, effective, and efficient, and on what information is to be collected and recorded for the purpose of the inspection at hand and for future use.

The challenges facing the tax inspectors in their work vary from one industry to another, however. The structure and the relationship between the different entities of the sector may be more or less complex. The opportunities for, and prevalence, of tax evasion, as well as corruption, also vary.

Industry notes provide additional guidance to the tax inspectors when working with these industries. The ultimate objective of the notes is to increase the efficiency of the inspections and controls and thereby to improve revenue collection. The support by the STA in this area must thus be seen as highly relevant.

Impact

Collection rates for all relevant taxes from the industries for which industry notes were prepared have increased noticeably. Because the distribution and use of the notes largely coincided with the introduction of electronic cash registers connected to the tax authority, it is, however, difficult to unambiguously attribute this outcome to the notes. It is, however, the firm opinion of GTD's that the notes have had a positive impact on the effectiveness of the inspections and there is nothing to contradict this assessment.

Representatives from the business community confirm this. In their opinion, the Industrial Notes clearly have improved the work of the tax officers in direct contact with businesses. The officers are better prepared and their understanding of the industries covered has improved considerably. The industry representatives would want to see the notes extended to other industries in future. The planned extension to oil extraction is, in their opinion, a good choice as it would complete the chain from production to retail sales of combustibles.

Effectiveness

The objectives of this component have been surpassed; four, rather than the planned three, industry notes were produced and disseminated. The component has unquestionably been effective.

Efficiency

The actual cost of this component was some SEK 520,000 (112% of budget), which in relation to the output and its probable impact must be considered modest and money well spent.

Sustainability

The GTD has, on its own, started preparing industry notes for the bank and insurance sector as well as for telecommunications. These notes are not completed yet, however, and it is uncertain whether additional input will be required to do that. Existing industry notes will also need to be updated to reflect and respond to changes in the respective industries and in the tax the legislation. A basic capacity in GTD to develop industry notes has been created through this project component. But some additional support may be needed for the intervention to be fully sustainable, if nothing else to extend the coverage of the notes to other complex industries like manufacturing.

The industry representatives interviewed would, in future, like to be more involved in / consulted in the preparation of the industrial notes to be able to provide their input at an early stage in the process.

Gender

The focus of this component was on preparing a policy and a strategy for gender equality with GTD as well as a review of the gender implications of existing tax policy.

Relevance

The gender component was initially suggested by Sida to explore the opportunities for gender mainstreaming in an Albanian public institution such as the Tax Administration. The main objectives were to develop awareness and knowledge within GTD on gender issues and to develop a gender equality policy. The intention at the beginning was to mainstream gender in the other components of the project and in broader GTD operations.

Attention to gender issues and gender equality is recent in Albania. Thus, awareness at management and operational levels within GTD was low and the component was clearly not demand-driven – at least not initially. However, the process of drafting the Gender Equality Policy received the support of all officials involved and gradually a learning process gained momentum. Furthermore, the national strategy and Law on Gender Equality require institutions to develop a gender-aware approach. Thus, the gender component became increasingly relevant as knowledge of the issues grew within the organisation.

Impact

The process of development of the gender equality policy was highly participatory. It required active involvement in discussions and trainings of the assigned officials from all directorates within the GTD (development group) as well as background research in order to produce the data and analysis for the policy. This was a learning and awareness-raising process for the organisation, and as such it undoubtedly had a positive impact.

However, the gender equality policy that was produced and formally adopted by the GTD was not followed up and there was no active involvement of the Human Resources Department. The implementation plan for the policy has been prepared but no steps have been taken to fulfil its requirements. Hence, there is still no visible impact in this component beyond raised awareness.

Effectiveness

The outputs of this component have all been produced and the specific objectives have been generally achieved. Training took place as foreseen and there was good participation in the training and the workshops. The gender equality policy was developed in a participatory way by a mixed working-group of GTD officials supported by the external gender expert. The gender policy and implementation plan were presented in a high-profile public workshop with the participation of GTD officials and external stakeholder. However, the policy has not yet been shared with all personnel (e.g. by e-mail) and especially not with regional directorates and the respective human resource sections. The latter would be the responsibility of the GTD administration.

A study on the effects of the Albanian tax system on gender equality was prepared and presented in early 2011. Although study was deemed interesting and was well received, this sub-sub-component has not been pursued further by the tax administration because it falls outside the immediate remit of the GTD.

Efficiency

The activities in the gender component were delivered generally on time and in line with the work-plan. The Swedish Tax Agency did not have an expert with the appropriate profile, therefore an external consultant was hired. This brought with it some additional costs in terms of time and coordination, but these were overcome with no major difficulties.

Some SEK 920,000 (97% of budget) were spent on this component, slightly under budget. Whether this should be considered reasonable or not in terms of efficiency depends on how you value increased awareness. But it is also too early to tell; if through a limited additional intervention, the plan is actually implemented, its efficacy would shoot up considerably.

Sustainability

The gender component has produced a solid output and succeeded in creating awareness about gender issues in a core group of people within GTD. However, the preconditions for sustainability are still not fully achieved and more efforts need to be made to ensure that the gender policy is mainstreamed into the organisation's Strategic and Operational Plans. Other the results of the intervention – the production of the gender distribution and other disaggregated gender statistics - have not been followed up by the GTD because there is still not enough ownership at management level. But, there may still have a sustainable impact if some additional support is provided to help push the implementation of the gender policy and to spread the information to a larger share of GTD employees. To that end, a clear commitment from the high management will be necessary, in particular from the General Director, the HR Director as well as the Regional Directors.

4.2 Cross-cutting issues

Poverty alleviation

The impact of the project on poverty alleviation has been indirect. To the extent that the project has led to a more effective and efficient Albanian tax administration it will improve the Government's ability to finance programmes that in the short-, medium-, and long-term and thus raise the average standard welfare of the people. Depending on the composition of government expenditure it may or may not have an immediate impact on the level of direct poverty in the country.

Gender mainstreaming

The gender component of the project has increased the awareness of gender issues in the Albanian tax administration. The study on the gender implications of the present tax structure and collection of taxes has put these issues on the table. To what extent these issues will be followed up remains to be seen. For further observations, see above.

Environmental implications

Due to its nature, the project could not be expected to have, and has had no immediate implications for the environment.

4.3 Summary of assessment

The table below summarises the assessments made in regard to the individual components. The final row of the table is an attempt at making a summary assessment of the project as a whole. For lack of hard data on impact, it is a very qualitative assessment.

Table 1 Summary assessment of components and the project as a whole

Component	Actual cost SEK	% Actual of Budget	Relevance	Impact	Effectiveness	Efficiency	Sustainability
Taxpayer services	1 274 212	47%	Definitely relevant	Unambiguously positive	Moderately effective	Difficult to assess	Campaigns questionable, Durrës office yes
Tax audit procedure	534 157	77%	Definitely relevant	Positive impact	Effective	Efficient	Sustainable
Monitoring GTD Efficiency	647 858	91%	Relevant	No discernable impact	Low effectiveness	Low efficiency	Work unfinished
EU-alignment of Tax Statistics	400 458	51%	Alignment relevant, publications less so	Limited impact	Moderately effective	Moderately efficient	The work has not had any sequel
Industry Notes	519 517	112%	Highly relevant	Positive impact	Unquestionably effective	Efficient	Reasonably sustainable
Gender	942 907	97%	Relevant in a longer perspective	Limited beyond raising awareness	Effective	Moderately efficient	Not yet sustainable
Other costs	973 672	42%					
Overall	**5 292 781**	**61%**	**Relevant**	**Positive impact**	**Reasonably effective**	**Reasonably efficient**	**Partially sustainable**

5 PROJECT MANAGEMENT

5.1 Preparation of the project

The inception phase was a drawn out process despite the fact that Sweden and STA had already provided support to GTD for a number of years. An LFA workshop was held to identify the areas on which the assistance should focus and what the objectives and outputs should be for those areas. The agreed content of the second phase of the support was reflected in GTD's Proposal for Prolonged Support 2010 – 2012.

5.2 Modus operandi

While not formally a twinning project, the modus operandi of the project have had most of the characteristics of one. There have been no long-term advisers but instead a steady stream of visits by specialists from STA. It is clear that Swedish colleagues, in general, have been very much appreciated. The communication between them and their Albanian counterparts seems to have been very good in most cases, despite the language barrier. Practitioners have talked to practitioners. And the assistance has generally been quite hands-on.

Most work has been done by working groups involving STA and GTD officers. This has ensured ownership. In the collaborative effort, the STA advisers have often provided ideas and a structure while their GTD colleagues have done the drafting with the Swedish advisors finally providing feed-back on the texts. At the end of each visit by the STA advisers has been agreed what each party should do until the next mission, which has given a reasonable momentum to the work.

The relatively short travel time between Sweden and Albania, and the possibility to complement personal visits with interchanges via e-mail, made the peripatetic assistance model feasible. In contrast to the IPA project, the Swedish/STA project has not had a Resident Advisor-Coordinator. But in most cases it has been possible to solve practical matters, albeit at times with delays.

Study visits to STA have been an important and appreciated component. Many of the GTD officers interviewed, stressed the benefit of seeing with their own eyes how a well functioning tax authority operates. And they suggest that they have picked up a lot of ideas that they think can be applied in the Albanian context, notwithstanding the difference in the development and the maturity of the two organisations. In the opinion of GTD there could have been more study visits but better tailored to the different categories of officers partaking in them: management and front-line officers respectively.

5.3 Governance structure

The governing body for the project has been the Steering Committee. The Committee has been made up of the Project Directors on both sides and the component leaders. A representative from the Swedish Embassy has regularly participated as an observer. To the meetings have, when appropriate, been invited representatives from related projects and/or the funders of these projects and other stakeholders.

The openness of the meetings has facilitated the coordination with other projects to avoid undesirable overlapping. Generally speaking there has not been any major overlapping with other technical assistance, except as regards “Monitoring GTD Efficiency” where both the IMF and STA have been involved. It has not been possible to ascertain to what extent this overlapping has been one of the reason for why the work has not been brought to a fruitful conclusion.

The Steering Committee meetings were, for most of first two to three years, held at the planned intervals. But, as the project was drawing to a close, they become less frequent than what at least the Albanian side would have wanted.

5.4 Involvement of GTD top management

The involvement of the highest management of GTD has been limited, which has negatively effected the impact and sustainability of the project.

5.5 Project coordination and administration

Project administration on the Albanian side has benefitted from the same person having had this role for the duration of the project and from having the same responsibilities for other support projects.

On the Swedish side, coordination and administration have suffered from frequent changes of project coordinators – three in three years. Not enough care has been taken by STA to select and appoint individuals with the personal qualities required to fill this role. To manage a development project operating in an unfamiliar environment in a foreign country is quite different from managing a similar undertaking in a comfortable setting at home. The many changes of coordinator have been unfortunate and have contributed to the delays and miscommunications that have occurred.

5.6 Quality control

There has been no formalised system of quality control. Rather the coordinators have relied on and trusted the competence of the individual experts. There seems to have been only limited systematic and organised exchanges of experiences by the different experts involved; each expert has been focused on his or her task.

5.7 Staffing

Skatteverket has a total staff of over 10 000 people. Thus, even though STA is involved in a number of twinning projects, finding the right experts for the agreed undertakings in the different projects has, in principle, not been a problem. People find overseas work stimulating and it has not been difficult to find senior staff with the required experience. The recruitment of coordinators has been less successful.

5.8 Reporting and follow-up

The quality of the initial project document and the subsequent semi-annual reports is not stellar. But for someone with a reasonable familiarity with the context – like responsible staff at the Swedish Embassy in Tirana – the reports, have together with regular debriefings by visiting missions, been sufficient to monitor progress in relation to the outputs specified in the start-up document.

No systematic follow-up in relation to the broader Development Goal, which was to "reach an effective and fair tax system in all Albania giving substantial revenue for national development", was done, however. It was specified in the start-up document that a special survey would be done during the second half of 2011 in order to verify that the results were in line with this goal. This was not done.

6 LESSONS LEARNED

For institutions like GTD with very hands-on tasks, twinning with a more advanced sister organisation is a good framework for technical assistance. Skatteverket being one of the most effective, efficient, and by the taxpayers most highly regarded tax agencies in the world, has a lot of practical experience to share with GTD. And it is clear that the experts from STA have been much appreciated. The collegial interaction coupled with study visits to STA have worked well as mechanisms for the transfer of knowledge. It is clear that, overall, the project has had a positive impact on the effectiveness and efficiency of tax collection.

Exactly how strong this impact has been is unfortunately impossible to say because a) no good indicators to capture the effectiveness and efficiency and no proper routines for analysing them have been compiled, and b) a number of parallel initiatives aimed at this overall objective have been undertaken, which would make it difficult, but not impossible, to attribute changes in these indicators – had they been compiled – to particular interventions. The failure of the GTD efficiency component to complete its task is, thus, unfortunate in terms of the evaluability of this particular project. But, more importantly, it makes the broader management of the GTD more difficult.

But, as far as on can judge without good outcome indicators, while the overall impact has been good, the impact of some of components has been limited because not enough attention has been paid to their sustainability. A number of constraining factors have become apparent during the course of the implementation of the project. The most important one is the limited involvement of the highest management of GTD. For interventions like the gender component to be sustainable, all that would be required is a clear policy decision. In other cases, like the reorganisation of interaction with the tax payers at the regional tax offices and the publicity campaigns, resources must also be set aside in future GTD budgets. This has not been done. The potential constraints on the sustainability of the different interventions should, in future and to the extent it is possible, be identified when the project is designed and mitigating measures proposed and taken.

This is not to say that every intervention should necessarily be sustained. A perfectly valid conclusion could be that its impact has been limited and that it, therefore, should thus not be extended. It is part of the learning process.

Another lesson learned is that the intervention would have benefited from a stronger and more proactive coordination on the STA side. More care in the recruitment of the coordinators would have been desirable. With it, the excessive changes of coordinators could have been avoided.

A resident senior advisor cum coordinator might have ensured a more proactive coordination on the STA side. In lieu of it, there should have been greater regularity in the meetings of the Steering Committee.

GTD has gone to great lengths to avoid overlapping between donors and peer organisations active in the tax area. But more important is that projects do not work at cross-purposes but rather complement each other and share a vision for the development of the Albanian tax administration. The PFM working group under the wings of DSDC has not worked so well in recent years, at least as far as the coordination of donor support in the PFM area is concerned. It may behove GTD to create and lead a working group involving the donors and stakeholders involved specifically in the tax area.

7 SOME RECOMMENDATIONS FOR CONTINUED SUPPORT

7.1 Tax Strategic Plan

The Strategic Plan of Central Tax Administration 2012 – 2015 sets the following strategic goals:

1. Collect taxes legally due to support the government's programmes;

2. Improve taxpayer services to support voluntary compliance with tax laws and to reduce costs for taxpayers and the tax administration;
3. Identify and punish tax evasion wherever it occurs in Albania;
4. Create, over time, a high performance tax administration that meets the standards of tax administration set out in the EU fiscal blueprints;
5. Prepare for EU membership while meeting commitments under international tax agreements and taking part in the most relevant international tax dialogues.

Each strategic goal is broken down into a varying number of strategies for achieving them. Below is a sub-set of the strategies listed:

- Implement the new compliance strategy
- Review and simplify tax laws and procedures
- Improve risk analysis capacity
- Introduce audit selection with themed audit projects based on specific risks in sectors or regions
- Encourage self-audit
- Revise training strategy
- Develop expertise in international tax issues

7.2 Other external support

The tax area has received a good deal of support in past years and is likely to continue to be an area that donors will want to support.

IMF is likely to continue supporting GTD, at least as long as the Department continues to request its assistance. Presently the Fund is providing assistance in reviewing / developing the business processes that will be implemented in the new Austria-funded taxpayer management system to be implemented in the coming year(s).

The department has a twinning arrangement with French tax authorities through which GTD can call for technical assistance when needed.

WB/IFC will finance a "detailed mapping of administrative processes in the tax system including identification of the key regulatory and institutional stakeholders, existing bottlenecks in the current administrative system as well as point out the priority areas and make relevant recommendations for re-engineering of administrative process in order to improve the efficiency of administrative procedures". This new project is part of on-going support provided from IFC in the framework of "IFC's Southeast Europe Tax Regional Program".

The Austrian Government is providing a tied soft loan of 10.2 m€ to finance the implementation of a taxpayer management system. A contract has been signed with the Austrian Company *We do IT Solutions* to implement their COTS system C@TS.

The IPA project was completed in 2012 and no extension of it has so far been agreed upon for 2013. Moreover as the programming phase for IPA 2014 has expired, no IPA support is expected for 2014 either.

The same is true for USAID, another long-term provider of support to the Albanian tax authorities.

7.3 Request from GTD

GTD some months ago submitted a preliminary request for continued support in the following areas:

- Tax Audit
- Tax Investigation
- Internal Investigation Directorate (Anti-corruption)
- Gender Equality (Implementation of gender policy)
- Taxpayer Service in the Regional Tax Directorate of Shkodra)

7.4 Project preparation

The areas indicated above are, in the mind of GTD, not written in stone, however. They should rather be seen as a starting point for a discussion that should involve GTD, STA and Sida. In such a discussion the parties should seek to identify the interventions that will have the most impact on collection effectiveness and efficiency of tax collection and where STA is likely have comparative advantages in relation to STA itself, and to other present and potential external partners.

The preparation of a new project should be done in a joint workshop involving primarily the three parties but with participation and input from other external partners as appropriate.

The task of the workshop should be to draft a project document with clear objectives and measurable outputs as well as a proposal for indicators to measure the intended outcome / impact of the interventions. The latter indicators should be made part of the general monitoring system that will need to be reviewed and fully implemented – with or without STA's help.

Phase 2 left some unfinished business in at least a couple of areas: effectiveness and efficiency monitoring, and gender equality. The workshop should ponder what it would take to complete the task and whether further input from STA is required.

The latest phase was intended to run over three years but effectively ran a bit longer. For a new phase it should be considered whether a longer, formal period would be appropriate, four years for example. If it is decided that that is the case, it would probably be good to leave some of the agreed financial framework unassigned leaving room for new components, or a deepening of existing components, if and when new needs arise.

The implementation of C@TS, for example, will have implications that, at this point, are difficult to foresee.

7.5 Management

For a third phase it would be beneficial to both parties if the management of the project was tightened and made more proactive. Of key importance to the success and sustainability of the agreed interventions is a strong engagement by GTD top management. One way to achieve that is to make the GTD Director General the chairman of the Steering Committee, while maintaining the separate position of Project Director. Steering Committee meetings should be held at regular intervals.

The project has been very well served by the local GTD project coordinator and the GTD facilitator and there would be a definite need for this to continue.

Communications in general can be improved through better use of modern technology such as Skype conferencing.

While the experts made available by STA have different professional profiles, it would be beneficial to set aside time for the experts sharing their experiences with each other in order to build more of a collective responsibility for the success of the project.

It could be worth considering having an STA resident senior advisor working directly with the top management of GTD but also serving as the STA coordinator for the project. Whether such an arrangement would work well or not would depend entirely on finding the right person and on the interest of GTD management of having such an interlocutor. In the end, it would boil down to personalities and trust. There is also a cost aspect to consider.

APPENDIX 1 - ACTIVITY AND OUTPUT FOLLOW-UP

Component/Strategic Plan Objectives	Planned activities	Actual activities	Planned output	Actual output	Comments
2.1 Taxpayer Service/ Maximally improve taxpayer service by providing high quality service in order to increase voluntary compliance and avoid irregularities as well as make taxpayers aware of the payment of their tax obligations. Make sure to encourage voluntary compliance with tax legislation through information, education and publication of sub-legal acts.	Linked to output 1: • information campaign on social contributions, • training small businesses in filling out tax returns, • information as regards cash registers, • collaboration with NRC (leaflet, posters etc.), Linked to output 2: • agreement signed with the university, • survey of knowledge about taxes among the students, • make an informative movie/commercial, • train the teachers in this field, • assistance in compiling basic information on taxes directed to schools, • students help with surveys for the tax administration,	The planned activities were carried out more or less as planned, except for: • the movie / commercial • the introduction to e-archiving	1. Tax education campaign to increase awareness in society. 2. A young taxpayers campaign. 3. Improvement of the archives in Durrës.	All planned outputs were produced. In addition, computer equipment and furniture was procured for the Durrës office with additional financing provided by the Swedish Embassy in Tirana.	The activities carried out, the outputs produced and the impact of the intervention by the STA experts is well reflected in the Final Report from the project.

	Linked to output 3: • training in e- filing (Durrës, Kavaja, Kruja), • assistance and suggestions for the preparation of archive regulation in compliance with all relevant Albanian legislation in this field, • create of a group within GTD and design instructions according to the legislation, • define the day to day practical work and staff arrangement including security aspects, • staff will have to get training on the new methods to be used and • a time plan will be made for the introduction of e-archive methods.				
2.2 Updated Tax Audit Procedures/ Develop audit strategies and indicators for failure to fulfil obligations. Changing the object of audit program from full audits to audits of systems (functions). Use	The activities are to include: • in meetings with the Albanian counterparts discuss in what way the present audit manuals ought to be changed, this includes giving advise on how the quality of audits could be improved by, for		A complete and updated Audit Manual in place.	The manual was updated and disseminated.	

of management reports which specify the number of audits conducted over a given period of time (monthly, quarterly, annually). Effective audit plans based on tax audit manuals in place. A functioning manual for Audit Operations in place.	example, an updated audit program, better notes etc., • exchange of experience about the contents of different audit manuals and • exchange of experience about how to introduce new manuals in all tax offices.				
2.3 Monitoring of GTD Efficiency 1. Maximize the collection of tax revenues within the tax legislation framework by improving the quality of management on a standard-based performance and not on the basis of the revenue target. 2. Create an appropriate information management system including definition of	Linked to output 1: • assistance on how to go on with new and added indicators to measure, Linked to output 2: • assistance on how to use the output from the monitoring, • assistance on how the Swedish Tax Agency proceeds in measuring the work efficiency in their administration and Linked to output 3: • assist in defining a system for information		1. Indicators have been established for improving the quality of management on a standard-based performance. 2. Indicators have been established for measuring, distributing and follow up of available resources. 2. A system for information in place, including definition of tasks for all working areas.	Some work on grouping the indicators in a number of functional areas was done. Subsequent work by the IMF has sought to link the existing indicators to the Strategic Plan. No final document on the definitions and use of the indicators has been produced.	It's important to pay attention to unfinished business in this area because it's going to affect the effectiveness and efficiency of external support in all fields of activity of GTD in the future

tasks for all working areas through performance measurement indicators and performance based reporting.					
2.4 EU- alignment of Tax Statistics/ Accurate statistical data provided to government institutions and the fulfilment of EU requirements for tax statistical reporting.	Linked to output 1: • make a structured plan for the work with statistics, • assist in producing a manual that includes the process for reporting, instructions for personnel at different levels and hierarchy for reporting, • expertise on which data to gather, how to gather this data and how to ensure the quality and correctness of the gathered data, Linked to output 2: • input to how to design the statistical yearbook and Linked to output 3: • support to the	The activities related to the production of a statistical yearbook and a tax bulleting have been carried out but not those related to the manual	1.Production of a manual for reporting. 2. Publishing of a statistical yearbook. 3. Publishing of a tax bulletin for the period 1994-2005.	A statistical yearbook “Taxes in Albania 2010” and a tax bulletin, “Tax statistics of Central Administration 1994 - 2011” have been produced, but no manual for reporting.	Lack of human resources on the GTD side and lack of experience by the Swedish adviser led to a decision to limit the component to the activities related to the yearbook and the bulletin.

	production of a tax statistical bulletin.				
2.5 Industry Notes/ Contribute to the effectiveness of Audit Strategies.	The activities are to include: • planning and structuring of the work to prepare and write each industry, • layout and structure of each industry and • suggestions and comments on the proposed content of each industry.	All planned activities have been carried out.	Industry notes for chosen industries.	Industry notes have been produced for gambling, fuel, hotels and restaurants .	The emerge of new important risk areas of economic activity (banking and insurance, mobile and telecommunications, fuel production and refinery etc.) has motivated GTD to ask for further support in this component
2.6 Gender Equality Long term goal is: the Albanian Tax Administration promotes gender equality at all levels of the organisation.	The activities are to include: 1. Establishment of a long term development program with representatives from different departments and levels of the Tax Administration. 2. Mapping of areas for analysing the status of gender equality within the Tax Administration. 3. Top and middle management provided with information on how the work on the plan and strategy is proceeding and training provided to	The activities required for producing the Gender Equality Policy and the implementation plan have been carried out. So have the activities related to the report on gender aspects of the Albanian tax system.	A gender equality policy for the Albanian Tax Administration. A strategy for implementation of the policy. A pre- study of the Albanian tax system in relation to its effects on gender equality.	All three planned outputs have been produced	.

	the same group. 4. Information to all staff about the plan and the strategy and how it will affect the work and the organisation and training provided to the same group. 5. The participants in the development program are to outline a gender equality policy for the Albanian Tax Administration. 6. A pre- study on the Albanian tax system from a gender perspective will be made. 7. A seminar for relevant stakeholders will be held to present and discuss the pre- study.				

APPENDIX 2 - BUDGET FOLLOW-UP (SEK)

Item	Budget	Total costs	Balance
Taxpayer Service	2 076 000	663 738	1 412 262
Investments in Durrës	618 000	610 474	7 526
Updated Tax Audit Procedures	696 000	534 157	161 843
Monitoring of GTD Efficiency	712 000	647 858	64 142
EU-alignment of Tax Statistics	792 000	400 458	391 542
Industry Notes	464 000	519 517	-55 517
Gender equality	969 832	942 907	26 925
Interpretation	750 000	247 097	502 903
STA, Home office coordination	400 000	405 000	-5 000
STA, Monitoring and follow up visits	600 000	263 290	336 710
Project Audit	50 000	51 250	-1 250
Contingencies	500 000	7 035	492 965
Total	**8 627 832**	**5 292 781**	**3 335 051**

APPENDIX 3 - PEOPLE INTERVIEWED

Name	Position
Alma Hasko	Project Coordinator in GTD Albania
Eduart Gjokutaj	Component Leader for GTD Monitoring Component
Luiza Lisi	GTD Official member of Work Group for GTD Monitoring Component
Spartak Gjini	Member of Work Group for Tax Statistics Component
Erion Prifti	Head of Tax Payer Service Directorate GTD and Component Leader for Tax Payer Service Component
Shkelqim Fortuzi	Head of Regional Tax Office Durrës
Ledia Kokalari	Head of Tax Payer Service Section in Regional Tax Office Durres
Defrim Manoku	Ex Deputy Head of GTD, presently Director of Large Taxpayers Office Tirana Component Leader for Tax Investigation and Audit Component
Ajet Laze	Investigation/Inspection Inspector in Large Taxpayer Office Tirana and Member of Task Group for Tax Investigation and Audit Component
Alketa Aliaj	Component Leader for Gender Component, Official of GTD in IT Department
Astrit Baholli	Member of Work Group in Gender Component and Official of GTD in Registration and Assistance Department
Qemal Doda	Member of Work Group for Industrial Notes Fuel, Assessment Department in Regional Tax Office Tirana
Bardhyl Lamko	Member Audit Department GTD
Linda Gjermani	Programme Officer, Swedish Embassy, Tirana
Fatimir Kazazi	Tax Consultant, IFC
Andja Komšo	IMF Consultant
Jan Olsson	Project Coordinator, STA
Bo Jonsson	Expert, STA
Ali Bahrami	Expert, STA
Malgorzata Skocinska	Programme Manager Public Finance, Customs & Taxation, ECD Tirana
Bardhi Sejdarasi	General Director of Business Albania, Member of Business Consultative Council

APPENDIX 4 - BIBLIOGRAPHY OF DOCUMENTS REVIEWED

Albania Annual report 2010 final version.doc

Annex 1 Overview of mandatory results achieved.docx

Annex 8 Further detailed information about Tax Crime Investigation activities.docx

Annual report 2010 - 2011 version 2.2

Description of Swedish Proposal for Prolonged Support to GTD 2009-2011

Final Compliance Strategy 10.02.2012

Final report Albanian project.doc

Final report gender component

Financial Report 31 December 2012 Final after revision

Industrial Note for Restaurants

Industrial Note for Hotels

Industrial Notes Fuel

Inspection Manual and Revisions

Management Reports for monitoring work performance of GTD

Report regarding Support for Strategic Plan of GTD in Albania for the period 2008-2010

Semi Annual report 1 July - 31 December 2011.doc

Semi Annual report 1 June - 31December 2010.doc

Strategic Plan of GTD 2012-2015

Tax Statistics 1994-2011 Edition

Taxes in Albania 2010

Templates used for monitoring work performance of GTD

APPENDIX 5 – TERMS OF REFERENCE

Evaluation of the Project
Support to Tax Administration in Albania, Phase 2, 2008-2012

1. Introduction and Purpose

Sweden, through Sida, has supported the Albanian Tax Administration from July 2004 to June 2012. The support has been provided in two phases, the second one from October 2008 to June 2012.

Considering both the importance of the assessment of the achieved results of the second phase and the interest of the Albanian party for a continuation of the support, the parties have agreed to commission an evaluation of the latest project phase (referred to as the "project" in the rest of the document).

The evaluation should assess the overall level of achievement of the project goals and results, the quality of coordination in the project and communication between the project partners, effectiveness of risk management and finally with a recommendation on whether continued Swedish support to the Albanian Tax Administration is considered viable and in which areas it should be provided and how to be organized.

2. Background

2.1 General Background

The objectives for the Swedish development cooperation with Albania are defined in the Strategy for development cooperation with Albania, January 2009 – December 2012.

The cooperation is focused on two sectors: Democratic Governance and Human Rights; and Natural resources and Environment. The overarching Albanian objective for the Democratic Governance sector is to support "openness and thorough reforms in pursuit of European standards and enhanced democracy, the protection of Human Rights and freedoms", and one of the Swedish objectives is "enhanced efficiency, openness and transparency in the Albanian administration". In particular the strategy mentions a more efficient tax administration as a possible area for Swedish support. The support to the Albanian Tax Administration is just one of a number of Swedish contributions in the area of Public Financial Management.

2.2 Project background

The Albanian tax administration was established in 1992. The national legislation covers the following areas: VAT, Income Tax, Excise Duties, Small Business Tax and Tax Procedures Code. In many respects a good foundation for the further development of the tax system had been laid at the time of the approval of the project. The legal system has changed constantly and a considerable effort has been required by General Tax Directorate (GTD) to work out supplementary rules, regulations and manuals and to make these operational in all offices. A main concern for GTD has been the shortage of well qualified staff, and this at a time when the pressure to fulfil ambitious targets for tax collection coincided with a need to devote considerable staff time to methods development and for preparations for a future status as an EU candidate country.

The communication system was poorly developed for tax purposes both towards taxpayers including legal entities, collaborating institutions (such as other Government institutions, banks, the judicial system etc.) but also within the tax administration itself. A number of measures have been taken in the last years to improve this situation, primarily through IT, media, better telephone communication and improved direct contacts with tax payers.

Improved taxpayer services have received a higher attention from GTD during the project period. Simpler tax procedures have been designed, the information flow to taxpayers needed improvement, and forms and basic advice had to be made easily available at the tax offices. Practical ideas on how to achieve this have been developed and have included a wide range of activities. One initial challenge was to arrange and equip the 16 regional offices so that customers with minor problems could be served directly at a counter not having to enter into the actual offices. This has given the GTD employees more time to concentrate on more complicated tasks. Initially one or two offices should be equipped according to modern standards to serve as model for the other offices.

The legal changes in tax audit procedures have been followed by a revision of the audit regulations and applicable manuals, followed by an introduction campaign and follow up for auditors in all offices. GTD needed improvements of its methods for “risk analysis”, assisting auditors to focus on possible tax evasion cases for audit. Various internationally used methods were studied and a selection for Albania was made.

More than 90% of non-paid tax debts concern legal entities (companies etc.). GTD has given this matter high attention and would look into a legal change making owners personally responsible for such debts. GTDs exchange of information with corresponding authorities in other countries has become more and more important including also for compliance with EU practice.

GTD needs included also improvements of monitoring of its efficiency in general and of the regional offices. Setting up a system with quantitative as well as qualitative indicators of efficiency allowing comparisons between different units as well as judgements on GTDs overall progress, was agreed as another high priority area.

As a response to the situation in the Albanian Tax Administration the project overall objective was defined as “reaching an effective and fair tax system in all Albania”. The project has been organised in the following six components:

1. Taxpayer Services, focusing on Durres regional office but with benefits to the overall service of tax payers in the country. This component also included investment in equipment and facilities.

2. Updated Tax Audit Procedure, as a follow-up from the previous phase.

3. Monitoring GTD Efficiency, by introduction of a system of quantitative and qualitative indicators of efficiency allowing comparisons between different units as well as judgements on GTDs overall progress to be used nationally in all regional tax offices.

4. EU-alignment of Tax Statistics, by focusing on tax statistics and publications to increase transparency of the tax administration towards the public and the tax-payers.

5. Industry Notes as a follow-up from the previous phase and further extension to new businesses.

6. Gender as a completely new component and implemented by a separate consultancy company, Indevelop, within some overall coordination with the other project components.

The project support was, as in the first project phase, provided as an institutional cooperation between the Swedish Tax Agency (STA) and the Albanian General Tax Directorate. The activities were planned and implemented jointly by the two organisations with STA administering the project funds (except for component 6) and bearing the main responsibility for overall execution and reporting. During the implementation of the project, GTD have approved its Strategic Plan as a basis for organizational development. New donor assistance programs have introduced EU/IPA, IMF and USAID working with GTD. Considering all the developments and changes materialised just before the start of the project, the Swedish Tax Agency and the GTD conducted a LFA workshop in late 2009 to update the project plans.

These changes led to delays in the inception phase and a longer period for the project implementation compared to the initial plan. Changes in project coordination personnel both in STA and GTD during the project implementation have affected the speed and the progress. Considering these and the rather expanded scope of the project compared to the previous phase, the project was extended to June 2012.

Of the total 12 million SEK project budget, 8.6 million has been disbursed. The project has delivered semi- and annual progress reports, work plans, and a number of mission reports in line with the agreement with Sida.

3. The Assignment

The evaluation is expected to look into the following issues:

- **Relevance:** At what extent was the intervention relevant to the Albanian party needs and change processes/plans? Were the project components designed in such a way as to bring the required progress in the respective areas of the Albanian Tax Administration work? Were the activities designed in line with the intended results and with mutual synergy with each-others? How much has the Albanian party been involved in the planning and execution of the intervention? Have both the Albanian tax inspectors and managers been consulted sufficiently about the project revisions and the fine–tuning of the activities in the different components?

- **Effectiveness:** Has the intervention achieved its objectives and its planned results and at what extent? Which are the main reasons identified to have affected the success and the deviations from the project plan? How well has the project implementation been following the agreed plans for activities, reporting and dialogue? What has been the level of preparedness and response from each project partner to fulfill their expected roles in the implementation? How has the coordination worked from each project partner side? Has the communication flow in the project been sufficient to support a smooth implementation? What could have been improved in order to strengthen the dialogue between the project partners and expedite the necessary measures to avoid delays? Has the Project Steering Committee worked effectively as a coordinating and strategic dialogue mechanism? How has the coordination between the different project components been working and how much synergy between them has been created from the planning to the execution? Is there room for improvement in this direction and how? Could the gender component have been linked better and more strongly with the rest of the components? How has the donor coordination been carried out?

- **Impact:** What are the overall effects of the intervention, intended and unintended, long term and short term, positive and negative? To what extent has the intervention contributed to the strengthening and modernization of the Albanian Tax Administration in general and improved services to the taxpayers? How is the Swedish support placed and perceived by the beneficiary in the framework of other international assistance programs and what are the comparative advantages and disadvantages of the Swedish support? Is there a specific niche identified for the Swedish program that can be followed also in the future?

- **Sustainability:** Are the benefits produced by this contribution maintained after the end of the project? Are especially results in the new components (1, 3, 4, 6) sustainable? Is the Albanian Tax Administration ready and able to continue to use the system introduced for monitoring the efficiency? Is the work with taxpayers in Durres continuing and have the experience from Durres been used as an example to be applied in other regional offices? Are there measures taken to continue the yearly publication, even only through the web-page of GTD, of the tax statistical yearbook? Has the GTD top management fully embraced the gender policy and how much is it engaged in its current implementation? To what extent is GTD management prepared to provide input for fiscal policy development to the Ministry of Finance and other decision-makers in order to improve the tax collection system?

- **Continuation of support:** GTD has expressed the wish to continue the cooperation in a third project phase. How relevant would a new phase be and is there a need for continued Swedish support? In case of continued cooperation what should be included in it, considering the absorption capacity of the Albanian Tax Administration and other ongoing or planned international assistance? How well is the GTD prepared to handle and eventually lead donor coordination in the field of tax administration? What is the capacity of GTD to articulate their needs? How can the lessons learned from the earlier project phases be incorporated in the new phase in order to improve both its design and implementation? If a continued support for the gender component is envisaged how should this be designed and implemented to achieve best results?

4. Method and Time Plan

The assignment shall be performed through a combination of desk study of the existing documentation relevant to the project and field work in Albania and Sweden. The Consultant is expected to be familiar with Sida's key steering documents and methodological approaches. Cross cutting issues such as poverty alleviation, gender mainstreaming and environmental implications shall be adequately addressed during the assignment and in the report in accordance with Sida's guiding principles.

Sida will provide the Consultant with necessary background information and documentation such as the project document, agreements, reports, and policies. During the field work meetings and interviews shall be held at least with project partners from STA and Albanian Tax Administration on both expert and management level, other relevant government staff in Albania, independent experts, representatives from the private sector, international donors active in the area and the Swedish Embassy in Tirana. Other documentation and report/data necessary for the assignment shall be collected by the Consultant. In general the Consultant is expected to conduct the assignment in an independent manner and with limited support from Sida and the Embassy. Advice can be requested regarding the application of the selected methodology and a meeting with Sida in the beginning of the assignment is envisaged.

The assignment shall be carried out in an objective and impartial manner by a small team of consultants, at least one of them should be an Albanian national. The assignment shall be carried out in May/June 2013. The agenda for the field visit shall be consulted with Sida and the Embassy in Tirana. The Consultant shall be responsible for all logistical arrangements related to the mission (e.g. preparing the agenda, scheduling meetings, transportation, interpretation, etc.). If necessary, advice and in exceptional cases support may be provided by the Embassy in Albania.

6. Reporting

The Consultant shall present its preliminary findings upon completion of the field mission. Thus, a briefing meeting at the Embassy of Sweden in Tirana should be planned towards the end of the field visit to present the findings and conclusions. A half-day or a few hours long presentation/seminar shall be organized by the Embassy in Tirana with participation from GTD, other donors and interested stakeholders in Albania. Back in Sweden a seminar with Swedish project partners shall be organized by Sida.

After the completion of the work a draft report in English shall be presented to Sida, not exceeding 20 pages (excluding annexes) and including an executive summary where the main findings are presented (maximum 3 pages). Format and outline shall follow the guidelines in Sida Evaluation Report – a Standardised format.

The report should be focused on analysis, lessons learned and recommendations. The draft report should be submitted electronically (in PDF or Word format) not later than three weeks after the field mission in Albania. Within one week after receiving Sida's comments, a final version should be submitted to Sida, electronically and in hard copy.

7. Requirements

The consultant shall specify how the assignment should be carried out, including dates for the different activities. The consultant shall also specify methods and resources to be used to implement the assignment and to guarantee quality in the work performed. A detailed budget shall be included.

In addition, the consultant shall present the qualifications of each member of the team intended to be available for the assignment.

Evaluation of the Swedish Support to the Tax Administration in Albania, Phase 2, 2008-2012

Sweden supported the Albanian Tax Administration from July 2004 to June 2012. This evaluation covers the second phase running from October 2008 to June 2012. Of a total budget of 8.6 million SEK, 5.3 million SEK were disbursed. The project was managed by The Swedish Tax Agency (STA or Skatteverket,) which also provided all technical expertise, save for one of the components.

The project was divided into six components: Taxpayer Services, Updated Audit Services, Monitoring the General Tax Department (GTD) Efficiency, EU-alignment of Tax Statistics, Industry Notes and Gender. The project as a whole and the different components have been evaluated for their: relevance, impact, effectiveness, efficiency, and sustainability.

Overall, the project has been reasonably successful and much appreciated by GTD.

Improving the effectiveness and efficiency of tax collection is absolutely crucial if Albania is to withstand the negative influences arising from the crises in its major trading partners. Continued support for the Albanian tax administration is therefore definitely warranted and the STA, having accumulated a great deal of experience working with GTD over the last decade, has a great deal to offer.

This evaluation includes assessments of the different components, the project management and lessons learned.

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: S-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
E-mail: info@sida.se. Homepage: http://www.sida.se