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Sida Decentralised Evaluation

Finn Hedvall
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Evaluation study in support of the Mid Term Review of the Pro-Tax II project

Final Report

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**Final Report
October 2016**

**Finn Hedvall
Shar Kurtishi**

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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Abbreviations and Acronyms

EU	European Union
GAP	Institute for Advanced Studies, Kosovo
GIS	Geographic Information System
ICT	Information and Communication Technolog
IMF	International Monetary Fund
IT	Information Technology
LFA	Logical Framework Approach
MN	Million
MoF	Ministry of Finance
MP	Member of Parliament
NGO	Non Government Organisation
OECD-DAC	Organisation for Economic Co-operation and Development - Development Assistance Committee
OSR	Own Source Revenue
PoE	Publically owned Enterprise
PT	Property Tax
PTD	Property Tax Department
PTO	Property Tax Office in Municipalities
QA	Quality Assurance
SC	Steering Committee
Sida	Swedish International Development Cooperation Agency
STA	Swedish Tax Authority
TA	Technical Assistance
TOR	Terms of Reference
USAID	United States Agency for International Development
WB	World Bank

Preface

This evaluation was conducted by FCG SIPU International AB. The team consisted of Team Leader, Finn Hedvall, and Team Member, Shar Kurtishi. Quality Assurance was provided by Alf Persson.

The team would like to express their appreciation of all support given by staff members of the Ministry of Finance and its Property Tax Department, the Municipality of Peja, Kosovo Cadastral Agency, the Swedish Tax Authority, The Swedish Cadastral Authority, the Swedish Embassy, other donors and international institutions, government agencies, NGOs and local project staff. Their support, knowledgeable information and patient explanations have been invaluable in the production of this report.

Executive Summary

This evaluation shall support a mid-term review of the ProTax 2 project, which is the second of two projects to develop the property tax system in Kosovo. The purpose of the evaluation is to assess the ProTax 2 project's potential to reach its intended outcomes and produce sustainable results, and based on the findings provide recommendations for future decisions and direction of the project.

The ProTax 2 project is planned for the period 2014-2017, and is financed by Swedish Sida and the Ministry of Finance in Kosovo. The project is implemented through a co-operation between the Property Tax Department (PTD) and the Swedish Tax Authority (STA). The Swedish contribution to the project amounts to around 4,8 million € and the direct costs for MoF 0,4 million €.

Assessment of outputs and outcomes of the project

At the end of the first ProTax project in 2011, during which a successful first central database for property taxation was created and brought to use, proposals were made to:

- i) Include Land in the tax base to increase municipal income,
- ii) Depoliticize the appraisal process to align values to market values through a centralization of the responsibility for appraisal to PTD,
- iii) Strengthen enforcement of property tax collection to reduce the property tax debt,
- iv) Increase IT capacity to be able to maintain and develop the IT system also in the future by engaging ordinary staff in the MoF, and to
- v) To prioritize taxpayer service at PTD by employing a person designated to work with taxpayer information.

Sida responded positively to support a second project for which intended results and areas of intervention is illustrated by the pyramid below:

Assessment of outputs

In terms of outputs from ProTax 2 a number of qualitative and significant results have in this study been observed, albeit with a substantial delay in relation to plans. Some prominent outputs include:



- Drafting of a new Bill “on Immovable Property Tax” plus a number of administrative instructions.
- Information in the form of flyers and short brochure for taxpayers,
- Publishing and printing of invoices as an e-service
- Training and study visits
- Redesign of key business processes, such as for registration of parcels and tax payers, the appraisal process, and the “Meet taxpayer” process
- Establishment of a small helpdesk
- Extension of Property Registers and provision of feed-back to KCA on cadastral data, registration of more de facto ownership, creation of a land usage map, establishment of preliminary sales price register, processing of valuation and sales data and establishment of value zones
- Further development of the IT-system: Reporting tools developed and in use in the ProTax 1 system; Parcel data from KCA captured through electronic transfer annually; tablet registration developed including land data; tools to manage simulated sales data developed as well as tools for property market analysis, for multi-layer value zones management, and for registration of taxpayers for e-services.
- The system now also includes: E-service for property tax bill, Integration with KCA for GIS and building address data capture as well as Integration with Kosovo Central Civil Status Register for physical taxpayer data
- In addition to developing the ProTax 2 system, the project has continued to operate the ProTax 1 system over the period, while adding some functionalities.

Development of ProTax 2, which is built on a modern platform using new versions of programs, reporting tools and web design tools, is on-going. The system is not yet live and many steps need to be finalized before that can happen.

The project has also provided support to municipalities for the process related to forgiveness for property tax debt through calculation of debt, printing bills and payment records etc., and by advising municipalities. This has been an added responsibility that has been accepted by the project’s steering committee. It has delayed other results.

Overall assessments of outputs

Our assessment is that the products demonstrated by the project is of high quality and in line with the reports provided. The contributions and quality of work performed by project staff is highly appreciated.

However, due to a large degree on work related to the amnesty, several products are delayed and the remaining work load will be large and very difficult to handle within set timeframes with sufficient quality.

Assessment of outcomes

The terms of reference emphasize the evaluation of outcomes of the project. Due to delays, it is in many instances too early to determine if ProTax 2 has led to improvements in the indicators studied related to expected outcomes. The assessment partly relates to effects of the ProTax 1 achievements that materialize at this stage.

Overall positive progress can be noted in the total revenues of municipalities, and of the property tax component. A limited shift has taken place where property tax replaces different fees in municipal own source revenues. The major source of income for municipalities however remains to be government grants that constitute 85 % of the municipal revenue. The potential for improvement in property tax has risen considerably with the projects' preparatory work with the draft legislation, information, processes, system and data quality improvements, that prepare for inclusion of land and land parcels in the property valuation and taxation. The impact of this cannot yet be seen and depends on whether the draft bill is accepted and enacted and the system sustained. One factor contributing to improved property tax payments, that has been realised, is the improved e-services and accessibility to the system. Also valuation has become more realistic and seizure of properties initiated which should have a positive effect to curb evasion. In terms of efficiency the assessment is that outputs related to costs is good, also the overall impact in terms of project costs in relation to Property tax collection is good but could potentially be much better, also in comparison with some of the neighbouring countries.

On the negative side outcomes have not materialized in terms of increases in municipal investments, as recurrent costs for salaries and social benefits are increasing rather sharply. There is also little reflection in the recent National Development Strategy or in the Public Financial Management Strategy of municipalities' problems, devolution or their need for sustainable revenue like property tax. However, municipalities regard property tax increases as essential to reduce dependency on grants, and the national strategy mentions the need to clarify property rights and to promote a land market conducive to economic growth, including facilitating agriculture land consolidation.

The *assessment of sustainability* in terms of ownership and involvement of ordinary staff in project activities and of dependency of expertise provided by project staff is

the single most critical aspect in the evaluation. Staff involvement has been very limited, incentives to participate withdrawn, and the local and regional consultants engaged in the project have largely been left to work on their own with the international TA:s and engaging with municipalities. Some measures have been taken to remedy the situation; two help desk officers from the ministry have been recruited and there are plans to create a mass evaluation unit. The IT environment is however quite complex and requires multi-skilled staff with salaries the government cannot provide. In terms of documentation, source codes and licenses the project can be well sustained with the chosen technical solutions, manuals etc.

There is also reason to doubt that the current organisational set up – both at the centre and in municipalities can sustain the new system. In totality many functions have been shifted from municipalities to the centre, while at the same time new tasks are being placed on the municipal level related to inspection, service to citizens, valuation and control. At the centre the project is now administrating many of the ordinary functions of the department.

In total four critical aspects stand out in the assessment:

- The risk that the legislation and inclusion of land in valuation don't materialize for political reasons
- The need to engage the property tax department's staff in the project, and to adjust the organisation for property tax both centrally and in municipalities in line with implemented and suggested developments
- The sustainability of ICT competencies needed to maintain and develop ProTax 2
- The timing of legal, technical, administrative and information interventions, to secure a smooth implementation

Summary of recommendations

In order to address these and other critical aspects the following 23 recommendations are made with suggested responsibilities (Main agent underlined), timeframes and priority (H=High, M=Medium, L=Low):

Improved quality of registration and registers

- I. *Organize separate project/task forces to investigate registration and correction of ownership and possessorship of land parcels to deal with the large numbers of parcels with deceased or migrated owners and identification of possessors. Most likely this must be organised in two separate streams, one short term for the urgent inclusion of possessors, another for ownership and inheritance-related questions. Cumbersome legal processes to determine inheritance cases need to be examined and probably rules eased.*

Responsibility: Ownership issues: KCA/PTD/PTO and MCO, ministry of Justice or Court, Urban Development. Deadline for possessorship registration results 1/7 2018, for ownership-related issues 31/12 2019. (H)

- II. *Provide a grace period with abolished or reduced fee for registration of ownership.*
 Responsibility Ministry of Spatial Planning, MoF, Decision 1 April 2017,
 Reduction period up to 1/7 2019. (M)

Alignment of timetables, extension of the project

- III. *Pursue with process of enactment of the proposed law on property tax aiming for a decision in the legislature early 2017, but set enforcement date in terms of billing also for land to 1 January 2019.*
 Responsibility: Steering Committee, MoF, Government, and Legislature.
 Deadline for decision on law in the Legislature 1 April 2017. (H)
- IV. *Specific information efforts for members of Legislature. Prepare information material and make presentations for SC, PTD and Minister of Finance about the up-coming bill and improvements.*
 Responsibility: PTD and project. Deadline February 2017 (H)
- V. *A thorough planning exercise for an extension and revised time plan including prerequisites and conditions, mapping and sequencing of main dependencies and events.*
 Responsibility: MoF, PTD, Sida, SC, Project. Deadline March 2017. (H)
- VI. *Sida to determine their conditions for support to an extension, like a decision and final content of the law, staff and sustainability issues tackled, etc.*
 Responsibility: Swedish Embassy and Sida. Deadline March 2017. (H)
- VII. *A seminar be organized with main stakeholders to also discuss long-term plans for the property tax system and integrated solutions.*
 Responsibility: PTD, project and MoF management. Deadline: April 2017 (M)

Sustainability of organisation, staffing and ICT

- VIII. *A functional study of future organisation and staffing needs for property tax at both central and municipal levels. (H)*
- IX. *Further expedient recruitment of key staff, like valuers and other qualified staff to PTD. (H)*
- X. *Reorganisation and regrouping of project and PTD staff to bring the groups further together both office-wise and conceptually (H)*
- XI. *Joint work planning, budgeting, monitoring and evaluation of PTD, the project and the results. (H)*

- XII. *Introduce incentives also for PTD staff, within government boundaries, giving room for study visits, travelling, further training and normal promotion. (if not through topping up). (H)*
Responsibility VIII-XII: PTD, project and MoF management. Deadline: April 2017
- XIII. *Investigate possibilities to create a public enterprise for ProTax2 development, operation and maintenance, operating under a board with representatives from PTD, KCA, and Municipalities, financed by fees, in order to sustain built up ICT capacity.*
Responsibility: MoF and a special task force. Deadline for investigation: March 2017. Deadline for creation of PoE: July 2018. (H)
- XIV. *To mitigate risks related to recruitment and remuneration a committee should be appointed with ICT competency and participation from STA to guide on competency requirements, advertisements, interviews of candidates, appointment and remuneration.*
Responsibility: MoF, Deadline: March 2018. (H)
- XV. *The future costs for the Public Enterprise for PT ICT operations and maintenance be covered by fees charged to municipalities based on number of bills annually. Other development costs or specific surveys etc. shall be covered on a request basis by the requesting agent.*
Responsibility: MoF, Deadline March 2018. (M)

Other recommendations

- XVI. *Access to the system for administrators and users should be made fully traceable and log in provided only with a three-layer security, alterations of data should also be related to a secure decision record and register.*
Responsibility: MoF, PTD, and ProTax 2 project. Time frame/deadline: For ProTax 1 system as soon as possible, for the new system implementation April 2018. (H)
- XVII. *The need for specific economic competency to the project be assessed in the planning process.*
Responsibility: Project and PTD. Deadline March 2017. (H)
- XVIII. *Assist users through training and the help desk to design reports that meet individual requirements. (H)*
- XIX. *Provide municipalities, MoF and the public a set of data related to performance indicators where PT related data with time series so that performance can be monitored. (H)*

- XX. *Engage municipalities in bench-marking identifying differences in performance that in a deeper analysis can be related to set-up of PT organisation and procedures, to stimulate debate and analysis of success and failure in PT collection. (M)*

Responsibility XVIII-XX: The project in dialogue with municipalities.
Deadline 2017.

- XXI. *Introduce more detailed time reporting for project and PTD staff to determine main activity area costs.*

Responsibility: Project, PTD an STA, Start: Jan 2017 (M)

- XXII. *Consider on an as needs basis length of missions for International staff.*

Responsibility: PTD, STA, Deadline: Oct 2016 (L)

- XXIII. *Instruct the privatization agency to settle Property tax bills and debts from proceeds of privatization.*

Responsibility: MoF and Government, Deadline April 2017. (M)

In conclusion the evaluation finds this project a worthwhile effort to improve living conditions and the economy of Kosovo. Progress so far has shown that the effort is fruitful, and that it has a large potential. The project is subject to several critical risk factors which can be addressed, but which will need to be monitored closely as the project proceeds.

1 Purpose and methodology used for the study

1.1 PURPOSE

This evaluation has been commissioned by Sida and the Swedish Embassy in Kosovo to support the up-coming midterm review of the ProTax 2 project in Kosovo. ProTax 2 is undertaken as a cooperation between Kosovo's Ministry of Finance and its Property Tax Department (PTD) and the Swedish Tax Agency (STA) to improve property taxation systems and processes, ultimately benefitting the municipal economy and their investments.

The specific purpose of the evaluation is to assess the project's potential to reach its intended outcomes and produce sustainable results, and based on the findings provide recommendations for future decisions and direction of the project.

After a tender procedure FCG SIPU International was engaged to undertake the evaluation. It has been carried out by the senior Public Finance Management Advisor Finn Hedvall, Stockholm, and PFM expert Shar Kurtishi, Pristina. Quality control has been provided by Alf Persson, Senior Public Administration Consultant, SIPU. Nora Tafarshiku has assisted with the interview of the Agency for Gender Equality.

The evaluation has been carried out during August and September 2016, allowing for circulation of a draft report and management response in early October, in order to be ready for the planned mid-term review meeting of the project steering committee at the end of October.

1.2 METHODOLOGY

The evaluation follows the conceptual framework used in result-based management, a logical framework, and evaluation methods and definitions elaborated by OECD-DAC. The approach is an independent expert assessment of project results, where data has been gathered through study of existing documents and statistics, interviews with stakeholders representing different aspects of the project such as users and clients, project managers and staff, municipal representatives, MoF, development partners and others. Facts have also been gathered by direct observation and sample products/reports from the IT-system. Indicators and targets for the project are compared to achieved results over time and a valuation of findings made and verified. In the final analysis causal and critical factors affecting results are investigated, and based on the assessors' experience and dialogue with key players, recommendations have been made for the continuation of the project.

Project planning for the project has followed the logical framework where

1. The desired effects and outcomes have been set
2. Outputs and measures to reach these outcomes are identified and specified
3. Resource requirements and budget is calculated

This facilitates evaluation that looks at whether effects can be observed and anticipated related to outcomes, what outputs the project has been able to produce, and the resources used. When these facts have been established an assessment is made of results in both the outcome, output and qualitative dimensions. The assessment is a combination of the assessors' professional experience, stakeholders' views, professional standards, and a comparison with the intended targets.

In the process strengths and weaknesses are identified and an attempt is made to determine causalities to these. Special focus is from experience needed on factors such as how the project was planned, ownership and buy-in, project management, access to competencies and the required resources, implementation of changes and resistance to change, and potential external killing and supporting factors. Finally, recommendations are made for how risks can be mitigated and results improved, where needed.

A difficulty in evaluation is to determine the connection between project results and the higher outcome levels, such as improvements in the economy, increased tax collection etc. The difficulty lies a) in the time it may take before project outputs are implemented and taking effect, b) the influence of other external factors that may support or hinder the desired outcome, such as a general decline in the economy, which can reduce tax incomes and increase tax evasion, and c) The availability of data. It may through scientific methods and research be possible to isolate the outcomes related to a project from other influences, but that often requires resources beyond a normal evaluation. In such a case an option is to follow up on the outcome regardless of other influences, so as to at least get a hint of the general direction of developments. It is also important to assess effects at lower intermediate outcome or effect levels, e.g. to study whether the number of registered tax-payers has increased, inclusion and quality of address improved etc. In the case of this evaluation we have tried to follow up data on the higher as well as intermediate outcome levels, and to reflect on possible causalities that can be related to project results.

The evaluation has been conducted in the following phases:

Inception Phase
Start-up meeting
Initial desk review, interviews in Sweden
Production of Inception report, including further refinement of evaluation approach, methodology and work plan
QA of Inception report
Submission of Inception report

Data Collection & Analysis Phase
Desk review
Preparation for field mission
Field mission in Kosovo
Debriefing at the embassy and MoF
Reporting Phase
Drafting evaluation report
QA of draft final evaluation report
Submission of draft final evaluation report
Revision based on stakeholder comments
Submission of final evaluation report

The evaluation was carried out between 22 August and 13th October 2016. The field mission in Kosovo 12-23 September was mainly geared towards interviews and discussions with main stakeholders as presented in Annex 3.

The draft report was circulated to the Swedish Embassy, PTD and STA's project managers 3rd October, and many of the comments have been incorporated into the final report.

2 Background

2.1 THE SITUATION AND PROBLEMS WITH PROPERTIES AND THEIR TAXATION IN KOSOVO

The post war situation in Kosovo was chaotic when it came to property, cadastral records and ownership, as well as the collection of property tax. Large numbers of the Serb, Roma, Ashgali and Egyptian population fled the country, properties were taken over by legal or illegal occupants.

The legislation applied for property tax had to make provisions to tax a) the registered and legal owners, and b) if the owner could not be located the natural or legal person that lawfully uses the property or c) if the owner could not be determined or has no access to the property - the person that actually uses the property. Categories b) and c) are called the “possessors” of the property.

Property tax was with some exceptions imposed on all immovable property, i.e. on buildings and such structures, but in effect not on land.

Tax rates were set by the municipal assemblies to a tax rate from 0,05 % to 1 % of the value of the property, differentiated due to category of property (residential, inhabited, commercial, industrial, agricultural, abandoned or uninhabited). Persons owning or using the property were to report their data to the municipalities, who were responsible to maintain the property tax register, to value the property, to collect and enforce tax collection, and administer appeals. A register, a simple stand-alone database, was kept in each municipality.

The property tax register was to be based on data from the immovable property rights register and the land cadastre. The Kosovo Cadastral Agency is the source of the municipal cadastral data produced. The Property Tax Department (PTD) within the Ministry of Finance and Economy issued a sub-legal act setting uniform standards for property valuation under which the municipality should determine the market value of the property.

Problems and challenges prior to 2008

- Data system capacity – the database systems used in the municipalities had reached its capacity limit, was extremely slow to access and operate and its support and maintenance was cumbersome.
- Data logs were inexistent allowing possible fraud.

- Direct Interfaces or automatic data transfer from other systems, like for ID, addresses, GIS and cadastral data were inexistent.
- Tax evasion was calculated to around 50 % 2006.
- Municipalities were, and are, heavily dependent for their financing on government grants and transfers. Their own source revenues only constituted 20 % of their revenue, and property tax only 22 % of this, or 5 % of all municipal revenue 2006.
- As the land value wasn't taken into account in the valuation, the values set were unfair and taxation not used to its potential.
- Many parcels were exempted from property tax because of a value threshold of 10 000 € below which no tax was levied, and because of the low values set in the valuation. The average tax in 2006 was 40 € per invoice.
- Out of a total of around 550 000 properties with buildings 300 000 had no construction permits or were in practice illegally constructed, and therefore had no possession certificate in cadaster registry and were not billed with property tax
- Unpaid property taxes led to a total property tax debt of 55 million € by 2008.
- The PT systems reporting capacities led to long queues in printing property tax bills which lead to difficulties in tax settling processes in municipalities.
- There were no tax enforcement procedures implemented and seizure of property not made to cover debt.

2.2 PROTAX 1

A request was made to Sweden in 2005 for support to an improved property tax IT system. A feasibility study commissioned by Sida supported the idea and recommended in 2007 a project in two phases. Another recommendation was that due consideration needed to be taken also to the administrative and legal problems, and not only purely IT technical solutions. The request resulted in Swedish support to the first ProTax project which started in 2008.

The plan for the first project was based on the request, the feasibility study, an LFA-seminar producing a project document and a fact-finding mission by the Swedish Tax Agency (2007). The project was to be organised under the Ministry of Economy and Finance as a co-operation between its Property Tax department (PTD) and the Swedish Tax Agency (STA).

The aim was to improve property tax collections, have an efficient property tax administration and a fair treatment of taxpayers. Except for a backlash in revenue progress the year 2012, all these goals were met. The project introduced GIS in the registration process, as well as photos of properties. A fairer valuation model was utilized, and a centralized IT system was designed and implemented making

automatic reconciliation of payments. The project provided extensive training of municipal property tax officers in the use of the new system. An information campaign to inform taxpayer was carried out with a number of brochures and folders, as well as TV commercials and billboards. Among other informative products a website was developed and launched in 2010.

The three core processes in property taxation – to register, appraise and tax and collect, were clarified and revised. New registration IT technology was introduced for field survey that included new features such as capturing ID numbers, photos of properties, location points, as well as improved forms for data entry and traceable logbook improving transparency.

The appraisal rules and criteria were improved and applied in two municipalities and a tool for simulation of effects of changes in value zones and base values introduced in all municipalities. The improvements of the tax and collect process included introduction of new tools for taxation, a new and understandable bill template, a documentation procedure for correcting decisions, an automated reconciliation of payments as well as a reminders feature.

The new ICT system was developed, tested and implemented with new functionalities such as the capture of photos, a survey application to report data from the field, sales registry, event report and log, issuing of financial statement (Card) and certificate of payment, value zone and tax rate management, web based client, fiscal identification numbers and improved reporting functions. A small helpdesk to support end users was established, and manuals and documentation of the system produced.

The project also undertook a resurveying of properties and quality assurance of property data in two municipalities.

Processes to maintain and develop the IT system were introduced and practised. The final report after Pro Tax 1 included a number of recommendations for the future – the top five of which were to:

- i) Include Land in the tax base to increase municipal income.
- ii) Depoliticize the appraisal process to align values to market values through a centralization of the responsibility for appraisal to PTD.
- iii) Strengthen enforcement of property tax collection to reduce the property tax debt.
- iv) Increase IT capacity to be able to maintain and develop the IT system also in the future by engaging ordinary staff in the MoF.
- v) Prioritize taxpayer service at PTD by employing a person designated to work with taxpayer information.

The first ProTax project was to end 2011, but was extended one year to finalize the resurveying of some remaining municipalities.

A request for a second project was made in 2012 based on the final report of the first project. The request aimed to cover the recommendations above. A precondition for ProTax 2 to start was to obtain data from the cadaster agency, which according to the Law on Public Finances Management and Accountability required a large payment in exchange for cadaster data towards KCA. This was resolved by the Government of Kosovo which amended the law and thereby created the necessary conditions to initiate the ProTax 2 project.

During the time between the two projects, 2012 to 2014, the local project staff was retained with specific funding as a bridging arrangement, allowing the ProTax 1 system to continue to operate. The ProTax 2 project started in April 2014, and is planned for the period up to 31 December 2017.

2.3 PROTAX2

The plan for ProTax 2 included one main purpose, which is to be achieved through three goals and five result areas as illustrated by the pyramid below:



The plan also contains descriptions of more detailed expected project results, a time plan, project organization, approach, risks and budget. The LFA matrix for the project has a detailed list of project results, indicators and deadlines. It has been used to track the status of the project in the reporting to the steering committee. An annex with planned results and an update of the status at the time of this evaluation has been prepared and is appended (Annex 4).

Project resources

Owner of the project is the Ministry of Finance in Kosovo. It is co-financed by Swedish Sida and the Ministry of Finance. Originally also USAID funding was foreseen, but this did not materialize.

The Swedish Tax Agency in co-operation with the Swedish Cadastral Agency provides extensive technical assistance mainly in the form of international TA, but also through contracted regional and local project staff, equipment, etc. Support was also envisaged from the Swedish Enforcement Agency, but this was later not deemed useful as the proposed legislation opens for the use of private bailiff services for enforcement.

The project budget is broken down by cost item and contributor. The Sida contribution to the budget for the whole project period is revealed below:

SEK	Budget 2014-2017
Fees	
- International STA	18 810 000
Reimbursables	
- STA	
Travelling	
Accommodation	
Per diem	
IT equipment & services	
Total reimbursables	1 977 000
Mission costs	
- The Swedish Cadastral Authority	5 151 000
- Swe Enforcement Agency	1 292 000
- Local consultants	9 969 000
- Study visits	1 968 000
- Taxpayer Service	4 605 000
- Conferences & Training	1 221 000
- Transportation, local	432 000
- Unforeseen	500 000
- Audit	245 000
Total Mission costs	25 383 000
Total	46 170 000

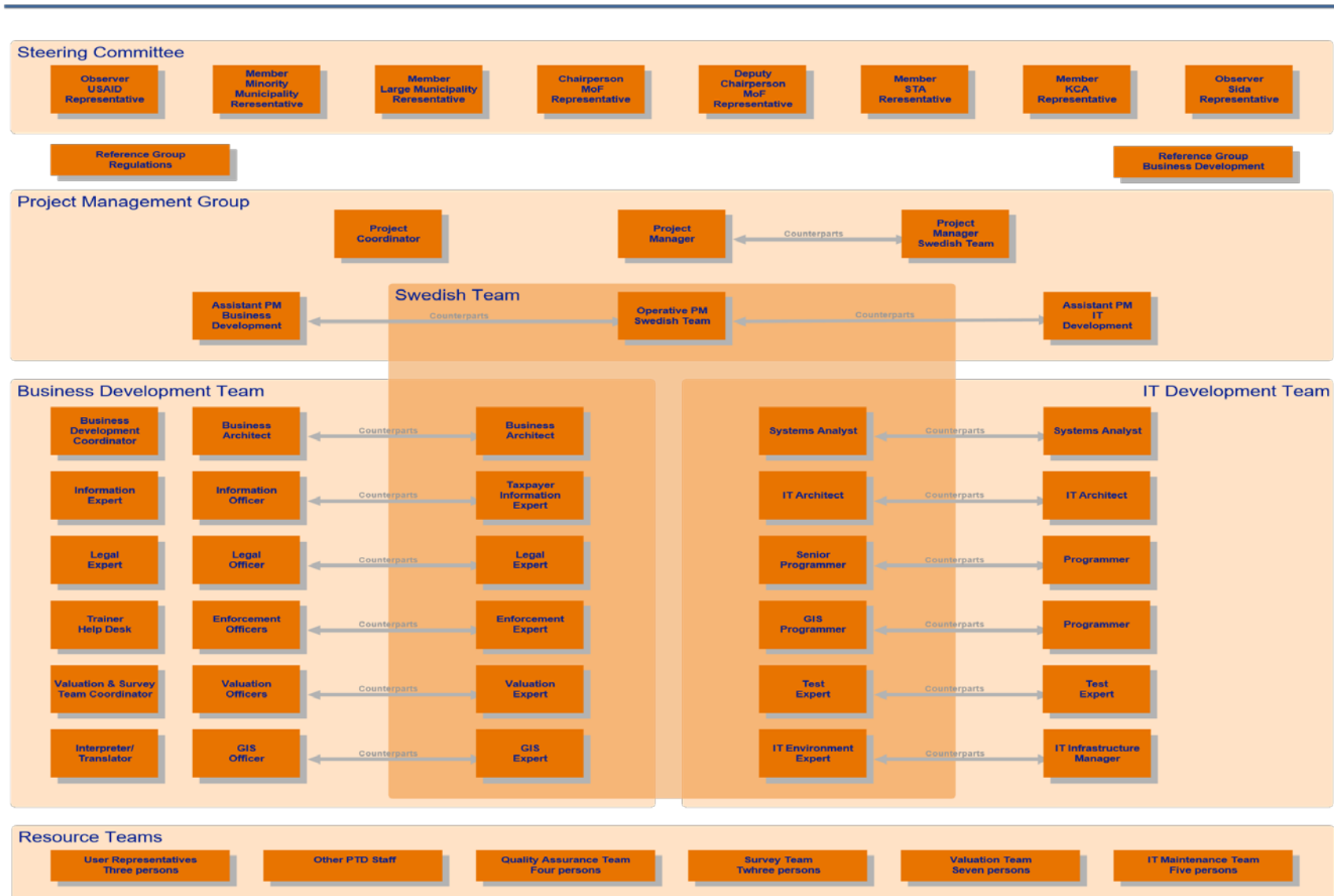
“Mission costs” above contain a substantial portion consultancy fees (For local and regional contracted project staff, for the Swedish Cadastral Authority and Enforcement Agency staff).

The total of 46,2 million SEK (Swedish Crowns) is equivalent to around 4,8 million Euros.

In addition, the Government of Kosovo budgeted a contribution of 375 000 € to the project.

Project organisation

The organization of the project is captured by the graph overleaf:



3 Results of the ProTax 2 by 1 October 2016

3.1 OUTPUTS – CURRENT STATUS IN PROTAX 2

The outputs reported in comparison to plan are shown in Annex 4, where the status refers to September 2016.

Some prominent outputs include:

Legislation:

- The draft Bill “on Immovable Property Tax” Version 1.0
- Draft administrative instructions for appraisal and exemptions
- Draft regulations for central responsibilities and municipal organisation

Information:

- Flyers and short brochure for taxpayers produced and distributed
- Publishing and printing of invoices as e-service
- Some training and study visits undertaken

Business processes

- Registration process partly redesigned
- Some changes and design of appraisal process made
- The “Meet taxpayer process” designed
- A small helpdesk established

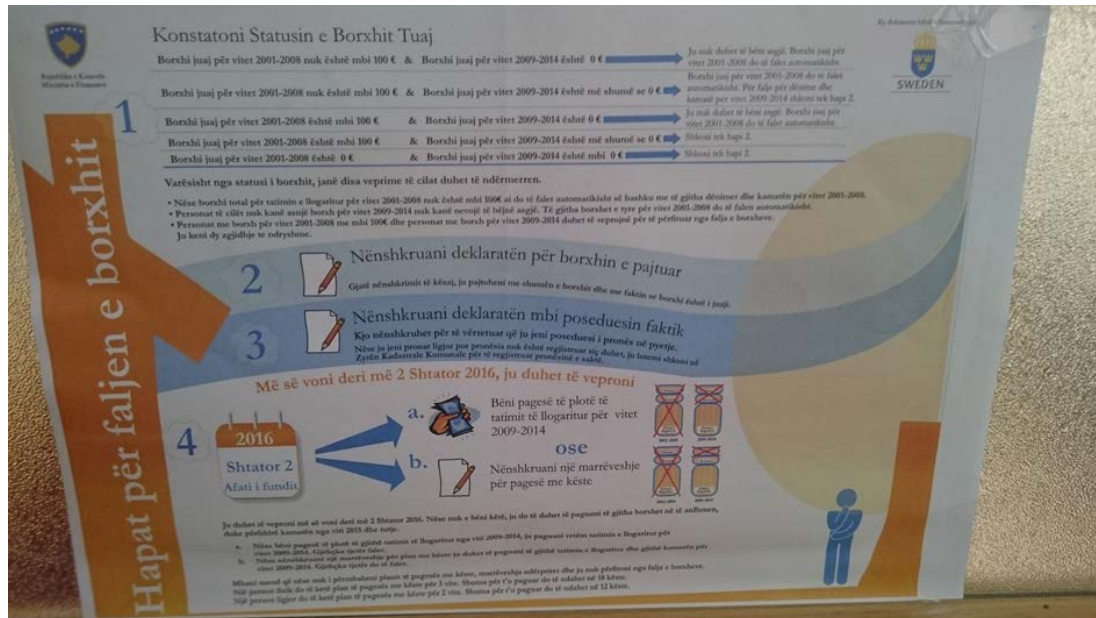
Extended Property Registers

- Feed-back provided to KCA on cadastral data, work group established
- More de facto ownership registered
- Land usage map created
- Preliminary sales price register established
- Processing of valuation and sales data
- Value zones established

Further developed IT-system

- Reporting tools developed and in use in ProTax 1
- Parcel data from KCA captured through electronic transfer annually
- Tablet registration developed including land data
- Tools to manage simulated sales data developed for ProTax 1
- Tools for property market analysis
- Tools for multi-layer value zones management
- Tools for registration of tax-payers for e-services
- E-service for property tax bill

- Integration with KCA for GIS and building address data capture
- Integration with Kosovo Central Civil Status Register for physical taxpayer data



A poster developed by the project displayed in Peja.

In addition, the project has continued to operate the ProTax 1 system over the period, while adding some functionality as demonstrated in the list.

It should be noted that although an annual automated data transfer from the KCA now takes place, that includes data on parcel ownership, this excludes any data on possessors. Also the registered owners are in many cases deceased and heritage issues not resolved. In other cases, owners reside outside the country and are difficult to reach. Hence the project has been trying to up-date possessor data through interaction with municipalities.

Development of the ProTax 2 system, which is built on a modern platform using new versions of programs, reporting tools and web design tools, is at the same time on-going. The system is not yet live and many steps need to be finalized before that can happen.

The project has also provided support to municipalities for the amnesty process through calculation of debt, printing bills and payment records etc., and by advising municipalities.

Overall assessments of outputs. Our assessment is that the products demonstrated by the project, on screen, as manuals and documentation, by reports and through inspection of websites and e-services, and also as witnessed by municipal officials and tax-payers in Kosovo, is of high quality and in line with the reports provided. The contributions and quality of work performed by project staff is highly appreciated.

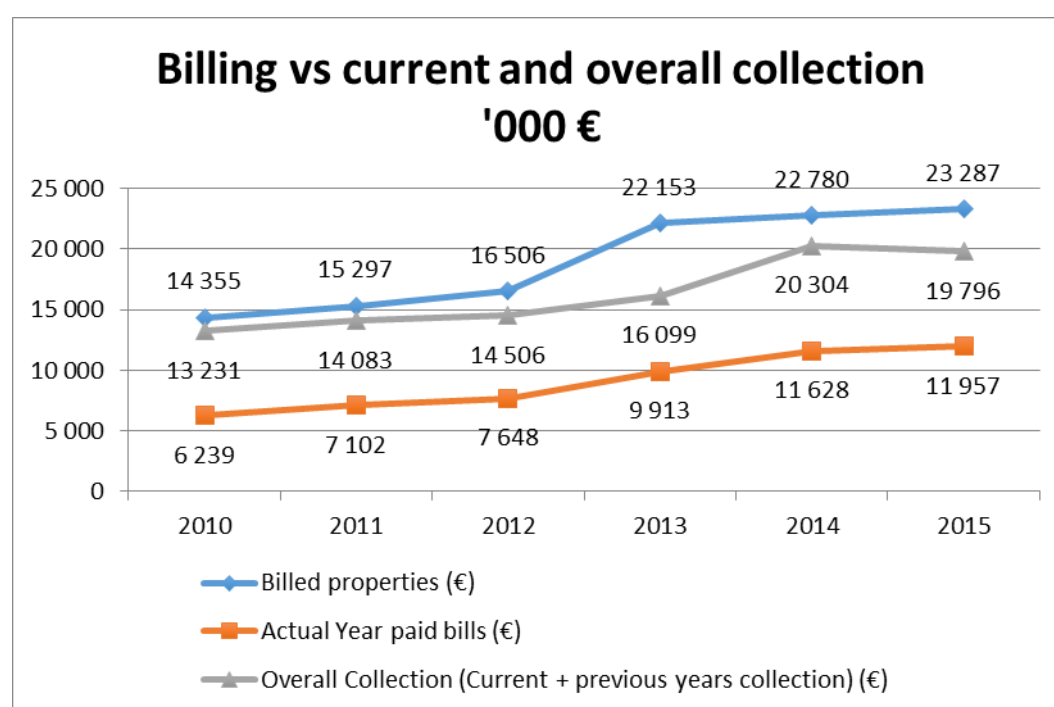
However, due to a large degree on work related to the amnesty, several products are delayed and the remaining work load will be large and very difficult to handle within set timeframes with sufficient quality.

3.2 OUTCOMES

To determine the effectiveness of the project – i.e. “the extent to which the project’ objectives are or can be expected to be achieved” – (OECD-DAC), a number of indicators have been studied that relate to the goals that were formulated for the project:

Outcome A. Strong municipalities, improved infrastructure investments and revenue measured by examination of: Overall jurisdiction, infrastructure and economy of the Kosovar municipalities, specifically revenue from property tax. Development of tax collection and evasion.

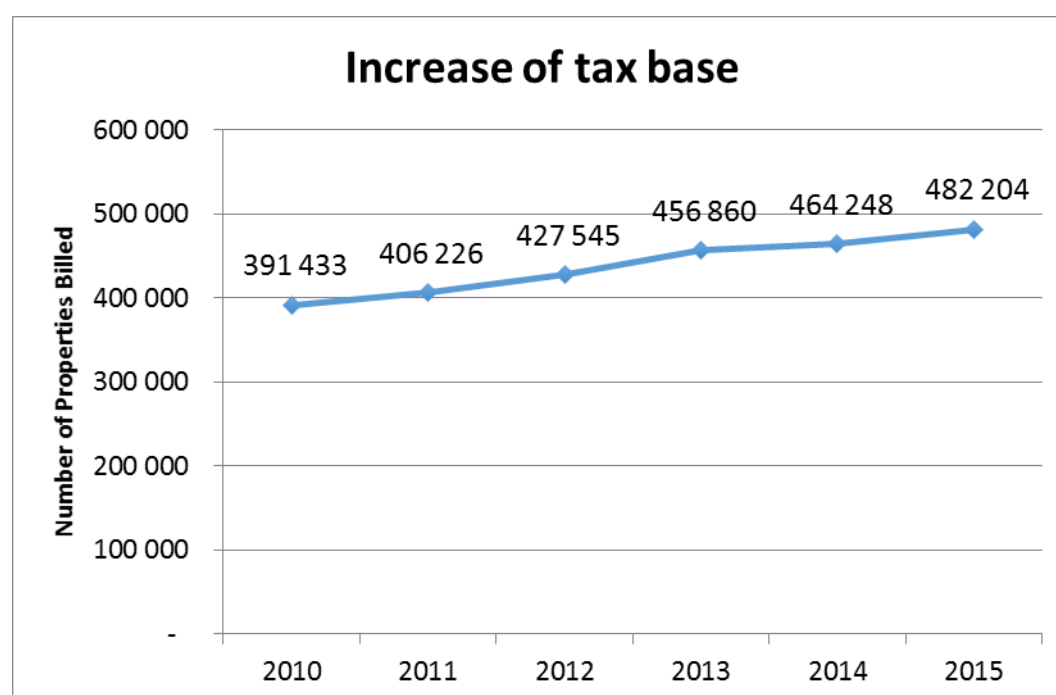
The interviews, study of documents and statistics indicate the following:



Collection of property tax. The total amount of new PT billed each year excluding debt has gone up from 2010 to 2015, although the amount has been stable around 23 million €'s the last three years. Out of the billed amount of 23,3 million €'s 2015, around 12 million €'s was collected. The remaining amount of 11,3 million €'s 2015 was added to the debt. In addition to the 12 million €'s new tax collected 2015, 7,7 million €'s of tax debt was collected, making the total payment 19,7 million €'s that year.

Several factors influence the picture, which makes interpretation difficult – the different tax rates applied in municipalities, the amnesty, improved billing, increase in numbers of properties etc. Over the whole period the collection has been picking up, and also figures from December 2015 and the first quarter 2016 are positive.

The number of property tax bills increases steadily, as shown below:



The jurisdiction of local government remains largely unchanged over the ProTax 1 and 2 period up to date in terms of new tasks and responsibilities. There is no major local government reform taking place currently.

The level of investment at the local government level has been declining due to increases in the relative weight of recurrent costs such as salaries and for social benefits. Investments are mainly geared towards access to water, road infrastructure, education, health and electricity. The development is depicted in the following table:

Budgeted Municipal Expenditure, Kosovo				
In EURO	FY2013	FY2014	FY2015	FY2016
Wages and Salaries	198 276 638	198 716 862	247 151 384	248 432 392
Goods and Services	36 457 454	41 853 083	35 936 817	38 222 300
Utilities	8 972 145	10 009 773	9 774 952	9 797 595
Subsidies and Transfers	7 582 020	9 648 265	10 276 568	8 667 743
Capital Investments	127 285 366	129 290 834	120 054 934	117 090 589
Total	378 573 623	389 518 817	423 164 655	422 210 619

Source: Governmental annual decisions on Municipal budgets

The level of the local government economy measured as a share of the public economy is rising, and the financing from own source revenue (OSR) is rising slightly.

The share and collection of OSR emanating from property tax (PT) has been rising steadily since 2012 when ProTax was launched. There is however a decline in PT collection 2015, likely due to the tax amnesty introduced. Collections are picking up at the end of 2015 and up to August 2016 when the amnesty was coming to an end.

Municipal OSR ('000EUR)	2013	2014	2015
Property Tax	16 119	20 411	19 796
Other Municipal Revenues	39 731	40 544	38 101
Total	55 850	60 955	57 897
Property Tax	29%	33%	34%
Other Municipal Revenues	71%	67%	66%

Source: Ministry of Finance

Unpaid bills and tax evasion was estimated to be around 50 % for PT 2006 and is estimated to remain at the same level (GAP). The 2016 PEFA report estimates taxes in Kosovo at the national level to be in arrears at more than 20%.

Summary assessment of outcome A: The results observed give a mixed picture. The positive results for property tax collection mainly relate to the performance of the first project. The decline in some indicators are not related to a failure of the project, but external factors like a lack of policy, increase in current expenditure that out-crowds capital investment, etc.

Outcome B. Improved Property Tax Legislation, *measured by features in the new bill e.g. land introduction to the property tax*

A property tax bill amending the current law has been drafted by the project and approved by its steering committee. The draft has been submitted to the Ministry of Finance for further processing.

The draft includes a number of features such as:

- A scaled deduction from the tax base of the land subject to tax is introduced in the first years of the implementation of the law;
- The definition of taxpayer and the liability for the payment of immovable property tax is clarified;
- Political influence over the appraise process, i.e. base values, is explicitly abandoned;
- Clarified distribution of responsibility in the appraise process between PTD and MPTO;
- Evaluation methodology and evaluation standards are improved;

- A rolling schema for reappraisal of different property categories is introduced;
- Tax rate floors are differentiated between property categories as well as land and buildings;
- Enforcement jurisdiction is improved;
- Appeal procedures are clarified and appeal time prolonged;
- The legal deadline for payment of the property tax is changed;
- Rules for deferral of payment of the property tax are clarified and changed;
- Clarified and strengthened supervisory powers of the PTD and MoF;
- The possibility to use private appraisers, private bailiff officers and surveyors is introduced;
- New notification means and notification procedure for tax bills, valuation acts, notices or other communications;
- Clear procedures and communication deadlines for the exchange of information and data, between public authorities which are related to the property tax process, legal persons or bodies that are related to the immovable property tax process, as well as sanctions in case of non-compliance;
- New sanctions for taxpayers who don't provide or provide false property information or don't report within a specific period of time any change of the immovable property value.

At the time of writing this report it appears some changes have been made to the draft whereby not all of the above may be reached. Main changes are that:

- Some of the proposed tax rate floors of different property categories were changed (generally lowered), hence allowing municipalities to set lower tax rates. This can potentially lower tax revenue collected.
- The 15 000 Euros deduction that should be applied to the appraised value of the object unit that serves as primary residence was lowered to 10 000 Euros (i.e. same as in the present law). This will bring more properties into taxation than the proposal, and raise taxes for poorer property owners.
- The provision stipulating the exemption (from tax) of only cultivated arable land (that was proposed as an additional incentive to stimulate growth in the agriculture sector) was deleted and replaced with a provision requiring the application of a deduction to the appraised value of both cultivated and non-cultivated arable land. This takes away some of the incentive to make land productive, or sell it for productive use.
- The second draft proposes the application of a deduction to the appraised value of unfinished objects that is equal to 60 % of the appraised value of the unfinished object, whereby the incentive to finish the building is lowered.
- The second draft proposes the application of a deduction to the appraised value of commercial objects that is equal to 30 % of the appraised value of the object, if the object it is not used or exploited; This is also counter to the aim to make the object used and productive.

- The provision stipulating exemption from tax of all immovable properties for which the total tax due determined in the tax bill does not exceed the amount of three (3) Euros has been deleted. This can bring in an additional cost for the billing of a large number of small parcels, where the billing cost is likely to exceed the revenue. It also brings the burden to deal with all the small ownerships or possessorships at the onset of land taxation. It is estimated that around 150 000 such parcels will then need to be included.
- Municipal Property Tax Office responsibility to classify immovable properties into different property categories pursuant to article 7 of the bill was passed to an ad - hoc municipal commission that has to be set up by the Municipality. This could be contrary to the aim to reduce political influence over the process.
- Finally, the provision repealing the problematic article 6.4 of law “On the status and the rights of the martyrs, invalids, veterans, members of Kosovo Liberation Army, civilian victims and their families” was scrapped, whereby considerable incomes from PT will be lost. Families are here defined as spouses and children.

It is unclear what the final outcome of the process will be. The draft bill, inclusive of the above revisions, has now been sent to municipalities for preliminary consultations. An assessment of the quality and degree to which the law will satisfy the targets set in the project plan is not yet possible, but needs to be made.

Further amendments and alterations could also be made before a final decision exists in the legislature and by the President. In general, a new or revised law has to go through the following steps:

1. Drafting of law
2. Preliminary consultations with relevant government bodies and groups of interest
3. Public consultations
4. Finalization of the bill at ministry level
5. Submission procedures for review and approval by the Legal Office of the Prime Minister
6. Review and approval by Cabinet/Government
7. Bill submitted to Legislature
8. Legislature Committee scrutiny and revision, 2 or three hearings and debate in Legislature
9. Decision by Legislature
10. Promulgation by the President
11. Publication in the Official Gazette
12. Law enters into force

The process may take from three to six months or more. The process is now at stage 3. In Government's legislative plan for 2016 of August 2016 the legislature's adoption was planned for 2016.

Summary assessment of outcome B: The project has prepared a proposal in line with the set targets. The outcome of the subsequent process may however deviate from these targets which can constitute a threat to expected outcomes. (If e.g. non-cultivated land is excluded from valuation or taxation the target of more productive use of land will not be supported).

Outcome C. Improved Property Tax System, measured by new interfaces with other systems, data quality and reduction of unpaid bills, new features introduced, improved reporting and more realistic valuation.

There are several improvements that have been noted; in terms of opening of interfaces with other systems from which data can be imported or checked, or for export of data.

In the case of Pro Tax 2 the following was intended and reported:

Register to be integrated	Status September 2016
Integration with Cadastre register (KCA) for GIS and building address data, data available on-line at PTO:s.	Taking place in Pro Tax 1 now and planned for ProTax 2, but import deemed useful only once a year.
Integration with Kosovo Central Civil Status Register for physical taxpayer data. Data available online at PTO:s	Taking place in Pro Tax 1 now.
Integration with Business Registration Agency for juridical taxpayer data. Data available online at PTO:s	Not in place
Integration with Credit Register at Central Bank of Kosovo to inform them on delinquent taxpayers. Data available at the Credit Register.	Not in place, but being discussed.

Data quality (reduction of the number of bills with unknown owner or possessor) is being improved. Quality assurance is on-going and feedback provided to KCA and municipalities where data is lacking or erroneous. Hence the number of bills to unknown owners and users is being reduced. The added burden of land parcels and registration of their owners or possessors is still a major challenge.

Introduction of new features for land taxation is taking place. A number of new features are being introduced both in the legislation, systems and processes to open for land inclusion in the valuation and taxation, such as value zones and maps, logarithms for calculation of land tax, capacity to include the large number of parcels of land, etc.

Improved reporting or access for taxpayers. Taxpayers can already access their PT invoices and records of payment. Added functions planned and prepared by the project for e-Service include; property information, financial card, and publishing of information from property tax IT system directly on internet (value zone maps, base values, tax rates etc.)

Valuation in the system is becoming more realistic. Property values were in the past much below market values. Current developments present market values in different value zones collected through market data surveys and reports. Property values may still be below market values and municipalities display different policies. However, the system and draft law is designed to improve on realism and equity in valuation.

Summary assessment of outcome C: Despite delays the overall picture is very positive in terms of these system developments. Many of the improvements introduced in the ProTax 1 system still await to be carried over to ProTax 2.

Outcome D. A better Functioning Economy, as measured by better working property markets, a shift towards property tax from various fees, more productive use of land, and reduced tax evasion.

It is too early to determine if the project has an effect on property and credit markets, and giving easier access to loans, although many features will support this target; the integration with the national bank's loan register, clarity in the value of property, and of ownership.

There is progress in terms of the shift towards predictable property tax, away from various fees. Some fees have been scrapped and others like market fees – reduced. The proportions are demonstrated in the table on page 30.

It is too early to notice an effect on more productive use of previously idle land. There is no proof of an increased use of previously idle land yet. As the revised legislation still is being discussed and drafted it is too early to see this outcome materialize.

Seizure of property is taking place to curb tax evasion. There are already provisions in the current legislation for this, and such cases are now being taken to court (80 cases 2014). This cannot be seen as a result of the project, although in the future clarity of ownership and possession will contribute to the settling of PT debt, also in court. The proposed legislation also contains a number of sanctions and measures to improve enforcement of PT payment before resulting in court proceedings.

Summary assessment of outcome D: The project itself has not yet delivered towards these outcomes, but the planned interventions have the potential to affect them in the future.

E. Results in terms of Efficiency and effectiveness. *A measure about how economically resources/inputs have been converted into results (outputs and effects). (OECD-DAC).*

In the budget and agreement with Sida 46,2 million SEK (approximately 4,8 MN €) was allocated for the project 2014-2017, In addition the Government of Kosovo agreed to contribute 375 000 €. (appr. 3,6 MN SEK), hence in total 49,8 MN SEK or 5,2 MN €. By 1 July the Sida funded components had consumed 28,7 MN SEK (3,0 MN €) or 62 % of the budget when 61 % of the project's life length had expired. There is no report of the use of the MoF contribution to the project as compared to its budget. With no reporting of the government contribution and no breakdown of the budget or the financial reporting into main product areas it is not possible to assess the efficiency of the project. We can only conclude that considerable production has taken place, (see Annex 4); system development, draft legislation, numerous TA missions, trainings and study tours, and that products are of good quality.

As to overall costs, the table below illustrates the Sida contribution to the project and the outturn by 1 July 2016:

SEK	Budget 2014-2017	Total Expenditure outcome March 2014 to July 2016	%-age of budget used 1 July 2016
Fees			
- International STA	18 810 000	14 046 450	75%
Reimbursables			
- STA			
Travelling		692 752	
Accommodation		351 085	
Per diem		127 609	
IT equipment & services		129 860	
Total reimbursables	1 977 000	1 301 306	66%
Mission costs			
- The Swedish Cadastral Authority	5 151 000	3 947 233	77%
- Swe Enforcement Agency	1 292 000	0	0%
- Local consultants	9 969 000	7 718 994	77%
- Study visits	1 968 000	521 858	27%
- Taxpayer Service	4 605 000	835 509	18%
- Conferences & Training	1 221 000	261 928	21%
- Transportation, local	432 000	22 611	5%
- Unforeseen	500 000	0	0%
- Audit	245 000	62 000	25%
Total Mission costs	25 383 000	13 370 133	53%
Total	46 170 000	28 717 889	62%

In Euros the total budget is 4,8 million and the outturn almost 3 million.

Summary assessment of E. Efficiency and effectiveness: With an investment into the project – including a planned domestic direct funding of between 3 and 4 million Euro over the period 2014-2016, and an increase in revenue from property tax going from 16 to 20 million € over the same period, there is ground to believe that the investment in the system is worthwhile, if results can be sustained. It should also be noted that the costs above include support to calculation and execution of the debt amnesty which wasn't part of the original project plan and budget. Hence the project – provided effects can be sustained - is deemed to be effective. In terms of efficiency the assessment is that the achieved output is reasonable in comparison to cost when also outputs related to the amnesty are included.

F. Relevance, i.e. the extent to which the intervention is consistent with the country's development needs and goals, partner's policies and global priorities. (OECD-DAC)

With municipal own source revenue as low as 15 % of their total revenue, the rest being mainly transfers from central government, municipalities express that they would indeed want to see their OSR's increase, and dependency on transfers reduced.

Municipal Own Source Revenue - OSR ('000 EUR)	2013	2014	2015
Property Tax	16 119	20 411	19 796
Other Municipal OSR	39 731	40 544	38 101
Total OSR	55 850	60 955	57 897
Property Tax share of OSR	29%	33%	34%
Other Municipal Own Source Revenues	71%	67%	66%

The table reveals that *PT has increased in importance as an own-source of income for the municipalities* – from 29 to 34 % in the period 2012 to 2015. (As a comparison it was 22,5 % 2006). PT collection dropped slightly in 2015, as did other OSR collections. This is for PT probably due to the amnesty and for other sources due to a reduction or abolishment of some fees. Looking at December figures for 2015, as well as the first half year's PT collection for 2016, the collection and share is expected to pick up. There is however a risk that PT will drop again as the increase partly is due to amnesty rules related to debt payment.

To determine whether project goals are in line with national targets a study has been made of the Public Financial Management Strategy and the National Development Strategy 2016-2021. Neither of the two speak about local government and its financing. The national development plan emphasizes the need for business development and property rights, where two aims are to:

- 1) Develop legal framework to clearly define the rights and legal requirements related to tradeable property rights in conformity with EU legislation.

- 2) Promote land market conducive to economic growth, including facilitating agriculture land consolidation, as well as develop and adopt municipal development plans and zone maps.

The Public Finance Management Reform Strategy (PFMRS) of Kosovo 2016-2020 indicates that “At a general level, it is known that domestic revenue sources need to substitute for border revenues as ongoing integration in the European Union will reduce income from trade flows.”

For these aims the project seems to have an important contribution to give.

Summary assessment of E. Relevance. The project has limited relevance to the national development agenda, apart from aims to improve on property rights and economic use of land. It is however in line with the agenda of many municipalities who strive for more financial independence.

F. Impact *Positive and negative primary and secondary long term effects from the intervention. (OECD-DAC)*

The improvements in the property tax system with e-services and a more expedient service to taxpayers have already demonstrated that they have raised property tax revenue and the number of registered property taxpayers.

Inclusion of land in the evaluation and owners/possessors of land in the taxpayer population has a potential to raise this income further. A fairer and transparent valuation and taxation should also benefit collection. It is too early to determine the long term effect of ProTax 2 as neither the legislation nor the system is in operation yet. It is according to our assessment fair to believe that, if launched, the changes will positively impact tax performance, credit possibilities, and provide incentives for better land use and sale of unused land and property. The risk for a negative impact is if political influence over the taxation continues or if some of the suggested legal changes aren't implemented. It is also necessary for municipalities to demonstrate that added revenue comes to productive use that benefits the inhabitants.

A comparison with neighbouring countries reveal that there is potential for increased property tax revenue with Kosovo having a PT tax rate in %-age of Property Value of a minimum of 0,05 % and a maximum of 1,00 % whereas Albania's rate goes from 1 to 3 % and Serbia from 0,4 to 2,0 %. Montenegro has similar levels as Kosovo (0,1 to 1 %), whereas Macedonia has 0,1 to 0,2 % and in Bosnia and Hercegovina, the Republica Srpska has 0,05 to 0,5 %.

Summary assessment of F. Impact. ProTax 2 hasn't yet had a significant impact, although it has reinforced ProTax 1 results and property tax collection. It has the potential for a positive impact through raised municipal income, investment and improved land productivity and a fairness in valuation and taxation. There are

however risks that amendments to the proposed legislation waters out the impact and that the project isn't sustainable.

G. Gender impact, *measured as effects on women's ownership of property and participation in economic life*

The Kosovo Constitution as well as Inheritance and Family laws offer equality for men and women in enjoying the right to property. In 2014 women's property ownership was estimated at 8%, 2016 it was assessed to be 16% (source: Agency for gender equity). Although legislation offers equal rights to inheritance during inheritance dissolution in courts women often waive their right to inherit, giving their share of family property to their brothers.

In 2011, NGO Norma reported that out of 4,994 cases monitored in courts in five Kosovo regions, in only 487 cases (9.75%) did women and men receive equal inheritances. Further, male family members often do not provide complete information regarding the number of family members, falsely reporting the non-existence of female members. Only recently are all transactions and agreements between spouses related to property relations obliged to be legalised by the notary service. This has improved the status of marital property division. However, de facto, this is rarely implemented due to long court proceedings. An under-developed judiciary, lacking sufficient human and budgetary resources, corruption, inadequate contract enforcement, and the fact that up to 20 claims may be made to a single property (as the Serbian regime removed official cadastre books in 1998-1999) all further impede equal property dissolution. The recent return of copies of cadastre books by Serbia to Kosovo offers an opportunity to verify property ownerships.

In the past, the Code of Lekë Dukagjini influenced Kosovo families, as the main compilation of Albanian customary law. The Code excluded women from inheritance, only recognizing sons as heirs; similar rules applied to wives. In contrast, according to the traditional mainstream Muslim religion such rules do not apply, as girls can inherit.¹

There is a need for awareness-raising as regards women's rights, inheritance and property rights. The ongoing project on property rights is likely to bring up this issue, but liaison between the projects is recommended.

¹ Kosovo Country Gender Profile, Orgut April 2014, financed by Sida.

When women are becoming property owners it facilitates entrepreneurship and business activities and the possibilities to take loans.

An increase in resources to municipal investment also has the potential to be directed towards women's needs and social sectors.

The introduction of ID numbers makes it possible to produce gender related statistics for property tax data. There is still a way to go before all possessors and owners have registered ID numbers, so statistics still need to improve. A recent change has made it compulsory to register both spouses as owners when the property is owned by a married couple. Thereby the number of women registered as owners has increased. The existing data show that in year 2016 100 women are registered on both spouses names. This improvement is a result of the Administrative Instruction No 03/2016 on Special Measures for Registration of Joint Immovable Property on Behalf of Both Spouses. This administrative instruction also exempts women from the registration fee for the property. According to the Agency for Gender Equity quoting the Cadastral Agency now 16 % of properties are owned by women. This would mean a substantial increase from the 8 % 2014 cited by the Country Gender Profile.

Summary assessment of G. Gender Impact. ProTax 2 hasn't yet had a significant impact, but at least the system will allow for gender related statistics related to property tax and ownership. There are signs of a certain increase in real and factual female ownership registration.

H. Sustainability, i.e. the continuation of development benefits after the external support to the intervention has ceased. (OECD-DAC)

Several risks can be identified that can jeopardize the future results of the project. If international and project staff leave and no one is left that can take over the needed operation, maintenance and future adjustment of the IT system the effort has been in vain. Solutions could be unsustainable due to complexity, costly license fees, lack of support, poor documentation etc.

In the case of ProTax 1 and 2 several measures have been taken to sustain results; the system is built with an open source solution that doesn't require payment for source codes and license fees, programming and the system are well documented and operational manuals are in place.

Sustainability – the aspect of staffing

Despite this the system is rather complex and requires substantial skills to operate and develop further. Interfaces with other systems, GIS competency, related database structures and many reporting requirements all take substantial skills to master, and adjustments will constantly be required to cater for transfer of data, adapt to changes in related databases, take new rules and regulations into account and to master

security, back up and access to the system. At the same time few staff members from the PTD department have been directly involved in the system development. It has taken until September 2016 to recruit two ICT help desk staff members that are now attached to the project, and they are fairly junior. The MoF ICT Department has so far mainly played a role related to back-up of data and to secure sufficient server capacity.

STA provides international experts on a part time basis to the project as follows:

- 1 Project Manager
- 1 Operations project manager/Business Architect
- 1 Taxpayer Information Expert
- 1 Legal Expert
- 1 Systems Analyst/IT Architect
- 1 GIS Expert from STA
- 1 Senior programmer
- 1 Test Expert, and
- 1 IT Environmental expert

- 2 Valuation experts and
- 1 GIS expert from the Swedish Cadastral Agency are also engaged.

Locally project staff hired by STA on contract basis consists of:

- 1 local project co-ordinator
- 1 business architect and system's analyst
- 1 legal expert
- 1 valuation and survey team co-ordinator
- 1 Interpreter/translator
- 1 IT Architect (now phased out)
- 2 Programmers
- 1 IT Infrastructure manager
- 1 Test expert, and a team of
- 10 Quality Assurers.
- In addition, 5 part time valuers are engaged by the project.

It was originally and in the project plan envisaged that the project organization should contain a number of staff members from PTD; apart from the project manager,

- 1 information officer,
- 1 legal and two enforcement officers,
- valuation officers,
- 1 GIS systems analyst
- 1 systems analyst/Business Architect
- 2 help desk officers and
- IT staff – IT maintenance officers from MoF IT-department.

Of all these positions only the project manager and recently the two help desk officers are currently in place to participate in the project. Previously valuation officers participated and some other PTD staff members, but the participation faded when

initial incentives were withdrawn at the beginning of ProTax 2. The project manager is simultaneously Director of the PTD department which obviously limits the time available for the project. In total the plan envisaged a contribution of the following number of weeks for the project period 2014-2017:

Weeks	Organisation	%
650	Swedish experts	8%
3 340	Local/regional experts	42%
3 372	PTD and other MoF staff	42%
566	USAID	7%
33	User representatives	0%
7 961	Total	100%

Our assessment is that so far in the project Swedish expertise and local/regional experts contracted by the project has been at par with project planning, with the exception of the Swedish Enforcement Agency (28 weeks in total) that no longer is needed for the project. The USAID contribution has been withdrawn. PTD and other MoF staff contributions and participation has been extremely limited, perhaps 50 to 100 weeks as compared to 3 372 planned, albeit for the whole project period. Efforts are now being made to recruit a mass valuation unit at PTD with five staff members. With the two IT maintenance members the contribution from MoF and PTD will increase, but still leave much to be desired to secure a sustainable continuation.

Another aspect is related to the possibilities to retain qualified IT expertise with current salary levels – this is further covered on page 47.

Summary assessment of H. Sustainability. As to technical solutions chosen and documentation of the system, reasonable measures have been taken to safeguard system sustainability. When it comes to the organisation and staffing aspect the sustainability of the project is deemed to be extremely low and a very critical aspect to address by the contributors and the steering committee.

Summary assessment of outcome results

A summary of our rating of outcomes is provided in the table below:

1 Poor	2 Moderate	3 Average	4 Good	5 Excellent
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Evaluation aspect	Indicators to study and sources of information	Detailed aspect	1	2	3	4	5	Comment
Effectiveness	<i>The extent to which the project' objectives are or can be expected to be achieved – OECD-DAC</i>							
- Strong municipalities, improved infrastructure investments and revenue	Overall jurisdiction, infrastructure and economy of the Kosovar municipalities, specifically revenue from property tax. Development of tax collection and evasion.							
	Jurisdiction and policy	No major changes except for the planned Law on Capital City of Prishtina						
	Infrastructure and Investments							Going down, salaries and other current costs out-crowding capital investments.
	Economy of Municipalities	Revenues						2013 365 500 000 € 2014 380 475 000 € 2015 392 801 000 €
- Raised Property tax revenue	Sources: reports, interviews with key stakeholders (MOF, IMF, EU, municipalities and Parliamentarians)	Reduction in fees and increase in tax rates						
	Property tax collection over the last years, before and after project start.							2013 16 119 000 € 2014 20 303 000 € 2015 19 795 000 €, 2016 projection positive
	Sources: Project and MOF reports and statistics, EU, IMF and WB studies, municipal statistics	Increase of tax base 2012-2015						
		Tax evasion (Billing vs Collection)						Largely unchanged at 50 %
		Share of debt forgiveness out of total PT debt						2016 – after 1 st period of debt forgiveness this was 14 % of 2000-2008 debt.
		PT as a share of Total Annual						2013 4,4%

Evaluation aspect	Indicators to study and sources of information	Detailed aspect	1	2	3	4	5	Comment
		Municipal Revenues (including Grants)						2014 5,3% 2015 5,0%
		PT as a share of Total Government revenues						2013 1,1% 2014 1,4% 2015 1,2%
- Improved Property Tax System	Implemented changes in legislation and tax system.	New property tax law						Proposal satisfies plan, but awaiting outcome
	Sources: Study of legislation, system features and current scope, connectivity with related systems and actual availability and quality of data and reports as compared to the situation before project start of phase II. Validation system operational, EU harmonization of standards.	Features the new bill i.e. land introduction to the property tax						
		Data quality (reduction of unknown bills)						
		Introduction of new features for land taxation						
		Improved reporting or access for taxpayers						
		Valuation in the system becoming more realistic						
	Actual progress in terms of the shift towards predictable property tax, away from various fees.	PT as a share of municipal OSR						2013 29,0% 2014 33,3% 2015 34,2%
	More productive use of previously idle land	Seizure of property taking place to curb the tax evasion						Seizure started, land use improvement not yet detectable
- A better Functioning Economy	Source: Statistics over land use, interviews, and reports.							
	Better working property and credit markets	Easier access to loans						Not yet detectable
	Source: Statistics on taxable value of parcels, availability of market value data, introduction of zones, interviews with real estate agents and municipalities.							
Efficiency	A measure about how economically resources/inputs have been converted into results. OECD-DAC							

Evaluation aspect	Indicators to study and sources of information	Detailed aspect	1	2	3	4	5	Comment
	Not specifically mentioned in TOR, but should be revealed if available and requested. Source: Project financial reports.	Outputs related to costs						
		Current status of outputs						Substantial delays
Relevance	<i>The extent to which the intervention is consistent with the country's development needs and goals, partner's policies and global priorities. OECD-DAC</i>							
	Not specifically requested in TOR – a brief comparison with the National Development Plan – if up to date - is warranted.	Indicator consistency with National Development Strategy						Only partial consistency.
Impact	<i>Positive and negative primary and secondary long term effects from the intervention. OECD-DAC</i>							
	Should be reflected by interviews and in comparison with similar interventions elsewhere, partly part of risk analysis. Specifically gender aspects will be covered using available data and results from interviews reflecting e.g. women's land ownership.	Comparison with neighbouring countries the status of land taxation						See page 30, room for expansion in line with ProTax 2 proposals.
		Equality right/ Increase of property ownership by women in PT						Signs of improvement, at least more women registered as owners due to registration of both spouses.
Sustainability	<i>The continuation of development benefits after the external support to the intervention has seized. OECD-DAC</i>							
	An essential part of TOR, entails analysis of robustness of systems, political acceptance of legislative changes and capacity of the organization to carry on operations.	Ownership and Involvement of permanent staff in the project activities						

Evaluation aspect	Indicators to study and sources of information	Detailed aspect	1	2	3	4	5	Comment
	Sources: Study of current staffing and organisational pattern, acceptance and support of legislation in Parliament, degree of implementation and general direction and pace of progress. Assessment of system performance, support and integration/ interfaces.	Dependency on maintenance, development and upgrade of the system by the project staff						
		Solution developed in open source or licenced software						
		Guidelines for development, upgrade and maintenance are in place						Still to come for ProTax 2
		System documentation is in place						Still to come for ProTax 2
		System administration and end-user training is in place						Still to come for ProTax 2

4 Issues, conclusions and recommendations

4.1 VOLUME AND COMPLEXITY OF THE REMAINING WORK

When only buildings are assessed in determining the value of a parcel, it means only parcels containing a building need to be assessed, thereby limiting the number of eligible parcels and taxpayers. When the land value is included in the taxable property value it means that the large number of parcels without a building is becoming eligible for taxation.



Bringing these “land” parcels into the picture, many of which have a registered owner that is long deceased or living abroad, is a major exercise. The problem is to identify the eligible taxpayer – be it a live owner or heir, or a possessor. The process will include a countrywide exercise to search for live owners or possessors, inspections, numerous inheritance registration needs and other legal issues. The work load will be smoother if the up-coming law as originally suggested excludes taxes to be billed that are below 3 €.

Another complex issue relates to financial records; bringing clarity to ownership and billing, registration of debt and debt forgiveness, calculation of bills containing numerous parcels with different value conditions etc.

Also the automatic capturing of payment from the National Bank data has proven to be a vulnerable process, jeopardizing the credibility of the taxation bills and records. In order not to undermine the credibility of the new system, these issues will need to be resolved and

quality assessed data in place before the new bills are sent out. The project estimates that the workload to achieve this is considerable and will take at least an additional year to settle with reasonable quality.

One reason why registration of new owners has been avoided for many plots is that the registration fee is quite high – the fee varies between municipalities, but in Prishtina 150 € per unit is charged, a garage and a flat hence costs 300 €. In other municipalities the fee varies depending on property value between 20 € and 300 €. Several stakeholders have recommended that this fee be abolished over a period and/or lowered in order to remove this disincentive for registration.

Recommendations:

- I. *Organize separate project/task forces to investigate registration and correction of ownership and possessorship of land parcels to deal with the large numbers of parcels with deceased or migrated owners and identification of possessors. Most likely this must be organised in two separate streams, one short term for the urgent inclusion of possessors, another for ownership and inheritance-related questions. Cumbersome legal processes to determine inheritance cases need to be examined and probably rules eased.*

Responsibility: Ownership issues: KCA/PTD/PTO and MCO, ministry of Justice or Court, Urban Development. Deadline for possessorship registration results 1/7 2018, for ownership-related issues 31/12 2019.

- II. *Provide a grace period with abolished or reduced fee for registration of ownership.*

Responsibility Ministry of Spatial Planning, MoF, Decision 1 April 2017, Reduction period up to 1/7 2019.

4.2 TIMING OF LAW ENACTMENT

The draft bill introducing land in the value calculation and a number of other improvements has been produced by the project, passed by its Steering Committee and delivered to the Minister of Finance for consideration. The remaining steps to enactment can be expected to take between four and six months in a smooth process. Delays may occur due to elections or in the case of a strong opposition to the proposed law. Before implementation also a number of instructions and bye laws need to be put in place, some of which are issued by MoF, some by other ministries or Government. Some of the byelaws have already been drafted.

It remains to be seen what government is prepared to suggest, the Legislature will accept and the President promulgate. The addition of land could be politically sensitive with municipal elections coming up in 2017. In the evaluation process we have tried to find out what the opinion is about the main feature of the law, which is the addition of land in the valuation of property. Our interviews with legislature, municipalities and NGO's however reveals that there is significant support for this reform. It is seen to be more equitable than to tax buildings only, a potential source of revenue that can make municipalities less dependent on grants and

relieving the public revenues from a certain dependency on customs income, which may be reduced in the future. The reform can also result in a more productive use of land and more clarity in ownership and valuation-related issues. It is however, by many of the persons interviewed, recommended that land valuation be introduced only after the municipal elections 2017.

The final technical design of the system for property tax needs to be informed by the legislation. Further delaying the legal process is therefore a considerable risk to the project. We therefore recommend that the legal process be continued as planned but with an amendment of the date of enforcement now suggested to 1^{3rd} April 2017. As the system needs to be informed and designed to reflect the legal rules, there must be a reasonable time between the finalization of the law and the system launch. Secondly the technical challenges mentioned above take time to sort out. Thirdly it would be advantageous if the ProTax 2 system would not have to be burdened by the amnesty functions. Our recommendation is therefore that the proposed date for enforcement of the law in terms of actually billing tax-payers also for land is set for the 1st January 2019. This could also have the advantage that by then elections have occurred, and the contents of the registers checked with tax-payers before the tax enforcement. Still other aspects of the legislation e.g. related to the appraisal process needs to be implemented and tested earlier.

Plan B and C. There could also be other options for the reforming of property tax and related legislation. In the relatively unlikely event that the Legislature and politicians reject the inclusion of land in the property valuation and legislation, this element could be taken off the law while other non-related but desirable changes remain. Inclusion of land could then await elections or be shelved for good. In this case there would be an initial revised law suggested, perhaps followed by a second proposal after elections. The ProTax 2 system could still proceed and be implemented to modernize and smoothen the current processes and system, and accommodate other more moderate changes. The inclusion of land values could still be prepared for – but initially be used for purposes of information and not taxation.

Recommendations:

- III. *Pursue with process of enactment of the proposed law on property tax aiming for a decision in the legislature early 2017, but set enforcement date in terms of billing also for land to 1 January 2019.*

Responsibility: Steering Committee, MoF, Government, and Legislature. Deadline for decision on law in the Legislature 1 April 2017.

In parallel to the formal process for the legislation there is need for several stages of information exchange about the proposal and law. Currently the Legislature is not aware of the existence and content of the draft bill, MPs need to be informed and the rationale explained to secure political buy-in, and the matter opened for public debate. Later information and training will be needed to the administrative functions that are to secure its implementation, and lastly the public needs information about the reformed legislation, new rules, rationale and modes of payment, registration, complaints, etc. All this needs to be factored into the project plan.

- IV. *Undertake specific information efforts for members of Legislature. Prepare information material and make presentations for SC, PTD and Minister of Finance about the up-coming bill and improvements.*

Responsibility: PTD and project. Deadline February 2017

4.3 EXTENSION OF PROTAX 2

There have been severe delays in the system development and project plan. As a result, the technical ProTax 2 system, and the access to and quality of data still remains highly incomplete. It would be a severe error to rush the implementation of the new system resulting in erroneous and lacking data and faulty property tax bills, leading to a public outcry. At the same time the legal drafting is at an advanced stage and it is advantageous to have the law in place to allow for an orderly roll-out with sufficient information to the administrators and public.

In summary we propose the following as a draft plan to be discussed for the continuation of the ProTax 2 project.

ISSUES, CONCLUSIONS AND RECOMMENDATIONS

	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
External events				Municipal elections				National Elections		
Internal events										
Legislation	Draft with Minister	Consultations, Govt decision	Awareness raising and debate	Legislature deliberations and decision	Promulgation Enactment					Enforcement starts
Technical Developments	Continued development of processes and Protax 2 system, data checking and entry Possessorship task force established	Continued development of processes and Protax 2 system, data checking and entry Ownership task force established	Continued development of processes and Protax 2 system, data checking and entry	Continued development of processes and Protax 2 system, data checking and entry	Continued development of processes and Protax 2 system, data checking and entry	Continued development of processes and Protax 2 system, data checking and entry	Gradual testing in municipalities, QA and errors corrected, data added	Gradual testing in municipalities, QA and errors corrected, data added	Final amendments and trial run	Full scale implementation
Information and training	Exhibition in all municipalities, consultations, awareness w politicians	Training plan in place. Training of PTD staff continuous	Training of PTD and ICT staff	Training of municipal staff	Training of municipal staff	Super-users trained, materials for mass information and instructions, campaign	Super-users trained, materials for mass information and instructions, campaign	Super-users trained, materials for mass information and instructions, campaign	National campaign and materials	
Organization and staffing	Preparations for mass valuation unit,									

ISSUES, CONCLUSIONS AND RECOMMENDATIONS

	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
	recruitment, training									
	Preparations for establishment of Service and Development Enterprise	Legal proposals in place, financial issues resolved, - Functional study of future property tax institutional arrangements	- Recruitment of staff			Implementation of organisational changes.				
Financing	Budgeting for government and Sida for an extension period. New agreement for the extension period.								Invoicing of municipalities for billing of Property Tax.	

The proposed draft plan is built on the assumption of an extension of the ProTax 2 rather than a ProTax 3 project. Overall the aims and main contents of the original plan remains, although the time perspective changes. The plan will also need to include a few added aspects like the creation of a public enterprise for PT ICT development and support, additional QA measures that can now be foreseen, revised training and information plans, recruitment and organisational features etc. It also necessitates the extension over time and an additional budget. It would also be advantageous to map out how activities relate and should be sequenced, to allow for analysis of consequences and revisions in the event of delays, changes and added requirements.

Apart from creating sustainability for the project it is worthwhile to draw up a plan for a long term perspective in close collaboration with other main stakeholders. This is specifically important in relation to KCA where the demarcation between systems when it comes to valuation and record-keeping may change over time, and in relation to the Central Bank to determine how best to integrate debt registries and management. We recommend that such discussions be organised and linked to studies of functioning arrangements in other countries.

Recommendations:

- V. *A thorough planning exercise for an extension and revised time plan including prerequisites and conditions, mapping and sequencing of main dependencies and events.*

Responsibility: MoF, PTD, Sida, SC, Project. Deadline March 2017.

- VI. *Sida to determine their conditions for support to an extension, like a decision and final content of the law, staff and sustainability issues tackled, etc.*

Responsibility: Swedish Embassy and Sida. Deadline March 2017.

- VII. *A seminar be organized with main stakeholders to also discuss long-term plans for the property tax system and integrated solutions.*

Responsibility: Project. Deadline March 2018.

4.4 A SUSTAINABLE AND FUNCTIONAL PROPERTY TAX ORGANISATION

A number of changes are being implemented in the property tax administration, legislation, processes, tasks and division of responsibilities. In essence:

- The database and IT system has been centralised
- The work load at municipal level has in many respects been eased, at the same time new tasks are added with the inclusion of land in the valuation and registration

- Tasks at the central organisation have widened and include more elements of valuation, ICT-related maintenance, support and administration
- There is need to maintain competencies and services now undertaken by the project staff since the ProTax 1.

ProTax 2 Project staff has to a considerable extent been maintaining the ProTax 1 system's operation and management and to secure that the debt amnesty is handled by the system. At the same time PTD ordinary staff has been preoccupied with the handling of expropriation of property for building of roads and government/municipal infrastructure alongside with other normal duties such as municipal inspections, advice to municipalities in legal questions, and gathering of information about municipal investments for publication on the web-site.

The differences in work and competency profiles between the project and PTD is substantial. This appears to have created a certain rift between the project and the PTD and a barrier for mutual interest and co-operation, added to by the withdrawn top-up scheme.

This means that sufficient sustainability has not been built into the project. This threatens to jeopardize project results in the medium and long term, unless action is taken by PTD and MoF management.

PTD has a total staff component of around 12 positions, (1 director, 1 deputy director, 1 legal officer, 2 valuation officers, 4 expropriation officers, and 3 regional auditors). The addition of the project to this organisation is massive, more than doubling the number of staff, while taking on many both municipal and central services. It is also clear that the competencies represented in the PTD only to a limited extent matches the future requirements, especially related to ICT. This causes a challenging situation where again sustainability of the project is critical as well as retention of the project's ICT competency.

There is a need to consider the whole central and municipal set-up for property taxation, as substantial resources at municipal levels have been released that were occupied with the local databases and registration of data, processing of bills etc. while the proposed legislation adds new tasks related mainly to the taxation also of land.

Recommendations:

- VIII. *A functional study of future organisation and staffing needs for property tax at both central and municipal levels.*
- IX. *Further expedient recruitment of key staff, like valuers and other qualified staff to PTD*
- X. *Reorganisation and regrouping of project and PTD staff to bring the groups further together both office-wise and conceptually*

- XI. *Joint work planning, budgeting, monitoring and evaluation of PTD, the project and the results.*
- XII. *Introduce incentives also for PTD staff, within government boundaries, giving room for study visits, travelling, further training and normal promotion. (if not through topping up)*

Responsibility: PTD, project and MoF management. Deadline: April 2017

4.5 A SUSTAINABLE CENTRAL ICT SYSTEM AND TECHNICAL SUPPORT FOR THE PROTAX SYSTEM.

The ProTax 2 system intends as its main purpose to support registration, calculation, billing and collection of property tax. Its main clients are the municipalities and it is intended to serve them and their taxpayers well, with good functionality and simplified e-services. With many central registries and interfaces to the system, and because it provides economies of scale to municipalities it is based centrally with a uniform system solution. For the system to be sustained after the Swedish project support it will require a stable technical and organizational solution and a legal base.

As to the future organization different options are discussed within the project including out-sourcing of ICT development and maintenance. Experience from the implementation of other management systems in Kosovo and elsewhere in the public sector are of mixed successes with regard to sustainability and out-sourcing. Some systems have become dependent on a single private service provider and subject to exorbitant pricing, others have collapsed due to incapable in-house competencies or the lack of suitable firms. In the case of ProTax 2, measures have been taken to reduce vulnerability by use of open source platforms and readily available solutions, good documentation, and manuals. Nevertheless, the system is complex with its multitude of interfaces, registers and functions, and it requires knowledge of many types of systems and data, like financial, GIS, topographical etc.

Project salaries are regarded to be in line with the labour market for ICT staff in Kosovo. Although salaries for GoK ICT staff has recently risen to between 700 and 900 € per month it is still only around half of what is said to be offered in the private market and for the local project consultants. This means that when the project elapses key IT staff for high level maintenance and development will be difficult to retain in government service. Different options must be sought to prevent the loss of this staff.

Four options are possible for the future ICT technical support and development organisation, all with different advantages and risks:

- A. An ICT unit in PTD with a high level of expertise and competency. The advantage being that the expertise is in-house, available and directly

controlled by PTD. Risks include too low remunerations and a high turnover of staff needed to develop ProTax 2, which requires high competency in a number of IT aspects.

- B. Added staff to MoF's IT department to cater for ProTax 2 development needs. The advantage being a larger IT organisation with a wider range of experts, fairly in-house. Risks are related to remuneration, turn-over and pre-occupancy with other MoF systems critical for treasury operations, thereby neglecting municipal needs.
- C. An outsourcing of advanced maintenance and development of the system to a private service provider. Advantage being access and continuity of qualified staff, risks relate to costs and to end up in a monopolistic situation where PTD and municipalities are very dependent on one private actor.
- D. Creation of a public enterprise with the task to provide these services. The enterprise could be governed by a board with representatives from PTD, KCA and municipalities to secure sufficient control of service and economy. The advantage being flexible salaries that can retain critical competencies while maintaining public control and accountability. The PoE can determine necessary salary levels, provide flexible services based on demand, while allowing accountability and public supervision. Risks could be legal and administrative complexity and a risk for undue political influences over recruitment and selection of staff and procurement.

For the purpose of sustaining the ProTax 2 system's operations and development we believe there is need to create a stable organization and technical base, with a sufficient critical mass of staff not to become too dependent and vulnerable on key technicians. We also believe one should avoid an outsourcing which may become a commercial monopoly for a sensitive government function. We also believe that the organization should be governed by a board with both central and municipal influence, financed mainly by fees paid by municipalities for the billing service and by central government for specific services, like for central information and statistics.

Our recommendation therefore is to create a public enterprise with the task to provide the ProTax2 services with the described composition of its board and financing. It can be discussed whether this solution should apply to other ICT functions in government or MoF to secure ICT service provision, in which case it would be easier to reach the required critical mass of competencies and staff. On the other hand, that would make the suggested composition of the board problematic. A solution with an advisory committee specifically for the Property tax system with the desired composition could in that alternative be an option. We recommend that the option of a public enterprise to supply the ProTax system services to government and municipalities be thoroughly investigated and a proposal in that direction prepared as an alternative to private outsourcing.

In conclusion we believe that option D above has substantial advantages, but that the risks mentioned must be handled. Recruitment of staff could be handled by a joint committee with IT expertise advising GoK both on advertisement, selection and remuneration. IT competency must also be secured in the Board. Initially STA could play an important role in assisting in the recruitment process to mitigate risks.

Recommendations:

- XIII. *Investigate possibilities to create a public enterprise for ProTax2 development, operation and maintenance, operating under a board with representatives from PTD, KCA, and Municipalities, financed by fees, in order to sustain built up ICT capacity.*

Responsibility: MoF and a special task force. Deadline for investigation: March 2017. Deadline for creation of PoE: July 2018.

- XIV. *To mitigate risks related to recruitment and remuneration a committee should be appointed with ICT competency and participation from STA to guide on competency requirements, advertisements, interviews of candidates, appointment and remuneration.*

Responsibility: MoF, Deadline: March 2018.

4.6 FEES TO FINANCE THE POE

Financing of the POE can be done in several ways.

Option 1 – Financing of the PoE through MoF

Currently the Property Tax Department is under the MoF authority, therefore all its operations are financed by its annual budget such as salaries for the team, utilities, premises rent, goods and services such as office supplies and some capital investments for equipment needed to operate the IT systems.

Investment made by the ProTax 2 project is additional to the state budget, and has covered development of the system as well as its maintenance. It is estimated that around 250,000 € are required annually to pay for hardware infrastructure, skilled staff to maintain day to day operations of the system, fix bugs as well as do small upgrades to the system.

Once the ProTax 2 project winds down MoF takes over the overall financing.

Option 2 – Self Financing of the suggested Public Enterprise

The Enterprise is entitled to charge municipalities the actual cost of maintenance which would cover the minimum cost of operation to be paid by municipality to the PoE as a service fee calculated per the number of bills through a semi-annual invoice to each municipality.

An example: To date nationally there are 500,000 property tax bills issued, each bill could cost 0.50 €.

Pristina municipality which issues around 70,000 bills annually would then pay 35,000 EUR as a service fee to the Enterprise and the same practice can be followed by all municipalities.

Once the Introduction of land enters into the system, and gradually the number of bills grows (in 5 years it will make a total of 2,000,000 bills annually) the cost per bill would decrease incrementally to cover the annual maintenance of between 250,000 to 300,000 € per year.

The board would supervise the annual accounts and control that fees are only charged to cover the intended costs.

Recommendation:

- XV. *The future costs for the Public Enterprise for PT ICT operations and maintenance be covered by fees charged to municipalities based on number of bills annually. Other development costs or specific surveys etc. shall be covered on a request basis by the requesting agent.*

Responsibility: MoE, Deadline March 2018.

4.7 IMPROVED SECURITY

The ProTax registers contain sensitive information related to owners, possessors, billing, payments etc. It is important that the system be designed with sufficient safeguards and security for log-in, administration, alterations etc. as the tampering of data has the potential for fraud and embezzlement of state revenue. Currently the ProTax 1 has only one layer of security where end-users would log in with a simple Username and a Password. This has been considered as a weak point given that the system is online and threats can come from inside but also outside. Inside threats can be if someone misuses the credentials on behalf of the authorized end-user. Outside threats can come from hackers. Tracing possibilities have also been limited. Some measures have already been taken to remedy this now.

A layer of security can be added in several ways:

- Fingerprint for end user – in addition to existing credentials such as username and password
- Token for end user – using the model of e-banking system
- Confirmation with email – less recommended however can be considered as an upgrade to the security system.

Recommendation:

- XVI. *The access to the system for administrators and users should be made fully traceable and log in provided only with a three-layer security, alterations of data should also be related to a secure decision record and register. "*

Responsibility: MoF, PTD, and ProTax 2 project. Time frame/deadline: For ProTax 1 system as soon as possible, for the new system implementation April 2018.

4.8 ECONOMIC COMPETENCY

Amnesties and financial debt records constitute a specific requirement in the Kosovo PT environment. Although the project has access to IT staff with financial competencies it might be beneficial to use specific debt and bank ICT specialists to look into such aspects of the new system.

Recommendation:

- XVII. *The need for specific economic competency to the project be assessed in the planning process.*

Responsibility: Project and PTD. Deadline March 2017.

4.9 REPORTING FROM THE SYSTEM, BENCHMARKING

Users in municipalities seem to have difficulties to access the desired reports they need, although the system is quite flexible and give room for queries designed by the users in addition to standard reports. The helpdesk is one way to remedy this, another training and additional standard reports.

The system can also provide more in terms of benchmarking data and opportunities and to publish a set of performance indicators for property tax, ownership, possessors, debt and debt collection, values etc. This can be of great value as municipalities seem to differ substantially when it comes to Property tax collection results:

Recommendations:

- XVIII. *Assist users through training and the help desk to design reports that meet individual requirements.*
- XIX. *Provide municipalities, MoF and the public a set of data related to performance indicators where PT related data with time series so that performance can be monitored.*

- XX. *Engage municipalities in bench-marking identifying differences in performance that in a deeper analysis can be related to set-up of PT organisation and procedures, to stimulate debate and analysis of success and failure in PT collection.*

Responsibility: The project in dialogue with municipalities. Deadline 2017.

4.10 OTHER PROJECT ISSUES

To monitor efficiency and effectiveness of the project efforts a more comprehensive reporting of resource use, at least related to main intervention areas is necessary. Also reporting of inputs from PTD and MoF is required for this. As main costs relate to person hours and costs, a more detailed time report than today's reporting is necessary.

To secure dialogue and engagement of MoF's IT unit, the original plan to include a representative from that unit in the steering committee should be considered.

Recommendations:

- XXI. *Introduce more detailed time reporting for project and PTD staff to determine main activity area costs.*

Responsibility: Project, *PTD an STA*, Start: Jan 2017

The international experts engage with the project in different ways; through skype, video link, short missions to Kosovo, study visit etc. The missions to Kosovo could at times be more productive if made a bit longer, considering the investment made in travelling. Spending two weeks in Kosovo instead of four to five days could allow for more interaction, longer working sessions and follow up on fact-finding. This would not always be recommendable – but perhaps a bit more often than today.

- XXII. *Consider on an as needs basis length of missions for International staff.*

Responsibility: PTD/STA, Deadline: Oct 2016

4.11 OTHER GENERAL ISSUES

A considerable portion of property tax debt appears to relate to property either belonging to the Privatization Agency, or related to property which this agency has sold, and for which sales proceeds have been collected and are available. Some of the debt has been settled, but it appears prudent to settle all of it to further the amnesty project.

Recommendation:

XXIII. *Instruct the privatization agency to settle Property tax bills and debts from proceeds of privatization.*

Responsibility: MoF and Government, Deadline April 2017.

Annex 1 – Terms of Reference

1. Background

Pro-Tax II is a Sida funded project implemented by the Swedish Tax Authority (STA) and the Kosovo Property Tax Department (PTD), under the Ministry of Finance (MoF). It is a continuation of a previous project successfully implemented by the same partners 2008-2011. The overall project objective is to strengthen the municipalities in Kosovo by increasing the means for capital investments in municipal infrastructure, which is a prerequisite for good municipal service to the citizens.

The project is expected to have impact mainly within three areas: raised revenues; improved property tax system; and a better functioning economy.

The projects expected outcomes relate to five key areas:

1. **Enhanced Property Tax Regulations:** Updated property tax law, as well as administrative instructions, to facilitate appraisal of land and to increase efficiency and effectiveness in the property tax administration. Expected outcomes include: Improved property tax law; Improved administrative instruction; Improved municipal grants formula; clarified roles and responsibilities within the property tax administration.
2. **Well Prepared Taxpayers:** Well prepared taxpayers that know their rights and obligations, are aware of planned changes, and have the ability to comply. Expected outcomes include: Taxpayers are informed about the importance of ownership registration; Business owners are aware that fees will be swapped for property tax; Taxpayers are aware that land will be appraised; Taxpayers are informed about the more strict enforcement; Taxpayers know that e-services are available; The property tax administration inform correctly.
3. **New Business Processes Implemented:** The core taxation processes Register; Appraise and Tax; Collect have been updated and strengthened and staff are working in accordance with the new processes.
4. **Extended Property Registers:** Both cadastre and property tax registers has to be extended. Expected outcomes include: extended cadastre registers; available land usage maps; extended property tax register; property sales price register implemented; multilayer value zone maps created.
5. **Further Developed IT System:** Updating the current IT-system by adding functionality and integrating with other registers.

The project's has a total budget of 46 170 000 SEK and an activity period from April 2014 until end of December 2017.

2. Evaluation Purpose

The specific purpose of this Mid Term Review is to assess the project's potential to reach its intended outcomes and produce sustainable results, and based on the findings provide recommendations for future decisions on the direction of the project.

3. Evaluation Questions

Given the overall purpose of this MTR, the evaluation questions are grouped within the two evaluation criteria of Effectiveness and Sustainability.

Effectiveness:

To what extent has the project delivered progress towards expected outcomes to date?
What are the key factors influencing effectiveness and what is the potential for delivering expected outcomes during the remaining implementation period?
What can be done to make the intervention more effective?

Sustainability:

To what extent does the intervention have the potential to achieve sustainable results?
What are the key factors influencing the potential for sustainability?
What are the greatest risks to sustainability and what measures can be taken to mitigate these risks?
What can be done to improve the sustainability?

Based on the analysis of the questions above the MTR should provide recommendations for future decisions on the direction of the project, to improve its effectiveness and sustainability.

4. Delimitations

The Mid Term Review should focus on the effectiveness and sustainability in terms of objectives on the outcome level, as expressed in the project document and the five key areas in section one above. The duration for the assignment is estimated at 15 – 20 working days to be conducted during the period August-September 2016.

5. Approach and Method

The proposal shall suggest an appropriate approach for conducting the MTR in line with the terms of reference and also suggest an indicative method for conducting the evaluation.

A brief inception phase is foreseen, during which the evaluators perform a desk study of background material and draft a more specified evaluation approach, methodology and work plan presented in an inception report. The inception report will form the basis for the continued evaluation process and shall be discussed with key stakeholders and agreed upon.

6. Stakeholder Involvement

Stakeholders are expected to be involved during the evaluation process. The proposal shall specify how different stakeholder groups are to participate in and contribute to the evaluation process, including reporting and dissemination, providing on-going feedback, and comment on draft reports etc.

7. Evaluation Quality

The MTR shall be in line with OECD/DAC's Quality Standards for Development Evaluation and the Sida OECD/DAC Glossary of Key Terms in Evaluation shall be used. The proposal shall specify how quality assurance will be handled.

8. Time Schedule, Reporting and Communication

The MTR is expected to require 15 to 20 working days, and shall be carried out during the time span August - September 2016. More precise dates will be decided on together with the consultant and key stakeholders depending on the suggested work plan and availability of informants.

The proposal shall contain an overall time and work plan that includes:
 Schedule for overall activities, including estimated time required for each activity
 Suggested delivery dates for an inception report, draft and final report(s)
 Field visits/meetings/interviews (depending on suggested methodology)
 Dissemination activities

The final report shall be written in English and have a clear structure that includes:
 Methodology, including limitations and consequences of these limitations
 Findings in relation to the evaluation questions
 Recommendations for future decisions on the direction of the project, to improve its effectiveness and sustainability. Recommendations should be addressed to different key stakeholders.

The report shall be submitted in a soft copy. Draft versions shall be submitted in word format.

9. Resources

The proposal shall include a budget with fee levels, estimated number of total working days needed to carry out the evaluation, and estimated level of reimbursable costs. The responsible Programme Officer at the Embassy of Sweden will identify and provide the basic background documentation.

10. Qualifications and Merits

The evaluation team shall consist of at least one evaluator. The proposed staff will be evaluated against the following qualifications and merits:

Qualifications:

- At least a Bachelor's degree or equivalent in a relevant field of study
- At least seven years working experience in the area of conducting reviews/evaluations
- Excellent level of written and spoken English

Merits:

- Knowledge and experience of conducting reviews/evaluations of development cooperation projects in the public sector
- Knowledge of Public Financial Management, preferably related to the tax sector
- Knowledge of and working experience from the Western Balkan Region
- Knowledge of and working experience from the public sector in Kosovo, preferably related to the Ministry of Finance and/or the Property Tax sector
- Knowledge of Albanian

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

11. Annexes

Annex A. Pro-Tax 2 project Plan

Annex B. Pro-Tax 2 Annual Report 2014

Annex C. Pro-Tax 2 Annual Report 2015

Annex 2 – Literature

No	Title	Organisation
1	Draft Law supplementing the Law on amending and supplementing the Law on Property Tax 03/L-204	Republic of Kosovo
2	Law on amending and supplementing the Law on immovable property No. 03/L-204	Republic of Kosovo
3	Public Finance Management Reform Strategy (PFMRS) of Kosovo 2016-2020	Ministry of Finance
4	Action Plan implementing the PFMRS 2016-2020	Ministry of Finance
5	Budget Circular 2015	Ministry of Finance
6	National Development Strategy 2016-2021	GoK Jan 2016
7	Property Tax Revenue report 2016	Treasury
8	Property Tax in Kosovo - Final Report v 1.0	Pro Tax 1
9	Project Plan for ProTax 2, v 1.5	ProTax2
10	ProTax 2 Risk List 1.0	ProTax2
11	Annual Report for 2014, final	ProTax2
12	Annual Financial Report for 2014	ProTax2
13	Annual Report for 2015	ProTax2
14	Annual Financial Report for 2015	ProTax2
15	Financial Overview Apr 14-Dec 2017	ProTax2
16	Spec of time report	ProTax2
17	Steering Committee Minutes ProTax 2, no to 4 with presentations	ProTax2
18	Draft new Law on Property Tax	ProTax 2
19	www.tatimineprone-rks.org , PT webpage	Ministry of Finance
20	Assessment of a project proposal to Sida to support the development of the Municipal Property Tax System in Kosovo	SIPU International, 2007
21	Contribution agreement - ProTax 2 2014-2017	Sida - Govt of Kosovo
22	Project Agreement ProTax 2	Swedish Tax Agency - GoK May 2014
23	Kosovo Country Gender Profile	Orgut
24	Rep of Kosovo-Public Sector Revenues, Tax Policies, Tax Evasion and Tax Gaps	World Bank 2014
25	Analysis of own source revenues in the municipalities of the Republic of Kosovo	Dept of Regional Development and Co-operation, EU, USAID, GoK Dec 2015
26	The principles of public administration in Kosovo, Baseline Management Report	EU, Sigma, OECD April 2015
27	PEFA Report Kosovo 2016	EU
28	Technical Assistance Management - Public Investment Management assessment	IMF April 2016
29	Who will benefit from the debt clearance	gap Aug 2015

Annex 3 – Interviews

<i>Name/organization</i>	<i>Position</i>	
Swedish Tax Agency		
Lars-Åke Leijkvist	Project Manager, Tax Director	
Ulf Mathiasson	Operative Project Manager	
Fredrik Andersson	ICT advisor	
Anna Marie Johansson	Information Specialist	
Sw Cadastral Agency		
Hans Söderblom	Valuation expert, Sw Cadastral Agency	
Sw Embassy		
Mia Nidesjö	Second Secretary, Programme Manager	
Göran Paulsson	Councillor, Head of Dev Cooperation	
MoF		
Shkelzen Morina	Director PTD, Project Manager	
Ermal Mehaj	Business Architect/Systems Analyst	ProTax
Agron Cerkini	Deputy PM, Business Development	ProTax
Hajdar Korbi	Expert in Project	ProTax
Drini Cano	Legal Expert in project	ProTax
Ragip Rugova	Valuer	ProTax
Rexhep Haliti	Mapping Expert/Systems Analyst	ProTax
Blerton Ajeti	Interpreter	ProTax
Other stakeholders		
Murat Meha	Director Kosovo Cadastral Agency	
Jeton Abazaj	Municipality rep Peja, Budget and Finance Director	
Agim Veliu	Mayor Podujeva municipality, Chair Kosovo Municipal Ass.	
IMF		
Ruud Vermeulen	Resident Representative	
Selim Thaci	Economist	
WB		
Agim Demukaj		
EU		
Edis Agani	Programme Manager	
Legislature		
Safete Hadergoraj	Vice chairperson in Budget and Finance Committee	
USAID		
Luan Gashi		
Hajdar Korbi	Dep Office Director USAID Partnership for Development	
Terry Slywka	Program Director	

Shkumbin Saneja	PFM Specialist	
Don Cuizon	Property Rights Programme	
gap Institute		
Berat Thaqi	Researcher	
Agency for Gender Equality		
Leonora Selmani	Chief of Legal Division	

Annex 4 – Outputs planned and status by September 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
1 Improved property tax legislation				
<i>1.1 Improved property tax law</i>				
	A general deduction from appraised value is introduced (to facilitate a gradual increase in the tax base)	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Political influence over the appraise process, i.e. base values, is explitley abandoned	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	A rolling schema for reappraisal of different property categories is introduced	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Tax rate floors are differentiated between property categories	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Taxes under a certain amount are not be billed and are also exempted from interest and penalty	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Enforcement jurisdiction is improved	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2020
	Appeal procedures are clarified and appeal time prolonged	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Contradictions and ambiguities in the property tax law are removed	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Clarified distribution of responsibility in the Appraise process between PTD and KCA	New law in force	October 1, 2016	Included in draft bill, but law not operational until 2019
	Improved legislation and regulations in the direction to prevent actors on the real estate market to use false prices	New law in force	October 1, 2016	The Project will try to cooperate with other actors to trigger neccesary changes in the law on taxes on personal income (capital gains tax) that will incentives correct stated sales prices.
<i>1.2 Improved administrative instructions</i>				
	Administrative instructions for appraisal are improved and embrace land	New administrative instruction in force	December 1, 2016	Initial draft exists. Registration instructions are planned. Also for MAFRD instruction on

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
				procedures and criteria to classify if parcels are cultivated or not planned.
	Exemptions for unused property is abolished in Administrative instructions	New administrative instruction in force	December 1, 2016	Delayed
	Administrative instructions for enforcement are improved	New administrative instruction in force	-	Instruction for suspension of services planned. Instruction for appeal process planned.
1.3 Improved municipal grants formula				
	Property tax administration performance is included in the municipal grants formula	New grants formula in force	January 1, 2017	Revision of Law on Local Government Finance an opportunity
1.4 Clarified roles and organization				
	Roles and responsibilities within the property tax administration are redefined and it is made clear what skills are requested in different areas	New administrative instruction in force	December 1, 2016	Regulations for central responsibilities and municipal organization drafted. Drafted. Communication procedure in govt for property taxation planned
	Certification criteria for property tax IT-system user roles are defined	Certification criteria in force	January 1, 2017	?
2 Well prepared taxpayers				
2.1 Well prepared taxpayers				
211	Taxpayers are informed, from early on, that they must register de facto ownership at the municipal cadastre to be correctly taxed	Information made available to taxpayers through campaigns, internet and in PTO's The number of registered ownership changes has increased significantly	February 1, 2015	The first part of the campaign - a flyer with information was delivered with the bill 2015. However the other part with TV-commercials and billboards was delayed due to problems with procurement. This will be carried out in March 2016.
212	Taxpayers are informed that land will be appraised and included in the tax base	Information made available to taxpayers through campaigns, exhibitions, internet and in PTO's At least 20 people visit the exhibition per day and municipality	February 1, 2015	Originally this was planned for February 2015 but after delaying implementation, of course also this was delayed. A brief information was submitted together with bill 2015 and in the website. But the main information is planned for May-June 2016.
213	Taxpayers are informed that a more strict enforcement will be implemented	Information made available to taxpayers through campaigns,	January 1, 2017	Not started yet.

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
	214	Concerned taxpayers are informed about the new appraised value of their properties	internet and in PTO's Information made available to taxpayers through appraisal notice, website and campaigns The number of visitors on property tax web site has increased significantly compared with 2013	February 1, 2017 Was partly delayed, revaluation of buildings and correction of ownership not part of project, information of assessed land value to be revealed after valuation.
	215	Business owners are informed that they will pay less fees and more tax, which is foreseeable, transparent and sustainable	Information made available through campaigns, internet and in PTO's	July 1, 2016 To be cancelled, fees already lowered or scrapped in exchange for higher property tax for buildings.
	216	Taxpayers are informed that e-services and value zone maps are available on internet	Information made available through campaigns, internet and in PTO's At least 10 per cent of services are consumed via e-services	Value zones July 1, 2016 E-services November 1, 2017 Shall form part of campaign 2016, new homepage delayed, but maps can be shown on old page. Publishing and printing of invoices already in place in Prishtina. Campaign, Poster and video published on webpage, available throughout Kosovo. Newspaper adverts delayed. Publishing and printing of invoices already in place in Prishtina. Campaign, Poster and video published on webpage, available throughout Kosovo. Newspaper adverts delayed
	217	PTO officers are further educated to be able to give taxpayers correct information concerning changes in regulations and processes	Training held	September 1, 2016 Delayed but is necessary, attitude changes must form part of this - service to the public.
	218	Information about changes in property tax regulations and spending are available at the municipal offices and on internet	Information made available The number of visitors on property tax web site has increased significantly compared with 2013	Regulations September 1, 2016 Spending January 1, 2017 First information will be given in October, they will be informed how the valuation has been made. Exhibition and visits to all municipalities project and PTD. Lists with preliminary value will be shown, final expected April 2017
3 New business processes implemented				
3.1 Improved Register process				
		Register process extended to embrace land usage and other	Process implemented	March 1, 2016 Process temporarily implemented centrally at

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
	property information			PTD. Planned to be decentralised to PTO during 2017.
	Automated registration of properties based on parcel data from KCA is implemented	All parcels registered	January 1, 2016	Parcel data will be loaded on yearly bases
	Survey (collect information process) is fully digitalized	Survey is digitalized	January 1, 2017	Urgent solution for registration in place in Pro Tax I system, To be designed for Pro Tax II.
	Approve registration process is redesigned with digital approval	Digital approval in place	January 1, 2017	Process redesigned without approval step
	3.2 Improved Appraise process			
	Approval of base values and value zones is transferred from Municipal assemblies to PTD	Approval made by PTD	October 31, 2016	In draft bill.
	New mass appraisal model based on land usage and other attributes is implemented	Land appraised with new model	December 31, 2016	Being tested
	The appraise process will include appraisal decision notices to taxpayers	Appraisal decision in process	December 31, 2016	Being drafted
	Value zone management is improved and includes multi layer value zones	Improved value zone management in place	October 1, 2015	On-going, Data quality lower than expected from KCA which have made zoning very time consuming. To catch up the project has remigrated and restructured the data and plan to engage more project members in the work with zoning.
	PTD supports municipalities with sales data in the analyze property market process	Sales data available at municipalities	January 1, 2017	Cancelled because PTD will assume responsibility for the whole appraise process according to the new law on property tax
	Process of market data collection and verifying process of market data is established	Process established	January 1, 2015	Temporary process that fulfill the needs during the project is established. The long term process will be established during 2017
	3.3 Improved Tax & Collect process			
	Prepare Assessment Process is further developed with differentiated tax rate floors	Tax rate floors are differentiated	January 1, 2017	No activity yet
	Assess process is further developed with a general deduction of appraised value	General deduction in place	January 1, 2017	No activity yet
	Bill process is improved (no bills under a certain amount)	Process implemented	January 1, 2017	No activity yet
	Debt Management Process is further developed and implemented (separate debt bill, remainder notice etc.)	Process implemented	January 1, 2017	No activity yet
	Enforcement Process improved and partially centralized to PTD	Process implemented	January 1, 2017	Process changed to include private bailiff service
	3.4 Improved Taxpayer Service Processes			
	Meet taxpayer process is extended with value zones map at the	E-services and value	Value zones	Partly implemented in Pro Tax 1 system, will be

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
	website and e-services for bill, certificate of payment, financial card and property information	zone maps in place	March 1, 2016 E-services September 1, 2017	tested and transferred to Pro Tax II system.
	A process to assure current information about realized and planned own source capital investments on the property tax website is implemented	Process implemented	January 1, 2016	Poor reporting from municipalities. Lack of MoF information officer in PTD makes this difficult!
	A process to assure correct and timely information to taxpayers is implemented	Process implemented	January 1, 2017	
	3.5 Improved Supporting processes			
	A support organization is established	Support organization in place	January 1, 2017	2 officers in place at PTD.
	The change and defect management process is improved	Improved process implemented	January 1, 2017	?
	The maintenance and development processes that today are established at PTD are implemented also at the MoF IT Department (Maintain IT system)	Processes implemented in MoF	Maintenance 1, 2016 Development 1, 2017	Not yet. Steering Committee has approved to outsource the services instead
	An internal communication plan is developed and implemented (Internal communication process)	Internal communication plan implemented	January 1, 2016	Not yet. It has been down prioritised by the project.
	3.6 Educated staff			
	Five PTD employees are trained in valuation methodology and mass appraisal	Staff educated	January 1, 2017	No recruitment yet.
	Three PTD employees are trained in enforcement procedures	Staff educated	January 1, 2017	Cancelled due to change of strategy to make use of private bailiff services
	Five MoF employees are trained and empowered to maintain and develop the property tax IT system	Staff educated	January 1, 2017	Cancelled due to change of strategy to outsource the service
	4 PTD employees (and 7 valuers) are trained in valuation methodology and mass appraisal and 40 PTO employees are trained on basic appraisal aspects	Staff educated	January 1, 2017	Central officers not recruited yet.
	40 PTO employees are trained in taxpayer service	Staff educated	January 1, 2017	
	40 PTO employees are trained in depth in the property tax IT system	Staff educated	January 1, 2017	Needs to await system finalization.
	100-150 PTO employees are trained online and certified as users of the property tax IT system	Staff educated	January 1, 2017	Needs to await system finalization.
	100-150 PTO employees are trained in how to make use of the property tax web site	Staff educated	January 1, 2017	Needs to await system finalization.
	Two project employees are trained in GIS development	Staff educated	January 1, 2016	Training started, further education is needed

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
	Training material for the different trainings are developed	Training material developed	January 1, 2017	Not yet.
4 Extended property registers				
<i>4.1 Improved cadastre registers</i>				
	Feed back on quality of cadastre data delivered to KCA	Feed back has reached KCA	January 1, 2016	On-going feed-back. There are problems with quality with data from KCA. A workgroup is established together with KCA.
	More de facto ownership legally registered (as an indirect effect of planned taxpayer information campaign)	Legally registered ownership has increased	January 1, 2017	On-going in Pro Tax 1
<i>4.2 Land usage map created</i>				
	Land usage map covering the whole Kosovo created	Land usage map available	March 31, 2016	PTD verification process delayed because of problems with transition of data from KCA.
<i>4.3 Extended property tax register</i>				
	All parcels registered as properties and classified on land usage	All parcels registered	April 30, 2016	PTD verification process delayed because of problems with transition and quality of data from KCA.
	Data quality is improved. Inconistencies between value category and property category are resolved. Duplicates and non associated objects are removed	Data improved	June 30, 2016	Delayed, first effort in connection with exhibition in November 16. PTD verification process delayed because of problems with transition and quality of data from KCA.
<i>4.4 Property Sales Price Register implemented</i>				
	Sales Price Register is implemented in PTD	Sales price register implemented	January 1, 2015	Preliminary Sales Price Register is established. Business process for the ordinary Sales Price Register is revised. Some municipalities have not delivered transactions yet.
	Sales data are simulated from expropriations, bank information and specific valuations and is imported to the property sales price register as complementary market data information in the verifying process of the market data collection	Sales data imported	November 1, 2015	On-going
<i>4.5 Multilayer Value Zone Maps created</i>				
	Multilayer value zone maps with base values for different value categories of land are created and approved by PTD in the property tax register	Value zones available	March 31, 2016	Drafts for value zone maps and value levels are created but not approved.
5 Further developed IT system				
<i>5.1 Tools for Steering processes</i>				
	Improved tools for reporting	Functionality is available in production	January 1, 2017	Added and improved reporting in Pro Tax I. Planned in Pro Tax II but not designed yet, The

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
				most requested report, Financial Balance Report, available in production
	5.2 Tools and support for Register process			
	Support for automated registration of parcel data from KCA	Functionality is available in production	January 1, 2016	Parcel data captured annually.
	Tools for an extended register process that embrace land information etc	Functionality is available in production	January 1, 2016	Registration from tablets developed. Temporary tools in Production, functionality on permanent tool delayed because of amnesty etc
	Tools for a fully digitalized collect information process	Functionality is available in production	January 1, 2016	Delayed because of amnesty etc
	5.3 Tools and support for Appraise process			
	Tools to manage simulated sales data in the sales register	Functionality is available in production	January 1, 2016	Implemented in Protax1. It is planned to be ported to Protax2 in 2017.
	Tools for property market analysis	Functionality is available in production	March 31, 2016	Developed
	Tools for multi layer value zones management	Functionality is available in production	March 31, 2016	Developed
	Support for a new mass appraisal model based on sales comparison method	Functionality is available in production	January 1, 2016	Postponed to April, 2016.
	Support for appraisal decision notices	Functionality is available in production	January 1, 2017	Postponed to April, 2016.
	5.4 Tools and support for Tax & Collect process			
	Tools for debt management (Separate debt bill, remainder notice, filtering etc.)	Functionality is available in production	January 1, 2017	To be developed
	Support to exclude bill, interest and penalty under a certain amount	Functionality is available in production	January 1, 2017	To be developed
	Tools for a strengthened enforcement process	Functionality is available in production	January 1, 2017	To be developed
	5.5 Tools and support for Taxpayer Service processes			
	Tools for registering taxpayers for e-services	Functionality is available in production	June 30, 2017	In place in ProTax 1
	e-Service for property tax bill	e-Service available for taxpayers	June 30, 2017	In production from 1st of March 2016 in Protax1
	e-Service for certificate of payment	e-Service available for taxpayers	June 30, 2017	?
	e-Service for property information	e-Service available for taxpayers	June 30, 2017	In place in ProTax 1

ANNEX 5 – OUTPUTS PLANNED AND STATUS BY SEPTEMBER 2016

Annex 4 Outputs planned and status by September 2016		Indicators	Planned Date	Assessment Sept 16
5.6 Tools for Supporting processes	e-Service for financial card	e-Service available for taxpayers	June 30, 2017	?
	Support for publishing information from property tax IT system directly on internet (value zone maps, base values, tax rates etc.)	Functionality is available in production	January 1, 2016	Planned in Pro Tax 1 for exhibition in Nov 16.
	Tools for help desk management (ticketing)	Functionality is available in production	January 1, 2017	
5.7 Integration	Integration with Cadastre register (KCA) for GIS and building address data	Data available online at PTO:s	January 1, 2016	Taking place in Pro Tax 1 now.
	Integration with Kosovo Central Civil Status Register for physical taxpayer data	Data available online at PTO:s	January 1, 2016	Taking place in Pro Tax 1 now.
	Integration with Business Registration Agency for juridical taxpayer data	Data available online at PTO:s	January 1, 2017	Not in place
	Integration with Credit Register at Central Bank of Kosovo to inform them on delinquent taxpayers	Data available at the Credit Register	January 1, 2017	Not in place.



Evaluation study in support of the Mid Term Review of the Pro-Tax II project

This report presents the findings, conclusions and recommendations of a mid-term review of the ProTax 2 project, which is the second of two projects to develop the property tax system in Kosovo. The purpose of the evaluation was to assess the ProTax 2 project's potential to reach its intended outcomes and produce sustainable results, and based on the findings provide recommendations for future decisions and direction of the project.

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