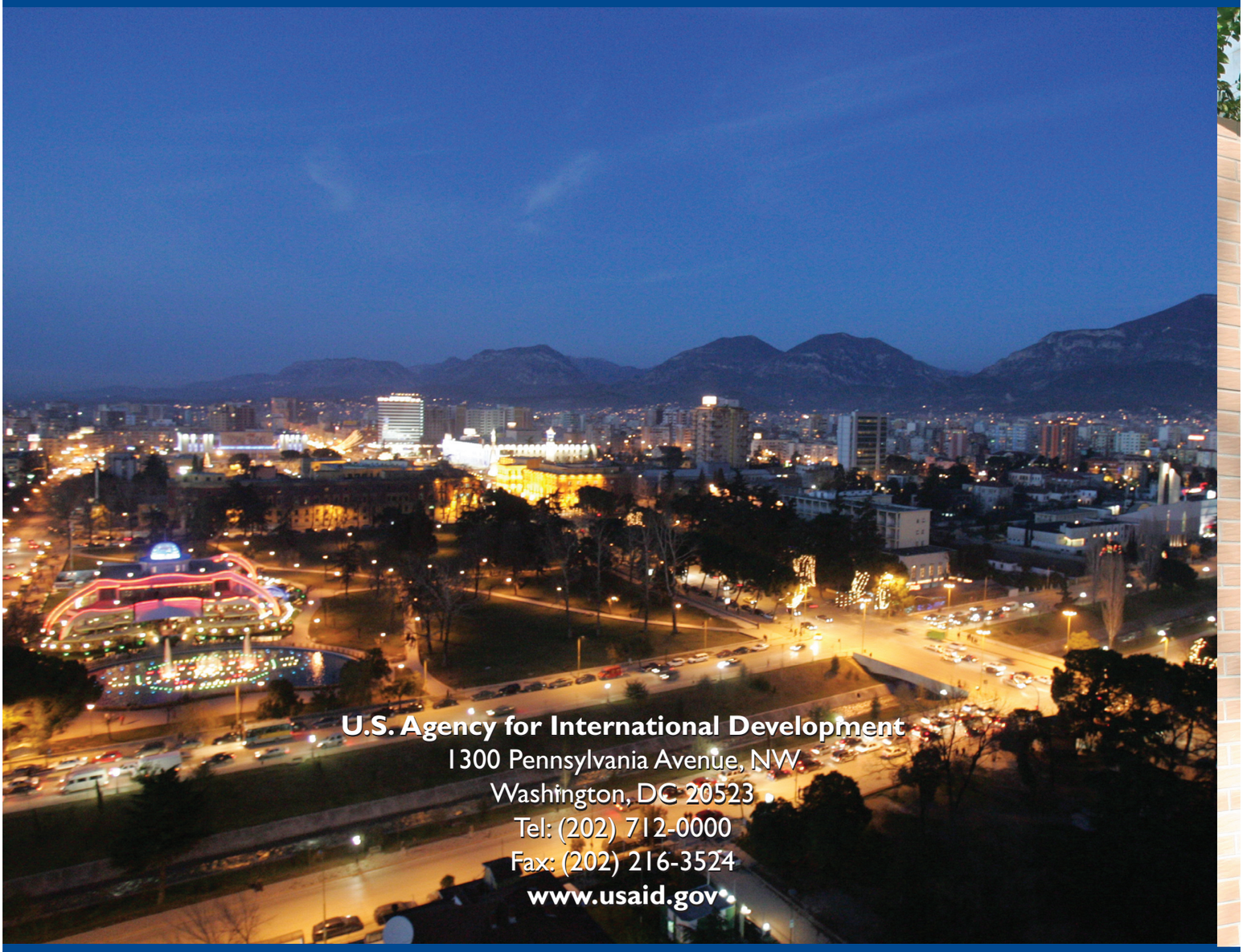

**U.S. Agency for International Development**
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: (202) 712-0000
Fax: (202) 216-3524
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# STRENGTHENING GOVERNANCE IN ALBANIA

## Support to Albania's Millennium Challenge Account Threshold Agreement Final Report

**SEPTEMBER 2008**

This publication was produced for review by the United States Agency for International Development.
It was prepared by Chemonics International Inc.

ALBANIA THRESHOLD PROJECT / RUDINA MULLAHI

**Besnik Shpata registered his homeopathic medicine business at the National Registration Center (NRC). During its first year of operation in Tirana and 11 networked municipal locations, the NRC processed nearly 93,000 applications, including 19,000 new business registrations.**

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USAID Contract No. DFD-I-00-05-00219-00, Task Order No. 02

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ALBANIA THRESHOLD PROJECT / RUDINA MULLAHI

**A pharmacist stacks cartons of pharmaceuticals on a shelf at the Albanian pharmaceutical company, IMI-FARMA. Through use of the e-procurement system developed by the Albania MCC Threshold Project, IMI-FARMA was a big winner in a Ministry of Health electronic tender for the drug Ribavirin.**

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**FRONT COVER: The business registration center allows new business owners to register a business with both legal and tax authorities in 24 hours with only one application form at the cost of approximately one U.S. dollar. Administered by 29 courts located throughout Albania, the previous commercial registration system fostered opportunities for corruption through the use of non-standardized paper-based application forms and recordkeeping systems that created obstacles for business owners.**

ALBANIA THRESHOLD PROJECT / AGIM DOBI

**BACK COVER: Tirana's new skyline shines by night. The city has been growing and modernizing quickly, and a wave of new growth is expected as investors respond to the improved business climate and governance supported by the Albania MCC Threshold Project.**

ALBANIA THRESHOLD PROJECT / AGIM DOBI

ALBANIA THRESHOLD PROJECT / SOKOL KAVALLERJA

**At the new General Department of Taxation (GDT) building in Tirana, an Albanian citizen takes advantage of the modernized tools of the Taxpayers Service Center, which was designed, furnished, and equipped by the project. Taxpayers can now access their accounts at the center as an alternative to accessing them through the GDT website, and can meet their needs using the center's range of public information services.**

# EXECUTIVE SUMMARY

In April 2006, Albania and the United States pledged to cooperate to reduce corruption and improve performance in three areas of Albanian public administration by means of a Threshold Country Plan (TCP). Approved by the Millennium Challenge Corporation (MCC), the TCP outlined Albania's strategy to reduce corruption by reforming public procurement, tax administration, and business registration, using an "e-governance" approach to improve the transparency and efficiency of these services.

On September 6, 2006, Chemonics International was awarded a contract to implement the TCP in a two-year, $13.7-million project administered by the United States Agency for International Development (USAID).

Today, government operations that were cumbersome and opaque have become measurably more transparent and efficient, and less corrupt. Thousands of Albanian citizens and businesses have benefited from a transformative change in their daily interactions with government, made possible by institutional reform coupled with an array of e-governance solutions.

Two years ago, business registration was an expensive, time-consuming process that involved multiple court petitions and trips to government offices. Today, registration requires only one application, processed within 24 hours at a cost of about one U.S. dollar.

From its main office in Tirana, the National Registration Center (NRC) and networked service windows in 11 municipalities throughout Albania processed nearly 85,000 applications and registered more than 18,000

new businesses in the first year of operation. The public can access all business registration data electronically through the NRC website.

Two years ago, public procurement was notoriously opaque. Businesses were forced to pay for tender documents and participate in rigged bids with no recourse for complaints. Today, central government agencies and municipalities post tender notices on a public website from which firms can download bidding documents free of charge and submit bids via an e-procurement system that meets European Union (EU) standards. In the first nine months of 2008, government agencies procured more than $29 million worth of goods, works, and services through more than 70 separate electronic procurement actions.

The system includes stringent controls that prevent manipulation and help ensure a level playing field for all bidders. Bidders who believe their rights were violated in any procurement, whether electronic or paper-based, can submit a complaint to the new Public Procurement Advocate's Office (PPAO), an agency that investigates irregularities in public procurement procedures.

Two years ago, Albania's taxpayers were hostage to all-powerful tax inspectors, a holdover from communist times, who were at liberty to use their authority to extort bribes at any time. Today, electronic services and administrative reforms have begun to change a corrupt tax administration and transform the relationship between taxpayers and government to reflect international best practices. Inspectors no longer have such broad authority. Responsibilities for case processing are now divided among administrative units along functional lines, such as returns processing, audits, collections, and taxpayer services.

The introduction of e-systems, including downloadable tax forms, electronic filing and payment, and electronic access to account information, allows business taxpayers to conduct their business with the tax administration at arm's length, denying tax officials person-to-person contact.

Since October 2007, approximately half of all companies (legal entities) and self-employed taxpayers (individuals) have used the electronic services available through the General Department of Taxation (GDT) website to access various services, download tax forms and instructions, file tax declarations, or check the status of their tax accounts.

To administer the new e-government systems, the Albanian government created the National Agency for Information Society (NAIS). NAIS maintains and coordinates the integration of information technology (IT) systems across government agencies. Integration enables the Public Procurement Agency to ascertain electronically whether a business is properly registered and current in its tax payments. The project team provided tech-

nical and infrastructure support to the NAIS to build its capacity to accomplish its mandate. Establishment of the NAIS is a milestone for e-governance that will help ensure the viability and sustainability of Albania's new IT systems.

In implementing these reforms, the team worked extensively with five Albanian counterpart agencies: the General Directorate of Taxation, the Public Procurement Agency, the Public Procurement Advocate's Office, the National Registration Center, and the National Agency for Information Society, with the project helping to create the final three counterparts. Cooperation between the project team and counterparts resulted in productive relationships that made the project's many accomplishments possible.

A complex and multifaceted project requires a robust performance monitoring plan (PMP) with accompanying tools developed at start-up. The project PMP was designed to include relevant, direct, and objective indicators to capture impact that is attributable to project and counterpart efforts, tracked monthly, quarterly, or annually as appropriate.

The project maintained up-to-date and readily available performance monitoring data, providing an accurate snapshot of the project's performance for counterparts, the MCC, and USAID. The team also used performance data as a management tool to identify gaps and successes. For the project's final data report, please see Appendix A.

The following sections provide additional details about Albania's e-governance approach and experience in public procurement, tax administration, and business registration. The report concludes with a summary of lessons learned and recommendations for the future of e-governance in Albania.

ALBANIA THRESHOLD PROJECT / EDLIRA KEMBORA

**Parliament approved the Tax Procedures Law on May 19, 2008, and it took effect on June 25. The law sets the stage for altering the business climate in Albania by completely redesigning how the tax department pursues its duties, and how taxpayers view their tax obligations and relationship with tax authorities. Development of this legislation required one year, including a protracted process of negotiations between the MCC Threshold Project, the Minister of Finance, and other stakeholders, as well as a groundbreaking set of public hearings on the draft law and structured feedback from the business community.**

CHAPTER ONE

# COUNTRY AND PROJECT CONTEXT

### ALBANIA RANKS HIGH AMONG REFORMING ECONOMIES

*Doing Business 2009 Europe and Central Asia,* which ranks 113 economies according to the number and impact of reforms, puts Albania second in its list of top 10 reformers for 2007-2008. Albania's number two ranking is based on its improvement in four areas, including "starting a business" and "paying taxes," two of the three targeted areas of the project. Albania's overall rank on the "ease of doing business" index climbed to 86 from 135.

Albania emerged in the early 1990s from more than four decades of isolation under communist rule, held its first elections in 1992, created the foundation for a market economy, and moved swiftly toward integration with NATO and the EU.

However, Albania's development as a market economy and democracy, and its aspirations for Euro-Atlantic integration, have been impeded by corruption at all government levels. In 2008, the World Bank ranked Albania a lowly 135th out of 178 states in "ease of doing business" due to the corruption that has retarded economic growth and investment. Corruption has also compromised governance and delivery of public services. The World Bank found Albania's procedures for issuing licenses and registering property to be cumbersome and corrupt. Extensive media coverage of corruption, combined with pressures from international organizations, have generated public clamor for reform and more efficient public service delivery.

Albania has responded by redoubling its efforts to contain corruption. Anticorruption reform was the main theme of the current government's election campaign in 2005 and became the driver of Albania's partnership with the Millennium Challenge Corporation (MCC) in 2006. After Albania scored below the median on the "control of corruption" indicator and thus failed to qualify for the large bilateral assistance package that accompanies MCC compact status, MCC agreed in 2006 to sponsor a Threshold Country Program (TCP) aimed at combating corruption and helping Albania qualify for compact status. MCC established a set of indicators to measure the progress of TCP reforms in reducing corruption, focusing on business registration, tax filing, and public procurement.

ALBANIA THRESHOLD PROJECT / AGIM DOBI

**Project staff work with staff at the National Agency for Information Society (NAIS) in the NAIS server room. The NAIS was officially inaugurated in May 2008 at a ceremony conducted at the Agency's modern new offices, refurbished and equipped with support from the Albania MCC Threshold Project. The ceremony served to mark the official transfer of ownership for e-government services developed by the project to the Government of Albania. The creation of the agency is a major step in ensuring the sustainability of the reforms and e-governance systems developed by the project.**

CHAPTER TWO

# INFORMATION TECHNOLOGY FOR TRANSPARENCY

In moving toward e-government solutions, Albania is following the example of governments throughout Europe and the world. E-government systems offer time and cost savings to government and private users while increasing transparency, accountability, reliability, and access.

The project team used a web-based approach to build an integrated e-government system for Albania. The system connects government agencies to each other and to businesses, banks, and citizens, permitting public access to most information and restricting access where confidentiality is required.

Firewalls and backup systems protect the security of data, while built-in audit functions and black-box servers guarantee that data tampering will be detected and traced to the source. The system uses a Microsoft web platform that is open source, compatible with other software, and available without a license, ensuring the ability to expand the system to other existing or new government functions. The project team designed the system infrastructure to accommodate more than 200,000 users per hour.

## ELECTRONIC SERVICES IN TAXATION

A system of electronic communication with business taxpayers provides the necessary technology for eliminating regular contact between taxpayers and tax inspectors, thus reducing opportunities for offering or soliciting bribes during the tax collection process. Key e-services include online availability of tax forms, e-filing, e-payment, and electronic statements of taxpayer accounts. In designing e-government solutions for business taxpayers, the team faced two technical prob-

**KEY RESULTS: ELECTRONIC SERVICES IN TAXATION**

- 30,000 business taxpayers using e-services
- 75,000 forms downloaded per month
- 1,000 monthly VAT returns e-filed (15 percent of VAT returns, 25 percent of VAT revenues)

lems. First, the IT system being used by the General Directorate of Taxation (GDT) was built over a period of years with an Oracle operating environment requiring vendor licenses, which are expensive.

The same operating environment is used by a number of other government installations in Albania, so the government was reluctant to install a different operating environment in the GDT.

Second, the system consisted of separate databases for each tax office, with no connectivity between offices and GDT headquarters or between GDT and the Treasury, where tax payments are received. This type of fragmentation of information defeats efforts to develop a modern tax administration system with efficient tools for detection of noncompliance and enforcement of laws.

The project assigned a high priority to devising a cost-effective, workable e-system solution that would be accepted by the GDT and used by business taxpayers of all sizes, as well as providing scalability to district and regional offices. The solution was a web-based system that is free to any vendor. The software communicates with the GDT's database through a buffer or transit server that converts data formats. Data from taxpayers (tax declarations), the Treasury (payment confirmation), and other tax offices are received daily. Business taxpayers access their accounts using a secure ID and password system that is internationally certified and consistent with best practices for the transmission of confidential financial data.

To address the data fragmentation issue, the team reprogrammed the routers in district offices to communicate with the GDT main office and provided additional hardware to service the network. Team members worked with the GDT's IT department to establish daily automatic exchanges of payment data with the Treasury, and of business registration data with the National Registration Center.

The e-tax system was built step by step. A 2007 survey of 300 large business taxpayers found that 85 percent had regular Internet access and were receptive to conducting tax transactions online. E-filing and e-payment modules were tested on a group of large taxpayers based in Tirana, then rolled out to the 400 Tirana-based businesses in the Large Taxpayers Office (LTO).

Six months of LTO taxpayer experience using the system provided an opportunity to improve user interfaces and correct internal data transmission problems among the various institutions. The next step was to promote e-filing and e-payment to the 7,000 value-added tax (VAT) taxpayers in the Tirana Tax Office. Meanwhile, downloading of tax forms was made available to all Tirana taxpayers at the beginning of Year 2.

Under the previous system, taxpayers visited their local tax inspectors to obtain tax forms

that were preprinted with the taxpayer's tax number, name, and address. This provided an opportunity for tax inspectors to charge extra "fees" for the forms. The new system allows taxpayers who prefer to file on paper to download preprinted forms from the GDT website, thereby avoiding contact with the tax inspector.

Taxpayers may also file all their major business taxes electronically. To date, more than 1,600 business taxpayers have e-filed one or more tax declaration forms since the new system was established. The e-filing system includes modules for monthly declarations for VAT, profits tax, personal income tax withholding, social and health insurance contributions, and the annual profit tax. A separate e-payment module will withdraw funds from the taxpayer's account for deposit with the Treasury. This

### FEEDBACK ON E-SYSTEMS

" It's two different worlds. You can't even compare them. Before, you had to ask for the preprinted forms at the tax office. Maybe they were open, maybe they were closed. Maybe the files were printed. Sometimes you had to go two or three times. Now, I just sit down at my computer and download everything. I complete the forms and send them to the bank."

— KPMG ACCOUNTANT

" With this combined service — e-file and e-pay — we save lots of money. It's very comfortable to use. The fact that we can pay electronically allows me to keep track of all the payments that have been made, and if problems arise I have a document to look back to for the history. Before e-filing, there were these problems with tax administration. Before, all the documents related to tax filing and payment were processed by the administration, and that made for a number of problems. Now, things have changed and we are in charge of the process."

— COORDINATOR FOR TAX AND CUSTOMS

**KEY RESULTS: ELECTRONIC PROCUREMENT SYSTEM**

- More than 500 businesses registered as economic operators with EPS
- More than 300 businesses have submitted e-tenders
- 73 electronic tender awards made, totaling USD $29 million (2.1 percent of awards, 6.0 percent by value)
- Average of more than 6 bids received per electronic tender

will be implemented soon, pending an agreement among GDT, the banks, and the Treasury. The taxpayer receives real-time confirmation of receipt of the tax declaration by the GDT, and of payment by the Treasury. Both transactions are updated in real time to the taxpayer's account summary.

Taxpayer services are vital to a self-assessment system. To build public confidence in the e-filing and e-payment system, and to empower taxpayers to act as watchdogs over their own tax accounts, it is critically important to allow them to view all their transactions on a current basis, whether taxes are filed electronically or on paper. The new system displays all debit and credit transactions in a taxpayer account summary (or ledger), organized by major tax type.

## ELECTRONIC PROCUREMENT SYSTEM

An electronic procurement system (EPS) provides a set of controls to ensure fairness and accountability in the conduct of government tender issuance, submission, and evaluation. It also offers substantial cost savings to procurement bodies and bidders by eliminating the need to print and distribute tender documents, photocopy supporting documents, and deliver offers. The reporting capabilities inherent in electronic systems reduce the labor and time required to conduct procurement program evaluations.

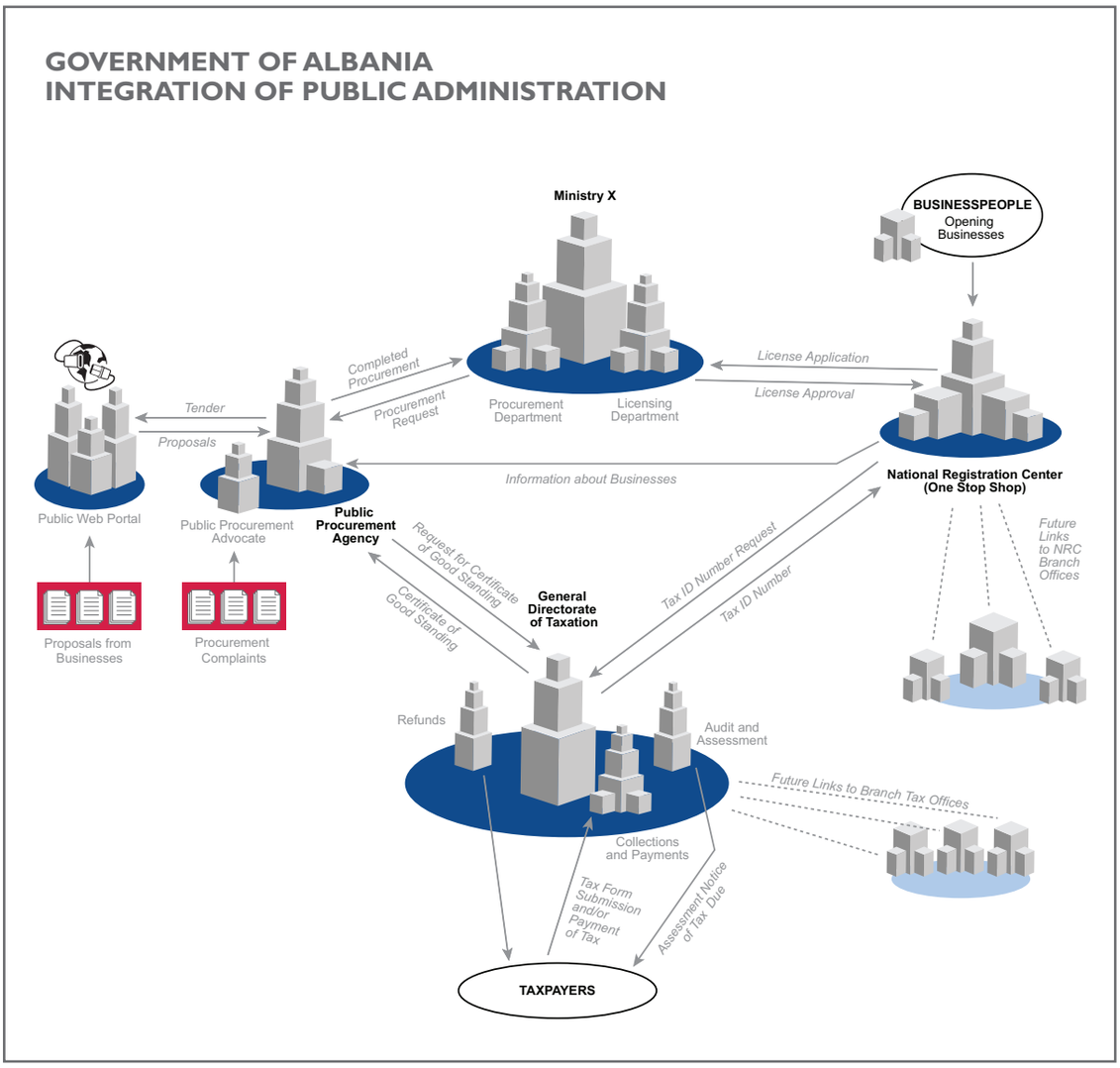
The project team built and tested an EPS for the Government of Albania over a period of one year. The resulting e-procurement system is among the most comprehensive and sophisticated in use by any government worldwide. The EPS conforms to EU requirements for electronic procurement, as well as to the provisions of Albania's new Public Procurement Law, enacted in December 2006.

Use of the EPS system requires one-time advance registration. After registering as an "economic operator" and obtaining a user ID and password, a business may then submit tenders. The EPS is internationally certified and employs security procedures consistent with best practices for transmitting confidential financial data.

Retrieving public information, such as downloading tender notices and bidding documents, may be conducted on an anonymous basis without password access.

The EPS includes functionality for the following bidding procedures:

- Open procedure
- Restricted tender
- Request for proposal
- Consulting tender
- Small-value tender
- Design contest tender
- Negotiated tender with or without notice




Bidders upload their tender documents when they submit their bids. To avoid the possibility of procurement failure due to incomplete bids, the system contains safeguards to alert bidders if they have not uploaded all required documents.

The tender evaluation commission in the contracting authority meets after the bid closing time, and commission members log into the system individually using their passwords. Only when all members have logged in can bids be opened. Currently in use by most of Albania's central government contracting authorities, the EPS was designed for use by municipalities and communes as well.

# SUCCESS STORY
## Internet Transforms Tax Services

ALBANIA THRESHOLD PROJECT / KATHY CAMP

*A billboard encourages Albanian businesses to take advantage of the government's Internet portal for tax filing. As of June 2008, some 1,500 businesses were already using the online system.*

Before August 2007, Albanian businesses with annual revenues in excess of 8 million leke ($100,000) had to collect their tax forms from the Tirana Tax Office — some on a monthly basis — before they could pay taxes. To get the forms, they had to seek out their tax inspector, and each inspector was responsible for some 250 firms.

As a result, business owners often visited the tax office several times and waited in long lines before securing their forms.

In addition, tax inspectors had little time to offer taxpayers any services beyond distributing forms, assessing tax payments, and certifying tax documents.

With project assistance, the Albanian government has changed all that. Not only can businesses now download their tax forms, but as of April 2008, they can file their taxes online. Jovan Cane, director of the Tirana Tax Office, described the dramatic changes these online services have brought Albanians. "First of all, it saves time for the taxpayers. Before, they had to come to the offices and waste a couple of hours. Now, they can now download the forms in five minutes," he said.

Use of the Internet has also changed how the tax office does business. Now, tax officials have time to respond to requests from customers and spend much more time providing essential services to taxpayers — doing "what a taxpayer office should do," according to Cane.

"All of the changes mean a different way of conceptualizing the job of tax inspector," said Cane. "Taxpayers are now separated from the tax inspectors." Previously, monthly visits to the tax office presented unscrupulous officials with the opportunity to demand bribes in exchange for the mandatory tax forms. Now, businesses that download forms and file electronically never interact with tax officials.

"This is a very important achievement," said Cane, "because it is part of the effort to combat corruption."

**KEY RESULTS: NATIONAL REGISTRATION CENTER**

- 93,000 applications processed during the first year of operation
- More than 19,000 new business registrations processed (25 percent increase in the total number of active business taxpayers)
- 90 percent user satisfaction
- 95 percent awareness of the NRC in the business community

## NATIONAL REGISTRATION CENTER

The principal objectives of the new registration system are (i) reducing the cost and time required to register a new business or to make changes in an existing business registration, and (ii) reducing opportunities for corruption. Previously, the commercial registration system was administered by 29 courts located throughout Albania using a variety of non-standardized, paper-based application forms and recordkeeping systems.

After receiving a court decision approving registration, the entrepreneur was required to register with the tax authority, the social and health insurance authorities, and the municipality for local tax purposes.

The new National Registration Center Law, prepared by the project team, set out to replace this process with an integrated, standardized system of electronic processing and recordkeeping that would provide a one-stop application process and one-day approval.

The administrative challenge was to create the infrastructure and supporting systems to allow for fast and accurate processing of registration information, then train staff to use these systems. Tasks included drafting legislation for the NRC framework, preparing standardized forms for business registration, design and construction of the NRC headquarters, purchase of hardware for the main facility and an integrated network of regionally located service windows, and development of software to support 20 individual registration functions (e.g., registration of a new business, cancellation of registration, increase of capital, change of ownership or address). Once the software was developed, the project team tested it extensively and made modifications to improve its reliability and user interfaces.

To achieve the necessary functionality, the team overcame several formidable implementation challenges. One was to link the new NRC registration system with the electronic record systems in the tax authority and other registration agencies so that information in these agencies could be updated daily.

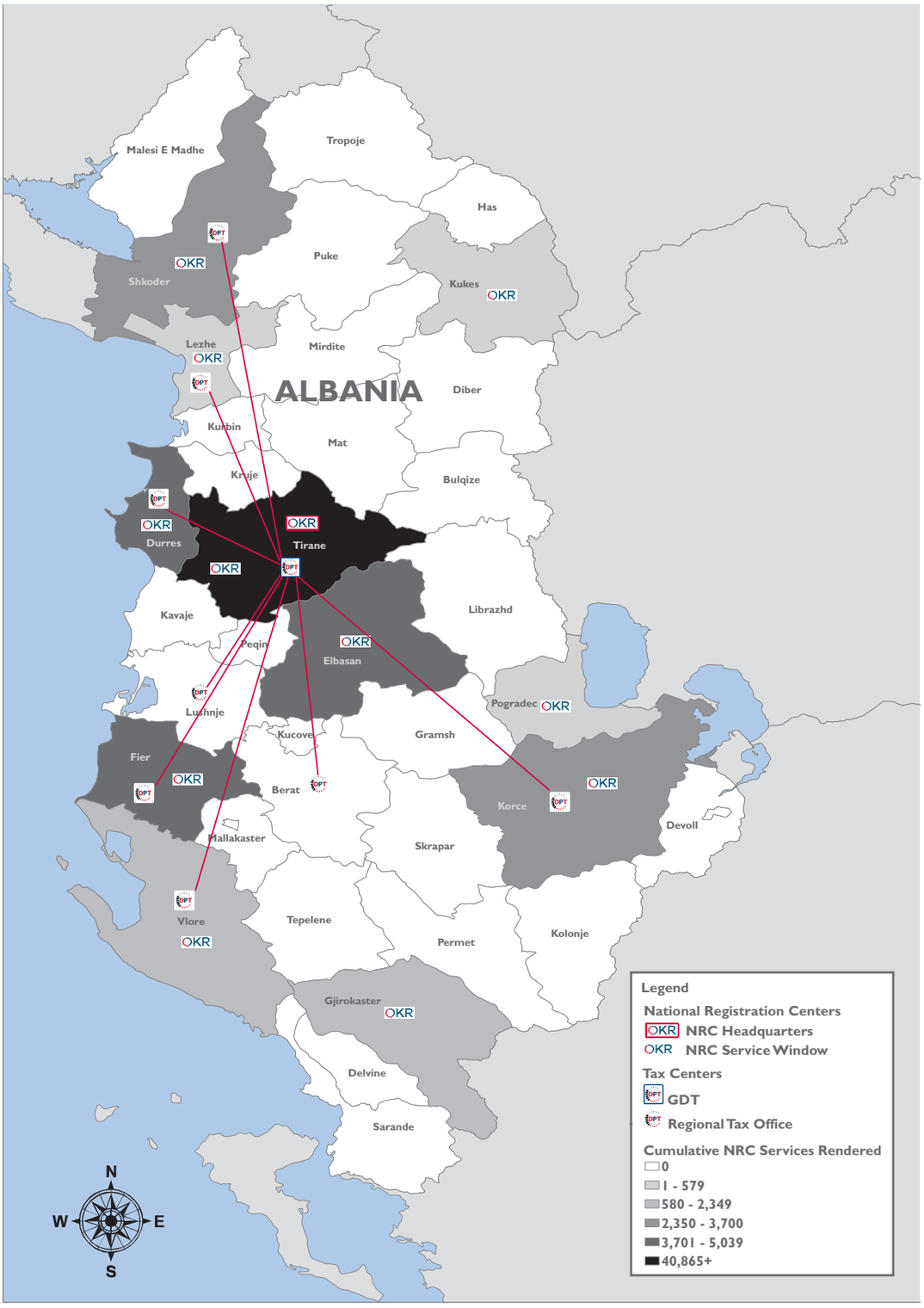
Another was to transfer, automate, and integrate the existing registration records, which dated from 1991 — a total of more than 1 million pieces of paper, some of which were in poor condition.

By September 2008, the new system had been operating successfully for a full year, helping to stimulate investment and economic growth by providing one-stop, one-day business registration.

## NATIONAL AGENCY FOR INFORMATION SOCIETY

Implementing a large, complex e-government system in just two years required a mechanism to ensure its sustainability. Such a mechanism was established in April 2007 by a decision of the

## PROJECT IMPACT
## ON INCREASED BUSINESS REGISTRATION



ALBANIA THRESHOLD PROJECT / AGIM DOBI

**Staff from the Albania MCC Threshold Project work with IT staff at the Public Procurement Agency (PPA) to test the e-procurement system in the PPA server room. Once the system received final approval, the project team and PPA staff collaborated to train more than 800 procurement officers to use it.**

Council of Ministers to establish the National Agency for Information Society (NAIS), charged with coordinating and promoting e-government solutions in Albania.

USAID provided infrastructure and technical assistance to NAIS and handed over operational control of the e-governance service center to NAIS under a transfer agreement. NAIS will support e-registration, e-procurement, and e-tax and will develop additional services to benefit businesses and the public. To help the new agency assume its responsibilities quickly, the team renovated the NAIS office, purchased workstations for the IT experts, and procured servers to house the e-government portal in an environment that adheres to high standards of performance and safety.

PARTNERS ALBANIA / KLOTILDA TAVANI

**The project team administers a training of GDT trainers on tax audit procedures, pursuant to the new tax procedures law enacted in May 2008. The team also developed skill-based courses for tax collections, tax appeals, and taxpayer services. A training of trainers approach was used for all the skills training, in keeping with the sustainability objectives of the project.**

CHAPTER THREE

# TAX POLICY AND ADMINISTRATION

Surveys by international organizations over the past decade have ranked Albania's tax administration among the most corrupt government organizations. The TCP aimed to replace the sometimes cozy, sometimes intimidating relationship between tax inspectors and business taxpayers that often resulted in bribery, extortion, and unequal treatment of taxpayers. The reformed tax administration system was intended to incorporate international best practices based on self-assessment principles, and to employ the checks and balances that underpin modern tax administration. Fair and equal treatment of taxpayers under the new system would in turn allow the tax administration to project an image that would inspire confidence and public trust, which contribute to taxpayer compliance.

Comprehensive tax administration reform typically takes 5 to10 years. Because of the size and complexity of the GDT — 36 regional offices and more than 1,500 employees — tax administration reform was piloted by the Large Taxpayers Office (LTO), an office serving business taxpayers whose revenues are higher than a certain amount, and by the Tirana Tax Office (TTO), which serves Tirana-based taxpayers. Project resources were allocated to upgrade services to these two groups of taxpayers, who account for nearly 80 percent of business tax revenues.

## LEGAL AND REGULATORY REFORM: TAX PROCEDURES LAW

Based on a review of tax legislation and regulations during the opening months of the project, the team proposed to assist the Ministry of Finance with drafting a new unified tax procedures law to replace the law of 1999, which was not in line with international

# FIRST PERSON
# E-Services Soothe Corruption Fears

ALBANIA THRESHOLD PROJECT / KATHY CAMP

*Viola Puçi, who works with a government investment promotion agency, has had an easier time convincing foreign businesses to come to Albania since the National Registration Center opened in September 2007.*

Viola Puçi grew up in Canada but has returned to her native Albania to put into action her classroom knowledge of how reforms can change a country. She is a director at AlbInvest, a government organization that promotes foreign investment in Albania. These days, her job has been made easier by e-government reforms implemented under the project. The reforms are creating the kind of positive economic change that Puçi studied in school.

According to Puçi, a challenge she often faces when speaking with business representatives considering entering Albania is their wariness about corruption. However, with the implementation of Albania's new e-government services — e-filing of all major business taxes, e-procurement for some government contracts, and a one-stop shop for business registration with additional online services — she can put fears to rest more easily.

"One of the first things businesses are scared of coming to the region is corruption. We tell them that there are many things we don't do in person anymore, like procurement and payment of taxes. They will deal with the computer. It really changes their perception [of Albania], and they want to learn more."

Before the creation of the one-stop National Registration Center, Puçi says, foreign businesses also feared that a long registration process could provide local officials with opportunities to demand bribes. Previously, registration required multiple visits to government offices and often took up to 50 days. Now, the streamlined process takes only one day and is drawing kudos from foreign businesses like Colliers International, a real estate firm that recently opened a branch in Tirana.

"This was by far our most hassle-free registration in 15 years of working in the region," said Philip Bay, managing director of Colliers International Albania. "What strikes anyone walking into the [NRC] is the air of transparency and openness. There are no barriers, and you can't discount the importance of that."

## KEY RESULTS: TAX PROCEDURES LAW

- New modern, comprehensive tax legislation in effect and fully compliant with international best practices
- Taxpayer rights defined and strengthened
- Authority for functional reorganization of the entire tax administration and for electronic filing established
- Enforcement powers consistent with international best practices provided to GDT, and role of tax police reduced
- Self-assessment principles reinforced
- Complete overhaul of the penalties regime
- Authority for risk-based selective audits established, replacing time-consuming verification of books and records supporting monthly VAT returns
- Two-tier tax appeals system created

best practices on tax administration. The purpose was to address the deficiencies of the old law and mandate radical transformation of the tax administration. Beginning in April 2007, the team provided technical assistance for a year to organize a tax law working group, carry out research on best practices, draft a new law, prepare explanatory memos and presentation materials, and hold public hearings.

Parliament enacted the new tax procedures law in May 2008, and the president signed it in June 2008. Hailed by the prime minister of Albania as the "constitution of the tax administration" and by the International Monetary Fund as the foundation for a world-class tax system, it features a clear and explicit set of taxpayer rights and responsibilities, improved enforcement tools, organization of tax administration along functional lines, strengthening of human resources, authority for electronic filing, a tax appeals process that is consistent with international standards, and many other features that empower the government to collect tax revenues while ensuring taxpayers a fair and orderly process.

After enactment of the law, the team helped draft regulations to implement its provisions and created manuals for key tax administration functions. The regulations, approved in August 2008, include new procedures for audits, collections, penalty payments, appeals, and other key processes.

With project support, the archaic and burdensome verification process that obliged VAT taxpayers to bring their books and records to their assigned tax office every month was eliminated, thereby reducing face-to-face contact with tax officials and reinforcing the self-assessment practice.

This monthly process was originally intended as an audit tool. To replace records verification for all VAT taxpayers, a risk-analysis-based audit selection system was included as a requirement in the tax procedures law, and the project worked with the GDT to implement an appropriate audit selection system. The new audit selection system is objective, based on clear and transparent criteria, and less burdensome. It identifies returns that have a high probability of understated tax liability and that accordingly should produce additional revenues on audit that exceed the cost of conducting the audit. The new system was piloted for new audits in the TTO and LTO in July 2008, and an additional 13 offices in August.

### INSTITUTIONAL CAPACITY BUILDING: GENERAL DIRECTORATE OF TAXATION

Making tax reform operational requires both institutional restructuring and extensive training. In parallel with the progress of the law through the legislative process, the project team initiated a range of institutional capacity-strengthening measures for the GDT.

The first focused on infrastructure to support the electronic services described in Chapter Two.

Additionally, the team equipped and furnished a modern Taxpayers Service Center in the new GDT headquarters building in Tirana. Taxpayers can visit the center to access their accounts as an alternative to access through the website. The center provides a range of public information services and a controlled environment for meetings with tax officials concerning tax cases. Acknowledging the utility of the center, the GDT has agreed to open similar centers in all regional branches.

The team also upgraded servers, routers and switches, storage devices, wiring, and backup power equipment in the GDT's IT department. To help GDT staff establish a truly integrated tax administration system, the team provided technical assistance in reprogramming routers in 10 district offices to establish connectivity with the GDT main office.

The team developed new software to support key case processing and departmental management functions. Modules included case management and customer relations management for the Taxpayers Service Center, audit risk analysis software for audit case selection, and a set of standardized reports for GDT top management.

To support reorganization of the GDT along functional lines, the team undertook several major initiatives. The project drafted a reorganization plan, which was approved by the prime minister by executive order in August 2008. This comprehensive initiative brings sweeping changes to the agency's goal setting processes and management decision model while at the same time embedding carefully considered structural checks and balances that promote transparency. The team also assessed staffing needs, provided job descriptions, and set out qualifications for each position. A skills survey administered to several hundred professional employees of the TTO and LTO identified training needs and provided valuable information to guide employee reassignment.

Several types of training were provided to GDT employees. Taxpayers Service Center and LTO employees took a two-day course in customer relations. This was followed by training for the tax inspectors in using the e-filing software. After enactment of the new tax procedures law, the team developed materials to orient GDT employees on key provisions of the new law, as well as skill-based courses for the new functional departments (audit, collections, tax appeals, and taxpayer services). Project experts and GDT specialists provided instruction to trainers, who then instructed nearly 1,000 GDT employees using the materials developed by the project.

## PUBLIC OUTREACH AND AWARENESS: E-FILING OF TAXES

The success of tax reform depends on adept management of communications with the public and the business community. The project team undertook three major public outreach initiatives to support tax administration reform.

> "The approved law on tax procedure represents a revolution in the relationship between the taxpayers and the tax administration. Now the rights and obligations are clearly defined, the system is modernized, services are simplified as a result of online communication, and contacts between taxpayers and tax officials are minimized. This is indeed a big achievement."
>
> — PROFESSOR GJOKE ULDEDAJ, HEAD, TIRANA CHAMBER OF COMMERCE AND INDUSTRY

In late 2007, the team worked with the Ministry of Finance to organize broad public hearings with business associations and representatives to solicit their opinions on the draft tax procedures law, which was also published on the ministry's website. This was the first time the ministry organized broad public consultation on draft fiscal legislation. The team analyzed feedback from the hearings and written comments received and proposed changes to correct deficiencies in the draft.

Beginning in March 2008, the team mounted a multimedia campaign to roll out the electronic tax services to small and medium taxpayers. The campaign consisted of a direct mailing to VAT taxpayers in Tirana and print ads in the three largest Tirana newspapers, followed by radio spots and outdoor advertising. From April through July 2008, the team organized training for more than 1,000 independent and company accountants in using the e-filing software. In two-hour training sessions at a computer lab in Tirana, participants used the software while connected to the Internet in real time.

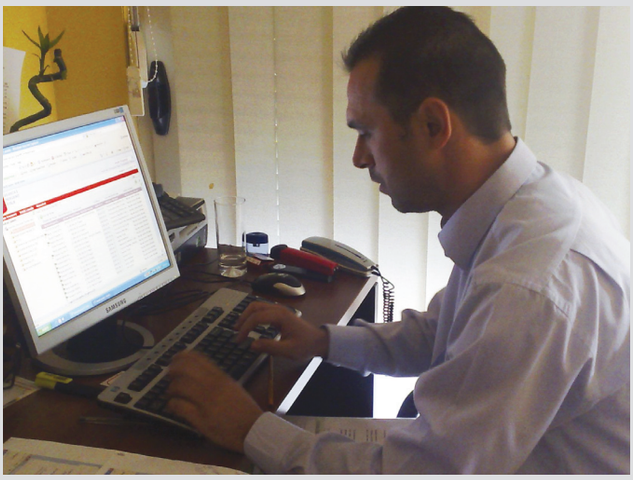
The last public outreach effort focused on building the image of the new GDT while informing taxpayers of important changes in the law. A TV spot emphasized the government's commitment to transparency and fair and equal treatment of all taxpayers, while news articles, brochures, and website notices were used to highlight enhanced taxpayer rights, changes in key procedures, and improvements in tax administration and enforcement.

## RESULTS OF TAX POLICY SUPPORT

Most of the positive impact of project-supported tax administration improvements is likely to accrue after the project ends, in the form of improved compliance and enforcement. However, some benefits are already measurable. As of September 2008, the number of active business taxpayers had increased by approximately 25 percent since the beginning of the project. The more than 18,000 newly registered businesses have paid 3.2 billion leke, or approximately USD $37 million in taxes to the central government between September 2007 and September 2008. This figure does not include payments of local taxes by small businesses (annual turnover of less than 8 million leke or approximately USD $100,000) that do not pay VAT or profit taxes to the central government. Revenues from business taxation increased by 16.9 percent during the first six months of 2008, as compared to the same period in 2007, despite a reduction in the top rates for profits tax and personal income tax as of July 1, 2007. While some of the increase should be attributed to increases in real GDP and inflation, it is fair to attribute the remainder to collections from newly registered businesses, plus improved compliance by existing businesses.

The project commissioned a local survey organization to conduct two large-scale, face-to-face

# SUCCESS STORY
## Online Bidding: A Click Away from Winning



ALBANIA THRESHOLD PROJECT / RUDINA MULLAHI

*For Artan Isaraj of Alba Medic sh.p.k., using the government's e-procurement system has brought opportunities to win tenders through a more trustworthy process and at a lower cost.*

"If you know how to type and click, and have a tax ID number and password, then you can use this system." This is how Artan Isaraj, marketing and logistics manager at Alba Medic sh.p.k., describes working with the new electronic procurement system, one of the e-governance systems put in place by the MCC Albania Threshold project.

For Alba Medic, a pharmaceutical company in business since 2003, government contracts account for between 60 to 70 percent of company earnings. EPS is having a strong positive effect on the company's bottom line. According to Isaraj, in short, "Online bidding is cost effective."

Prior to these reforms, access to procurement information was limited for ordinary businesses such as Alba Medic. The process was prone to unfair competition. With the introduction of technology coupled with an overhaul in legislation, Albania's public procurement system now gives Alba Medic — and an increasing number of other firms — a fighting chance to compete for small and large government contracts without incurring the costs traditionally associated with them.

"Our company can now reuse costly notarized documents for multiple bids," Isaraj said. "The bid preparation time is halved, and the hassle of delivering documents in person has disappeared. Moreover, when I submit the offer online, I have the guarantee that no document enclosed in it may vanish."

With the integrity of the process improved, more and more businesses are competing in e-bids. The average number of operators participating in e-tenders (6 bids per tender) is more than twice the number involved in manual/paper procurements (2.5 bids). This increased competition has reduced costs of goods and services to the Albanian government, which seeks to foster a more dynamic and prosperous business environment. As for Alba Medic, the company has already won 24 tenders this year, and Isaraj is feeling optimistic. "If you were to ask our competitors, they would probably mention us as the 'new kid on the procurement block,'" he said. "And that's fine with us."

surveys of businesses in Albania on topics relevant to the three components. The Business Needs Survey was conducted in July 2007, and the follow-up Business Impact Survey in July 2008.

In 2007, 49 percent of large business interviewed listed "visits to the tax office" as their main source of information on the tax system, and only 11 percent listed the "Tax Department website." In the 2008 survey, 51 percent of large businesses identified the website as their main source of information on the tax system, showing a tremendous increase of taxpayers receiving information from the GDT site. Seventy percent of businesses evaluated the quality of the GDT website as "good" or "very good," followed by 24 percent of businesses that evaluated it as a medium-quality site. Of note, however, is that businesses located outside Tirana continue to rely heavily on visits to the tax offices. As compared to 2007, there is a significant increase of 14 percent in the use of online banking services by businesses outside Tirana, as well as an improvement in all aspects regarding the interaction of businesses with the tax system in 2008.

Among LTO respondents, 67 percent rated their overall treatment as "very good" or "good" in the 2008 survey, as compared with 43 percent in the 2007 survey, an improvement of 24 percent. Similarly, the percentage of "very good" and "good" responses for quality of information increased from 35 percent to 53 percent; and for availability and timeliness of information, the increase was from 37 percent to 52 percent.

In preparing and filing monthly tax declarations, 59 percent of businesses responding to the survey indicated that, on average, their employees spend no more than a day preparing and filing monthly tax declarations. For large taxpayers, 54 percent indicated that they spend only one day or less, as compared with 24 percent in 2007. Perhaps most important is that 81 percent of the businesses interviewed indicated that they never make gifts when dealing with taxes and tax collection.

ALBANIA THRESHOLD PROJECT / ENI GJINA

**Two public procurement staff members take the e-procurement system tutorial developed by the MCC Threshold Project. During the first year of the project, the project team trained PPA staff and worked with them to orient more than 800 procurement officers throughout Albania on the features of the new public procurement law and procedures.**

CHAPTER FOUR

# PUBLIC PROCUREMENT

Public procurement in Albania totals approximately $1.3 billion annually, or one-third of public expenditures. Of this amount, nearly 90 percent is procured through the budgets of central government agencies and parastatal organizations, chiefly the Albania Power Corporation (KESH), with the remainder in the budgets of municipalities and communes. In all, there are more than 2,000 contracting authorities and 6,000 procurement officers, many working only part-time in procurement. A total of 7,000-8,000 procurement actions are processed each year.

## LEGAL AND REGULATORY FRAMEWORK: A NEW PUBLIC PROCUREMENT LAW

When the project began, the EU-funded program Support for Public Procurement System (SPPS) was finishing work on a draft public procurement law (PPL) that established principles, procedures, and controls in conformity with EU standards. The project team provided technical assistance to the relevant parliamentary commissions during hearings on the draft law, and Parliament agreed to add provisions authorizing electronic procurement. The team also supported Parliament's consideration of the provisions establishing the Public Procurement Advocate. After enactment of the new PPL, the team helped draft the secondary legislation and standard bidding documents required for implementation.

## INSTITUTIONAL CAPACITY BUILDING: PUBLIC PROCUREMENT AGENCY

An important counterpart from the outset has been the Public Procurement Agency (PPA), the supervisory and training authority for all central and municipal government procurements. During the first year, the

project team trained PPA staff and worked with them to orient more than 800 procurement officers throughout Albania on the features of the new law and procedures. The team helped upgrade the PPA website to enable free uploading of tender documents for all procurements. As a result, bidders no longer have to buy printed tender documents. This change alone has resulted in substantially increased participation by companies in the public procurement process — in particular, by small and women-owned companies that previously would not have been able to afford the cost of bidding.

To support PPA in using the new system, the project team provided servers and peripheral equipment to upgrade the agency's IT infrastructure and established databases. The PPA IT staff worked with the team to test the EPS during its various stages of development. Following final approval of the EPS, the project team and PPA staff collaborated to train more than 1,000 procurement officers, magistrates, and economic operators to use the new system.

## INSTITUTIONAL CAPACITY BUILDING: PUBLIC PROCUREMENT ADVOCATE'S OFFICE

To accommodate donor demands for a workable procurement remedies structure based on best international and EU practices, the government created the Public Procurement Advocate's Office (PPAO) under the Public Procurement Law. The PPAO has the dual responsibility of (i) investigating complaints involving procurement and recommending remedial action where warranted, and (ii) monitoring the performance of the procurement system. In late 2007, the government staffed the new organization and renovated office space for the PPAO. The project team purchased furniture, office equipment, and signage for the PPAO; developed standard operating procedures for complaint processing; and trained investigators in their use. PPAO staff were also trained in customer relations, use of the EPS for investigation and statistical analysis, and procurement ethics.

## PUBLIC OUTREACH AND AWARENESS: FILING COMPLAINTS

As a completely new agency operating under a new concept, the PPAO required an outreach campaign to make the public aware of its services. In December 2007, the project developed and aired a nationwide TV spot dramatizing the role of the PPAO and building its image as an independent organization that fights for the rights of bidders. The campaign achieved the desired results in raising public awareness of the new remedy process, as evidenced by the increasing number of complaints filed. The 2008 Business Impact Survey found that 73 percent of the businesses that have submitted tenders in the last three years are aware of the advocate's office. During its first 10 months of operation (November 2007-August 2008), the PPAO received 267 procurement complaints, and all but five of these have been processed. The Public Procurement Agency followed the recommendations

## KEY RESULTS: PUBLIC PROCUREMENT

- Complete package of standard bidding documents and regulations implementing the new PPL approved
- All procurement notices and tender documents downloadable from website
- All ministries using e-procurement system
- 73 electronic tender awards totaling $29 million in value during the first 9 months of 2008
- Procurement advocate processed more than 200 complaints
- More than 1,000 contract officers and economic operators trained to use EPS
- Two Procurement Technical Assistance Centers established
- Average of more than 6 bidders per tender

of the PPAO in approximately 90 percent of all cases in which they have ruled after receiving the PPAO recommendations. The project team worked with the PPAO to draft its first annual report to Parliament, presented by the director in May 2008. The report covered the PPAO's first two months of operation, November-December 2007, during which 38 complaints were processed. The report noted several instances in which the PPA had not followed the law or its own procedures.

### SUSTAINABILITY: BUILDING PRIVATE SECTOR E-PROCUREMENT CAPACITY

The project team's e-government implementation strategy rested on the principle of empowering businesses and citizens. In public procurement, the focus was on elevating the knowledge, skills, and professionalism of private sector employees who sell goods and services to the government. Throughout the second year of the project, extensive training was provided to economic operators in using the electronic procurement system. More than 500 vendor employees participated in these two-day sessions, receiving hands-on instruction in advance of electronic tenders in which their companies planned to participate.

In addition, the team developed a master's-level course in procurement for the faculty of economics at the University of Tirana. The 12-session course was piloted in early 2008 with international instructors. A total of 24 students, mostly lawyers and economists, completed the course, passed the exam, and received certificates.To create sustainable capacity for technical assistance to vendors in using the electronic procurement system after the project ended, the team equipped and trained Procurement Technical Assistance Centers at the American and Albanian chambers of commerce. These organizations are now able to assist new bidders on a fee basis.

### RESULTS OF PUBLIC PROCUREMENT SUPPORT

The electronic procurement system received final approval in March 2008. In the following six months, 20 central and municipal government agencies issued notices for more than 200 e-procurements, with estimated budget amounts in excess of $100 million. Since the beginning of July, awards through electronic procurement are averaging more than 20 per month. Contract authorities who have used the procurement system have expressed high satisfaction with the system performance and many are converting to electronic procurement as their standard procedure.

External monitoring of the procurement system's performance showed a marked increase of confidence and participation in the system. More than 300 companies have submitted one or more bids electronically since the system was approved in March 2008. Since the EPS was put in place, the number of firms tendering electronically each month has increased dramatically, beginning with two in March, and reaching 159 in July.

# FIRST PERSON
# New Center Eases Way for Business

ALBANIA THRESHOLD PROJECT / KATHY CAMP

*Majlinda Hakani went from independent consultant to registered business owner in one day. "The 24-hour turnaround is definitely a step in the right direction to make entrepreneurs' lives easier," she said.*

Majlinda Hakani needed to register her financial consulting business quickly. An independent consultant since 2007, Hakani had received a short-term offer, but her client could use her services only if her business were legally registered. "It was one of those cases when the client needs a decision today and the report yesterday," she said.

Due to a major public outreach effort by the Albanian government, Hakani knew that business registration had been transformed by the MCC Albania Threshold project. While it used to take a month or more to register a business, the process takes about one day now. As a consultant to corporations, Hakani was well aware of the "headaches, queuing, and nerves" associated with registration in the past. "I was happy to learn that USAID had gotten ahold of this problem and had created a one-stop shop," she said.

On May 10, 2008, Hakani visited the National Registration Center headquarters in Tirana. She waited about five minutes, then a service window clerk completed the necessary paperwork in about 10 minutes. Twenty-four hours later, Hakani returned to collect her registration, which gave her business a legal identity and taxpayer number, and she was ready to accept her client's offer.

The process was so quick that Hakani hardly had time to consider one issue that had prevented her from registering earlier: the name of her business. "I wanted a name that established a consistent identity and matched the services I offer," she said. A friend had suggested "Hakani Consulting," pointing out that the evenly spaced vowels of her surname would be easy for people from various countries to pronounce. "I had no time and no other choices," Hakani said. "I'm still getting used to it, but I'm happy with the name."

As confidence and participation have increased, new procurement technology is fast becoming the standard. According to the 2008 Business Impact Survey, 63 percent of surveyed businesses that intend to participate in a tender in the next 12 months are "very receptive" to submitting the tender documents online, and they cite the PPA website as the source from which they would most like to receive information. The PPA website and the online PPA Announcement Bulletin are cited as the most frequently used sources of information about tenders and procurement procedures, with 63 percent and 31 percent, respectively. Specifically for Tirana-based businesses, the PPA website was by far the most used source (68 percent) while for businesses outside of Tirana, the PPA site and visits to the government were the first cited sources by 46 percent each. Use of the website by large businesses increased from 46 to 68 percent between 2007 and 2008.

According to the survey, 73 percent of businesses know that the Public Procurement Advocate's Office exists. The availability of an effective remedy for procurement abuses has clearly increased public confidence in the system.

Increased participation by businesses has resulted in cost savings to the government, and this result is consistent with microeconomic theory, i.e. that increased competition translates into lower prices paid. Empirical studies of competitive procurement in the United States, in particular the work of Nobel-Prize-winning economist George Stigler, have found that increasing the number of bidders can produce substantial savings for government budgets. Some savings are achieved by adding a second bidder, and additional gains accrue up to 20 bidders; however, most of the potential savings are achieved once the number of bidders reaches six to eight, because collusion becomes impractical at that level of competition.

Preliminary analysis of electronic awards to date in Albania confirm this result. The average number of bidders for electronic tenders has been increasing steadily, reaching an average of nearly six bidders in September. Savings against budgeted amounts has increased along with the number of bidders, reaching 15-20 percent for e-procurements in which six or more bidders participated. Average savings for the 73 e-procurement awards to date has been 15 percent. In contrast, where the government issued notices using the manual (paper) process, the average number of bids per tender was 2.5, which has not changed significantly in 2008. More than 75 percent of the paper procurements had only two bidders, so collusion is very possible. Average savings against budgeted amounts in manual procurements are in the range of 6 to 8 percent.

Armed with these dramatic results, the prime minister announced in September 2008 that he will seek a legislative amendment to the PPL to require 100 percent use of e-procurement by central government agencies. He also urged local governments and communes to use the system.

ALBANIA THRESHOLD PROJECT / EDLIRA MUHEDINI

**Business owners are expedited through the commercial registration process at the National Registration Center in Tirana. Efficient and organized, the center was created in September 2007, only a year after the MCC Threshold Project was initiated. Because registration through the NRC also automatically includes registration with the tax authorities, the expanded tax base will produce additional revenues, thus helping the Government of Albania keep tax rates at current levels as demands on government increase.**

CHAPTER FIVE

# BUSINESS REGISTRATION

A number of governments worldwide have established fast, inexpensive, and easy business registration procedures in an effort to increase business start-ups and investment. Albania opted for the "one-stop shop" concept for business registration as the best available approach, given the state of technology in Albania at the time. The *Doing Business in South East Europe 2008* report cites Albania as "an ambitious recent reformer … slash[ing] the time and cost of starting a business."

The National Registration Center (NRC) replaced an archaic and fragmented process of commercial registration through a judicial review process at the Tirana and district courts, followed by additional registrations at the tax authority, the social and health insurance authorities, and the municipality. The average time required under the old process was 47 days.

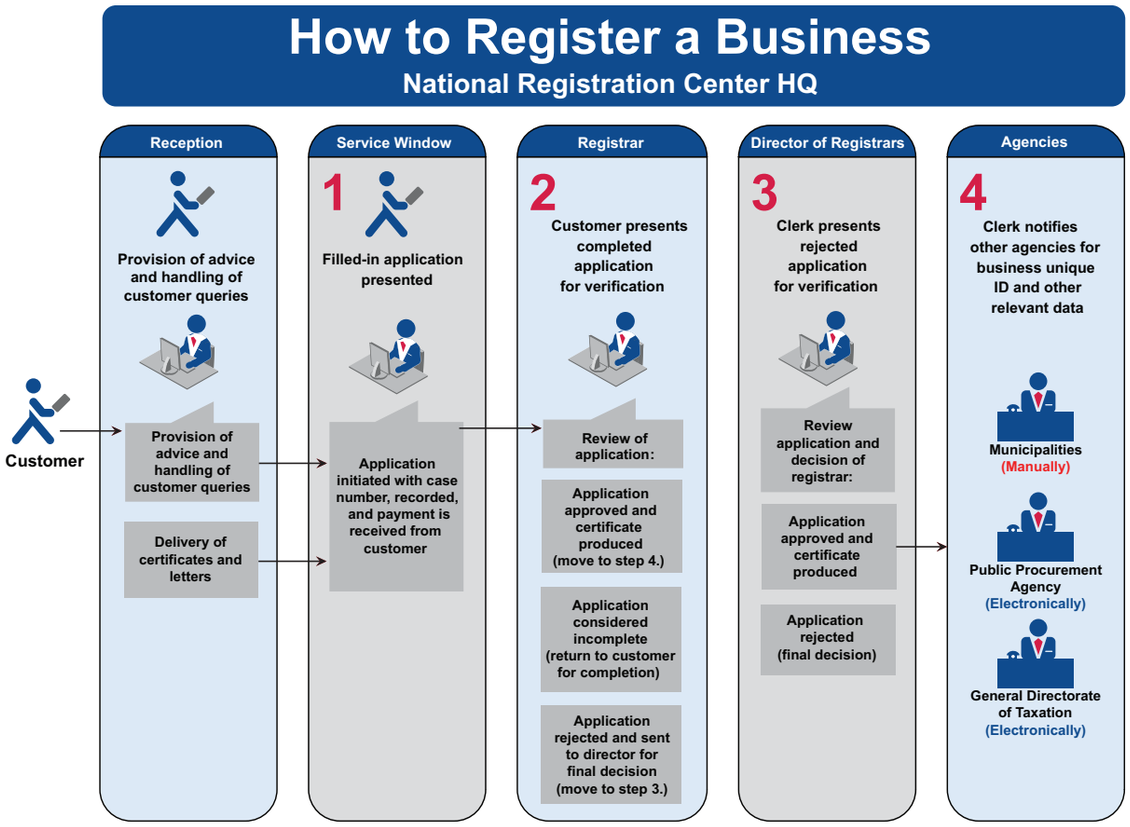
The new system requires presentation of an application and supporting documents at any service window location, regardless of where the business is located or where the owners live. Applicants spend about 30 minutes submitting an application, then return one day later to collect the registration certificate. During its first year of operation in Tirana and 11 networked municipal locations, the NRC processed nearly 85,000 applications, including more than 18,000 new business registrations. The public can access all business registration data through the NRC website.

Currently, businesses can submit an application for registration online but must appear at a service window afterward to prove their identity and sign the application. Once an electronic system of national identity cards is in place, a fully online business registration could be adopted, as is currently used in a few countries.

## LEGAL AND REGULATORY REFORM: NATIONAL REGISTRATION CENTER LAW

The most serious challenge facing the project team in establishing the NRC was the compressed time frame. Successful reform depended on opening the main registration facility within one year of project start-up. A rapid start-up for the NRC would allow for a full year of operation with project support, plus provide a foundation of electronic business registration for e-government work in tax administration and public procurement. The project design prepared by the MCC and USAID was based on a schedule whereby, at project start-up, (i) the legislation establishing the NRC would already have been enacted and (ii) the government would have identified and renovated space to house the facility. As it turned out, work began just as the government approved

## REGISTRATION PROCESS GUIDE FOR NRC CLERKS



## KEY RESULTS: BUSINESS REGISTRATION

- Nearly 93,000 applications processed in the first 12 months of operation of NRC
- More than 19,000 new businesses registered
- One-day turnaround achieved at all 12 registration locations
- Fully electronic commercial registry online and publicly accessible
- 95 percent awareness of NRC in the business community
- 90 percent user satisfaction

a policy paper on the one-stop shop concept, developed under separate USAID funding. Before undertaking any implementation work, the project team had to draft legislation establishing the NRC and work toward expeditious enactment. This effort was subcontracted to local organizations that had been involved in development of the policy paper on reforming the business registration system in Albania. Parliament enacted the NRC law on May 3, 2007. This seven-month development period was record time for a piece of major legislation, especially considering that two months were lost in January and February while key government officials and legislators campaigned for elections.

To avoid losing more time on the critical path, the team developed in parallel the harmonizing amendments and secondary legislation required to put the law into operation. Both sets of documents were approved by the Council of Ministers within a few weeks after enactment of the law. During the legislative development period, the project worked with the prime minister's office to identify suitable space for the main facility in Tirana. They also developed and tested the registration software.

The rapid progress of the NRC legislation benefited from close cooperation with the minister of economy, who conducted hearings with business associations and municipal governments to include their concerns and gain their support. The resulting legislation contained several key political compromises that smoothed the way for enactment, although they reduced the scope of reform and complicated its implementation. Among the most important provisions were:

- Exemption of nongovernmental organizations from coverage by the NRC. They continue to register separately with the courts and the Tax Authority.
- Commitment to establish service windows in all 29 municipalities where the commercial courts previously provided registration services.
- Grandfathering tax-registered businesses into the new system using their existing tax identification numbers, and without a requirement to re-register or update their registration information.

### INSTITUTIONAL CAPACITY BUILDING: NATIONAL REGISTRATION CENTER

Once the NRC law was enacted, the project team had a scant 12 weeks to design and build a new facility, purchase furniture and equipment, install the new software, create a database using the GDT master tax file for businesses, train NRC staff to use the software, transfer the existing court registration documents from the commercial courts throughout Albania to the NRC facility in Tirana, and notify the public concerning the new registration location. All this was accomplished in record time, relying on the efforts of project staff and Albanian subcontractors and in close cooperation with government counterparts.

# FIRST PERSON
# Saving Time and Money for Growth

ALBANIA THRESHOLD PROJECT / KATHY CAMP

*Ismail Bardhi re-registered and expanded his refrigeration business after the Albanian government significantly reduced the average registration time.*

In 2007, Ismail Bardhi saw an opportunity to expand his refrigeration business to include mobile units for transporting fresh food. But because he would have to re-register his business to expand it, he kept postponing the change. When he had originally registered his business in 1997, it had taken more than a month and required nearly 12,000 leke ($150) in lawyers' fees. It had also meant repeated visits to the courts and the tax office for an official ID number.

In 2008, Bardhi heard about the newly established National Registration Center created by the MCC Albania Threshold project. "I found out that the only thing I had to do [to re-register] was to prepare a decision on behalf of all company partners and then spend a few minutes to show it to the proper people," he said. The NRC's revamped registration process reduced the average registration time from 47 days to 1 day.

In mid-April, Bardhi assembled the necessary documents and 100-leke fee and visited the NRC headquarters in Tirana. "It was a very welcoming atmosphere," he said. "The people who greet you are always smiling, and they ask how they can serve you."

Bardhi emphasized that the NRC's professional, service-oriented approach cut against the favoritism that more casual operating environments can permit. Service did not depend on personal relationships, the mood of the clerk, or other exchanges, as had been the case in the past. "It was important to me that in the NRC, no one was more special than another," he said. "Everyone got a number and was served when that number came up. In this new model, each person is equally important."

## PUBLIC OUTREACH AND AWARENESS: ONE-STOP BUSINESS REGISTRATION

The team hired a local firm to develop and implement a media campaign to introduce the NRC to the business community. The campaign featured print articles and notices posted on commercial court buildings alerting businesses to the change of venue for submitting applications. A TV spot promoted the advantages of the new registration process. The TV spot created so much demand that it was taken off the air for two months until the NRC could expand its capacity.

## RESULTS OF BUSINESS REGISTRATION SUPPORT

During its first year of operation in Tirana and 11 networked municipal locations, the NRC processed nearly 93,000 applications, including more than 18,000 new business registrations. More than 90 percent of applications were processed and approved within 24 hours. Customer satisfaction with the service received exceeded 90 percent.

The public can access all business registration data electronically through the registration center's website. The GDT and PPA are linked electronically to the NRC and exchange business data on a daily basis. This increases transparency in operations, ensures that the two institutions receive reliable data, contributes to expansion of the tax base, and reduces the "shadow" economy.

### FEEDBACK ON E-SERVICES

" At the NRC, it's very nice to go because the people are very welcoming. The clerks are very pleasant, communicative, and helpful. When you go to government offices, the reason you have gone there is stressful to begin with. It makes you feel good when you see someone that is smiling and communicating and offering to help."

— BUSINESS OWNER

"I like it more now that it's a public relations way of doing things. Now you don't have to become a friend to the tax officer so he gives you more services. You don't have to worry about being friendly or give a coffee to a tax officer so they treat you kindly."

— BUSINESS OWNER

ALBANIA THRESHOLD PROJECT / AGIM DOBI

**Project staff members interact with businesses at the new GDT Headquarters' Taxpayers Service Center. The project's IT subcontractor developed new customer relation management software to support processing and departmental management functions and subsequently improve taxpayer service at the center.**

CHAPTER SIX

# BEST PRACTICES AND LESSONS

## KEY SUCCESS FACTORS

Three main factors are responsible for the achievements of the project. All relate to the strategic cooperation received from Albanian government counterparts. First, the government showed great persistence and commitment to achieving project goals. Second, the government put in place new policies, created new institutions, and reoriented other institutions toward the efficient delivery of public services. Third, the government emphasized the use of IT to improve the transparency and efficiency of public services.

## IMPLEMENTATION OF ANTICORRUPTION THROUGH E-GOVERNMENT: LESSONS LEARNED

The high-level policies and program strategies for the project were built into USAID's project design pursuant to the TCP. The project team's role was to propose an implementation strategy and tactics and consult with USAID through the work planning and review process. The team also had to adjust to the compressed time frame, and to the special needs and constraints of anticorruption programs. Below are some of the salient features of the implementation approach.

- Plan and conduct initiatives in parallel. Policy reforms typically require several years to work their way through government. It was clear from the beginning that to achieve its objectives, the project could not follow the standard sequential model of legislative reform followed by administrative reform, training of public servants, public outreach, and training of users. Instead, some of these activities were undertaken in parallel.

- Take calculated risks. Conducting tasks in parallel required taking such risks, especially in the public outreach area. Time-limited, carefully crafted experiments were used to identify the best implementation tactics. If an initial approach was not providing the desired results, the team tried a new one.

- Stimulate demand for improved public services through media campaigns. Once public expectations are raised and the public becomes used to a higher level of service, reforms become irreversible. The TV spot announcing one-day registration was aired immediately after the NRC facility opened. For the first three months, one-day turnaround was the exception — some applicants waited weeks. Their complaints appeared in the press, which put pressure on the government to add

ALBANIA THRESHOLD PROJECT / AGIM DOBI

**The previous GDT building (left), with its more traditional structure, stands in contrast to the modern GDT building (below). Assistance in improvement of GDT infrastructure for taxpayer services began in the first year of the project, in parallel with development of the tax procedures law. Highly visible successes created credibility for the tax reform effort, giving impetus to the legislation initiative and winning support in the business community.**

ALBANIA THRESHOLD PROJECT / EDLIRA MUHEDINI

resources to make one-day registration a reality.

- Use deadlines imposed by public events to focus attention on work plan tasks. Dedication ceremonies present an excellent opportunity to dramatize the availability of a new service. The project team programmed funds for unveiling ceremonies for highly visible infrastructure, including new facilities for four of the five counterpart agencies. Knowing that the prime minister had agreed to speak at a dedication ceremony provided access to key government officials and motivated all players to stay on schedule.

- Test systems extensively and repeatedly with small groups of trained users before rolling them out, and monitor them to determine when and where retraining is required. While calculated risk-taking helps energize the reform process, spectacular failures do not. Wherever it was feasible, the team attempted to minimize risk by implementing in stages. For example, the tax e-filing modules were tested and revised for six months with a core group of taxpayers who were willing to serve as test subjects before the modules were promoted to thousands of taxpayers.

  Similarly, as it was not known what problems would be encountered, the team resisted pressure to open all the remote NRC service windows at once, limiting rollout to two locations per month and learning from each experience.

- Look for synergies in assistance to multiple beneficiaries. Although business registration, tax administration, and procurement reform needs often varied, time and resources were saved by combining some interventions, such as customer service training.

- Transfer ownership of initiatives to beneficiaries as soon as feasibility and value are demonstrated. Ownership by the counterpart guarantees sustainability. For example, the data cleaning process to create an electronic commercial registry was turned over to the NRC once the initial data matching operations had been conducted and the feasibility of the methodology had been established.

- Use local subcontractors wherever feasible, and procure goods and services competitively. Competition provides better service, conserves resources, and improves the image of the project in the local business community. All IT hardware, furniture, and construction services for counterparts were procured competitively. The savings achieved enabled the team to stretch project funds and procure additional goods and services.

- Keep other donors and implementers informed to avoid duplication. Coordination of donor efforts is essential to prevent waste, confusion, and undermining of project

# FIRST PERSON
## Business Owners Upgrade to Downloads

ALBANIA THRESHOLD PROJECT / KATHY CAMP

*Like bookstore owner Ferhat Muhedini, an increasing number of Albanian businesses are now downloading their tax forms to save time and money, and to avoid unwanted requests for "grease" payments.*

The way Ferhat Muhedini sees it, he has three children: a daughter, a son, and his bookshop. In the early 1990s, he and his father began selling books from a street kiosk shortly after waning communist power abolished publishing restrictions. In 2001, he established Friends Book House. Just as with his son and daughter, Muhedini is fiercely protective of his book business, but until recently he felt at the mercy of the tax inspectors.

Until April 2008, small business taxpayers — who represent 75 percent of all taxpayers — had to visit their assigned tax inspectors every three months to collect the preprinted forms necessary to pay Albanian taxes. Without these forms, businesses could not comply with tax laws, and some tax inspectors took advantage of this situation.

In April, Muhedini downloaded his tax forms for the first time from the Internet — an option made available by the Albanian government through the MCC Albania Threshold project. Rather than the usual three days, it took Muhedini about three hours to complete the process, from printing to payment.

"It's an incredible change," he said. "When I went to the tax office to have my payroll form signed by the tax inspector, she actually asked what kind of business I had. She had no idea. She didn't ask for anything, and the whole communication was quick and professional. She did her job, I did mine, and that was it."

Under the new regime, Muhedini said, "there is no more stress because of an arbitrary tax inspector. Instead, you have more time to deal with your business and think creatively about offering more services to clients."

PARTNERS ALBANIA/KLOTILDA TAVANI

**To ease their transition into new functional departments, GDT employees participate in a tax appeals training in July 2008. After enactment of the new tax procedures law, the project team developed and administered skill-based courses in tax appeals and other procedures. A training of trainers approach was used for all the skills training, in keeping with the sustainability objectives of the project.**

activities. Periodic coordination with the EU produced more efficient donor assistance to the GDT and Customs, the PPA, and KESH.

- Educate the media on how to talk about project objectives and successes. Anticorruption initiatives involving public policy tend to be complex, and the press needs guidance. The team trained the media and counterpart agency public affairs officials on reform processes and goals.

- Ensure commitment to achieving project objectives from all levels of relevant counterparts: High-level government counterpart commitment is an essential step in achieving significant results in a short period of time. It was through the good cooperation and commitment of top officials that the project was able to accomplish institutional change.

To most optimally support a fast-paced project, counterpart personnel at a variety of levels should be included in the design of project goals and activities. It is particularly important that the staff who will be involved in the oversight and activities on a daily basis understand the intended achievements and the steps that will be necessary to attain them.

ALBANIA THRESHOLD PROJECT / AGIM DOBI

**IT staff members update the National Registration Center's website, created to provide free public access to business registration data. The GDT and PPA are linked electronically to the NRC and exchange business data on a daily basis, thereby increasing transparency in operations and reducing the "shadow" economy. Introduction of easily accessible data through counterpart websites improves the business climate, attracts investment, and stimulates demand for further improvements in public administration.**

CHAPTER SEVEN

# RECOMMENDATIONS AND CONCLUSIONS

## RECOMMENDATIONS

1. *Measure progress against anti-corruption objectives in terms of system performance and behavioral change rather than attitudinal change.* In two years, the Albanian government radically changed its way of interacting with the business community in three important areas. While the vast majority of businesses are aware of at least some reforms and have benefited from them in terms of improved public services, core attitudinal changes typically require generations rather than years.

   Because it can take a long time for public opinion to catch up with and reflect experience, short-term projects should measure their impact on new behaviors rather than on perception of behaviors. MCATA measured awareness and behavioral change through the Business Impact Survey, the NRC Performance Monitoring Survey, and the Online Tax Survey, and by directly monitoring the use of e-services provided by the project. The Government of Albania has publicly recognized the contribution of MCC project activity to the collection of 106 percent of forecasted tax revenues for the first semester of 2008.

2. *Continue to raise public expectations and promote demand for system change.* The project design and e-governance approach assumed that the driving force for reform would be demand by the business community for improved services. Stimulating demand and raising expectations and standards usually leads to improved services, whereas underpromising usually produces the opposite

## PROJECT SUCCESSES PRAISED BY OFFICIALS

"I am taking advantage of this occasion to extend my deep gratitude to the American taxpayers, the American government, and the Millennium Challenge Threshold Agreement Program for the most valuable assistance, consisting of not only financial contributions but also for the transfer of know-how of international best practices in the area of registration of businesses."

— SALI BERISHA, PRIME MINISTER OF ALBANIA

"We see the success of [NAIS] as our assurance that reforms now under way — and the e-governance systems underpinning them — will be sustained after our assistance ends."

— HENRIETTA H. FORE, USAID ADMINISTRATOR
AT THE NAIS DEDICATION CEREMONY, MAY 19, 2008

result. Better services lead to an improved business environment, greater investment, and improved economic growth, as shown by the unprecedented leap in registration of new businesses after the new systems were instituted.

3. *Conduct performance monitoring of e-services through Internet surveys of users.* The best way to find out whether systems are working and whether users are satisfied is to ask their opinions immediately after they use the services. Identifying and targeting actual users is key to assessing the utility of e-services. MCATA used exit interviews to measure system performance and user satisfaction in the NRC Performance Monitoring Survey, and a pop-up online survey to measure satisfaction and diagnose problems in using the e-tax services.

4. *Charge reasonable processing fees that cover the cost of services and empower the private sector to train users with fee-paid courses.* Government has limited resources and many demands. Businesses will pay for improved services, and they will pay to learn how to use them better. The Business Impact Survey established that businesses are willing to pay higher fees for NRC services. Fees currently cover only about 10 percent of the cost of operating the NRC system.

## CONCLUSIONS

Albania has improved its business climate by streamlining and modernizing key processes. More importantly, it has taken key steps to reduce opportunities for corruption and earn the confidence and trust of citizens, businesses, and foreign investors.

Automated systems now provide business owners with simpler, faster procedures to register, pay taxes, and bid on government tenders. Twelve locations allow complete one-stop businesses registration within 24 hours. Public procurement documents can be obtained free of charge on a website, and the electronic system contains stringent controls that prevent manipulation of awards.

A new agency is investigating and acting on complaints of irregularities in the public procurement process. Businesses can download all tax forms and pay taxes online. A new government agency maintains the supporting IT, providing sustainability. Because of the commitment and collaboration of the Albanian government, the Millennium Challenge Corporation, and USAID, Albania's fight against corruption has made significant strides.

APPENDIX A

# FINAL RESULTS REPORTING TABLE

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **PIR 1.0 Corruption in Tax Policy and Administration Reduced** | | | | | | | | | | | | |
| Indicator 1.0.1 | Percentage of firms stating bribery is frequent in tax collection | 35% | 42% | Target | 42% | - | - | - | 40% | 37% | 36% | 35% |
| | | | | Actual | 42% | - | - | - | 26% | N/A | N/A | 19%[1] |
| **KRA 1.1 Tax Laws, Regulations and Explanatory Guidance Clarified** | | | | | | | | | | | | |
| Indicator 1.1.1 | Number of tax laws, secondary legislation and regulations reviewed, drafted, revised, and/or amended | 29 | 0 | Target | 5 | 10 | 15 | 24 | 26 | 27 | 28 | 29 |
| | | | | Actual | 6 | 10 | 19 | 20 | 20 | 20 | 22 | 31 |
| Indicator 1.1.2 | Quality of explanatory tax guidance provided by the project | 95% | 0% | Target | - | - | - | - | - | - | N/A | 95% |
| | | | | Actual | - | - | - | - | - | - | 99% | 99%[2] |
| **KRA 1.2 Preventative Measures to Reduce Corruption Institutionalized** | | | | | | | | | | | | |
| Indicator 1.2.1 | Percentage of taxpayer accounts available electronically | 100% | 0% | Target | - | - | - | - | - | - | 50% | 100% |
| | | | | Actual | - | - | - | - | - | - | 41% | 100% |
| Indicator 1.2.2 | Number of tax office visits required | 0 | 4 | Target | - | - | - | - | - | - | - | 0 |
| | | | | Actual | - | - | - | - | - | - | - | 1 |
| Indicator 1.2.3 | Percentage of returns filed electronically by LTO - Tirana taxpayers | 15% | 0% | Target | 5% | 5% | 5% | 5% | 15% | 15% | 15% | 15% |
| | | | | Actual | 0% | - | - | - | 15% | 20% | 33% | 47%[3] |
| Indicator 1.2.4 | Tax revenues collected by the Large Taxpayers Office as a percentage of total tax revenues | 50% | 30% | Target | 30% | 30% | 30% | 30% | 50% | 50% | 50% | 50% |
| | | | | Actual | 40% | 49% | 51% | 51% | 51% | 49% | 50% | 50%[4] |

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **KRA 1.3 Accountability for Errors in Tax Collection Enhanced** | | | | | | | | | | | | |
| Indicator 1.3.1 | Average time to prepare, file, and pay (or withhold) three major types of taxes | 200 hours | 240 hours | Target | - | - | - | 220 | - | - | - | 200 |
| | | | | Actual | - | - | - | 240 | - | - | - | 190 |
| Indicator 1.3.2 | Taxpayer satisfaction with tax service | 70% | 0% | Target | - | - | - | - | - | - | - | 70% |
| | | | | Actual | - | - | - | - | - | - | - | 89%[5] |
| Indicator 1.3.3 | Average number of tax payments paid per firm per year | 25 | 53 | Target | 53 | - | - | - | 52 | 52 | 25 | 25 |
| | | | | Actual | N/A | - | - | - | 44 | - | - | 36 |
| Indicator 1.3.4 | Tax Court established[6] | 1 | 0 | Target | 0 | - | - | - | 1 | 1 | 1 | 1 |
| | | | | Actual | 0 | - | - | - | - | - | - | - |
| **KRA 1.4 Taxpayer Awareness of New Legal Framework and Compliance Increased** | | | | | | | | | | | | |
| Indicator 1.4.1 | Number of businesses consulted in advance of finalizing the new tax law | 110 | 0 | Target | - | - | - | 50 | 110 | - | - | - |
| | | | | Actual | - | - | - | 51 | 111 | - | - | - |
| Indicator 1.4.2 | Percentage of taxpayers aware of new procedures | 75% | 0% | Target | - | - | - | - | - | - | 55% | 75% |
| | | | | Actual | - | - | - | - | - | - | N/A | 95%[7] |
| **PIR 2.0 Public Procurement Transparency Increased and Corruption Reduced** | | | | | | | | | | | | |
| Indicator 2.0.1 | Value of gift expected to secure government contract as a percentage of contract value | 2% | 6.15% | Target | - | - | - | - | - | - | - | 2% |
| | | | | Actual | - | - | - | - | - | - | - | 1% |

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Indicator 2.0.2 | Percentage of firms saying bribery is frequent to obtain government contracts | 35% | 42% | Target | - | - | - | - | - | - | - | 35% |
| | | | | Actual | - | - | - | - | 26% | - | - | 17%[8] |
| Indicator 2.0.3 | Percentage of procurements completed electronically | 2.5% | 0% | Target | - | - | - | - | 1% | 1.5% | 2% | 2.5% |
| | | | | Actual | 0% | - | - | - | - | - | 0.2% | 2.1%[9] |
| Indicator 2.0.4 | Percentage of public procurements openly competed | 60% | 35% | Target | N/A | N/A | N/A | N/A | 45% | 50% | 55% | 60% |
| | | | | Actual | N/A | N/A | N/A | N/A | N/A | 36% | 50% | 54%[10] |
| Indicator 2.0.5 | Reduction in the cost of government procurements | -20% | 0% | Target | 0% | - | - | -5% | -5% | -10% | -15% | -20% |
| | | | | Actual | - | - | - | - | - | - | - | - 15% |
| **KRA 2.1 Regulations and Explanatory Guidance Developed and Implemented** | | | | | | | | | | | | |
| Indicator 2.1.1 | Number of procurement regulations developed, reviewed, and/or revised | 8 | 0 | Target | 0 | 0 | 0 | 0 | 2 | 3 | 4 | 8 |
| | | | | Actual | 3 | 5 | 6 | 6 | 7 | 7 | 7 | 7 |
| Indicator 2.1.2 | Quality of explanatory guidance provided by the project | 95% | 0% | Target | - | - | - | - | - | - | - | 95% |
| | | | | Actual | - | - | - | - | - | - | 93% | 95%[11] |
| **KRA 2.2 PPA Capacity for Transparent Process Institutionalized** | | | | | | | | | | | | |
| Indicator 2.2.1 | Percentage of Public Procurement Bulletins published electronically | 100% | 0% | Target | 12.5% | 25% | 37.5% | 50% | 62.5% | 75% | 87.5% | 100% |
| | | | | Actual | - | 13% | 25% | 38% | 51% | 63% | 76% | 100% |
| Indicator 2.2.2 | Percentage of PPA staff trained in new procurement policies | 100% | 0% | Target | - | 92% | 92% | 92% | 100% | 100% | 100% | 100% |
| | | | | Actual | - | 92% | 92% | 92% | 92% | 92% | 100% | 100% |

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Indicator 2.2.3 | Percentage of PPA staff trained in IT integration and using e-procurement process | 100% | 0% | Target | - | 30% | 40% | 50% | 75% | 100% | 100% | 100% |
| | | | | Actual | - | 32% | 48% | 48% | 60% | 60% | 80% | 100% |
| Indicator 2.2.4 | Number of procurement officers and public officials trained | 2,000 | 0 | Target | - | 400 | 400 | 700 | 1,000 | 1,500 | 1,700 | 2,000 |
| | | | | Actual | - | 411 | 411 | 618 | 714 | 767 | 850 | 898 |
| **KRA 2.3 Business Empowered to hold the PPA Accountable for Compliance and Procurement Process** | | | | | | | | | | | | |
| Indicator 2.3.1 | Number of economic operators trained in new public procurement law and regulations | 600 | 0 | Target | - | 0 | 0 | 300 | 350 | 400 | 500 | 600 |
| | | | | Actual | - | 97 | 97 | 97 | 193 | 204 | 420 | 505 |
| **KRA 2.4 Private Sector Awareness of New Legal Framework and Compliance Increased** | | | | | | | | | | | | |
| Indicator 2.4.1 | Percentage of businesses aware of electronic procurement system | 40% | 0% | Target | - | - | - | - | - | - | - | 40% |
| | | | | Actual | - | - | - | - | - | - | - | 89%[12] |
| Indicator 2.4.2 | Percentage of businesses aware of the new Procurement Advocate Office | 40% | 0% | Target | - | - | - | - | - | - | - | 40% |
| | | | | Actual | - | - | - | - | - | - | - | 73%[13] |
| **PIR 3.0 Corruption in the Business Registration Process Reduced** | | | | | | | | | | | | |
| Indicator 3.0.1 | Percentage of businesses that paid a bribe to register | 5% | 19% | Target | - | - | - | 15% | - | - | - | 5% |
| | | | | Actual | 19% | - | - | - | - | - | - | 0% |

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **KRA 3.1 New Business Registration Legal Framework and Explanatory Guidance Developed and Implemented** | | | | | | | | | | | | |
| Indicator 3.1.1 | Number of commercial registry-related laws reviewed, drafted, revised, and/or amended | 29 | 0 | Target | 0 | 0 | 0 | 29 | 29 | 29 | 29 | 29 |
| | | | | Actual | 25 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Indicator 3.1.2 | Level of NRC staff knowledge as reported by NRC customers | 90% | 0% | Target | - | - | - | - | - | - | 90% | - |
| | | | | Actual | - | - | - | - | - | - | 89%[14] | - |
| **KRA 3.2 National Business Center Established and Operationalized** | | | | | | | | | | | | |
| Indicator 3.2.1 | Number of new businesses registered through the NRC | 15,000 | 0 | Target | - | - | - | 500 | 2,650 | 6,650 | 14,000 | 15,000 |
| | | | | Actual | - | - | - | 516 | 3,711 | 12,098 | 16,713 | 19,334 |
| Indicator 3.2.2 | Total volume of services rendered by the NRC | 32,000 | 0 | Target | - | - | - | 700 | 3,100 | 5,500 | 30,000 | 32,000 |
| | | | | Actual | - | - | - | 518 | 5,766 | 21,747 | 28,278 | 42,015 |
| Indicator 3.2.3 | Number of change applications processed by the NRC | 5,000 | 0 | Target | 0 | - | - | 1,000 | 1,000 | 2,000 | 3,000 | 5,000 |
| | | | | Actual | 0 | - | - | 231 | 1,495 | 5,738 | 7,914 | 11,685 |
| **KRA 3.3 Business Registration Process Streamlined and Integrated with IT** | | | | | | | | | | | | |
| Indicator 3.3.1 | Number of days to register a business | 1 | 47 | Target | - | - | - | 37 | - | - | - | 1 |
| | | | | Actual | - | - | - | 1 | - | - | - | 1 |
| Indicator 3.3.2 | Percentage of business registrations completed within one day | 86% | 0% | Target | - | - | - | - | 40% | 80% | 85% | 86% |
| | | | | Actual | - | - | - | - | 39% | 84% | 85% | 85% |
| Indicator 3.3.3 | Total registration cost as percentage of income per capita | 13% | 31% | Target | 25% | - | - | - | 13% | - | - | 13% |
| | | | | Actual | 31% | - | - | - | 6% | - | - | 6%[15] |

| Performance Indicator | | Target | Base - line | FY | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quarter | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **KRA 3.4 Private Sector Awareness of New Legal Framework and Compliance Increased** | | | | | | | | | | | | |
| Indicator 3.4.1 | Number of NRC website visitors[16] | 2,000 | 0 | Target | N/A | N/A | N/A | 1,000 | 1,250 | 1,500 | 1,750 | 2,000 |
| | | | | Actual | N/A | N/A | N/A | 250 | 300 | 1,817 | 5,448 | 9,052 |
| Indicator 3.4.2 | Percentage of businesses aware of new laws and procedures | 75% | 0% | Target | - | - | - | - | - | - | - | 75% |
| | | | | Actual | - | - | - | - | - | - | - | 96%[17] |

1 56 responses that bribery is frequent, out of 297 total responses

2 1,027 people rated training "good" or better, out of a total of 1,043

3 767 tax returns are filed electronically from the total of 1,641 tax returns submitted

4 For the period January - August 2008. Total amount of tax collected by GDT = 95,586,796 Lek. Total amount of tax revenue collected by LTO = 48,004,207 Lek.

5 133 people rated the level of satisfaction with the tax service at least "satisfactory" out of a total of 149 answers

6 This requirement was eliminated from work plan with consent of USAID, as the Ministry of Justice has drafted legislation to establish administrative court with tax function through a follow-on project

7 143 respondents aware of new procedures, out of 150 total answers

8 20 respondents answered bribery is frequent, out of a total of 121 responses

9 73 e-procurements, out of 3,478 procurements total

10 Total number of procedures (winner) = 3,478; open procedures (winner) = 1,832

11 414 participants rated training "good" or better, out of a total of 437 participants

12 96 respondents out of 108 are aware of the electronic procurement system

13 79 respondents out of 108 are aware of the procurement advocate office

14 1,065 respondents out of a total of 1,200 rated level of knowledge at least "good"

15 Calculated as follows: income per capita = USD 2,980 (source: World Bank Report 2006); total cost = registration cost (Euro 1 = U.S. dollar 1.40) + other costs for legal documents for registration (US $162.50)

16 Includes number of unique visitors only

17 286 respondents from a total of 297 are aware of new laws and procedures

# CD ROM INDEX

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