

**MILLENNIUM CHALLENGE CORPORATION – ALBANIA THRESHOLD PROGRAMS  
FINAL EVALUATION REPORT**



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## ACRONYMS

<b>ALL</b>	Albanian Lek
<b>ADA</b>	Austrian Development Agency
<b>AmCham</b>	American Chamber of Commerce
<b>ATP1</b>	First Albania Threshold Program
<b>ATP2</b>	Second Albania Threshold Program
<b>ASP</b>	Albania State Police
<b>BIS</b>	Business Impact Survey
<b>BNS</b>	Business Needs Survey
<b>BEEPS</b>	Business Environment and Enterprise Performance Survey
<b>CA</b>	Contracting Authority
<b>CDDI</b>	Centre for Development and Democratization of Institutions (Albania)
<b>CIT</b>	Corporate Income Tax
<b>COE</b>	Council of Europe
<b>CSO</b>	Civil Society Organization
<b>DFID</b>	Department for International Development (UK)
<b>DOJ</b>	Department of Justice (USA)
<b>ECA</b>	Europa and Central Asia
<b>EPS</b>	Electronic Procurement System
<b>EO</b>	Economic Operator
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EURALIUS</b>	European Assistance Mission to the Albanian Justice System
<b>FDI</b>	Foreign Direct Investment
<b>FGD</b>	Focus Group Discussion
<b>FIU</b>	Financial Intelligence Unit
<b>GDP</b>	Gross Domestic Product
<b>GDT</b>	General Directorate of Taxation
<b>GIS</b>	Geographic Information System
<b>GOA</b>	Government of Albania
<b>HIDAA</b>	Inspector General of the High Inspectorate for the Declaration and Audit of Assets
<b>HSA</b>	High State Audit
<b>ICMIS</b>	Integrated Court Management Information System
<b>IDRA</b>	Institute for Development Research and alternatives
<b>IELC</b>	Institute of Economic and Legal Consulting
<b>IFC</b>	International Finance Corporation
<b>IIAU</b>	Internal Investigation and Anti-Corruption Unit
<b>IMF</b>	International Monetary Fund
<b>INSTAT</b>	Albanian Institute of Statistics
<b>ISC</b>	Institute for Sustainable Communities
<b>ITS</b>	Integrated Tax System
<b>JIU</b>	Joint Investigative Unit
<b>KI</b>	Key Informant
<b>KII</b>	Key Informant Interview
<b>LGPA</b>	Local Governance Program in Albania

<b>LLPA</b>	Law on Licenses, Permits and Authorizations
<b>LTO</b>	Large Taxpayers' Office
<b>LTP</b>	Law on Territorial Planning
<b>M&amp;U</b>	Maintenance and Upgrade
<b>MCC</b>	Millennium Challenge Corporation
<b>METE</b>	Ministry of Economy, Trade and Energy
<b>MOF</b>	Ministry of Finance
<b>MOI</b>	Ministry of Interior
<b>MOJ</b>	Ministry of Justice
<b>MOU</b>	Memorandum of Understanding
<b>MP</b>	Member of Parliament
<b>MPW</b>	Ministry of Public Works
<b>MTR</b>	Mid-Term Review
<b>N/A</b>	Not available
<b>NAIS</b>	National Agency for Information Society
<b>NGO</b>	Nongovernmental Organization
<b>NLC</b>	National Licensing Center
<b>NPR</b>	National Planning Registry
<b>NRC</b>	National Registration Center
<b>NRLP</b>	National Registry of Licenses and Permits
<b>NTC</b>	National Territory Council
<b>NTPA</b>	National Territorial Planning Agency
<b>OAJB</b>	Office for the Administration of the Judicial Budget
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OPDAT</b>	Office of Overseas Prosecutorial Development, Assistance and Training (U.S. Department of Justice)
<b>OPG</b>	Office of the Prosecutor General
<b>OSCE</b>	Organization for Security and Cooperation in Europe
<b>PA</b>	Partners Albania (NGO)
<b>PACA</b>	Project Against Corruption in Albania
<b>PEFA</b>	Public Expenditure and Financial Accountability Program
<b>PG</b>	Prosecutor General
<b>PIT</b>	Personal Income Tax
<b>PMP</b>	Performance Monitoring Plan
<b>PPA</b>	Public Procurement Agency
<b>PPAO</b>	Public Procurement Advocate's Office
<b>PPC</b>	Public Procurement Commission
<b>PPL</b>	Public Procurement Law
<b>SEE</b>	South East Europe
<b>SIGMA</b>	Support for Improvement in Governance and Management (EU and OECD)
<b>SIS</b>	State Intelligence Service
<b>SOAG</b>	Strategic Objective Grant Agreement
<b>SME</b>	Small and Medium Enterprise
<b>SUPD</b>	Survey of Urban Planning Department
<b>TA</b>	Taxpayer Advocate
<b>TCC</b>	Tax Consultative Council
<b>TCP</b>	Threshold Country Plan

<b>TID</b>	Tax Investigation Directorate
<b>TPL</b>	Tax Procedures Law
<b>TOR</b>	Terms of Reference
<b>TOT</b>	Training of Trainers
<b>TPO</b>	Tax-Processing Officers
<b>TSC</b>	Taxpayer Services Center
<b>TVWF</b>	Tax Verification Work Force
<b>UNDP</b>	United Nations Development Program
<b>UPD</b>	Urban Planning Department
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax
<b>WB</b>	World Bank
<b>WEF</b>	World Economic Forum

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## **EXECUTIVE SUMMARY**

From 2006 to 2011, the government of Albania (GOA) received two Millennium Challenge Corporation (MCC) Threshold Programs totaling \$29.6 million. MCC Threshold Programs, which are bilateral agreements between the United States and an eligible country, provide financial assistance for targeted policy reforms to help the country achieve compact status. Albania received its first Threshold Program (ATP1) in 2006 after failing to qualify for MCC compact status, largely due to scoring below the median on the control of corruption indicator the previous year. As a result of the success of ATP1, MCC approved a Stage II Threshold Program (ATP2) in 2008, building upon the accomplishments of the first. After Albania was moved from low- to middle-income country status by the World Bank in 2010, it was precluded from being a candidate for MCC assistance, due to its income status.

The goal of the \$13.9 million ATP1, which lasted from September 2006 to November 2008, was to improve Albania's performance on the control of corruption and business environment indicators by addressing tax administration, public procurement, and business registration legislation and processes. The overall approach centered on developing e-government solutions as a means to achieve time and cost savings to government and private users while increasing transparency, accountability, reliability and access. ATP2, a \$15.7 million program in place from January 2009 to May 2011, expanded a similar approach of promoting e-government to business licensing and urban planning. ATP2 also supported reforms in public administration and judicial capacity, with the objective of achieving improvements on the control of corruption and rule of law policy indicators.<sup>1</sup>

Upon completion of ATP2, the MCC commissioned this final performance evaluation to implement an independent and evidence-based study of both Albania threshold programs, examining program effectiveness, impact and sustainability. The evaluation team was directed to focus its efforts on the extent to which activities were undertaken; activities were fully implemented; implemented activities led to outcomes (or meaningful changes in knowledge, attitudes, and practices); implemented activities and outcomes have been sustained to date; and the likelihood that they will be sustained over the short- and long-term, as well as the cost effectiveness of the program activities, where feasible.

The evaluation used the most rigorous methodology possible to assess whether each of the projects has achieved, or is on track to achieve, its intended results. An overall control-group design was not feasible to employ and accurately represent the counterfactual scenario, because the main reforms were implemented nationwide toward the end of the program and no control-group design had been attempted at the pilot stages. The Team's evaluation design combined both quantitative and qualitative methods, including a large, quantitative enterprise survey (Business Impact Survey 2, or BIS2) commissioned for the purpose of this evaluation.

## **MAIN OUTPUTS AND OUTCOMES**

ATP1 and ATP2 consisted of a total of nine components (three for ATP1 and six for ATP2, respectively) summarized below. Where ATP2 activities were designed as a continuation of ATP1 activities, the evaluation examines ATP1 and ATP2 outputs and outcomes jointly.

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<sup>1</sup> MCC Threshold programs are no longer assumed to influence the eligibility indicators directly, although they were at the time the ATP program was formulated.

## **Increase in transparency and reduction of corruption in government procurements (ATP1)**

The project contributed to the existing draft of the new Public Procurement Law (PPL), introducing the notion of e-procurement and the Public Procurement Advocate Office (PPAO). The project helped develop seven regulations to enable the implementation of the new PPL, which also, inter alia, redefined the role and mandate of the Public Procurement Agency (PPA). Other outputs include the introduction of the Electronic Procurement System (EPS), which handled 2.5 percent of all procurements towards the end of the project (both at the central government and at a few municipalities). Finally, the project also supported physical and technical strengthening of the PPA and assisted it in the execution of a public outreach campaign.

The efficiency of the Albanian procurement system was enhanced through implementation of the e-procurement system. Working from the foundation built by ATP (reaching the objective of 2.5 percent of e-procurement towards the end of the project), Albania scaled up its use after the completion of ATP1, becoming the first country to conduct 100 percent of competitive procurement electronically and earning Albania an award by the United Nations. The new procurement system also was supported by the set of rules and regulations developed by the project, which complement the new draft law on procurement. While these regulations represented an important contribution from the project to support procurement reform, they were somewhat rigid and lacked details and guidance, which could have left the system vulnerable to abuse and difficult for its users to understand.

The drastic scaling up of e-procurement after completion of the project introduced a number of challenges for the system which experienced certain technical glitches during the scaling up that the project could have anticipated. In particular, the project's somewhat myopic vision could have benefitted from a better understanding of GOA plans to dramatically scale up e-procurement. This could have led to a more careful project design, of both the system's technical characteristics and the support mechanisms for training and retraining of the extraordinary numbers of procurement officers working in Albania's large number of contracting authorities (ca. 1700).

The project drafted the founding documents for the PPAO's role in 2008. It also helped to redefine and significantly strengthen the role of the PPA; however, a number of shortcomings with the mandate of both agencies remain. For one, the PPA's mandate lacked an institutionalized engagement with the private sector and the mandate itself was somewhat contended with the newly established PPAO. For another, the PPAO had limited powers and there are other entities—most notably the new Public Procurement Commission (PPC)—with similar functions.

Overall, the reforms in the procurement system reduced time and cost for businesses, contracting authorities and the PPA. It increased competition per bid, while the number of businesses engaged in procuring public contracts seemed to rise more slowly than expected. The fact that there had been some growth in usage among foreign and international companies is a sign of growing trust in e-procurement in Albania. The new regulatory framework and e-procurement appear to have reduced corruption in the system. This reduction has mainly occurred in terms of less petty corruption, while the reduction in grand corruption and the reduction in the kickbacks as a share of a contract's value have not been substantial.

## **Combating corruption in business entry and registration (ATP1)**

The primary output of this component was the establishment of a National Registration Center (NRC) to serve as a one-stop shop for business registration, including simplified business registration

procedures. This, the project achieved by drafting the law on NRC and corresponding regulations. The project also helped with the physical establishment of the NRC, and carried out training and outreach activities to improve the visibility of NRC. After the project ended, the government opened NRC regional service windows in municipalities and regional Chambers of Commerce and Industry which enabled businesses to complete all registration procedures locally.

Reform of the business registration process was a significant step towards achieving the overall goal of improving the business-enabling environment in Albania. The introduction of the NRC produced a streamlined, less expensive and faster process for business registration by local and foreign businesses, allowing for simultaneous tax, social insurance, health insurance and labor directorate registration using a single application procedure.

The success of the introduction of the NRC was reflected in significant improvements on a series of indicators, including the World Bank/IFC's Business Startup Indicator. The improved environment for business registration led to a surge in new business registrations following the implementation of the NRC in 2007, with an annual growth rate of close to 20 percent immediately after the introduction of the NRC. This surge consisted almost entirely of small firms with one to four employees, which most likely indicates that NRC was very effective in reducing informality, but did not generate a significant increase in the number of registered large firms.

Data analyzed by the Evaluation Team does not provide evidence of a significant reduction in total registration costs to firms on average, contrary to the intention of the GoA and the project. There was, however, a noticeable reduction in the total costs for companies registering without outside help, as the cost of registration at NRC per se is very low, at 100 LEK (around 1 USD). The effect of the NRC on corruption cannot conclusively be answered due to data limitations; however, the limited data at hand implies that corruption was not very significant before the project, and has decreased further over the period of implementation, according to data collected by the evaluation.

Despite this progress, challenges remain. The process to close a business is still a rather lengthy process and involves a quantity of red tape. In the same vein, the "silent consent" principle stipulated in the law was not fully operationalized in practice, which partly explains why the effective time needed to register a business remained higher than the one day envisioned in the law. This was due, in part, to a shortage of funding and staffing at the NRC.

## **Creation of an administrative court system (ATP2)**

The primary activities to establish a new administrative court system included the support to revise the existing draft law on administrative courts and develop regulations, as well as a new case-management system. The political standoff between the ruling and opposition parties made obtaining the required qualified majority to pass the law impossible; the project refocused its activities and mainly supported a coalition of NGOs in support of an administrative court. Due to the GOA's lack of progress, this component was effectively suspended in 2010 and the project then (1) redrafted the secondary pieces of legislation so that they applied to the general courts system and submitted these to the Ministry of Justice, which has yet to start applying them; (2) adjusted the budget planning and document management manual and the assessment of staffing needs and recommendations on physical facilities and IT networks, which are in use in the entire court system; and (3) developed training modules on administrative court processes, which were then taught at the School of Magistrates. Following completion of the project, the law finally passed in 2012 and some recommendations made by the project were adopted. The new web-based case management system, however, was not implemented by the end of the project.

Because the administrative court system was not established during the project's lifetime, the evaluation focused on the extent to which political difficulties that affected component design could have been foreseen and on assessing the use of the outputs the project was able to deliver. At least some of these risks were foreseeable at the time the project planned their major interventions; however, it was primarily a reflection of the political climate in Albania. Most key informants (KIs) stated that the extremity of the political standoff could not have been predicted. In hindsight, the majority of ATP staff and management believed that this component posed too great a challenge, given the extent to which the country was polarized at program inception.

Passage of the law after completion of the project was significantly aided by project activities, including providing the business community with a voice that reached government officials, highlighting the importance of the reforms both for the business community and general public, contributing to the improvement of the original draft of the law and developing secondary regulations and rules that could support next steps once the law passed. In addition, the training courses for School of Magistrates contributed to the supply of a qualified cadre of professionals that are well-versed in sound practices of administrative court operations.

### **Reduction of corruption in tax policy and administration (ATP1) and improving tax administration (ATP2)**

ATP1 activity areas included improvements in tax legislation, introduction of a tax-declarations e-filing system and increased transparency of tax audit processes. The main outputs included a new Tax Procedures Law that stipulated a functional and territorial reorganization of the General Directorate of Taxation (GDT), clearly defined the rights and obligations of taxpayers and the government, and reinforced the role of self-declarations and self-compliance. The project also helped implement a number of technological and organizational improvements to facilitate tax administration, including an online platform to download tax documents and the introduction of a risk-based audit system. The project also aimed at introducing a tax courts system; however, this was delayed, and ultimately not implemented, due to the GOA's failure to reform administrative courts by the end of the project.

ATP2 activities focused on reorganization of the GDT along functional and geographic lines, expanding the e-filing systems to all taxpayers and introducing an electronic risk-analysis system of audit targeting. The project implemented most of the planned activities and outputs included the establishment of a new collections department using modern software developed by the project; the introduction of new procedures in the work of the Tax Verification Work Force (TVWF); and the setting up of a taxpayers' advocate office at GDT.

Both ATPs helped transform the Albanian system of tax administration into a more transparent, efficient, modern system through its support for the new tax legislation and the structural reorganization of GDT. Achievements in e-filing helped to reduce corruption at the point of taxpayer/tax official encounter, as well as to reduce the size of the informal sector, while achieving higher tax revenue in 2008. The tax collections function of GDT was reformed drastically and there is some evidence that this helped increase the collections rate. With project support, the taxpayer services function of GDT was completely changed and overall, services were valued by taxpayers.

Despite these improvements in tax administration, Albania did not make substantial progress, when compared to other countries, in reducing the time it takes businesses to make tax payments with taxpayers reporting spending more time dealing with taxes compared to before the reforms. Evidence also indicates that perceptions of corruption in the tax system remained high and did not change, especially net of the effects of e-filing. Audits continued to be the main source of corruption.

Moreover, the initial trend of increased tax revenue could not be sustained, and trends reversed starting in 2009. Despite progress in reducing tax evasion and informality, interviews with local experts indicate that thirty to fifty percent of GDP was still outside net tax, despite the fact that audits, especially of large taxpayers, increased.

### **Combating corruption in business licensing (ATP2)**

The main output of this component was the creation of a one-stop shop (the National Licensing Center, or NLC) where businesses received the full range of licensing services, experienced streamlined licensing processes and enjoyed the simplification of the regulatory framework for business licensing. The project helped draft secondary legislation to the law on licensing, permits and authorizations (LLPA), supported by the World Bank, and helped pass a package of changes to existing laws. Moreover, the project provided physical and technical assistance to the NLC, including hardware, software and the setting up of a web portal. NLC also received assistance in opening regional service windows at municipalities and launching a public outreach campaign, and the staff at NLC and the regional service windows received training.

The operational NLC was widely perceived to be an efficient institution, albeit within the purview of a mandate that is narrower than originally envisaged. Most businesses that applied for Group 3 licenses (licenses that require inspections and, therefore, take longer to be issued) did not perceive the NLC as a one-stop shop, but rather as an entity that helped them logistically with streamlined procedures, which eliminated lateral requests to conduct inspections by the line ministries. Additionally, the fact that some of the sectors (e.g., road transport, construction) remained outside the purview of the NLC negatively affected its effectiveness (because other agencies fail to register their licenses on the Register) and limited the reduction of regulatory burden for businesses brought about by the reform. After the project was closed, the GOA partially transferred energy sector licenses to the purview of the NLC. By the time of writing this evaluation report, road transport licenses, previously issued by the line ministry, had been transferred to NLC, and only road transport licenses issued by local government bodies were handled without the involvement of the NLC.

The implementation of this component profited from the timing of its inception, after the NRC component was already up and running. This allowed the project to offer NLC services at joint NRC-NLC service windows in the regions, a measure that proved to be both cost-effective and widely appreciated by clients.

While data on corruption and informal payments did not allow for a conclusive judgment about the effect of NLC on corruption, there was some evidence that the incidence of corruption in business licensing indeed declined. This did not seem to be the case for line ministry inspections, where bribes remained prevalent. However, the project was successful in reducing the number of steps required, which has reduced the opportunities for corruption.

### **Improving the regulatory framework and processes for national territorial planning (ATP2)**

The main output of the project was a web portal (the National Planning Registry, or NPR), which was designed, supported by the World Bank, to complement the new law on territorial planning and regulations developed with the help of the USAID Local Governance Program in Albania (LGPA). Because the GOA was about a year late in appointing the director of the National Territorial Planning Agency (NTPA), the project went ahead with the development of a test version of the NPR, signed

agreements with five (later expanded to seven) municipalities to implement pilot tests and trained the staff of the urban planning departments in these municipalities. The regulations entered into force shortly before the end of the project, prompting a need to revise the NPR software, and by the time of the evaluation, the NPR was being populated by a few municipalities, a process which is expected to be completed by September 2013.

Due to the GOA's extended delays in appointing the National Territorial Planning Agency (NTPA) director and, consequently, the passage of secondary legislation, the project did not achieve its planned outputs. Reforms in urban planning were gravely needed and the project efforts were important contributions to this endeavor. However, the question evaluated by the team is concerned with whether due consideration was given to the complexity of these challenges and the feasibility of achieving its ambitious results. The compressed and ambitious timeframe of less than three years was rendered even more challenging by the fact that different agencies were working on interconnected aspects of these reforms, all of which would affect the NPR. The project may have also underestimated the technical expertise required to utilize, upgrade and maintain complex e-platforms within the GOA (at the central and local level). Even more importantly, it remains to be seen whether the NPR, once fully operational, will have a significant impact on corruption in the absence of a proper zoning regime and historical data on property ownership.

### **Strengthening investigative capacity (ATP2)**

The main output of this component was the establishment of special units within the Office of the Prosecutor General (OPG) in six administrative districts (Joint Investigative Units, or JIUs) to investigate and prosecute corruption and economic crimes, based on the successful model of the Tirana JIU. Additionally, JIUs received assistance with hardware, training (including a study tour to the U.S.), roundtables and a manual for conducting investigations. Mock trials were conducted in several universities; a training of trainers (TOT) program on advanced trial advocacy was conducted; and the OPG was assisted with (limited) public outreach activities.

The project achieved its main outcomes and the total number of prosecuted and convicted cases of economic crime and corruption increased in the regional JIUs, albeit more so in larger JIUs. The quality of investigations of economic crimes and corruption cases reportedly improved as a result of enhanced investigation methods due to training provided by the project. The project also led to improved coordination among law enforcement agencies involved in the process. The strategic planning and technical expertise provided by the project, combined with the somewhat increased visibility of the JIUs, helped to boost the preparedness of the JIUs to take on sensitive and complex cases. A number of successful money-laundering cases were brought to conviction, which had never happened in Albania before.

JIUs faced a series of challenges, including rather stringent procedural time limits. Concerns about sustainability also remained, primarily because the JIUs operate based on a memorandum of cooperation between numerous agencies, rather than a law, but also because of underfunding and a lack of a sustainable mechanism to monitor JIU activities. In addition, while the Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT, U.S. Department of Justice) remains a vital part of the U.S. Embassy's rule-of-law efforts and will be working in Albania for the foreseeable future, there is a lack of local sustainable mechanism to monitor JIU activities.

## **Strengthening civil society monitoring of government anti-corruption efforts**

The project worked with approximately 30 civil society organizations (CSOs) around the following subcomponents: classroom trainings on advocacy; on-the job trainings; monitoring of the various ATP-supported reformed services of the GOA; and supporting the coalition in support of administrative courts and tax consultative council (TCC). Various project-targeted reform plans generated by the CSOs were discussed with business associations, which also helped to promote project activities, once adopted. The purpose of this component was to provide CSOs with training and targeted support for monitoring GOA anti-corruption efforts and advocating for improved efforts, where necessary.

Civil society advocacy and oversight are essential for Albania, in general, and for the purposes of battling corruption, in particular, as the country's government structures lack transparency and accountability.

Overall, the ability of CSOs to advocate effectively for new laws seemed to have increased as a result of the activities supported by the project, even if the extent to which the project contributed to these improvements was difficult to measure. According to KIs interviewed by the evaluation team, the most important constraint for CSOs was the lack of systematic and targeted capacity building for CSOs, in particular related to financial sustainability. Monitoring grants provided to CSOs by the project were perceived to be successful, overall, but constituted a one-time activity and the project did not continue to work with these organizations upon its completion. In particular, there were no follow-up activities to the reports produced by the CSOs under the grant component and the evaluation did not find evidence of changes made as a result of the reports.

## **SUSTAINABILITY OF THE REFORMS**

The vast majority of the programs' achievements are sustainable, but there are certain risks, some of which stem from project design. The programs helped to draft a number of important laws in many reform areas that are expected to remain in place for the long run and render the reforms sustainable. This is certainly true for the laws on NRC and the new tax procedure law, which both led to important positive results—but also raised some concerns, in that they led to increased fragmentation of the administrative legal framework in Albania. To correct this, the GOA recently adopted a law on the organization and functioning of public administration, a structural law that fights fragmentation and coordination deficiencies and creates a general legal framework for the organization of public administration.

The projects helped to establish three new public institutions—NRC, NLC and PPAO—of which two, NRC and NLC, are effective institutions that fill an important void, and for whom the limited level of funding imposes the only serious constraint. The PPAO, with its current mandate, on the other hand, is of questionable merit, according to a number of officials, experts and representatives of international agencies.

The project also helped to strengthen a number of existing institutions, including, most importantly, GDT, PPA and NTPA. For two of these, PPA and NTPA, there are concerns related to inadequate funding levels, which affects their ability to carry out their respective mandates; and their advisory role for municipalities. As for the sustainability of the JIU model, the fact that it is based on a Memorandum of Understanding (MOU) and is not enshrined in the law is one of its biggest threats, apart from inadequate funding.

The project's IT solutions mostly achieved the intended goals and the project ensured data compatibility and exchange among GOA agencies. Most of the IT solutions were tested in pilot trials before their use was mandated nationwide. Users were mostly satisfied with their quality, although there were some security glitches with EPS and it seems that there is some dissatisfaction with the NPR, which is too complex and, to some extent, not well suited to some of the procedures. The government and other donors have contributed to their upgrade and upkeep after the end of the project, albeit not always at required levels.

The role of human resources in ensuring the sustainability of the ATP results is paramount. While the ATPs trained thousands of government employees in the counterpart agencies, these agencies require the necessary funding, pay scales and mechanisms to retain and promote the highly qualified and trained staff. This was beyond the scope of the ATP. Evidence suggests that the turnover is very high in some agencies (e.g., GDT) and that many of these agencies have difficulty retaining highly qualified staff. A sustainable mechanism for training and retraining of civil servants remains a key challenge, made even more difficult by the fact that the Training Institute for Public Administration (TIPA) not only has limited capacity, but has also seen a substantial reduction of its operational budget.

## **QUALITY OF PROJECT DESIGN AND IMPLEMENTATION**

The reforms carried out by the Albania Threshold Programs were implemented swiftly, relying on consultative processes and making best use of local talent and international experience. Most of the accomplishments were achieved in a remarkably short time, considering the magnitude of the envisioned reforms, which was in line with the stated goals of MCC's threshold programs to bring about measurable change in a relatively short time. The project displayed perseverance in overcoming major challenges to program implementation on a number of occasions and showed flexibility in altering initial designs.

The program coordinated activities well among multiple government stakeholders, with the notable exception of the lack of an active consultation process with municipalities before the establishment of the NRC to clarify the situation regarding licenses at the municipal level. At times, it also displayed remarkable ingenuity, e.g., in pursuing the solution of creating joint NLC/NRC regional service windows. Moreover, successful synergies were exploited between the various components (e.g., CSO and tax teams in the case of TCC). The program design, overall, was adequate for both phases in that each component encompassed a multifaceted set of activities that tackled the major bottlenecks in the regulatory framework, the IT environment and the capacity of affected staff.

However, the evaluation points to a number of challenges stemming from project design:

- The inadequately short duration of the projects meant that the project sought shortcuts at times or piggybacked on existing initiatives—and in particular, existing draft laws—with limited ability to assure their quality, given the short timeframe. The lack of sufficient time to review existing initiatives led to problems with project-supported regulations, e-platforms and the extent to which corruption could be effectively reduced.
- The e-procurement component was a notable exception to the overall clear understanding between the project and the GOA's plans for related follow-up activities. The program's vision of the GOA's procurement reforms was myopic, with a target to support 2.5 percent of e-procurement—despite GOA plans to expand e-procurement to 100 percent only half a year after the end of the project, of which the project was not made aware.

- The concept of silent consent in the IT solutions for the NRC and NLC was not operationalized in a straightforward manner. According to the legal framework, silent consent was supposed to occur automatically; however, in practice, this was handled differently in both agencies. At the NRC, systems were established that alert employees to upcoming deadlines and allow them to attempt to comply. At the NLC, silent consent is operationalized in the IT system, and this system (reflecting the provisions of the legal framework) permits the opportunity to grant an extension to the line ministry, based on its request.
- The outreach activities conducted by the project were inadequate for some components, most notably the JIU. Since the JIU's future success will likely depend on visibility and alliances with civil society, the project should have emphasized this aspect of the project more.
- A number of program components lacked adequate consideration of the sustainability of some of the reforms. As an illustration, according to the ATP's own documents, the GOA's decision to establish a National Agency for Information Society (NAIS) was an "*unanticipated but positive surprise*," since it became clear that the government would have to accept ownership of the e-government solutions and upgrade, maintain and safeguard them. This led to the project's decision to boost its capacity. What is surprising is that the project only discovered the need for this capacity building after the project started. Similarly, there was a lack of institutionalized TOT schemes in a number of components (e.g. tax, procurement, CSO), with the exception of providing training manuals.

## LESSONS LEARNED

- **Strong and demonstrated commitment from key government agencies and counterparts was essential to the success of the programs.** The ATPs demonstrated both positive and negative examples. In the case of reforms in territorial planning, commitment to reforms was somewhat lacking and the project subsequently experienced difficulties implementing the planned activities. The project also showed that supporting reforms for which the country faced additional push factors (such as EU accession) increased the chances of government commitment and facilitated the achievement of ATP goals.
- **The magnitude of the reforms required a longer period than the three years or less available under each ATP.** The second ATP program deepened the reforms started under the first program in tax administration and business licensing. However, reforms that required completion in a single ATP would have benefitted from a longer timeframe. This is particularly true for the NPR in ATP2 and for the procurement component under ATP1, for which program support ended before e-procurement was scaled up by the GOA. ATP tried to address this issue by either piggybacking on existing initiatives—such as existing draft laws—developing regulations and e-platforms around them and/or conducting several activities in parallel, e.g., developing e-platforms while the regulatory framework was being finalized (with the consequence that these had to be refined later, at additional costs). In the same vein, the project ended up training staff on an earlier version of the NPR software, instead of the version that eventually was implemented.
- **Careful sequencing of reforms in different areas is very important.** If timing is appropriate, strong synergies (e.g. business registration reform and tax administration reform starting in parallel) and complementarities (e.g. business licensing reform following shortly after business registration reform) between different components can be achieved.
- **E-governance solutions are as effective in combating corruption as the underlying legal frameworks.** Therefore it is important to ensure that e-governance systems are built around sound legal frameworks so that the desired outcomes in terms of reduction in corruption are more likely. This did not happen in the case of public procurement in Albania.
- **It is important to develop detailed sustainability plans before launching programs and activities.** This was somewhat lacking, especially in the first phase, when ownership issues of IT solutions and e-platforms had not been clearly addressed, and when training activities

should have been institutionalized. A similar argument could be made about the need to conduct a more detailed needs assessment before the start of the program.

- Exceptional care needs to be given to activities supporting the establishment of new institutions to ensure that their mandates, powers, operational principles and funding sources are adequate. It remains questionable to what extent this has happened in the case of the PPAO (powers), the NRC (funding) and the taxpayer advocate (TA) (institutional set up).
- **Public outreach is extremely important and necessary resources need to be made available for these activities.** Outreach activities should not only inform and stimulate demand but also change behavior, especially behavior around corruption practices.
- On-the job trainings and trainings tailored to various audiences have proved more effective than other forms of training delivered by the program. While the project often used a mix of training models, most often based on a prior needs assessment, the trainings per se were not often tailored to the audiences (e.g., under the CSO component).

# 1 INTRODUCTION

The Millennium Challenge Corporation (MCC), an independent U.S. foreign aid agency, is helping lead the fight against global poverty. MCC forms partnerships with some of the world's poorest countries, providing them with large-scale grants to fund country-led solutions for reducing poverty through sustainable economic growth, under the condition that they are committed to good governance, economic freedom and investments in their citizens.<sup>2</sup> The objective of Threshold Programs—typically, grant programs over a period of two to three years—is to assist countries in improving their performance on the MCC eligibility indicators.<sup>3</sup> To date, USAID has administered all but one MCC threshold program and is responsible for day-to-day program management.<sup>4</sup> Albania has received two Threshold Programs (ATP1 and ATP2) between 2006 and 2011: Box 1 describes the changes in Albania's eligibility status for Threshold Programs.

Figure 1 depicts the organizational structure of ATP1 and ATP2. To implement reforms, ATP1 and -2 teams worked extensively with many Albanian counterpart agencies: the General Directorate of Taxation (GDT), Public Procurement Agency (PPA), the Public Procurement Advocate's Office (PPAO), the National Registration Center (NRC), the National Licensing Center (NLC), the National Territorial Planning Agency (NTPA), the National Agency for Information Society (NAIS) and the Office of the Prosecutor General (OPG). The ATPs themselves helped to create four of these counterparts (NRC, NLC, PPAO and NAIS), worked extensively with approximately 30 civil society organizations, and supported the establishment of the tax consultative council (TCC).

The contracts to implement the ATPs were awarded to a consortium led by Chemonics International.<sup>5</sup> Sub-contractors included: Blue Force International, USA (public procurement component), AlfaXP, USA and ikubINFO (IT partners); Partners for Democratic Change, USA and Institute of Sustainable Communities (ISC), USA (civil society); as well as an array of smaller subcontracts with local NGOs, which provided inputs on enabling legislation or monitored new institutions and procedures once established.

## 1.1 ATP1

The goal of the first Albania Threshold Program (ATP1) was to improve Albania's performance on the control of corruption, fiscal policy and business start-up indicators, in particular improving business registration, tax administration and public procurement. In designing ATP1, the overall approach was to move toward e-government solutions in these areas, with the belief that e-government systems offer time and cost savings to the government and private users while increasing transparency, accountability, reliability, and access. ATP1 lasted 26 months, from September 2006 until November 2008.<sup>6</sup> Its components included:

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<sup>2</sup> <http://www.mcc.gov/pages/about>

<sup>3</sup> MCC Threshold programs are no longer required to be directly linked to the eligibility indicators, but at the time that the ATPs were implemented, the programs were discussed in this way. More information on the eligibility indicators can be found at: <http://www.mcc.gov/pages/selection>.

<sup>4</sup> <http://www.mcc.gov/pages/program/type/threshold-program>

<sup>5</sup> Chemonics International implemented ATP1 in its entirety. For ATP2, Chemonics implemented Components 1, 2, 3, 4, and 6. OPDAT, as noted later in the report, led activities supporting investigative-capacity strengthening within the OPG.

<sup>6</sup> The original contract was 24 months (September 2006–September 2008). The project received a 60-day, no-cost extension to allow more time for the project to collect the requisite data on e-procurements since GOA did not announce its plans to make

- Reducing/eliminating corruption in tax policy and administration, including improvements in tax legislation, introduction of e-filing of tax declarations, and improvements in tax audit processes;
- Attaining transparency and eliminating corruption in government procurements, including introduction of an e-procurement system and provision of support for the establishment of the PPAO; and
- Combating corruption in business entry and registration in Albania, including the establishment of the National Registration Center (NRC)—a ‘one-stop shop’ for business registration—and simplification of the legal framework for business registration.

## 1.2 ATP2

ATP2 identified improvements to the *Control of Corruption* and *Rule of Law* policy indicators as its primary objectives. ATP2 built upon ATP1, expanding a similar approach to reach new areas (e.g., business licensing and urban planning), but also supported new activities with objectives geared towards addressing policy areas that most negatively affected Albania’s performance on the MCC selection criteria: namely, targeted reforms in the areas of public administration and judicial capacity. ATP2 spanned 28 months, from January 2009 to May 2011.<sup>7</sup> Components included:

- **Creating an administrative court system**, which included revising the existing draft law on administrative courts and lobbying for the establishment of the administrative court system (this component was effectively suspended in 2010 due to the GOA’s lack of progress in passing the administrative courts law);
- **Improving tax administration** through reorganization of the tax administration system along functional and geographic lines; expansion of tax e-filing systems to all taxpayers; introduction of an electronic-based risk-analysis system of audit targeting; establishment of two new criminal investigative units to focus on fraud and tax evasion; establishment of a taxpayer advocate office to protect taxpayers’ rights; and support for the opening of education and information service centers throughout the country;
- **Combating corruption in business licensing**, including the creation of the NLC to streamline licensing processes and simplify the regulatory framework for business licensing;
- **Improving the regulatory framework and processes for national territorial planning**, including establishment of a National Planning Registry (NPR), a web-based repository for planning and building codes, guidelines, and announcements; and drafting secondary legislation on the NPR;
- **Strengthening investigative capacity**, including the establishment of special units within the OPG in six administrative districts (Joint Investigative Units, or JIU) to investigate and prosecute corruption-related crimes; and
- **Civil-society monitoring of government anti-corruption efforts** through collaboration with nongovernmental and civil society organizations and other watchdogs and associations, who monitor the government’s anti-corruption efforts and serve as an advocate for improved efforts, where necessary.

ATP2 also reflects the priorities of the GOA, stipulated in its “Cross-Cutting Strategy for Prevention, Fight on Corruption and Transparent Governance 2008–2013,” adopted in 2008. USAID and MCC

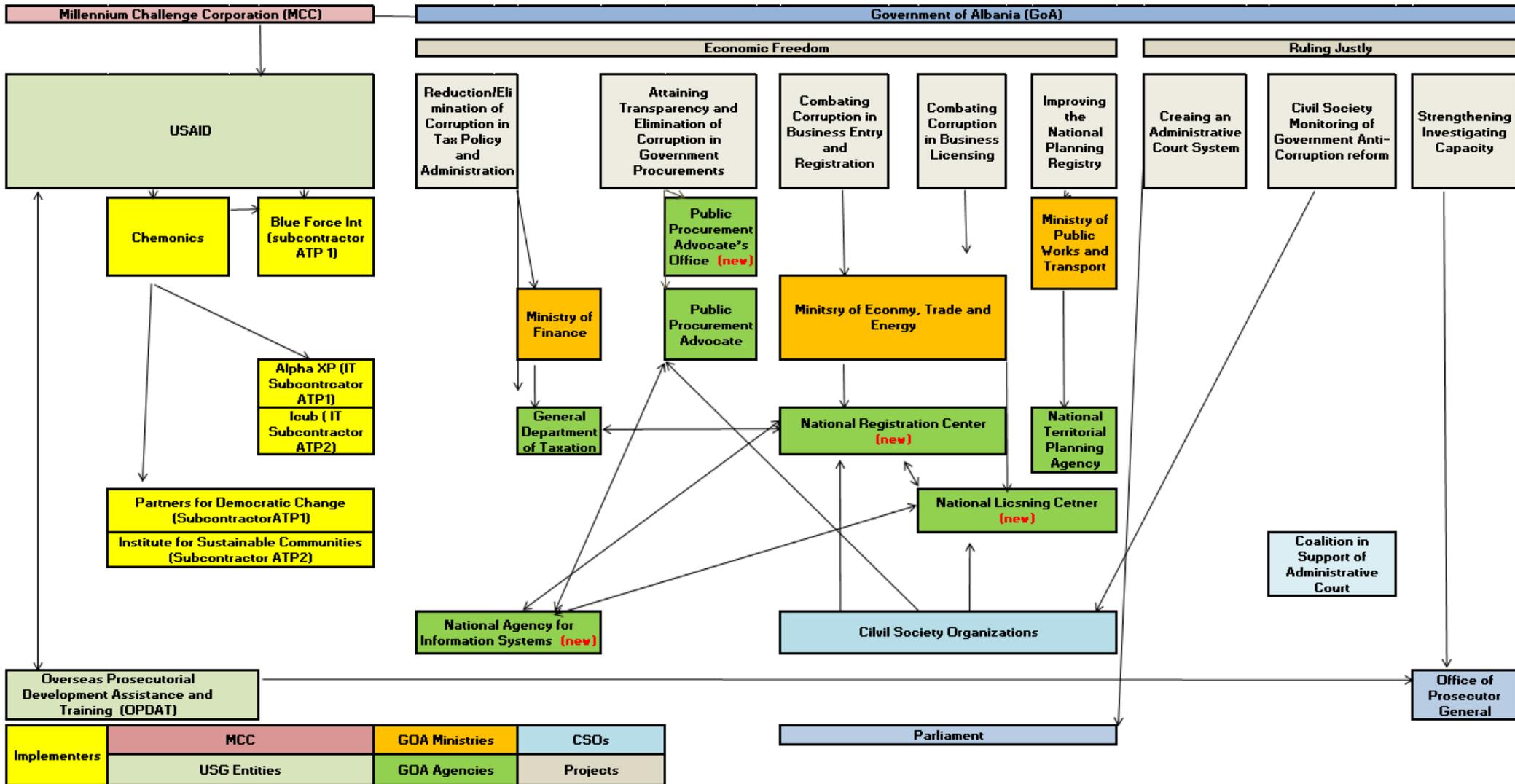
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e-procurements mandatory until summer 2008 (a few months before the project’s original end). The period of performance was extended to November 2008.

<sup>7</sup> The original contract was for 24 months (January 2009–January 2011). The project received two 60-day, no-cost extensions following discussions with USAID and MCC to maximize assistance in the other component areas once it became clear that the GOA would not progress the administrative courts law before the project’s end. The period of performance was extended through May 2011.

made considerable inputs to shaping the ATP, but had no direct involvement in formulating the final Threshold Country Plans, the document that outlined the programs and was approved by MCC.

Figure 1: Organizational Chart



### **Box 1: ATP1 and ATP2: Changes in Albania eligibility status**

The government of Albania (GOA) became eligible for Threshold Program assistance in 2004. By that time, extensive media coverage of corruption, combined with pressures from international organizations, had generated public outcry for reform and more efficient public service delivery in Albania. Anti-corruption reform became the main theme of the current government's successful election campaign in 2005. After Albania scored below the median on the "control of corruption" indicator, thus failing to qualify for the large, bilateral assistance package that accompanies MCC compact status, the government submitted a threshold program proposal to MCC in 2005. MCC agreed to sponsor a Threshold Program that would combat corruption and help Albania qualify for compact status; MCC and GOA signed a bilateral assistance agreement for \$13.9 million in 2006. MCC established a set of indicators to measure the progress of reforms in reducing corruption that focused on business registration, tax filing and public procurement.\* The first Albania Threshold Program (ATP-1) ended in November 2008. Albania showed—in absolute terms—continued, significant improvements on the World Bank Institute (WBI) Control of Corruption index since implementation of its Threshold Program. However, due to Albania's concurrent elevation from Lower Income to Lower Middle Income status, as calculated by the World Bank, it had to achieve a higher median to "pass" the indicator. Therefore, Albania's performance in 2008, at the 22nd percentile on the Control of Corruption indicator among Lower Middle Income Countries, represented a decline in eligibility status from the 46th percentile on the indicator among Lower Income Countries in 2004. In addition, Albania scored below the median on four of the five Investing in People indicators in FY08.\*\* As a result, Albania remained ineligible for the Compact in 2008.

In December 2007, MCC decided to invite certain countries to participate in a Stage II Threshold Program if they had (1) not yet met the eligibility criteria, (2) successfully implemented their Threshold Program, and (3) continued to pursue a policy-reform agenda. The Board of Directors agreed with MCC's recommendation that Albania was a strong candidate for Stage II Threshold Program assistance. They invited the GOA to develop and submit a Stage II Threshold Country Plan to MCC that would support continued policy reform as a means of assisting Albania to become Compact eligible, based on the fact that, in absolute terms, a number of indicators were improved. MCC Threshold and Development Policy staff then collaborated on the production of a comprehensive indicator analysis, which helped the GOA develop a Stage II Threshold Country Plan (TCP) that targets those sectors where policy performance most negatively impacts Albania's scores on the MCC selection criteria and employs targeted reforms in the areas of public administration and judicial capacity.\*\*

The GOA signed a bilateral assistance agreement for \$15.7 in 2008.\*\*\* ATP-2 ended in the summer of 2011.

#### *Sources:*

\* MCC/USAID (2008): "Strengthening Governance in Albania: Support to Albania's Millennium Challenge Account Threshold Agreement. Final Report, p.5;

\*\* Action Memorandum to MCC Investment Committee, July 10, 2008. Subject: MCC Stage II Threshold Program – Albania, pp.2-4;

\*\*\* USAID Grant Agreement No. 182-SOAG-08-001-00: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 2.

## **2 EVALUATION METHODOLOGY AND DATA SOURCES**

### **2.1 PURPOSE OF THE EVALUATION**

MCC has commissioned an independent, ex-post evaluation of completed ATP programs. The program evaluation is meant to serve two overarching purposes, namely, (1) to uphold an institutional commitment to measuring program results and (2) to provide practical lessons for current and future threshold program country partners, MCC, USAID and other program donors in developing and implementing similar program activities. MCC intends to share evaluation results, positive or negative, with other donors, government partners and the general public.

### **2.2 MAIN EVALUATION QUESTIONS**

In line with the terms of reference (TOR), the evaluation team collected and analyzed evidence to assess program effectiveness in achieving both output- and outcome-level impacts. In particular, during the program review and evaluation implementation, the evaluation team explored the extent to which:

- Activities were undertaken
- Implementation progressed as planned
- Activities were fully implemented
- Implemented activities led to outcomes (or meaningful changes in knowledge, attitudes and practices)
- Implemented activities and outcomes have been sustained, to date, and the likelihood that they will be sustained over the short- and long-term

The evaluation team explored the factors (internal, including programmatic design and implementation issues, as well as external forces) that enabled or prevented the achievement of these outputs. In particular, and in line with the TOR, the evaluation team collected quantitative and qualitative information from different government representatives, business owners, civil society representatives, project implementers, U.S. government partners and others stakeholders regarding the extent to which the timeframe and Compact incentives hindered or accelerated policy improvements and the implementation of activities. For each ATP component, specific evaluation questions are explored in detail, in the appropriate sections of this report.

### **2.3 METHODOLOGY AND DATA SOURCES**

The evaluation used the most rigorous methodology possible to assess whether each of the projects has achieved, or is on track to achieve, its intended results. An overall control-group design was not feasible to employ and accurately represent the counterfactual scenario, because the main reforms were implemented nationwide toward the end of the program and no control-group design had been attempted at the pilot stages. The Team's evaluation-plan design combined both quantitative and qualitative methods, utilizing the elements listed below. In assessing the effectiveness of each component in achieving its primary goals, triangulation of findings from the different elements minimizes bias and helps in assessing ATP's contribution to the achieved results.

- **Document review.** All relevant Chemonics, USAID and MCC reports, including planning documents, annual work plans, the performance monitoring plan (PMP), quarterly and annual reports and, where available, baseline and evaluative reports, were reviewed (see Annex 3: Main Documents for the list of main documents).

**Business impact survey (BIS2).** The evaluation team designed and carried out a quantitative survey of 486 businesses that collected feedback regarding their experiences with, and perceptions of changes in, the efficiency and effectiveness (time and costs to them) of business registration, licensing, public procurement and tax administration processes and the extent of corruption before and after the reforms. Questions were also asked related to the expected outcomes of each component (e.g., reduction in in-person meetings with procurement and tax processing officers, reduction in the instances of tax inspections) and whether or not these had the desired impact on corruption (both before and after the reforms), to enable linking corruption-related outcomes to these intermediate outcomes. Moreover, respondent feedback was sought concerning the accessibility of information and transparency of operations in these fields. Near the end of ATP1, local think tank Institute for Development Research and Alternatives (IDRA) carried out an initial Business Impact Survey (BIS1); however, due to limitations detailed in Section 2.4, BIS2 was not designed as a panel to BIS1.

**Reference to ATP-funded surveys.** Where justified, the Team referred to survey findings carried out by the civil society organizations (CSO) as part their monitoring programs. A brief description of these monitoring efforts is presented in Annex 1: ATP1 and ATP2 .

**Focus group discussions (FGDs).** The structured, quantitative business-impact survey was complemented by focus-group discussions (FGDs) that covered the same areas as the structured survey—business registration, licensing, public procurement and tax administration in Tirana, Albania’s capital, and the regions—but collected more detailed and nuanced feedback from a smaller sample of businesses.<sup>8</sup> One important distinction in the samples is that BIS2 only covered medium and large businesses (value-added tax [VAT] payers), while the FGDs also included small businesses that are exempt from the VAT. The main purpose of the FGDs was to gather information about the relevance of program interventions; experiences with key reform elements; perceptions of the effectiveness of the program in terms of time and costs to businesses, accessibility of the information and accountability of GOA institutions; and the perceived extent of corruption in respective sectors, before and after the reforms.

**Open-ended and semi-structured key informant interviews (KIIs).** KIIs were designed and conducted to evaluate three components: (1) establishing the regional JIUs;<sup>9</sup> (2) strengthening the advocacy capacity of the CSOs (15 CSO were interviewed); and (3) establishing the NPR (the Urban Planning departments of 11 municipalities were interviewed). KIIs covered perceptions about the relevance of program interventions; explored experiences with the programs and their effectiveness in terms of time and costs to businesses, information accessibility and accountability of GOA institutions; and the extent of corruption in respective sectors before and after the reforms. In addition, KIIs were conducted with government officials, USAID and U.S. Embassy personnel, independent experts, former project staff,

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<sup>8</sup> Twelve FGDs were conducted in Tirana and other cities: four for tax administration, four for public procurement, two for business registration and two for business licensing. More details are provided in respective chapters

<sup>9</sup> For this component, the evaluation team conducted a total of 14 semi-structured KIIs with a number of stakeholders, including MOJ courts; The School of Magistrates; members of the Coalition in Support of the Administrative Courts; Albania High Court; High Council of Justice; Albanian Bar association; Members of the Parliament’s Legal Committee, and representatives of NGOs.

representatives of consortium members and selected business leaders. Site visits were conducted to project-implementation sites in Tirana and the regions. See

**GOA data.** The evaluation team requested and (with a varying degree of success) received data from GOA agencies working with the ATPs. The evaluation team also used these agencies' annual reports and conducted in-depth interviews with key representatives. Interviews covered the relevance of program interventions to achieve the stated goals, the extent to which activities were undertaken and completed, and evidence regarding the effectiveness of ATP interventions. This component helped to fill gaps related to the analysis of the efficiency and effectiveness of specific project areas and the assessment of threats to the sustainability of program results.

**Third-party reports and surveys.** The evaluation references findings of third-party reports and surveys whenever they are relevant to assessing project outcomes and impact: most notably, the World Bank/IFC Doing Business surveys/reports and the European Bank for Reconstruction and Development's (EBRD) Business Environment and Enterprise Performance Survey (BEEPS).

For each ATP component, the related evaluation questions and the sources and instruments used to inform findings are described in detail in the relevant sections. The Team analyzed the logical framework behind the activities for each component and assessed the assumed link between project inputs, implementation plans and expected outcomes. In line with the TOR, the evaluation design focused on the achievement of program outcomes for each of the program components, if sufficient time has lapsed to allow for such an assessment, or on the potential for such outcomes where this was not the case. As a naming convention, throughout the report ATP1 and ATP2 are referred to as programs, while the components are referred to as projects.

## 2.4 LIMITATIONS OF THE STUDY

According to the TOR, the evaluation team was tasked with assessing, to the extent possible, the link between individual projects and country performance on the relevant eligibility criteria. It was acknowledged in the TOR that, because *“the Eligibility Criteria do not lend themselves to conclusions about the causal effects of each program activity, the objective was to assess the link between threshold program focus and weaknesses revealed by the Eligibility Criteria (and not to measure the program's precise effect on the Eligibility Criteria).”* In this evaluation, an attempt is made to assess this link in certain cases, but overall, attribution proved very challenging and a reliable analysis of the ATP's contribution to Albania's indicator performance was not feasible.

In addition, the evaluation team encountered a number of methodological and practical challenges:

- **Reliable data on corruption.** Reducing corruption was the main ATP objective. It was difficult to estimate the extent of *reduced* corruption, given the absence of a counterfactual scenario or reliable panel data. As a result, to verify many of the statements about reduced corruption (or the lack thereof), the evaluation team relied heavily on data from the FGDs and KIIs, as well as on anecdotal evidence.
- **Reliable data on informality.** One of the main objectives of the business registration and tax administration reform components was to reduce informality. Available data on informality did not allow the Team to generate credible estimates of the extent of the reduction in informality.

Instead, the evaluation primarily relied on the findings from the FGDs and KIIs, as well as anecdotal evidence.

- **Determining the achievement of outputs (deliverables).** Available program documents' vagueness when describing planned interventions and intended outputs hindered the Team's ability to compare the actual outputs after project completion. Planned activities also changed in scope and focus over the course of program implementation and these changes were not reflected fully in the project reports available to the Team.
- **Availability of data from government agencies.** The evaluation team encountered certain problems in obtaining requested data for the evaluation from some government agencies. This, in turn, limited the extent to which the evaluation was able to answer some of the relevant evaluation questions.
- **BIS2.**
  - **Sample:** The sample of firms interviewed for BIS2 was chosen to satisfy the need to cover all four areas of reform (tax, procurement, business registration and licensing) and to include firms that used the different services affected by the program, which varied by firm type and size. As a result, the BIS2 survey sample is not fully representative of the universe of Albanian firms. In particular, the BIS2 sample (1) includes a smaller share of firms registered after 2007 than the general population of Albanian enterprises supports (14.8 percent in BIS2 compared to 57.2 percent of all firms); (2) covers more enterprises with 50 or more employees (14.2 percent in BIS2 compared to 0.9 percent of all firms); (3) covers more foreign companies and joint ventures (9.1 percent in BIS2 compared to 2.7 percent of all firms); and (4) includes a smaller proportion of small businesses and sole proprietors than the national average.
  - **Recall:** The questionnaire was designed to capture comparative data on businesses' experiences and perceptions about the time and costs required to comply with various regulatory measures (business registration, licensing, procuring government contracts, paying taxes, etc.), before and after the reforms. Since panel design was infeasible, the survey had to rely on a retroactive assessment of some of these elements, which is not ideal from the standpoint of survey design.
  - **Low response rate for questions on corruption and informal payments.** The response rate for questions regarding the level of corruption and the persistence of informal payments were low, as is the case with many surveys of this kind.
- **FGDs for the business-licensing component.** Compared to other FGDs administered for this evaluation, the FGD responses pertaining to the licensing process are of limited use because the licensing process is a onetime occurrence for most respondents. In several cases, testimonies reflected distant experiences that respondents were unable to summarize with accuracy. Moreover, obtaining licenses for different types of services could have involved dissimilar experiences by different members of the focus group and might not be comparable.
- **JIU component.** Well into project implementation of the ATP2, it was discovered that the 2009 baseline numbers provided by the Office of the General Prosecutor erroneously included cases that would not be handled by the JIUs. This mistake effectively precluded the project's ability to measure progress and impact at the end of 2010 (first project year). It also complicated the evaluation team's process, which used data collected by the JIUs based on overall statistics on prosecution. Analyzing this data has been a challenge, for while it does indicate the types of criminal offences, it omits case origin (sources of referrals) and the sector/public institution where the offence was committed.

Following an agreement with MCC, the evaluation did not assess the cost effectiveness of the interventions due to the limited availability of data on budget.

## **2.5 COMPARABILITY AND USEFULNESS OF BASELINE DATA**

ATP1 attempted to collect baseline data through a Business Needs Survey (BNS), the results of which were published in 2007. This informed fine-tuning of the program design. The usefulness of BNS data as a baseline for the evaluation, however, is limited for the following reasons:

- The survey only covered 300 businesses registered at the large taxpayers' office (LTO) of GDT and, therefore, did not cover medium-sized VAT payers;
- The survey was conducted after NRC's establishment and does not distinguish between responses by firms registered with NRC versus firms that had registered with the court system before the establishment of the NRC;
- The survey covered only ATP1, i.e. only business registration, public procurement and tax administration issues; and
- No specific questions were asked pertaining to experiences with, and perceptions about, informal payments.

In 2008, IDRA conducted the first Business Impact Survey (BIS1). Its objective was to measure usage and effectiveness of the new services, capture changes in user satisfaction, measure progress against project indicators and to attribute positive impact, wherever possible, to project interventions. Here, too, the usefulness of this survey as baseline data for this evaluation is questionable, due to the following factors:

- The sample of 300 businesses predominantly represented firms that were registered in Tirana;
- The survey was conducted too soon after the BNS and it is unlikely that any project impact would have materialized by then; and
- Only a few questions were asked about the impact of project activities on the level of corruption in the system.

While neither BNS nor BIS1 were used as baseline data for the evaluation, findings from these surveys are referenced in all relevant chapters and where comparisons with BNS and BIS1 data adds value to the analysis.

## **2.6 ORGANIZATION OF THE REPORT**

The report discusses each component of ATP1 and ATP2 separately in order for the reader to understand the specific context within which each component operated. Every discussion of a component starts with a brief description of background and main activities, which mainly follows the project rationale developed at inception and a brief discussion of (foreseen and unforeseen) changes during project implementation. This is followed by a discussion of project implementation, which consists of a detailed account of how both internal and external factors affected the quality of project implementation, as well as ways in which the project was or was not able to react to external factors affecting its performance. The discussion of outputs and outcomes, respectively, follows and is also organized by sub-component, wherever feasible. Since many outcomes defined by the ATP are at higher levels (reduction of corruption or informality, for example) some of the discussions about outcomes are at the project or even ATP level. Potential issues with attribution of particular project interventions to outcomes are discussed in Section 2.4 and repeated in the relevant sections. Finally, each chapter concludes with a brief discussion of the quality of project design, which builds on the preceding sections on outputs and outcomes and discusses

how the initial project design—as well as changes made over the course of the project—affected outputs and outcomes.

### 3 FINDINGS

#### 3.1 CORRUPTION IN BUSINESS ENTRY AND REGISTRATION: ESTABLISHMENT OF THE NATIONAL REGISTRATION CENTER (NRC)

##### 3.1.1 Background and main activities

The primary focus of this project was the establishment of the NRC, designed to function as a one-stop shop for business registration. The NRC replaced the archaic and cumbersome system in place prior to the reforms, whereby businesses registration was handled by 29 courts located throughout Albania and employed a variety of non-standardized, paper-based application forms and recordkeeping systems. Under the old system, businesses, once they received a court decision approving registration, were required to register with the tax authority, the social and health insurance authorities, and the municipalities for local tax purposes. The principal objective of the project was to streamline the business registration processes, thereby reducing the cost to and time required by businesses, with the expectation of reducing opportunities for corruption as well as reducing informality. These objectives and the corresponding activities are listed in Table 1. The activities were multifaceted, including drafting legislation and providing assistance with establishing the NRC and building its capacity. Various documents contain somewhat differing formulations of the list of objectives, which is reflected in Table 1.

**Table 1: Activities and planned outcomes, business entry and registration**

ACTIVITIES	PLANNED OUTCOMES
<p><b>PLANNED AT INCEPTION</b></p> <ul style="list-style-type: none"> <li>• <b>Assistance with the legal framework:</b> drafting of NRC law; creation of a unified registration form and simplified registration procedures; and revision of administrative rules to allow statutory response times for posting fee schedules and for silent-consent rules, in which approval automatically is granted if a relevant agency does not respond within a given period.</li> <li>• <b>Establishment of the NRC</b> as a one-stop-shop where businesses can electronically file all documents required to set up a new enterprise or renew an existing business; financing of IT and communications infrastructure to establish the NRC.</li> </ul> <p><b>ADDED LATER</b></p> <ul style="list-style-type: none"> <li>• Support to National Agency for Information Systems</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlining business registration processes</li> <li>• Reducing the cost to and time required for businesses for business registration and related matters</li> <li>• Reducing administrative discretion in business registration</li> <li>• Significantly reducing the size of the informal economy</li> <li>• Improving Albania’s fiscal posture through increased collection of taxes and social security contributions</li> <li>• Combating corruption in business registration and the judicial system</li> </ul>

Source: SOAG and ATP1 Final Report

The USAID Strategic Objective Grant Agreement (SOAG) with the GOA does not set up specific indicators for this component of ATP1. Indicators specified in the PMP are presented in Table 2.

**Table 2: Indicators, baseline, target, and reported results, business entry and registration**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Number of laws reviewed, drafted, revised and/or amended	0	29	29
Level of NRC staff knowledge as reported by NRC customers	0	90%	89%
Number of new businesses registered through NRC	0	15,000	193,334
Total volume of services rendered through NRC	0	32,000	42,015
Number of change applications processed by NRC	0	5000	11,685
Number of days required to register a business	47	1	1
Percentage of business registration completed within one day	0	86	85
Total registration cost as percentage of income from capita	31	13	6
Number of NRC website visitors	0	2,000	9,052
Percentage of businesses aware of new laws, procedures	0	75%	96%
Percentage of businesses that paid a bribe to register	19	5	0

Source: SOAG and ATP1 Final Report

The evaluation of the NRC component is based on a triangulation of data presented in Section 2.3 and complemented by results of a monitoring survey carried out by Partners Albania (PA) on business registration, referred to in this evaluation as PA (NRC-2010);<sup>10</sup> NRC annual reports; and third-party reports and surveys, most notably the World Bank's annual Doing Business reports and the EBRD's BEEPS of 2007 and 2009.

### 3.1.2 Quality of project implementation

All interviewees and FGD participants,<sup>11</sup> without exception, highly praised the support that ATP provided to the GOA in implementing business-registration reform. The swift reform, based on a consultative process, made best use of local talent and international experience. The reforms achieved full implementation in just over twenty-six (26) months and government support for the project was prompt and in line with its commitments. The only area that raised concerns was related to the level of government funding for NRC.

To achieve the necessary functionality, the project team overcame several implementation challenges. One involved linking the new NRC registration system with the electronic record systems of the tax

<sup>10</sup> Partner Albania (2010): "Monitoring the Performance of the National Registration Center," prepared for USAID/MCC, Albania

<sup>11</sup> The following FGDs were carried out for this component: Focus group with large companies and SMEs, with seven participants in Tirana (August 16, 2012); focus group with small businesses, with eight participants in Tirana (August 16, 2012); and focus group with small businesses, with eight participants in Korça (August 17, 2012).

authority and other registration agencies, so that information in these agencies could be updated daily. Another challenge required the transfer, automation and integration of existing registration records, which dated from 1991—a total of more than one million pieces of paper, some of which were in poor condition. Finally, the team had to create infrastructure and supporting systems to allow for fast and accurate processing of registration information and, subsequently, train staff to use these systems.

According to IDRA (2008),<sup>12</sup> greater outreach to municipalities should have been conducted before the establishment of the NRC, as its creation caused some confusion for local government entities; businesses suddenly could commence operations without relevant environmental permits. It took some time to establish institutional collaboration and coordination mechanisms.

### 3.1.3 Outputs

#### 3.1.3.1 *The legal framework and NRC procedures*

The law regarding NRC,<sup>13</sup> accompanying by-laws (NRC regulations), and the revision of administrative rules were meant to streamline registration and related processes to allow for statutory response times, for posting fee schedules, and for silent-consent rules.<sup>14</sup> NRC law and regulations, as well as the standardized forms prepared by the project team,<sup>15</sup> replaced the old, cumbersome registration process for businesses with an integrated, standardized system of electronic processing and recordkeeping and provided a one-step application process. The NRC performs around 20 different procedures, including registration of new businesses, cancellation of registration, and change in capital, ownership or address.

**Box 2: Experiences with business registration before and after the reforms**

“ . . . I haven’t had any difficulties in preparing the documents [for NRC]. . . . As per the procedure, at the moment that you go to register, you only need to have a functional bank account and the legal documents. . . .”

“ . . . I followed the procedure step by step and it is an institution [NRC] that does not create any problems for you. . . .”

“A list of all needed documents is posted there [at NRC]. . . and you may go and ask to get informed further. . . .”

Source: SI FGDs

While the project has achieved the overall goal of developing an effective legal framework, at least two areas of concern remain. First, one-day approval for business registration based on a principle of silent consent was enshrined in NRC law, but was not operationalized as envisioned (i.e., registration by default, within 24 hours if the submitted paperwork is in line with the requirements). Rather, NRC currently administers this based on a reminder system, whereby the corresponding entry in the active database alerts employees about the approaching deadline and they subsequently do their best to meet it. NRC leadership contends that this procedural choice has been necessary, due to inadequate state

<sup>12</sup> IDRA (2008): “Moving Towards Consolidated Interactions between the Local Government and Central Institutions at Local Level Supported by the Open Society Foundation for Albania,” SOROS, July 2008.

<sup>13</sup> A new law on business registration was enacted by Parliament on May 3, 2007. Law no. 9723, “On the National Registration Center,” established the NRC as a new, central, public institution.

<sup>14</sup> USAID and GOA SOAG (1820510), p. 9

<sup>15</sup> ISB, and IPLS

funding over the last five years that has resulted in an insufficient number of staff at NRC, as well as NRC's unwillingness to register businesses without proper review of the documents.

The PA survey (NRC-2010) revealed that almost all respondents (93%) found the application procedures to be very clear. The FGDs conducted within the framework of this evaluation showed that participants also found the process of preparation prior to submitting an application at NRC to be quite easy and, according to their testimonies, the procedures for registering were clear (see Box 2).

### 3.1.3.2 **Establishment of NRC**

Project activities ranged from supporting the design and construction of NRC headquarters, purchasing hardware for the main facility, designing an integrated network system of regionally located service windows, and developing software to support the 20 types of procedures.

NRC began operations in September 2007 under the auspice of the Ministry of Economy, Trade and Energy (METE). In addition to its headquarters in Tirana, the NRC operates 31 service windows (29 in the municipalities and two in the regional Chambers of Commerce and Industry),<sup>16</sup> which opened after the project's completion. The service windows implement functions based on a delegated service principle: funding comes from the central budget as a separate budget line specifically for these functions. Some municipalities perform registration functions (NRC service windows) jointly with business licensing functions (NLC service windows), which are discussed in Section 3.2.

It should be noted that NRC service windows only serve to receive applications and dispense final papers. The actual decision to approve or reject applications is performed centrally at the NRC office in Tirana, where the team of lawyers is based. The system operates well, overall, as indicated by interviews with NRC service window managers and staff in two municipalities. However, some respondents did raise concerns about Internet connectivity and speed, which at times make it challenging to scan application papers and send them to the NRC central office in Tirana.

The PA survey (NRC-2010) revealed that the overwhelming majority of respondents spent less than thirty minutes to receive the service they requested at NRC and reported a high level of satisfaction with the overall performance of services provided by the NRC. The FGD participants concurred that NRC had played a helpful role in informing businesses about the required documents and assisting them in the preparation process. The NRC staff's attitude was mentioned positively by a number of FGD participants. The only main point of criticism voiced by FGD

#### **Box 3: Experiences interacting with NRC**

"In comparison with other state offices which we keep contact with, the NCR staff is much better. . . ."

"My experience at NRC was pleasant. I was serviced by a girl who was very polite and nice."

"In specific periods there are long waiting lines. In February-March there is a lot. . . ."

"They were very nice to me when I went there and I was done so fast, without any problem. . . ."

Source: SI FGDs

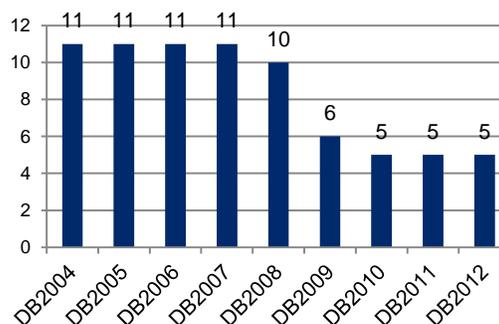
<sup>16</sup> Municipalities in Tiranë, Durrës, Elbasan, Vlorë, Korçë, Shkodër, Fier, Gjirokastër, Krujë, Rrëshen, Berat, Bulqizë, Kavajë, Lushnjë, Pogradec, Çorovodë, Librazhd, Burrel, Bajram Curri, Gramsh, Peshkopi, Tepelenë, Laç, Lezhë, Ersekë, Përmet, Pukë, Sarandë, Kukës as well as at the Chamber of Commerce in Tiranë and Durrës

participants was long queues during busy periods.

The project team developed the IT platform for NRC, including its website, working together with a subcontractor (Alpha XP, USA) and local IT experts. Once the software was developed, the project team tested it extensively and made modifications to improve its reliability and user interfaces. One concern expressed by NRC management noted that the software does not include a user-friendly method of generating analytical summary reports. The website<sup>17</sup>

provides free public access to the commercial registry, application forms and instructions. Both the PA survey (NRC-2010) and the FGDs indicate that users in general were happy with the website. In particular, the majority of respondents (83%) who use the NRC website believed that it offered information that was clear and easy to understand (NRC-2010).

**Figure 2: Number of procedures to register a business**



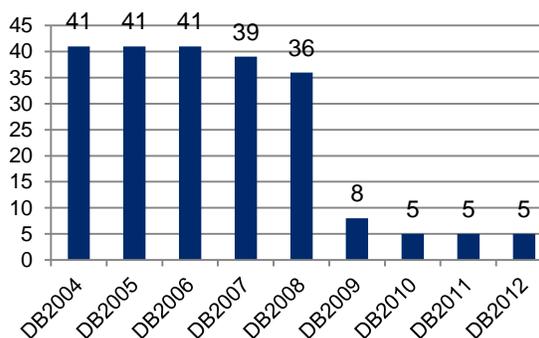
Source: WB Doing Business

### 3.1.4 Outcomes

#### 3.1.4.1 Procedures to register a business

The NRC procedure for business registration now combines all registration steps, which previously had been performed separately, including tax registration, registration for social insurance and health insurance, registration with the Labour Inspectorate, and tax administration at the respective municipality. As shown in Figure 2, the number of required procedures, according to the World Bank’s Doing Business Indicators, was reduced—from 11 to six in 2008, and to five in 2011. It should be noted that the NRC does not request notary certificates and businesses that opt for certificates obtain them at their own discretion. The same is true for the seal, which is also not mandatory.

**Figure 3: Number of days to register a business**



Source: World Bank Doing Business Reports

<sup>17</sup> www.qkr.gov.al

### 3.1.4.2 Time required to register a new business

FGDs conducted by the evaluation team show that the reduction in registration time is seen as a major improvement made by the introduction of the NRC. All seven respondents who recalled experiences with business registration prior to NRC said that the new procedure was much improved.

These qualitative findings have been confirmed in a number of surveys. The BIS2 enabled the comparison of business' experiences with registration, both through the court system and through NRC. When asked directly, firms that had registered their business with NRC reported spending an average of 5.6 days to register their business, compared to seven days reported by firms that registered with courts, which was the norm under the old regime. The difference increases slightly when looking at the year in which firms registered their business, with firms registering after 2007 reporting 5.3 days on average, compared to seven days for firms that registered before 2007.

This improvement is on par with the World Bank's Doing Business indicators, which use a slightly different methodology to compute the number of days to complete a business registration process. According to their estimate, it now takes five days to register a business, down from 39 in 2007 (Figure 3), a reduction of 86 percent. Figure 4, which describes BIS2 results, also shows that the big reduction occurred a year after the introduction of NRC, which can be explained by the fact that right after NRC was established, demand was very high and at times, businesses had to wait for a few weeks to access NRC services.

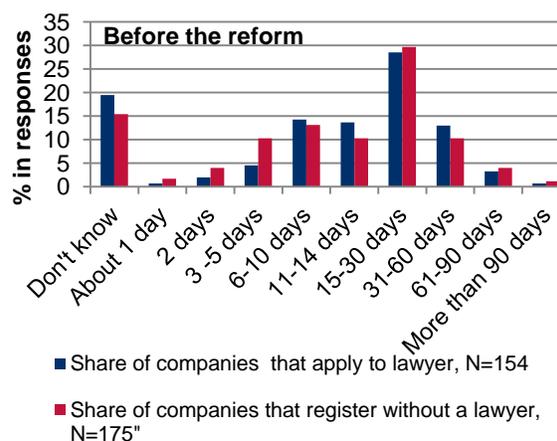
#### Box 4: Time needed to register at NRC

"I am very happy with the registration at the moment, in comparison with another registration I have done before. . . . I am very happy it was done very quickly. . . ."

"I have done a registration before in the court. . . you paid the invoice for the registration and you had to wait for your case to be drawn and considered by the court . . . I managed to deal with the registration after two and a half months. . . ."

Source: SI FGDs

Figure 4: Total time to register: number of days



Source: BIS2 (Note: Responses "Don't know" are not presented in the figures)

Table 3: Number of Days to Register Business, Before and After Introduction of NRC, by Registration Place

PLACE OF REGISTRATION		DATE OF REGISTRATION	
COURT	NRC	PRE-2007	POST-2007
7.06	5.62	7.02	5.28

Source: BIS2

Both the BIS2 and the Doing Business indicators take the entire registration process into account, including any preparatory work by the firms, which is not required by law. In PA survey (NRC-2010), where only the registration process itself is measured, the percentage of firms stating that they registered their firm at NRC headquarters within one day is 86 percent at NRC headquarters in Tirana and 80 percent at municipal service windows. The 100 percent envisaged by the project was not achieved.

Both before and after the reforms, some businesses contract outside experts (lawyers, paralegals and other experts specializing in assisting businesses with business registration processes) to help them register their business; Figure 4 shows that the introduction of NRC has reduced the time for firms that do and do not hire outside assistance for their registration process.

### 3.1.4.3 **Time Required to Close a Business**

All FGD participants who experienced the business-closure process expressed unhappiness with it (Box 5). The procedures for liquidating a business are very complicated and time-consuming. Challenges related to the legal provisions regulating business closures also pose difficulties. The interview with NRC management revealed that the problem lies in Article 195 of the Company Law (No. 9901 from 14.04.2008), which requires NRC to publish the notice twice, with an interval of 30 days, inviting creditors to make their claims. The claims themselves must be filed within 30 days from the date of the last notification. NRC has initiated a proposal to change the Company Law to remove the requirement for the second notification. However, according to FGD participants, these delays and complications are mainly caused by miscommunication between the NRC, the GDT and the municipalities. A few companies cited examples where a business successfully unregistered at the NRC, but unknowingly remained registered at the GDT, which puts those businesses at risk to incur fines and penalties.

#### **Box 5: FGDs on closing a business**

"Closing a business is hard. The procedure is very difficult . . . the announcement of bankruptcy is even more difficult. If you have an unpaid debt to the Tax Office or the City Hall you go and pay, however at the NRC your business is still considered as a debtor because the data hasn't changed even after two or three weeks . . . and you can't liquidate your business."

"If you have to close down a business it is very hard, because they [NRC] wait for the Tax Office and City Hall. Whereas to open it is very easy. . . ."

"The correspondence [between the NRC and the other offices] remains a big problem. It takes up to 45 days to liquidate a business. . . ."

"At NRC it is very easy to open a business, but not to close. There is no coordination between the municipality and the tax office of the district. . . ."

"At the moment you unregister from the NRC they tell you are OK. . . but the Tax Office does not unregister you. Until they unregister you from the system, you must make the declaration zero so not to be penalized. . . ."

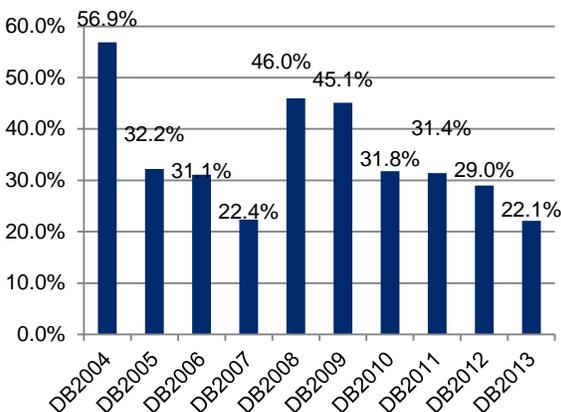
*Source: SI FGDs*

### 3.1.4.4 **Costs to register a business**

Upon the establishment of NRC, METE resolved to set a very low registration fee for business registration, at 100 Albanian leks (ALL), the equivalent of approximately one U.S. dollar. This strategic decision potentially contributed to the surge of registrations among small companies after NRC was established, which is discussed later in this section. The effect this decision had on the amount firms paid is more difficult to establish. Rather surprisingly, in the BIS2, firms that registered with courts reported slightly lower overall registration costs (56,543 ALL) than firms that registered with the NRC (63,066

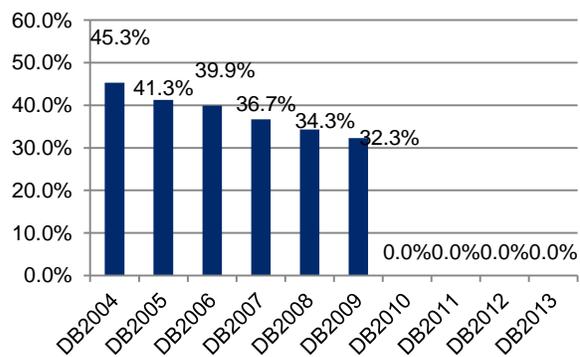
ALL). This information must be interpreted cautiously, because court registrations occurred long before the BIS2 data was collected. Respondents may not have accurately recalled the amount and inflation might have to be taken into account. Moreover, the small number of firm representatives willing or able to report costs was rather small and the average mentioned above only reflects a sub-sample of the BIS2 sample. The World Bank’s Doing Business data is similarly ambiguous about the effect of NRC on costs to businesses for registration.

**Figure 5: Costs of registration as percent of income per capita**



Source: World Bank Doing Business Report

**Figure 6: Minimum paid-in capital for business registration as percent of income per capita**



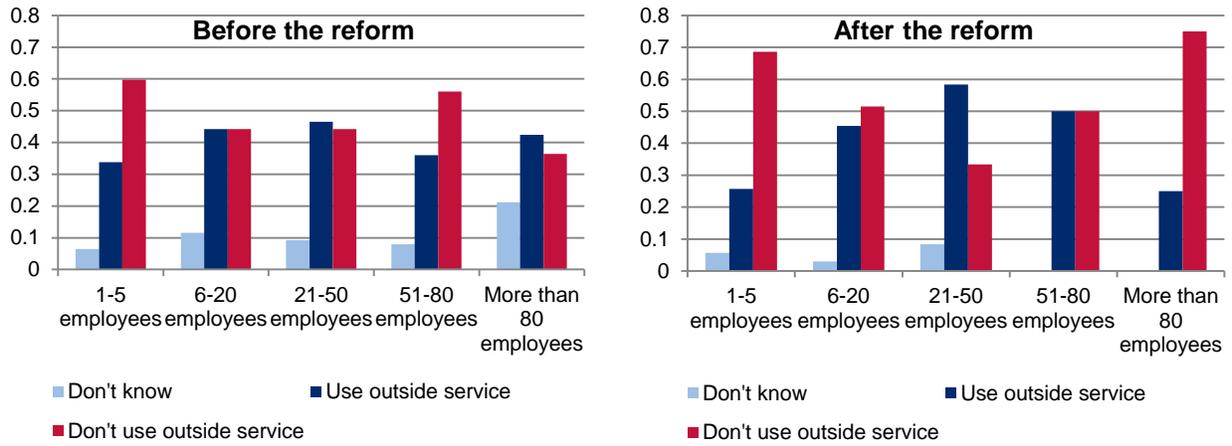
Source: World Bank Doing Business Report

Figure 5 shows an increase in the cost of registration, in terms of percent of per capita income, from 2007 to 2008, the year NRC was established. Reductions only occurred after 2009, which is somewhat puzzling, given that the big drop was expected to have occurred in 2008. However, the indicator shows a positive downward trend in cost reduction to businesses over the course of the program. Figure 6 demonstrates that the minimum requirement for paid-in capital was abolished in 2010.

Company representatives who participated in FGDs cited the low registration cost as one of the most positive aspects of business registration reform. They mentioned that the only costs incurred were linked to the preparation of the founding documents of the company (the Company Statute and Act of Foundation).

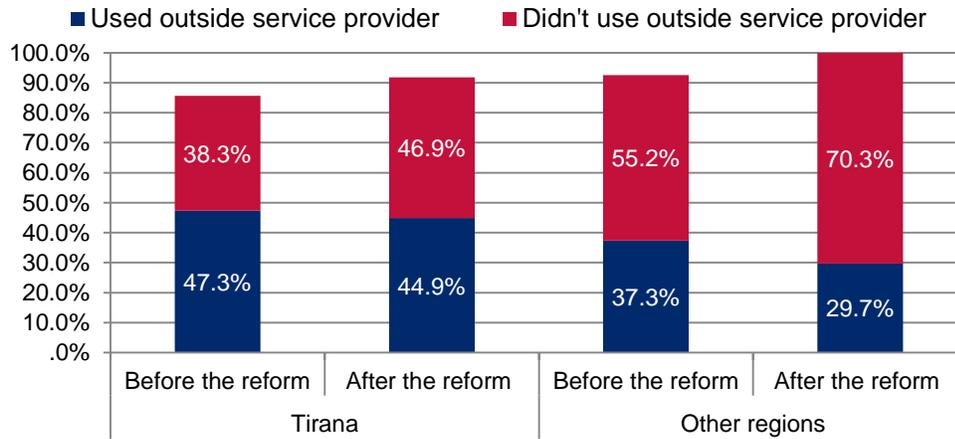
One channel through which cost savings may have occurred is the reduced need for outside help. Data from BIS2 shows that there was indeed a reduction in the share of companies that used outside service providers to register, from 41.8 percent before the reform to 38.4 percent after the introduction of NRC. Figure 7 shows that the reduction mainly affected larger firms, which have a higher propensity to use outside services to register in the first place. Figure 8 shows that the reform further increased the gap between Tirana and the rest of the country, in that less than a third of enterprises outside of Tirana used service providers to register their business, compared to 45 percent in the capital.

**Figure 7: Companies reporting hiring an outside service provider for registration, by company size**



Source: BIS2 N=368 for responses before the reform and N=86 for responses after the reform

**Figure 8: Share of companies reporting hiring an outside service provider by the main region of activities**



Source: BIS2 N=368 for responses before the reform and N=86 for responses after the reform (Responses "Don't know" are not presented in the chart)

### 3.1.4.5 Number and type of new registrations; informality

Table 4 summarizes data from the Albanian Institute of Statistics (INSTAT) on the number of new and active firms by year. The firm birth rate—the number of new firms over the previous year—reveals that over the course of the project, the number of registered firms increased at high rates. The highest increase occurred in 2008, the first full year the NRC was in place, with almost 20,000 new firms, corresponding to a firm birth rate of 21 percent. After 2008, however, the rate decreased—while still growing by more than 10 percent each year.

**Table 4: Firm birth rate, 2005–2011**

YEAR	NEW FIRMS	ACTIVE FIRMS	FIRM BIRTH RATE (%)
2005	10,607	62,162	17.1
2006	14,568	73,672	19.8
2007	14,010	80,077	17.5
2008	19,884	94,533	21.0
2009	13,081	94,953	13.8
2010	16,469	103,038	16.0
2011	12,905	109,039	11.8

Comparing these numbers with data from NRC, Figure 9 shows that there was indeed a peak in new registrations in 2008, when the NRC first opened. This is in line with observations stated earlier from the FGDs that pointed to the fact of a surge in new registrations after the inauguration of the NRC. The time trend of registrations at the NRC also shows that the surge in new firm registrations was a short-term effect only and that the increase in registration numbers could not be sustained over the course of the program.

Source: INSTAT

Data from the Albanian Institute of Statistics (INSTAT) allows an analysis of the type of firms most affected by the reform. The result in Figure 10 shows that, almost exclusively, the growth of small firms (one to four employees) benefited from the introduction of NRC, while larger firms

**Figure 9: Number of new registrations at NRC starting January, 2008**

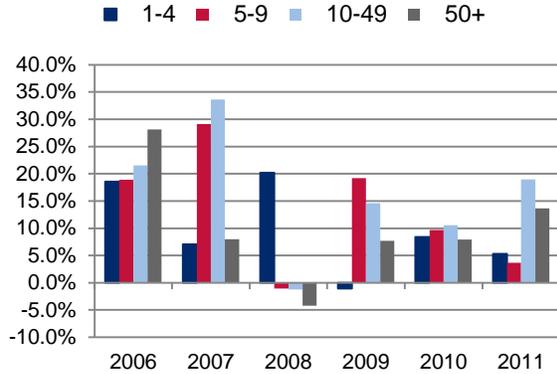


Source: SI, based on NRC annual reports

experienced a reduction in their growth rates from 2007 to 2011. This evidence hints at the fact that NRC may have been successful in reducing informality at small-sized firms; however, its effect overall on firm growth is ambiguous at best. This may also explain why the introduction of NRC is not reflected in reduced costs of business registration, since the surveys administered to enterprises usually do not include

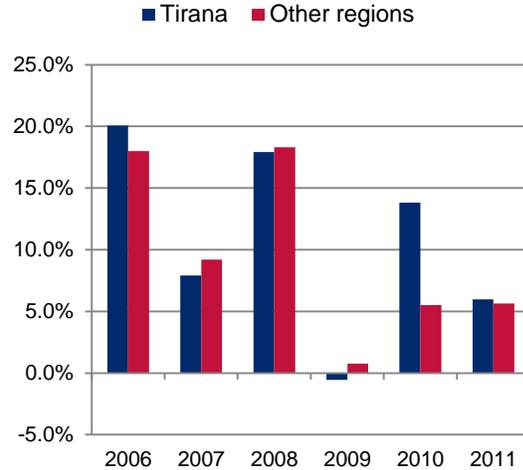
a sufficient sample of small firms. Figure 11 shows that firms' growth in 2008 was on par between Tirana and the regions.

**Figure 10: Growth rate of registration, by employee numbers, over previous year**



Source: INSTAT Albania

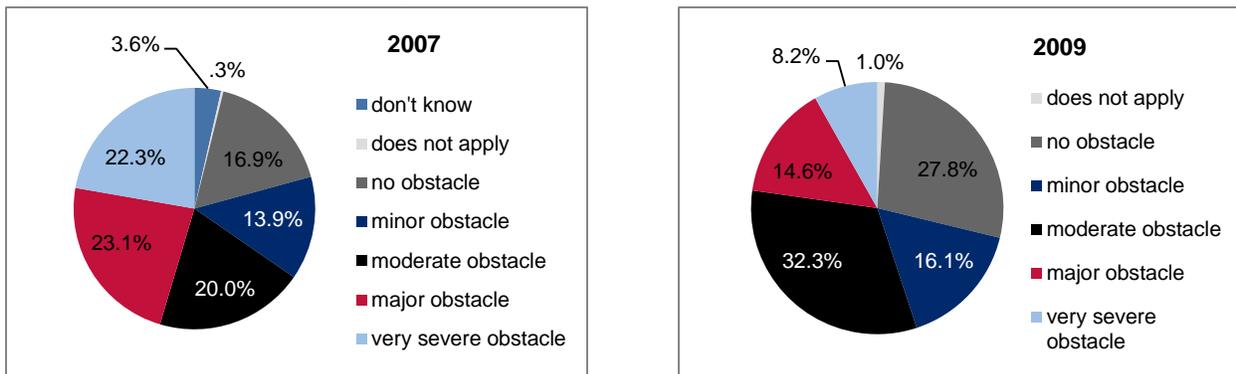
**Figure 11: Growth rate of registration, by main place of activity, over previous year**



Source: INSTAT Albania

Statements gleaned from the FGDs hint at the fact that small-firm growth seems to have come from both new companies and a reduction in informality (Box 6). BEEPS panel data for 2008 and 2009 confirms the reduction in informality: the proportion of companies citing competition from informal companies as a severe problem declined from 22.3 to 8.2 percent between 2007 and 2009, which is a significant reduction (Figure 12).

**Figure 12: Share of companies citing practices of informal competitors as obstacles**



Source: BEEPS

**Box 6: Registering formerly informally operating small businesses**

"I kept my business for three year without registering it . . . but I got pissed off with all the controls, they were blocking my merchandise."

"It is better following all the rules rather than to work without registration. With regular documentation you don't pay double of what you have to pay."

"I decided to register because they used to come and ask for the documents . . . they asked for money . . . you paid the first ones but the others would come and you had to pay again."

"In 2005–2006 it was very difficult to make the registration because you needed a court decision. Whereas now you are done in three minutes . . . so it was better to register."

Source: SI FGDs

Data limitations do not allow us to estimate how much of the reduction in informality could be attributed to the reforms in business registration per se, as other factors, such as stringent tax inspections, may have played a role as well. However, FGD respondents mentioned that improved business registration did, indeed, induce more formality (see Box 6).

**3.1.4.6 Contribution to reducing corruption in business registration**

As discussed in Section 2.4, measuring corruption is an inherently difficult task and trying to estimate a reduction in corruption in business registration is not possible, given the lack of reliable panel data. Nonetheless, the data collected in the BIS2 allows an approximation of the perception of corruption of firms, both before and after the introduction of the NRC, using recall questions and the year of registration. The results in Table 5 indicate that the overall share of companies reporting that informal

payments took place while registering a company was low even before the reform, but has further declined following the reforms. Interestingly, the number of companies reporting informal payments is higher among those that used outside services to register.

**Table 5: Share of companies reporting informal payments to public officials to obtain or speed up the registration before and after the reforms**

INFORMAL PAYMENTS	BEFORE THE REFORM		AFTER THE REFORM	
	Using Outside Service Provider (N=154)	Using In-House Resources (N=175)	Using Outside Services Provider (N=33)	Using In-House Resources (N=49)
Informal payments	17.5%	4.0%	9.1%	2.0%
No informal payments	63.0%	59.4%	66.7%	65.3%
Unsure	18.8%	34.3%	24.2%	26.5%

Source: BIS2

**3.1.5 Sustainability**

The NRC is funded by the state budget and there is no direct link between the amounts collected in fees and funds available to the NRC, leaving it vulnerable to budget cuts. A majority of firms, 56 percent, would be willing to pay an increased fee if this would go directly to the NRC (BIS 2008). On the other hand, interviews with NRC management have shown that it operates at the edge (and beyond) of its capacities, often with staff working overtime. Despite requests, the evaluation team was not provided with

data on the level of funding and staff numbers over the years: it is the Team's understanding that staffing levels have not changed significantly, while the workload has increased dramatically, and at certain periods during the year, long waiting times affect NRC offices countrywide. Against that backdrop, maintaining low registration fees does not seem entirely justified (assuming that higher fees will not contribute to an increase in NRC funding). Underfunding seems to pose a threat to sustainability—not to NRC itself, but rather, to the quality of its services, with a potential to jeopardize the project's impressive achievements to date.

It seems that the project lacked a well-considered approach to sustainability design from the start. It was only after the GOA established NAIS in April 24, 2007 (Council of Minister Decision No. 248) that the project realized the necessity for a counterpart, national institution with sufficient capacity, so that after the end of the project there would be a strong national agency to become an e-government service center. Currently, NAIS performs different roles for different agencies. For NRC, it does not act as an ISP currently (while it does for a few other state agencies). To help NAIS operationalize quickly, the project team renovated the NAIS office, purchased workstations for the IT experts, procured servers to house the e-government portal, and trained NAIS staff on IT systems developed under ATP.

A local company, IkubINFO (which was a subcontractor for ATP2, but was also involved as a local counterpart to Alpha-XP in ATP1), provides maintenance and upgrade (M&U) services to NRC (as it does for most of the other GOA agencies). The evaluation team, despite several requests, was not provided with costs over time that NRC incurs in commissioning these services. The interviews with NRC management did not indicate that any particular issues.

### **3.1.6 Quality of project design**

Overall, the program was designed well, with the exception of sustainability, which was discussed in the previous section. One question that deserves to be noted is regarding the silent consent principle, which is enshrined in the Law, but is not operationalized in the IT system (in the sense that it does not imply a registration by default, as discussed). According to our interviews with NRC management, this was partly a result of underfunding, with consequences related to inadequate staff numbers. Both NRC management and several experts interviewed questioned it as well. The silent consent principle has served to reassure applicants about the short time it takes to register and to promote the role of NRC. It has also served as a guiding benchmark for NRC. However, the idea that this might theoretically validate companies whose paperwork has not been properly reviewed was unwelcome by a number of interviewees. The system, as it stands, represents a discrepancy between the letter of the law and its practice.

GOA's strong commitment and the project team's forceful and focused implementation strategy proved critical to achieving successful implementation of the reforms in business registration in such a short amount of time. Mobilization of some of the best local talent in the implementation of various activities, coupled with high-caliber international experience, was also important. The key factor that adversely affected the results was that the GOA underfunded NRC operations. It must be noted that the project staff had lobbied for more staff at NRC, which had resulted in some increase initially, but the demand has still exceeded the capacity.

### **3.1.7 Conclusion**

Reform of the business registration process was a significant step towards achieving the overall goal of improving the business-enabling environment in Albania. The introduction of the NRC produced a streamlined, less expensive and faster process for business registration for local and foreign businesses, allowing for simultaneous tax, social insurance, health insurance and labor directorate registration, using a single, standardized application procedure. Moreover, NRC service windows located throughout Albania enabled businesses to complete all registration procedures locally.

The success of the introduction of the NRC is reflected in significant improvements on a series of indicators, including the World Bank's Doing Business Indicators and the MCC Business Startup Indicator, which improved from 0.39 in 2007 to 0.98 in 2010.<sup>18</sup> Data analyzed in this evaluation shows that the improved environment for business registration led to a surge in new business registrations after the NRC was implemented in 2007, posting an initial annual growth rate of close to 20 percent. This surge consisted almost entirely of small firms with one to four employees, which means that NRC may have been effective in reducing informality, at least in the short run (the 20 percent growth rate could not be sustained over the course of the project). On the other hand, NRC has not led to a significant increase in the number of registered large firms and the data at hand does not provide evidence of a significant reduction in total registration costs to firms, contrary to the intention of the NRC and some anecdotal evidence compiled in the FGDs. Finally, the limited data available to estimate the impact of the NRC on corruption hints at the fact that there is little corruption in business registration currently.

Despite this progress, certain challenges remain. The process to close a business is still a lengthy process that involves a quantity of red tape. The silent consent principle stipulated in the law is not fully operationalized in practice, which partly explains why the effective time needed to register a business is still higher than the one day envisioned in the law. This is partly due to a shortage of funding and staffing for the NRC, but may also indicate the fact that not all administrative discretion and corruption in business registration has been eliminated, despite the clear and measurable progress made by the ATP.

## **3.2 COMBATING CORRUPTION IN BUSINESS LICENSING**

### **3.2.1 Background and main activities**

Before requesting to include the reform of business licensing in ATP2, the GOA had done considerable work related to reforming business-licensing processes, recognizing that the long and unclear strategy of obtaining licenses, permissions and authorizations is an obstacle for businesses and prone to corruption. With support from the World Bank, a new Law on Licensing, Permits and Authorizations (LLPA) was drafted. When ATP2 was designed, it was expected that the LLPA would pass in 2008.<sup>19</sup> LLPA actually passed in 2009,<sup>20</sup> and stipulated:

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<sup>18</sup> <http://www.state.gov/e/eb/rls/othr/ics/2012/191094.htm>

<sup>19</sup> Action Memorandum to MCC Investment Committee, July 10, 2008. Subject: MCC Stage II Threshold Program – Albania, p.18

<sup>20</sup> Law on Licensing, Permits and Authorizations, No. 10081, dated February 23, 2009

- A reduction in the number of license and permit categories and subcategories awarded at the central government level, from more than 200 to 65. The license requirements for businesses whose operation does not affect public health or safety were eliminated; and
- A mandate to use streamlined procedures for award of most of the remaining licenses, requiring that all licenses and permits be posted on the publicly accessible National Registry of Licenses and Permits (see Section 3.2.3.4). To facilitate swift processing of applications requiring review by line ministries, the LLPA also included a “silent consent” provision that applies when a ministry fails to complete a review within the statutory time limit (see Section 3.2.4.4).

Under this component, the GOA requested MCC’s assistance with (1) drafting the secondary legislation and harmonizing the LLPA with existing laws; (2) establishing the NLC as a one-stop-shop; and (3) designing a streamlined licensing system. The activities and objectives of MCC assistance under this component are presented in Table 6.

**Table 6: Activities and planned outcomes, business licensing**

ACTIVITIES	PLANNED OUTCOMES
<p><b>AT INCEPTION</b></p> <ul style="list-style-type: none"> <li>• Secondary legislation and harmonization of the LLPA with other laws</li> <li>• Establishment of NLC based on the “one-stop shop” model, with a streamlined licensing system to process standardized license applications</li> <li>• Public outreach explaining the reform to the public and promoting the new NLC</li> <li>• Provision of grants to nongovernmental organizations to monitor licensing reforms</li> </ul> <p><b>ADDED LATER</b></p> <ul style="list-style-type: none"> <li>• Assistance to NLC service windows</li> <li>• Policy paper to support NLC position in bringing more sectors under NLC purview</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing efficiencies in establishing a functioning business: reduced time and costs to businesses</li> <li>• Reduced discretion in granting licenses by authorities</li> <li>• Reduced opportunities for corruption</li> <li>• Average license approval time is reduced from 331 days to less than 120 days.</li> <li>• Average number of license approval steps is reduced from 24 to less than 10.</li> <li>• Number of licensed, tax registered businesses increases from 124,424 to 200,000</li> <li>• Albania’s ranking on licensing in the Doing Business Report increases from 168 (2008) to less than 50 (2010).</li> </ul>

Source: ATP2 Final Report and SOAG

Table 7 outlines performance indicators in the main project documents, some of which have been revised over the course of the project. To evaluate this component, the evaluation team used data described in Section 2.2<sup>21</sup>, as well as monitoring surveys carried out by Partners Albania on business licensing (PA [NLC-2010])<sup>22,23</sup> and by IDRA on NLC business awareness (IDRA (NLC-2010)) as a sub-contractor in ATP2. The evaluation team was also provided with access to the NLC administrative database and reviewed third-party surveys where applicable.

<sup>21</sup> For this component, two focus group discussions were carried out in Tirana that included representatives from large firms and SMEs, one with seven participants on July 12, 2012 and one with six participants on August 2, 2012.

<sup>22</sup> Partner Albania (2010): “Monitoring the Performance of the National Licensing Center,” prepared for USAID/MCC, Albania

<sup>23</sup> During April–November 2010, the Partners Albania-Center for Change and Conflict Management, with support by the Millennium Challenge Corporation on ATP2, conducted a survey to monitor the NLC performance. The main goal of the survey was to gather data and assess the performance of the NLC, customer satisfaction on and experiences with its services, and generate ideas for further improvement.

**Table 7: Indicators, baseline, target, and reported results, business licensing**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Average number of days to issue a license or permit by or through NLC	42.5	30	14.3
Percent of license or permit applications processed within the statutory period (Percent) <sup>1)</sup>	98	99	98.3
Number of licenses and permits processed through NLC	n/a	46	46
Percent of businesses aware of NLC <sup>2)</sup>	n/a	75	72
Number of unique visitors to NLC website <sup>3)</sup>	n/a	4000	14732

Source: <sup>1)</sup> NLC Records; <sup>2)</sup> Project-sponsored survey; <sup>3)</sup> NLC Website; Reported results taken from ATP2 Final Report

### 3.2.2 Quality of project implementation

The main challenge confronting the project was to support the desired reforms in a short period of time. The NLC was established in June 2009 with project support less than five months after project inception. The multifaceted nature of the project provided an additional challenge, combining interventions involving legislative, institutional and infrastructural improvements. Interviews conducted with various stakeholders revealed that the vast majority of respondents were of the opinion that the project was efficient in tackling this challenging task.

The GOA and ATP2 engaged the business community to design the NLC systems through a series of roundtable discussions of the regulations and procedures needed to comply with the LLPA. The project engaged existing business advisory councils to provide regular feedback to NLC. The NLC design built on the experience garnered by other, earlier components. This enabled the project team to build the NLC to be compatible with the NRC and to ensure a system of data exchange with relevant government authorities. NLC was modeled after the example of NRC, in that it is referred to as one-stop shop.

### 3.2.3 Outputs

#### 3.2.3.1 *Legal and regulatory reform*

Project staff and international and local experts assisted the GOA (the METE in particular) in drafting the secondary legislation and harmonizing amendments, elaborating detailed criteria for the award of licenses and permits in the categories and subcategories of licenses issued at the national level and allocated by law to the NLC's purview.

According to the LLPA, certain licenses and permits remained outside the purview of the NLC. Interviews conducted by the evaluation team confirmed statements from the ATP2 Final Report that, while the vast majority agreed that some of the exclusions were justified (for example national security and oil extraction), the technical justification for others (e.g., construction and road transport licenses<sup>24</sup>) was weak. The majority of interview respondents thought that this rendered the reforms in licensing somewhat “incomplete.” ATP2 was not in charge of assisting the GOA with drafting the LLPA, but some respondents questioned whether it could have exercised more leverage in establishing the NLC to ensure that these exclusions would be minimized and limited to technically justified cases.

The project assisted the NLC to draft a policy paper, which was reviewed by the Regulatory Reform Task Force chaired by the prime minister. It subsequently recommended that energy, road transport and construction company business licenses be included in the categories and subcategories under NLC’s authority, given its expedited and more transparent licensing procedures (it also recommended several legal and regulatory reform options to remedy exceptions).<sup>25</sup> At the time of this evaluation report’s completion, the energy sector had been added to NLC’s purview (2011), based on the prime minister’s decision. The road transport and construction company businesses still remain outside the purview of the NLC purview.<sup>26</sup> By the time of writing this evaluation report, road transport licenses, previously issued by the line ministry, were transferred to NLC, and only road transport licenses issued by the local government bodies were handled without the involvement of the NLC.

The NLC licensing system complies with the project’s goals to:<sup>27</sup>

- Allow citizens to submit standardized applications for licenses;
- Allow automatic identification of the relevant authorities that must participate in approvals;
- Allow applicants to track application status and approval online; and
- Allow for the publication of the approved license or permit in an accessible and integrated format.

Some businesses were concerned that the new LLPA would disrupt normal business operations by requiring new licenses for all businesses. Together with the project, NLC permitted existing business licenses to remain in effect through their expiration dates (two to five years, in most cases). Although this alleviated business concerns, some businesses remained unregistered with the NLC, which precludes the evaluation from calculating the number of businesses that operated with licenses before and after NLC was established.

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<sup>24</sup> By the time of writing this evaluation report, road transport licenses, previously issued by the line ministry, were transferred to NLC, and only road transport licenses issued by the local government bodies are handled without the involvement of the NLC.

<sup>25</sup> Proposes either outright elimination or substantial reduction of procedures for licensing road transport companies

<sup>26</sup> The areas that still remain outside NLC purview include: in the field of National Security, licenses for production and/or marketing of military products (weapons, ammunition, technology, etc.); in Environment and main Environmental Resources, permits for fishing and other forms of exploitation of aquatic fauna, use and/or breeding of terrestrial fauna, organized tourism and sport hunting, groundwater and basin water use; in the field of Mineral Resources, Hydrocarbons and Energy, permits for mineral or petroleum/ hydrocarbons (for all cases stemming from legislation); in the field of Territory and Construction, permits for professional services related to cultural heritage/restoration of monuments of cultural heritage; in the field of Transportation, licenses, driving schools/vehicles and/or travelers’ international maritime transport; in the field of Education, licenses for universities/pre-university, religious and/or in foreign language education; in the field of Justice and Law, licenses for notary/ services related to civic and/or penal rights.

<sup>27</sup> Action Memorandum to MCC Investment Committee, July 10, 2008. Subject: MCC Stage II Threshold Program – Albania, p. 18

### 3.2.3.2 **Establishment of NLC: institutional, infrastructure and capacity building**

Inaugurated on June 9, 2009, ATP2 provided the NLC with the equipment and furniture, as well as the IT platform. Moreover, the NLC was supported in carrying out public outreach campaigns and the project supported the establishment of NLC service windows.

The NLC offers the following services: (1) handling licensing and permitting procedures; (2) keeping and administering the National Registry of Licenses and Permits; (3) providing free public access; and (4) informing and advising applicants and the public at large on licensing and permitting criteria. ATP2 provided the NLC with equipment and furniture, as well as the IT platform. Moreover, NLC was supported in carrying out public outreach campaigns and the project supported the establishment of NLC service windows.

### 3.2.3.3 **Software and portal**

The software developed with project support includes the following features:

- A publicly accessible register of all licenses and permits in Albania;
- A unified and simplified license application form;
- An online tracking service, which allows businesses to monitor the progress of their license applications; and
- Detailed information about licensing procedures and criteria.

The NLC database is fully linked to the business registration database; however, there were initial problems with ministries sending NLC license approval requests to the NLC by traditional mail during the first few days.<sup>28</sup> These problems seem to have been eliminated with improved Internet access at government agencies.

### 3.2.3.4 **National Registry of Licenses and Permits (NRLP)**

The NRLP is an integrated portal that is meant to serve as “a publication/announcement procedural instrument, and as an official electronic archive, thus guaranteeing transparency in the field of issuing licenses and permits.”<sup>29</sup> According to the existing legal framework on licensing, other agencies with the authority to grant licenses, permits and authorizations are required to register these on the NRLP (in accordance with article 14.1 of the LLPA). Moreover, any license, permit or authorization granted by any agency (central or local government or independent institutions) is supposed to be “in force” only after its publication in the NRLP (except for cases where the publication appeared in the Official Gazette).<sup>30</sup> Currently, this requirement is not enforced, according to an interview with NLC management. NLC is responsible for monitoring the overall licensing regime and the fact that it does not have a full picture of all the licenses and permits being granted affects its ability to fully carry out this mandate.

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<sup>28</sup> Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 21

<sup>29</sup> <http://www.qkl.gov.al/>

<sup>30</sup> According to NLC website, “Every request and every decision of the NLC or any other institution that is related to licensing or permitting, as per this chapter of the law, is published in the Register within the following working day from the day the request is submitted, or the decision is made or announced,” [www.qkl.gov.al](http://www.qkl.gov.al).

### 3.2.3.5 **Training**

The new NLC staff and clerks at regional service windows required extensive on-the-job training in legal and administrative requirements governing the NLC, the 46 categories and subcategories of licenses and permits it is currently responsible for issuing, and the workflow software and web portal. Training occurred both on the job and in classrooms, supported with a training manual. Interviews reveal overall high satisfaction with the trainings; respondents mentioned that, in hindsight, line ministry staff should have received more training, as interaction with them is proving to be a challenge. Substantial training was also provided to IT technicians at NLC.

### 3.2.3.6 **NLC service windows**

The project helped NLC open service windows in nine municipalities. These are a subset of municipalities where NRC service windows operate (see Section 3.1). The NLC service windows operate jointly with NRC service windows, a measure facilitated by the project to reduce costs. The regional NLC service windows have eased the licensing process for businesses. As with NRC service windows, the NLC service windows operate in municipalities as a delegated function.

The joint NLC-NRC service window network required a well-coordinated effort to enable the creation of an interagency network, connected to and interacting with the NLC; the project can be credited with facilitating this communication effort. Nine NLC regional service windows were established during the first year of NLC operation and data collected by the NLC<sup>31</sup> and ATP2 mid-term review<sup>32</sup> pointed to an uptake by businesses.

The PA (NLC-2010) survey also revealed that by the third round of this survey,<sup>33</sup> two-thirds of Group 3 applicants had their activity located outside Tirana, compared to 54 percent in the first round. Although this may imply that opening the service windows facilitated more companies outside Tirana to apply for licenses, it is not possible to establish this contribution with the limited data available.

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<sup>31</sup> PA (NLC-2010)

<sup>32</sup> Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 21

<sup>33</sup> The timing of the PA (NLC-2010) surveys was as follows: 1st round: June 2009– February 2010; 2nd round: March 2010–May 2010; 3rd round: June 2010–September 2010

## 3.2.5 Outcomes

### 3.2.5.1 Service quality

#### **Box 7: From FGDs on service quality at NLC**

"I have found it easy at the NLC. It is a lot more complicated and bureaucratic in other institutions and state offices . . . the customer service has improved a lot." –*Representative of a pharmaceutical company, Tirana*

". . . [W]hat has impressed me [about the NLC] has been their attitude towards me, which has been very friendly." –*Representative of an egg and poultry production company, Berat*

*Source: SI FGDs*

The PA (NLC-2010) showed that nearly 70 percent of the respondents considered it "very easy" to obtain answers from the NLC staff and nearly all respondents said they were either "very satisfied" or "satisfied" when asked about their overall experience with NLC. Ninety-eight percent of Group 2 and 96 percent of Group 3 applicants, respectively, said that they were "satisfied" or "very satisfied" with the transparency of NLC services. These results concur with the findings from FGDs; even though the businesses perceived the functions of the NLC as mainly "logistical," FGD participants were generally satisfied with the performance of the NLC (see Box 7). According to their statements, it was very easy to

obtain information from the NLC and its service windows about the documents, certificates and approvals needed prior to applying for a license. Participants reported that, compared to other state institutions, the NLC's staff's attitude and customer care is significantly better.

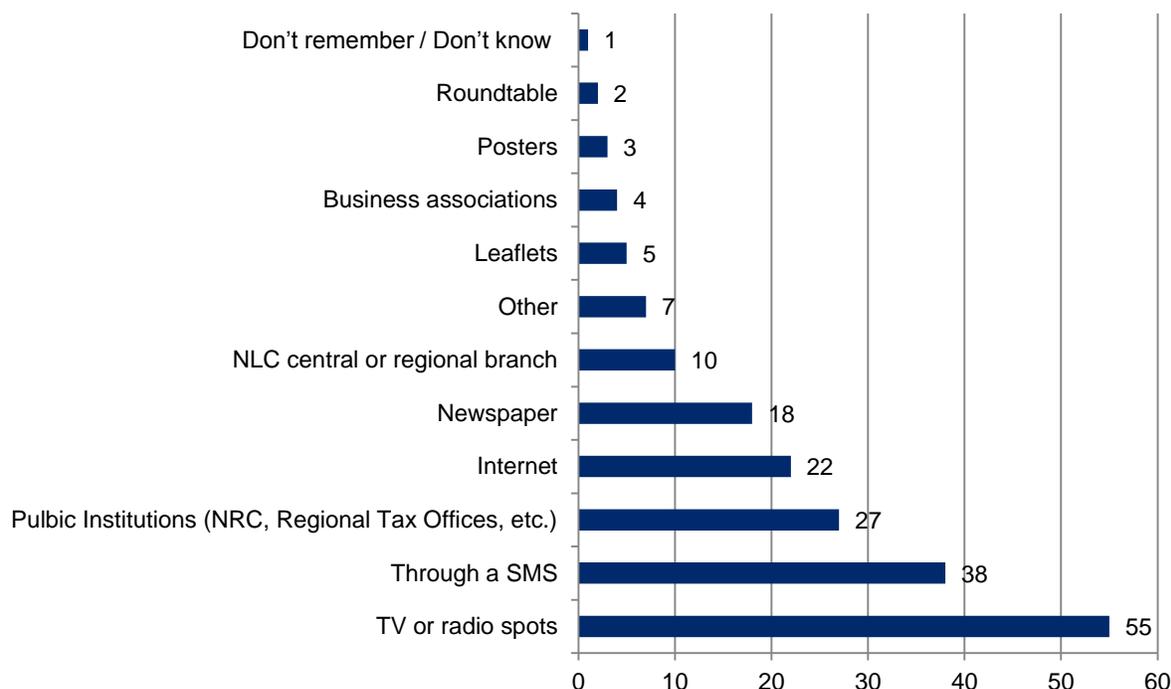
### 3.2.5.2 Public Outreach

According to the ATP2 Final Report, the project helped the NLC with its communications campaign (TV spots, billboards, etc.) to help educate businesses about the timesaving nature of these new licensing procedures. The ATP2 Final Report stated that towards the end of the project, 71 percent of registered businesses and 75 percent of businesses likely to need a license were aware of the NLC.<sup>34</sup> On the other hand, the share of businesses aware of the NLC website was not particularly high.<sup>35</sup> The ATP2 Midterm Review recommended expanding public outreach and communications through business associations, which, according to the information available to the evaluation team, was undertaken, but public awareness of the NLC website had not increased significantly toward the end of the project. The PMP identifies the "number of unique visitors of NLC website" as one of the indicators and the ATP2 Final Report recorded 4000 visits by the end of the project, without specifying how these were measured; the evaluation team was not able to verify this figure independently. Only 22 percent of respondents interviewed by IDRA reported that they found information on NLC on the Internet, compared to 55 percent who had heard radio or seen TV spots (Figure 13).

<sup>34</sup> According to IDRA (NLC-2010) the number was slightly lower, at 71 percent.

<sup>35</sup> IDRA (NLC-2010) revealed that only 40 percent of respondents were aware of the NLC website and only 43 percent of these had visited it (those that were aware tended to be larger companies, joint stock companies [as opposed to LLCs], those with main activities in Tirana and those in the manufacturing and services sectors).

**Figure 13: Sources of information on NLC and its functions (in percent, multiple responses possible)**

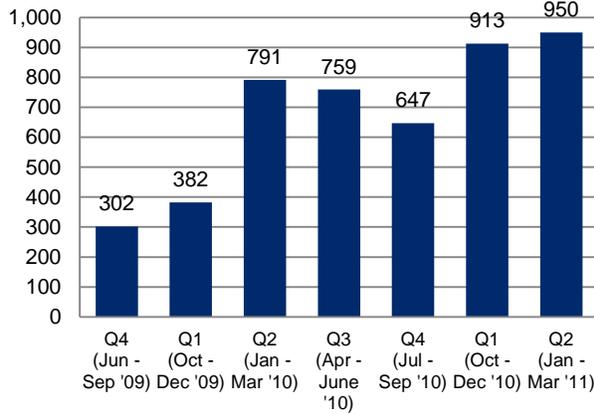


Source: IDRA (NLC-2010)

### 3.2.5.3 Licensing trends

There are three groups of licenses awarded by NLC (the figures in parentheses describe the duration of the award process): Group 1 (two days), Group 2 (four days) and Group 3 (10–120 days). For Group 3, once the applications for permits and licenses are received by the NLC, those that require further scrutiny are delivered to line ministries to verify that the self-declared information is in order. Furthermore, for this group, prior inspections are required in most cases to verify the fulfillment of criteria that cannot be confirmed by the documentation or are outside the expertise of NLC staff. The fact that there direct requests were made by the NLC to line ministries for approvals when onsite inspections are required was an innovation introduced by the project. The NLC also brought about improved procedures for allocating responsibilities to line ministry clerks (as well as NLC clerks), electronic tracking of their actions and imposition of workflow deadlines for each procedural step. The stakeholders interviewed by the evaluation team were unanimous that this in itself is an important step. The main concern raised by the business community during FGDs was that licensing is not a process that can be completed within the institutional framework of NLC alone, since business representatives are still obliged to obtain the approval and/or certification of other state institutions (food inspectorate, hygiene inspectorate, technical inspectorate, firefighters, etc.) before applying to the NLC for a license. In this regard, the NLC is perceived more as a “facilitating” entity, which informs businesses about the required list of documentation and certificates and subsequently checks that the received documentation is in order before granting a license, ensuring the timely response of line ministries and making sure that no additional documents (other than those listed in DCM No.538) are demanded by line ministry officers —

**Figure 14: Number of licenses issued for each quarter**



Source: SI, based on NLC administrative data

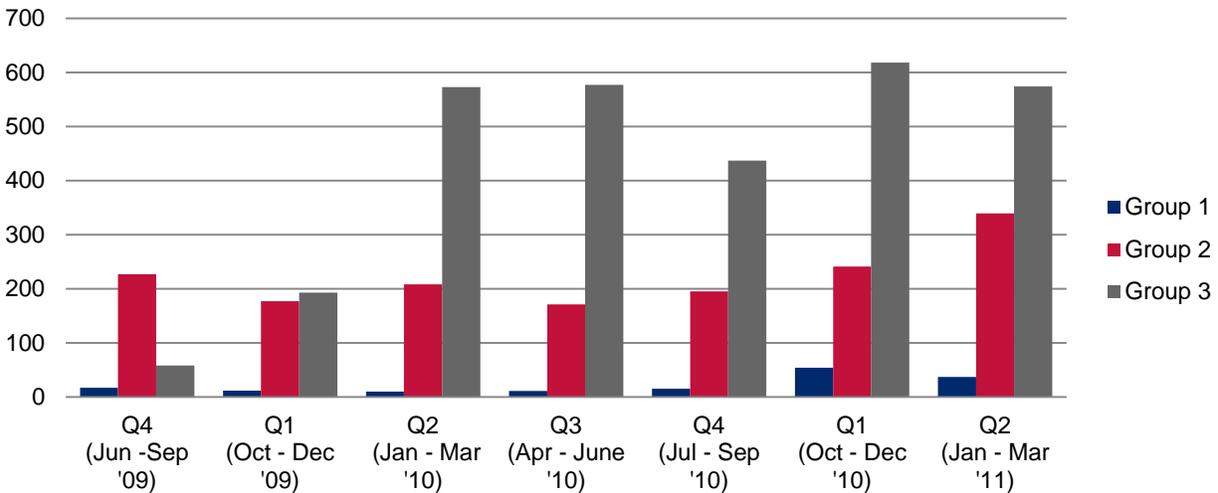
rather than a classic one-stop shop, which would carry out review and approval procedures within the agency.

In the BIS2<sup>36</sup> survey, 70.8 percent of the sample had one or more license, with 63.8 percent of respondents having obtained the license from the NLC, while 65.6 percent of license holders reported a current license obtained through an agency or ministry (including before and after the establishment of NLC). This illustrates how large the scope of licenses granted by other agencies is. Moreover, 69.3 percent of companies held one license, while 17.3 percent had two licenses, and 12.7 percent held three or more licenses. This indicates the regulatory burden imposed on the

companies which, when needing several licenses, must go through several and varying procedures and granting agencies. Twenty percent of companies in the sample held more than two licenses—73 percent

of which had licenses from both NLC and other agencies (although the data does not include whether these “other” licenses were obtained before or after NLC establishment).

**Figure 15: Number of NLC-issued licenses (by group)**



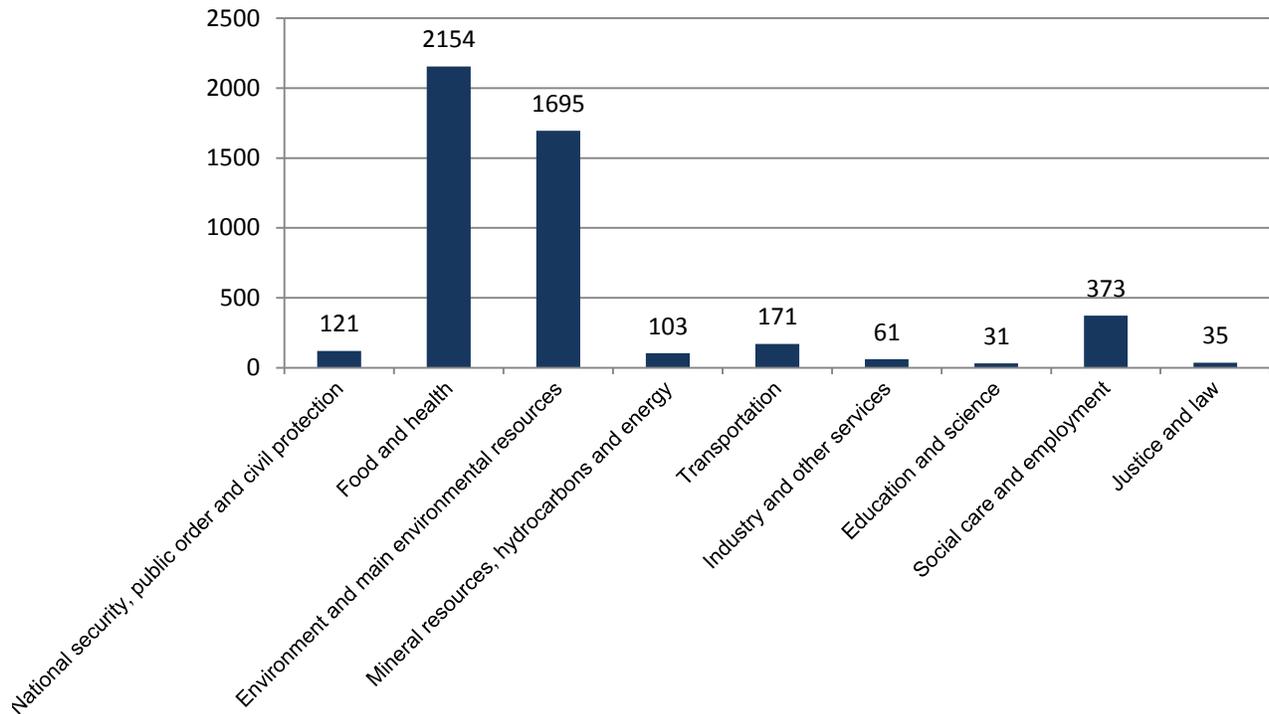
Source: NLC admin data

<sup>36</sup> Of NLC license holders (from 206 companies), 83 percent are LLCs; 91.3 percent are domestic companies; 59 percent are companies with 1-10 employees. This distribution is similar to the group of companies holding other licenses granted by other agencies.

As Figure 16 shows, the number of licenses granted by NLC grew over time and Figure 15 illustrates that the growth has been mostly due to an increase in Group 3 licenses. This to some extent indicates that businesses might be finding it easier to apply for licenses that require line ministry approval with the NLC, compared to the situation before. This is supported by findings from PA (NLC-2010), where more than 95 percent of respondents found the one-stop shop licensing procedures to be “very clear” or “clear,” and 84 percent found the application for a new license/permit to be “very easy” or “easy.” Only six percent of respondents found it “difficult” or “very difficult” to apply for a Group 3 license/permit. These findings are in line with the findings from the FGDs carried out under the framework of this evaluation.

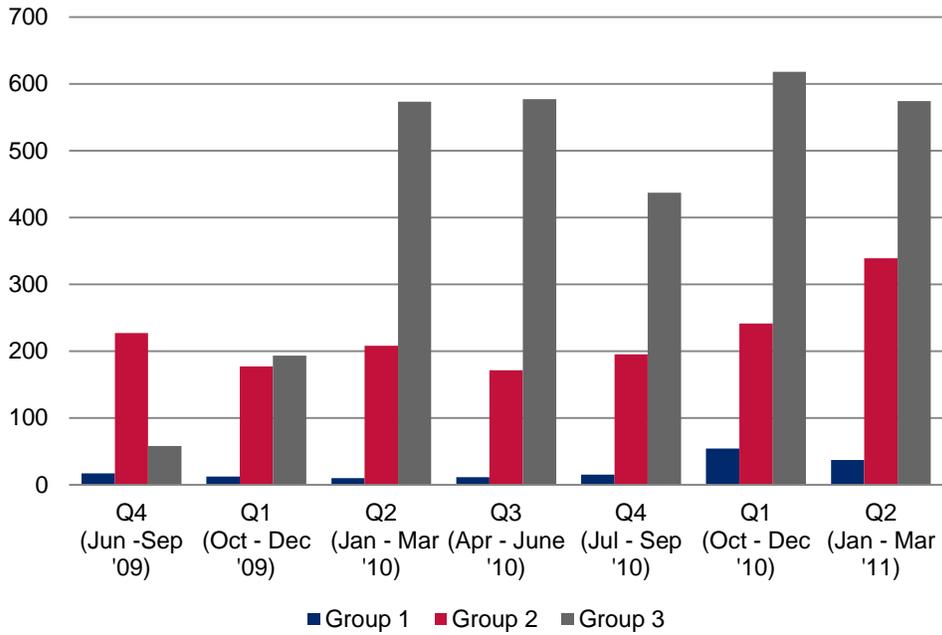
The vast majority of licenses granted by NLC are in the *Food and Health* and *Environment* categories (Figure 16).

**Figure 16: Number of NLC issued licenses by the field of activity**



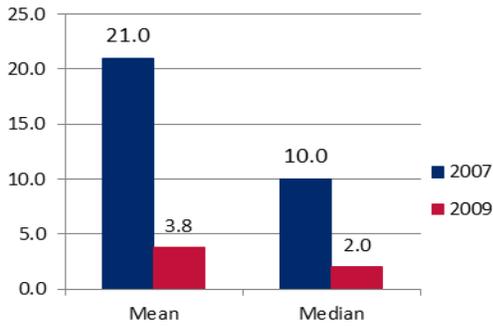
Source: SI, based on NLC administrative data

**Figure 17: Average time to issue a license, by license group (days)**



Source: SI, based on NLC administrative data

**Figure 18: Number of days to get a license**



Source: NLC admin data

**Box 8: Time needed to obtain an operating license**

"The procedures don't allow time efficiency. . . . Before getting a license, we had to wait for the firemen to come and control the fire alarm system. It took them a month to come over and check it out. After their approval, we had to go to another office. . . . Then with all these documents we had to go to the QKL for the license. . . ." – *Representative of a plastic production company, Tirana*

"To be honest, getting some of these documents [from other institutions] takes its time. . . ." – *Representative of a food processing company, Berat*

"We had a list of documents to fill up in order to get the license . . . we had to do everything from the beginning, new documents, new property certificate and everything else and then resubmitted them at the NLC. It was a very long list. . . ." – *Accountant at a private pre-tertiary school, Tirana*

"They give you back the documents and get picky on different issues . . . you have to do it like this, you have to do it like that. . . ." – *Representative of a food trading company, Tirana*

"If at QKL you submit the documents and you finalize everything in 24 hours, at the IQT (Central Technical Inspectorate) it takes minimally three days only for the procedures to start. . . . It is terrible taking a certificate or a license in other state institutions." – *Representative of a plastic production company, Tirana*

*Source: SI FGDs*

#### 3.2.5.4 **Efficiency of the new system: changes in time and costs to businesses**

The PMP specified the average number of days to issue a license or permit by or through NLC as an indicator, with a baseline of 42.5 days. The ATP Final Report Results matrix recorded the actual number to be approximately 30 days at the end of the project. At the same time, in the body of the report it states that processing time for Group 1 and Group 2 licenses (those that do not require review by a line ministry) was reduced from approximately 42 days before the NLC opened to an average of two days (and not more than three) after the establishment of NLC with Group 3 licenses requiring an average of only 15 days. This is in line with administrative data from NLC, which stated it took around 10 days on average, and 15 days for Group 3 licenses.

According to the ATP2 Final Report, 99 percent of license applications are granted within the statutory period; analysis of NLC data conducted by the evaluation team confirmed this finding, as did the PA (NLC-2010) survey, which also revealed that (1) only 12 percent of respondents in the third cohort who applied for Group 3 license/permits said that they made three or more visits to NLC to complete their application, compared to 33 percent that said the same in the first one; and (2) 84 percent of applicants who needed a license or permit before the NLC was established stated that the NLC has significantly reduced the time and effort to obtain a license/permit.

BEEPS panel data for 2007 and 2009 allows for a comparison between the average time to obtain an operating license before and after the introduction of NLC. Figure 18 shows a significant reduction in time. This echoes findings from the FGDs (see Box 8), but here, businesses were more concerned with the time it takes to obtain the documents and approval certificates from the respective state institutions, where they had endured delays, due to the inefficiency and bureaucracy of these institutions, prior to applying to the NLC. Businesses also related delays during inspections, which are part of the licensing process.

The silent consent proviso has proved to be an effective strategy, with the share of licenses granted by NLC based on silent consent reducing drastically over time. At the same time, several reports question its application (see Section 3.2.5.8).<sup>37</sup> Silent consent is operationalized in the NLC IT System, but this system (reflecting the provisions of the legal framework) allows for granting an extension to the line ministry, based on its request.

### 3.2.5.5 **Costs**

“*Reduced costs*” is mentioned in the ATP2 Final Report as an objective, but only briefly and without elaboration. When asked about the costs of applying for a license, participants of the FGDs (Box 9) mentioned that (1) these had not changed much in comparison to the situation prior to the creation of the NLC, a finding that was also confirmed in interviews with NLC management and experts;<sup>38</sup> (2) positive developments related to the elimination of the notarization costs (since a scan of the original documents is performed by the NLC staff at delivery); and, most importantly, (3) licensing now happens only once and there is no need for a renewal; (4) visiting various offices adds to the costs.

#### **Box 9: Costs to obtain an operating license**

“The costs [of applying for a license] are almost the same for my field of business. Not many changes. . . .” – *Representative of a plastic production company, Tirana*

“The costs are acceptable. They are reduced now . . . [before] we had to take a thick file of documents to the notaries, etc. Now is better. . . .” – *Representative of a pharmaceutical trading company, Tirana*

Source: SI FGDs

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<sup>37</sup> SIGMA, Support for Improvement in Governance and Management A joint initiative of the OECD and the European Union, principally financed by the EU (2010): Albania Assessment, 2010, p.13

<sup>38</sup> This is true for Group 3 licenses, whereby the applicants are still required to pay the application fee and the sectorial fee. For Group 1 and Group 2 licenses, applicants are only required to pay an application fee of 100 ALL (about \$1).

### 3.2.5.6 Contribution to Reducing Corruption

The majority of FGD participants and KIIs indicated that the establishment of the NLC greatly reduced the opportunities for petty bribes and was viewed in a very favorable light by the international and local business community in Albania. However, interviews with businesses and experts also indicated concern about ongoing bribery and corruption in the inspection process. This was confirmed by the BIS2 study and the FGDs.

In BIS2, the proportion of companies reporting informal payments among NLC license holders and holders of licenses from other agencies is not dissimilar (see Figure 20), with a somewhat smaller proportion of NLC license holders reporting informal payments compared to businesses holding licenses from other agencies. Additional information collected from the small sample of firms that reported informal payments in the NLC licensing process shows that two companies mentioned informal payments only at the NLC, while five companies mentioned informal payments only during the inspection stage and ten companies mentioned informal payments at both stages.

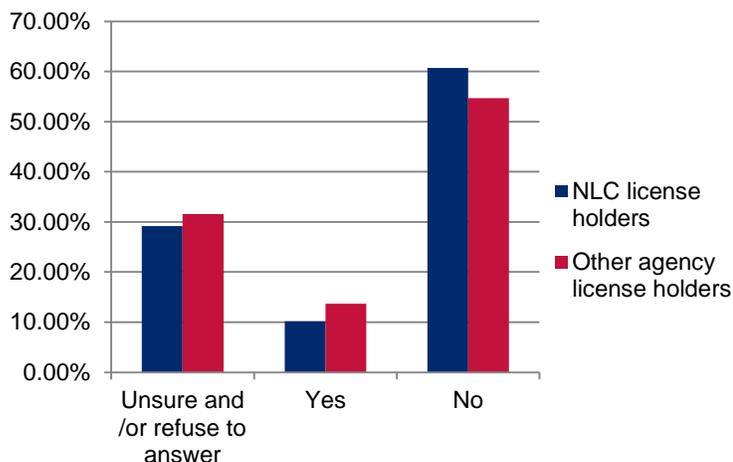
Due to the low number of firms willing to disclose the amount of informal payments, no valid conclusions can be drawn about the difference in the value of informal payments made with NLC licensing compared to licenses from other agencies. Two participants of the FGDs mentioned that informal payments were made or requested in order for them to receive the needed approval or documentation at institutions other than the NLC (see Box 10).

**Figure 19: Average time to issue a license at NLC (days)**



Source: SI, based on NLC administrative data

**Figure 20: Business responses to the question, “Do firms working in a similar sector as this one make gifts or informal payments to facilitate obtaining licenses from the NLC?”**



Source: BIS2

Improving inspection capacity in line ministries was beyond the scope of ATP2, but this function is critical to the success of the NLC and for ensuring transparency in the business licensing process. The need to reform the inspection system to improve the business-enabling environment in the country is reflected in GOA papers, SIGMA (2009, 2010) reports,<sup>39</sup> the EU Progress reports on Albania, and others. This has led to a World Bank-supported inspection reform in line ministries, mentioned earlier. The METE is in the process of finalizing the legal framework for the reformed inspections regime. The horizontal Inspection Law was approved and the General Inspectorate was established in January 1, 2012.

### 3.2.5.7 Sustainability of the new business licensing system

According to the information provided to the evaluation team by the NLC, funding levels for the NLC have dropped over time (Table 8). These reductions pose a substantial threat to NLC sustainability. From 2009 until the first half of 2011, ATP2 assisted the NLC financially to fund M&U of its IT system. Beginning with the second half of 2011, the NLC was obligated to finance this through allocations of the state budget (currently at 2.955.000 ALL, around 30,000 USD).

NLC supports a staff of 33; this number has not changed a great deal over the last three years. Staff receives periodic training about legal changes in the licensing field and the methods for their implementation in the electronic system the NLC uses. The IT department of four staff members performs all the necessary daily operations related to the IT system. Any issues they cannot address themselves are referred to the company responsible for the M&U of the IT system, InfoSoft Group. Overall, the IT system has worked well, with no major problems encountered during its daily operation since inception of the NLC. The NLC first contracted with ABCOM, and then NAIS (since October 2012), to be its ISP provider. Overall, the Internet connection has worked well, with no major problems encountered during its daily operation.

As with the NRC, sustainability is not a major concern for the NLC, as the reforms are likely to be irreversible. The main concern for the NLC is the fact that the LLPA requirement stating that all license-issuing authorities must record the licenses on the national registry is not effectively enforced.

**Table 8: Government funding for the NLC (Million ALL)**

YEAR	WAGES AND SOCIAL INSURANCE	CURRENT (OPERATIONAL) EXPENSES	CAPITAL (INVESTMENT) EXPENSES
2010	43.0	15.6	-
2011	36.0	8.0	3.0

Source: NLC

#### Box 10: Perceptions of informal payments in obtaining operating licenses

"Dealing with some of the pharmaceutical state offices is a nightmare. [There are] too many delays, corruption and everything. It was very complicated for me to get the permits as it was impossible to get through to them. However it was all fine at the NLC." –Representative of a pharmaceutical trading company, Tirana

"They (other state institutions) sometimes try to delay you and find out small problems in order to get something from you, a coffee, a payment. . . ." –Representative of a construction company, Tirana

Source: SI FGDs

<sup>39</sup> SIGMA, Support for Improvement in Governance and Management A joint initiative of the OECD and the European Union. Albania Assessment, 2010 and 1011

### 3.2.5.8 **Quality of project design**

The overall project design was adequate. The one critical comment voiced during the KIIs related to the need for substantial training and capacity building of line ministry staff that could have been anticipated by the project. Although line ministry representatives were part of the training courses, this has proved to be insufficient. Similarly, the challenges related to the inadequacy of the IT platforms at partner ministries could have been anticipated by MCC at the program-inception stage. The ATP mid-term review recommended conducting a needs assessment and developing an action plan to ensure that line ministries would have adequate IT platforms to support effective communication between the NLC and central ministries, as well as agencies in the regions. The evaluation team did not find evidence that such an action plan had been developed. In addition, the project might have benefited from asking current license holders to register with the NLC at the time NLC was established, rather than waiting until their licenses expired.

### 3.2.6 **Conclusion**

This component of the ATP2 met all the performance targets set by the PMP and the relevant indicators from SOAG, and helped reduce the time firms spent applying for business licenses. The NLC became fully operational and was widely perceived to be an efficient institution, albeit within the purview of its somewhat narrow mandate, whereby the licenses in a few sectors remained outside of its purview. At the same time, granting licenses for some of the sectors (e.g., energy, road transport under central government) has been recently transferred to NLC, which indicates that the trust in NLC is growing. Most businesses that apply for Group 3 licenses (licenses that take longer to be issued, as they have to go through an inspection stage) do not perceive the NLC as a one-stop shop, but rather as an entity that helps them logistically with streamlined procedures that eliminate lateral requests to conduct inspections by the line ministers, ensuring the timely response of line ministries. Additionally, the fact that the requirement for other bodies granting licenses to register these at NLC is not fully enforced negatively affects its effectiveness in executing its mandate (in terms of its ability to monitor the entire licensing field.) The fact that some of the sectors (e.g. road transport, construction) remained outside the purview of the NLC negatively affected its effectiveness (because other agencies fail to register their licenses on the Register) and limited the reduction of regulatory burden for businesses brought about by the reform. Trust in the NLC is growing and, after the project closed, energy sector and transport licenses were moved to its purview. The fact that the requirement to populate the National Registry of Licenses and Permits is not being enforced in its entirety also negatively affects the ability of NLC to realize its mandate.

Implementation of this component profited from the timing of its inception, as the NRC component was already functioning. Sequencing the establishment of NLC and NRC is one of the strong points of the overall ATP program design. This allowed the project to offer NLC services at joint NRC-NLC service windows in the regions, a measure that proved to be both cost-effective and widely appreciated by clients.

While data on corruption and informal payments does not allow for a conclusive judgment about the effect of NLC on corruption, there is some evidence that the incidence of corruption in business licensing has been reduced. However, this does not seem to be the case for line ministry inspections, where bribes are still prevalent.

### 3.3 ATTAINING TRANSPARENCY AND ELIMINATION OF CORRUPTION IN GOVERNMENT PROCUREMENTS

#### 3.3.1 Background and main activities

The procurement system in Albania used to be highly inefficient, time consuming, costly to bidders and opaque and, as a consequence, was crippled by high levels of corruption. In July 2006, the GOA obliged contracting authorities to publish tender documents on the PPA website, which significantly reduced the number of complaints.<sup>40</sup> Encouraged by this success, the GOA requested MCC help in further pursuing improved procurement processes. The activities and objectives of the project are described in Table 9.

**Table 9: Activities and planned outcomes, procurement**

ACTIVITIES	PLANNED OUTCOMES
<p><b>AT INCEPTION</b></p> <ul style="list-style-type: none"> <li>• Elaboration and use of a Contract Administration Manual</li> <li>• Development of a system to measure Public Procurement Law (PPL) compliance and reform impact</li> <li>• Organizational improvements to the procurement entities, as well as restructuring and redefining roles within the PPA</li> <li>• IT solutions and, in particular, developing the EPS (Electronic Procurement System)</li> <li>• Knowledge and skills-building training program</li> <li>• Establishment of the Procurement Advocate</li> <li>• Public awareness program of procurement reform efforts</li> </ul> <p><b>ADDED LATER</b></p> <ul style="list-style-type: none"> <li>• Contribution to the draft PPL</li> <li>• Developing the secondary legislation for the regulatory framework and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Increase efficiency and cost-savings</li> <li>• Improve transparency and facilitate public scrutiny of procurement procedures</li> <li>• Enhance institutional mechanisms to detect, deter and punish corrupt practices</li> <li>• Bring the existing public procurement system into fuller compliance with the 1995 public procurement law</li> <li>• Strengthen technical capacities at the PPA to enable it to function as an oversight body for other government procurement entities</li> <li>• Provide continuous, professional and sustainable training for procurement officers at all procuring entities to elevate skill levels and strengthen commitments to the enhanced procurement process</li> </ul>

Source: PMP ATP1 and SOAG

Evaluation of this component is based on the analysis of all data sources discussed in Section 2.3<sup>41</sup> and complemented by the results of a monitoring survey, AmCham (2010),<sup>42</sup> carried out by AmCham on e-

<sup>40</sup> Klodiana Cankja, Director, Public Procurement Agency, Albania: "E-Procurement in a transition country: a big step towards transparency in Albania" in EBRD "Law in Transition," Autumn 2010

<sup>41</sup> The following FGDs were carried out for this component: Focus group with large companies, with nine participants in Tirana (July 10, 2012); Focus group with SMEs, with eight participants in Tirana (July 11, 2012); Focus group with large companies, with nine participants in Shkodra (July 16, 2012); and a focus group with SMEs, with seven participants in Elbasan (July 17, 2012).

<sup>42</sup> During February –March 2010, the American Chamber of Commerce in Albania, with support by the MCC ATP2, conducted a study of EPS based on the experience of public institutions that issue public procurements (contracting authorities, or CAs) and businesses that participate in public procurement procedures (economic operators, or EOs). The study included: (1) a survey consisting of face-to-face interviews with 300 EOs that submitted one or more electronic bids during 2009, located in Albania's 12 districts; (2) 21 in-depth interviews with procurement specialists and OEC members from CAs in six regions (Tirana, Shkodra, Fier, Kukës, Korça, and

procurement, and the Center for Development and Democratization of Institutions (CDDI) (2010) on the Public Procurement Advocate Office,<sup>43</sup> an analysis of the PPA database; PPA and PPAO Annual Reports; and third-party surveys and reports, most notably SIGMA (2009, 2010, 2011),<sup>44</sup> United Nations Development Program (UNDP) (2010),<sup>45</sup> WB Public Expenditure and Financial Accountability Program (PEFA) (2012),<sup>46</sup> EBRD (2010)<sup>47</sup> and the EU Albania Progress Report (2011, 2012).

**Table 10: Indicators, baseline, target, and reported results, procurement**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Value of gift expected to secure government contract as a percent of contract value	6.15	1	2.9
Percentage of firms saying that bribery is frequent to secure government contracts	42	35	17
Percentage of procurements conducted electronically	0	2.5	2.1
Reduction in the cost of government procurement (percent)	0	20	15
Percentage of public procurements openly completed	35	60	54
Number of procurement regulations developed, reviewed or revised	0	8	7
Quality of explanatory guidance provided by the project (percent)	0	100	95
Percentage of PP bulletins published electronically (percent)	0	100	100
Percentage of PPA staff trained in new procurement policy	0	100	100
Percentage of PPA staff trained in IT integration and e-procurement	0	100	100
Number of procurement officers and public officials trained	0	2000	898
Number of economic operator trained in new procurement law and regulations	0	600	505
Percentage of businesses aware of e-procurement	0	40	89

Gjirokastër); and (3) two focus groups with procurement specialists or members of the offers evaluation committees (OECs) in selected CAs.

<sup>43</sup> From December 2010 to March 2011, the CDDI, with support from the MCC on ATP2, conducted a study of the performance of the Procurement Advocate based on the experience of businesses that participate in the public procurement procedures, and the public institutions that issue public procurement (CA, PPA, and PPC). More specifically, the study evaluated the Procurement Advocate's progress to date, benefits for the business community, public administration and the public at large, as well as issues that need to be addressed to strengthen efforts toward an effective, transparent and fair procurement process in Albania.

<sup>44</sup> SIGMA (Support for Improvement in Governance and Management: A joint initiative of the OECD and the European Union, principally financed by the EU): "Albania Public Integrity System Assessment," from 2009, 2010, 2011, Tirana, Albania

<sup>45</sup> UNDP (2010): "Report on Benchmarking and Draft Capacity Assessment: sponsored by the UNDP on behalf of the International Donor Community," by Casals & Associates/Claro Associates, Tirana, Albania

<sup>46</sup> Gustafsson, Allan and Andy Macdonald, Antonin Braho. WB (2012): "Albania: Public Expenditure and Financial Accountability Assessment (PEFA), 2011."

<sup>47</sup> EBRD (2010): "Law in Transition: Strengthening Public Procurement," available at <http://www.ebrd.com/pages/research/publications/newsletters/lit102.shtml>

Percentage of businesses aware of PPAO	0	40	73
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Source: Reported results taken from ATP1 Final Report.

### 3.3.2 Quality of project implementation

Project implementation took only 26 months, a very tight timeframe in light of the task at hand. Program activities, broadened beyond the initial design, included more work related to the Public Procurement Law (PPL) and more training activities. While the project can be credited for its flexibility, resources were spread thin as a result. These factors, combined with the short time period, seem to have affected a few of the deliverables and outcomes (e.g., the number of regulations drafted and the number of people trained). Some KIs questioned the cost effectiveness of the Electronic Procurement System (EPS) delivered by the project. This aspect is discussed in more detail elsewhere.

### 3.3.3 Outputs

#### 3.3.3.1 Regulatory framework

By the time ATP1 commenced, an EU program was finishing work on the draft PPL. The ATP team piggybacked on this work and advised the Parliamentary commission during the review stage, which led to amendments that included (1) provisions authorizing electronic procurement (e-procurement); and (2) establishment of the PPAO.<sup>48</sup> After the enactment of the new PPL, the project helped draft the secondary legislation (regulations) and standard bidding documents required for PPL implementation. The project team was only in charge of these provisions of the PPL; this is important to highlight, since the version of the PPL that ultimately passed had a few shortcomings that affected, and continue to affect, project outcomes. Moreover, the PPL underwent several revisions in 2009 and 2010, which meant the IT platform (EPS) developed with ATP assistance had to be adjusted, as well.

The PPL entered into force in 2007.<sup>49</sup> It applies to all contracts for supplies, services or works awarded by contracting authorities (CA), unless explicitly exempted. The rules concerning access to information about announced bids<sup>50</sup> impose equal and impartial treatment on all economic operators.

<sup>48</sup> MCC/USAID (2008): "Strengthening Governance in Albania: Support to Albania's Millennium Challenge Account Threshold Agreement: Final Report," Washington, D.C.

<sup>49</sup> Law 9643 of 2006 on Public Procurement adopted on November 20, 2006 and entered into force on January 1, 2007.

<sup>50</sup> According to SIGMA (2010), the PPL mainly is based on the provisions of EC Directive 2004/18, but it also reflects influences from other sources, such as the UNCITRAL Model Law on public procurement, the World Bank guidelines, and the WTO Government Procurement Agreement.

The PPL, as passed, contains a number of drawbacks.<sup>51</sup> For one, some of the procedures<sup>52</sup> provided for by the PPL regarding the award of contracts are problematic, especially those related to restricted procedures and the procurement of consultancy services, which prescribe shortlisting, rather than an open procedure. In addition, the rules governing tender documentation establish the possibility of defining technical specifications referring to various standards (national and European), allowing CAs to define biased specifications that favor particular tenderers. Moreover, PPL requires a tender security for all public sector contracts, without considering cost implications, and all services covered by PPL are treated in the same way, making no distinction between “priority” and “non-priority” services. Finally, firms are not required to certify that they have not bribed an official during the procurement process.<sup>53</sup>

**Box 11: PPL, regulations and their implementation**

“As a whole the systems (law) seems to be good. But if we stop and look at its specific elements there is room for improvement. . . .” – *FGD Participant, Tirana, Large Taxpayers*

“. . . the Law itself is an improvement but there are some flaws, mostly of the regulatory kind. It needs to be supported by other sublegal acts especially regarding contracting authorities. Usually they put strange requirements/criteria for participation. . . .” – *FGD participant, Tirana, SME*

“. . . The problem is with its implementation and those that implement it, not with the law itself.” – *FGD participant, Elbasan, SME*

“. . . there are other documents besides the financial offer which are required to be submitted for a tender. This is where agreements are made between companies and contracting authorities.” – *SME Group, Tirana*

“. . . contracting authority talks firstly with the company they want to win. They check their licenses and documentation and then set the criteria for that tenders based on that. So that company has the highest possibilities to win the tender. . . .” – *Large companies, Shkodra.*

Source: *SI FGDs*

PPL is implemented primarily by a decision of the Council of Ministers No. 1 from January 2007 (henceforth referred to as “Regulations”), developed with ATP support, which were not specified clearly in the SOAG and the evaluation team therefore assumes that this activity was added later. The regulations cover issues that include details concerning the award of consultancy services; thresholds of application of the PPL; detailed methods for calculating the value of contracts; content of public procurement notices; and opening and evaluation of tenders.

ATP also helped to develop a Contracts Administration Manual. SIGMA (2009–2011) reports state that the implementation of these regulations has been challenging, both because of the shortcomings within the PPL itself and because the regulations provide insufficient guidance to the CAs. These challenges

<sup>51</sup> The listed shortcomings heavily borrow from SIGMA (2010), unless otherwise noted.

<sup>52</sup> According to PPL: “(a) Open procedures are those procedures whereby any interested economic operator may submit a tender; (b) Restricted procedures are those procedures in which any economic operator may request to participate and whereby only those economic operators selected by the contract authority may submit a tender; (c) Negotiated procedures are those procedures whereby the contract authority consult the economic operators of its choice and negotiate the contract terms with one or more of these; (d) Request for proposals is a procedure without prior public notice, whereby the contract authority may seek offers from a limited number of economic operators of its choice and compare them according to the criterion of price.” Source: LPP (10 309/2010)

<sup>53</sup> OECD (2010): “Collusion and Corruption in Public Procurement: Contribution from Albania,” Global Forum on Competition, DAF/COMP/GF/WD(2010). Also, while PPL has a clause requiring Conflict of interest, its implementation is in question

posed a particular problem until 2011, when PPA, assisted by an EU Twinning Program,<sup>54</sup> issued more guidance. Nonetheless, some of the problems remain.<sup>55</sup>

FGD participants confirmed that the problematic aspects of the PPL (perceived to be too complex) and regulations (perceived to be too rigid and lacking guidance) are a source of concern for them (see Box 11). In particular, many of the businesses mentioned: (1) the CAs' broad discretion in setting qualification criteria; and (2) a perception of frequent rules abuse, specifying tender documentation and award criteria as major concerns. FGD participants stated that these practices can lead to corruption.

Most of the FGD participants saw the problems stemming from the interpretation and implementation of the law. In particular:

- **Cancellations:** according to one FGD participant, cancellations were used by the CAs (especially at the local government level) as one of the main tools to award contracts to “predefined bidders.” Cancellations were perceived to be frequent, accompanied by arbitrary explanations and followed by re-tendering, once the CAs already knew what the bidders would offer (“... what they do sometimes, is that they cancel the tenders as many times as it takes, so that the company they want to win has the ‘better offer’ and is thus able to get the tender,” noted a FGD participant in Tirana Group). Moreover, cancellations often are perceived to occur after winners have been selected. In the BIS2, responses to the question of whether the frequency of bid cancellations had increased after e-procurement became mandatory were split almost equally among those who said that the instances have increased, decreased, or are at the same level.<sup>56</sup> Analysis of PPA data shows that cancellations declined starting in 2010, but continued to constitute a considerable share of announced tender notices. It should be noted that familiarization with the e-procurement process is likely to be another factor behind the high level of cancellations after the introduction of EPS.
- **In-person meetings with CAs.** Different data sources<sup>57</sup> point to the fact that in-person meetings with CAs are still common, despite reform efforts to eliminate or reduce the incidence of such meetings and limit opportunities for corruption. While the PPL does not prohibit such meetings, tenderers are encouraged to pose their questions about bids online. FGD participants were split in their opinion on whether or not online Q&A with CAs work well, depending on a particular CA.<sup>58</sup>
- **Bid opening.** FGD participants voiced concerns about the procedures for “bid opening” (see Box 12). They commented that, before EPS, the companies' presence during the opening of tenders was mandated, whereas now, it appears that fewer companies are being invited—contrary to the provisions of the PPL.

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<sup>54</sup> IPA 2008 (twinning with the Polish PPO), which began in 2010 consisted of three main elements: (1) institutional and legal reform; (2) building of administrative capacities in the area of procurement, concessions and public auctions; and (3) raising awareness of contracting authorities, of the business sector and of the wider public with regard to the procurement, concession and public auction process.

<sup>55</sup> In particular, the qualification criteria of the PPL, in conformance with those of the EU Directives, include references to the personal situation of the tendered, professional suitability, economic and financial standing, technical and/or professional capability, and quality assurance standards, including environmental management standards: the implementation has proved to be problematic, with the CAs applying all of the options without any consideration of the implications (in terms of cost and time) of imposing onerous requirements.

<sup>56</sup> Among those who had said that these are cancelled more often than before, the majority are those with six to 50 employees, companies from the regions, and more domestic companies than foreign.

<sup>57</sup> AmCham (2010) survey reports 36 percent of businesses and the BIS2, 25 percent of businesses, that are meeting with CAs, of which 53 percent reported that “asking a question” about the bids was the reason for the visit.

<sup>58</sup> Also, many CAs seem to lack a record-keeping practice for the online Q&A

Interviews with the CAs also indicated a number of challenges with PPL and the regulations. In particular, they mentioned difficulties in applying the most economically advantageous tender criterion (partly because of the rigid formulae provided in the guidance materials to determine it). Moreover, the low threshold of 3000 Euros over which procurements have to be conducted electronically poses a problem, especially for smaller communities in remote locations, which, at times, do not generate the needed number of bidders.<sup>59</sup>

The World Bank's Public Expenditure and Financial Accountability (PEFA) partnership awarded rather high marks to the Albanian procurement system in 2012. Similarly, the EBRD (2010) ranks the Albanian procurement system quite high as the third best among EBRD countries,<sup>60</sup> with some criticism related to its stability, integrity and efficiency.

The discussion in this section is important in three respects. First, a conclusion could be drawn that the regulatory field improved markedly and that ATP made a strong contribution to laying the foundations for this back in 2006–2007. Public procurements in open procedure reached 54 percent in 2008 against the baseline of 35 percent (but below the target of 60 percent) and increased to around 74 percent in 2011.<sup>61</sup> However, the regulations designed by the project were at least somewhat problematic (short on guidance)<sup>62</sup> and insufficient in number. This, combined with the overly complex nature of the PPL and the lack of CA training, led to persisting opportunities for corruption and negatively affects the procurement system's overall effectiveness. It should also be noted that these limitations had a more pronounced impact because of the drastic scaling up of e-procurement, from 2.5 percent in 2008 to 100 percent in 2009 (see Section 3.3.3). A more gradual approach would have allowed more time for adjustments. Second, it illustrates the difficulties inherent in separating the effects of the regulations (which is the part that the project mainly has advised) from the effects of the PPL itself, as well as EPS. Finally, it provides the foundation for analysis of the reforms' potential effects on the efficiency and effectiveness of the system and the corruption in it and describes some potential channels.

#### **Box 12: Bid opening**

"Before . . . we were there when the envelopes were opened and offers were viewed. Now we do not know what happens. . . ." –*SME group, Tirana*

". . . it is our legal right to be there when offers are opened. There was this case when my company had applied for a tender involving a large sum of money and they would not allow me to be there when the offers were opened. After a bit of quarrelling they had to let me in, because as I said it is our legal right. . . ." –*SME group, Tirana.*

". . . about this regional hospital tender . . . I had posed a question/complaint related to the documents of the tender. No answer. I went to take part in the opening of bids. They closed the doors and told me to get out of there. I opened the door again. They closed again and I opened again and said that I want to take part in the opening. I did not stay as it was not worth it. But there was only one person doing the evaluation. He had the codes of all the other members." –*Large companies. Shkodra.*

*Source: SI FGDs*

<sup>59</sup> In addition, PPL contains two levels of thresholds, low and high, and the procedures are the same for both: thus, even for rather low-value contracts, fully competitive procedures are applied;

<sup>60</sup> EBRD (2011): "Core Principles on an Efficient Public Procurement Framework: Albania Country profile in the Seventh Regional Public Procurement Forum," Georgia

<sup>61</sup> SI estimate, based on PPA Annual Reports

<sup>62</sup> Note that in the ATP1 Final Report, the project rates the "Quality of explanatory guidance provided by the project" at 95 percent, based on the percentage of positive feedback from the attendees of the training courses, and not based on feedback regarding the Regulations, per se.

### 3.3.3.2 **Capacity building of the PPA**

The PPA is the central regulatory body managing the national procurement system. Until April 2010, the PPA was also responsible for the administrative review of complaints, a function that then was transferred to the newly created Public Procurement Commission (PPC). The PPA is financed by the state budget and reports to the prime minister. Its main responsibilities are to draft legislation and regulations; monitor procurement activities; produce the Public Procurement Bulletin; and advise the CAs and organize trainings for them to ensure proper and uniform application of the PPL.

It is important to note that PPA is the regulatory body for concessions as well, governed by the Law on Concessions,<sup>63</sup> in force since February, 2007. This is relevant to this evaluation, since the Law on Concessions creates a source of confusion for the CAs when determining whether a contract is included in the “public procurement” or “concession” tender category, which is even more of a concern since the law contains rather problematic provisions.<sup>64</sup>

The PPA was the key counterpart agency for the project. The project assisted the PPA, reprogramming the its website to include downloadable tender documents; the development of procedures for the implementation of the PPL; development of the EPS; restructuring the PPA and redefining its role; upgrading its hardware with servers and peripheral equipment to improve its IT infrastructure and established databases; training PPA staff; training the procurement officers from CAs on the features of the PPL, secondary legislation, and EPS; outreach campaigns; and developing a system to measure compliance with the PPL, advising on the content (indicators) and structure of the Annual Reports.

As interviews respondents indicate, the project created a solid foundation for the PPA through these activities, which later were picked up by other donors and the GOA. Unfortunately, these activities were insufficient, even in the short term. SIGMA (2010, p.95) highlighted the need for drastically increased assistance to and training of PPA staff so it could perform its mandate effectively, in particular providing guidance to the CAs. The project should have provided more assistance “. . . [not]. . . in terms of providing more formulae and rules but . . . imparting an understanding of the objectives and desired outputs of improved procurement procedures and of increasing the familiarity of government officials with the operation of procurement markets.”<sup>65</sup> The hardware and technical infrastructure provided by the project were sufficient for the initial target of 2.5 percent of e-procurement, but not for the scaled-up levels.

Restructuring the PPA and redefining its role was carried out by introducing new regulations and guidelines that affected the functioning of PPA, but did not amount to restructuring of the PPA per se. Rather, the structure was adjusted to serve the new functions, for example, the formation of the Department of Bulletins and Statistics.

The enactment of the PPL and its regulations marked a major and important shift for the PPA as the regulatory body for public procurement and the agency in charge of EPS. However, an important function was—and still is—missing from the PPA mandate, in that there is no engagement with the private sector.

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<sup>63</sup> PPC is responsible for the review of appeals in concessions procedures.

<sup>64</sup> In particular, SIGMA (2009 and 2010) reports note that the procedures for awarding concession contracts result in prominent use of unsolicited proposals (e.g. in the energy sector).

<sup>65</sup> In 2010–2011, PPA received more technical assistance from the EU and other donors

As a consequence, the PPA lacked the budgetary funding to provide training to the private sector or a strategy to proactively engage the private sector and develop a strong partnership to help build the local procurement market (see UNDP [2010]). While this is a drawback of the PPL, it is difficult to conclude whether or not the project had the opportunity to close this gap, either in the PPL itself or in the regulations.

This gap was reflected in the reactions of the participants of the FGDs carried out in the framework of this evaluation. In the eyes of the participants, the role of the PPA has somehow diminished with the introduction of EPS (“... they are compiling and providing information on tenders. . . .”; “. . . PPA is that server where we log on. . .”). When they discuss PPA performance, they link it with EPS performance and hence, refer mostly to its technical performance. This also highlights the business community’s lack of understanding of the role and mandate of the PPA and points to the need to boost outreach activities. While the PPA should be more effective in implementing its outreach, monitoring, advisory and training functions, it should also be noted that the complex and rigid nature of the PPL makes it difficult to create institutional capacity in the PPA to carry these functions out, especially given the sheer number of contracting authorities (1700) (UNDP [2010]).

The legislative changes of 2009 and 2010 also had a negative impact on the role of the PPA in that its monitoring (control) functions were drastically reduced and, at the point of writing this report, the PPA was effectively deprived of any instrument to initiate and conduct the audit of procurement procedures on its own initiative (SIGMA [2011]).

The PPA remained in charge of reviewing complaints even while the PPAO was established concurrently (supported by the project), which created a conflict of interest (PPAO was issuing recommendations on, *inter alia*, changing PPA decisions, addressing these to the PPA). Only later, in light of the establishment of the PPC, were the functions of the PPA adjusted and this conflict of interest was removed.

### **3.3.3.3 IT: E-procurement (EPS) and other support**

The project team developed the EPS, a web-based application that enables the electronic management of public procurement procedures. The EPS is managed by the PPA and can be accessed through PPA’s web page: <www.app.gov.al>. It was approved in March 2008.<sup>66</sup>

### **3.3.3.4 Technical characteristics of EPS**

The EPS represented an important breakthrough and its design introduced a series of innovations, such as the possibility to retrieve public information, including tender notices and bidding documents online anonymously; uploading tender documents when submitting bids; and an electronic safeguard that ensures that all committee members must individually log in and download bidding documents before they can conduct an evaluation. At the same time, the EPS experienced some problems relating to the manner in which it was introduced: it did not fully reflect the current version of the Law at the time the

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<sup>66</sup> 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 averaged more than 20 per month. Seventy-three electronic tender awards totaling \$29 million in value were made during the first nine months of 2008.

EPS was implemented. Several recent reports—e.g., WB PEFA (2012) and UNDP (2010)<sup>67</sup>—as well as information from PPA indicate that there were a number of security glitches, which have since been addressed.

Consistent with the PPA's view that its procurement responsibilities end with the award of the procurement contract, the platform does not capture any information pertaining to contract management (UNDP [2010]). Finally, EPS has limited query capabilities and does not provide the ability to produce reports that can inform decision-making.

A survey of 800 company representatives<sup>68</sup> regarding their perceptions of the quality of EPS showed that overall, businesses are quite satisfied with the quality of the system; the overall performance of the e-procurement system was rated satisfactory by 70 percent of the participants. In AmCham (2010), the vast majority of businesses evaluated EPS overall as user friendly, even though the majority of respondents had not received training on how to use the EPS.<sup>69</sup> In the same vein, FGDs carried out in the framework of this evaluation revealed that the system appears to be working well from the businesses' perspective. FGD participants praised the introduction of the EPS as a clear and drastic improvement to the procurement system, stressing that these improvements did not have a major impact on procurement decision-making, per se.

However, FGD participants mentioned that sometimes the system would become overloaded—before the end of 2011, in particular.<sup>70,71</sup> This seems to have been resolved after PPA invested considerable resources in system upgrade and scaled up its memory.

### 3.3.3.5 ***Expansion of e-procurement using EPS***

The original target for the share of procurements administered electronically, 2.5 percent, had been met towards the end of the project, and was increased to four percent by the end of 2008. During the lifetime of the project, some of the main, central-government institutions transitioned to e-procurement, especially entities with high-volume and/or high-value tenders.

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<sup>67</sup> According to UNDP (2010): "Following an independent audit of the e-GP platform conducted by KPMG in 2008, with a USAID grant, the PPA commissioned an overhaul of the e-GP platform in 2009 to implement several critical deficiencies affecting data access and security," p. 11.

<sup>68</sup> Efficiency Evaluation of the Public Procurement System in the Reduction of Corruption: the Albanian Case," by Elezi, E. and M. Harizaj (2011); based on a survey of 800 companies.

<sup>69</sup> In the AmCham (2010) survey, 28 percent of respondents reported they had attended a formal training on using EPS in 2009; approximately 71 percent of companies, which did not have a formal training on EPS, said that it is "very easy" or "easy" to interact with EPS; 63 percent of the respondents rated EPS' overall capacity and features as "very good" or "good;" and 90 percent of the respondents find it "very easy" or "easy" to find the tender notice in EPS.

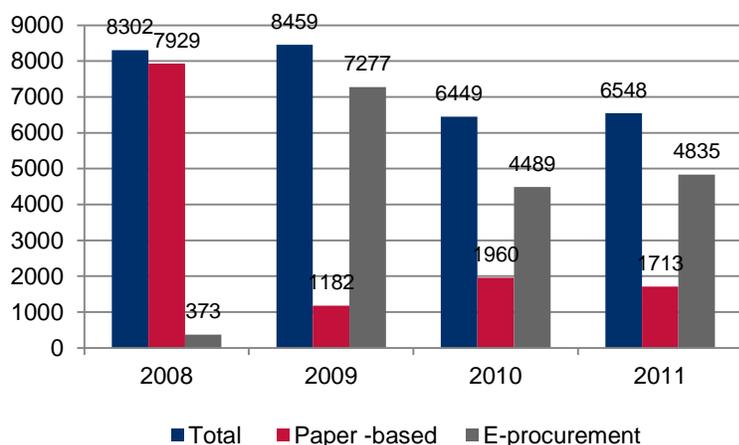
<sup>70</sup> According to the PPA, the EPS system has been offline: (1) as a result of various software or hardware defects—in 2009, there was a defect in the system that lasted eight days; (2) as a result of stopping the service for improving capacities and ensuring the maintenance and security of the e-procurement system—eight days for year 2010, 21 days for year 2011. According to PPA, in cases of stopping the e-procurement service, the PPA publishes a notice on the website portal ("News and Notices" section) that includes the reasons for this disconnection, in order for all Contracting Authorities and Economic Operators to take precautions for their work performance. Also, stoppages for improving capacity and ensuring the maintenance and security are always done during the weekends (not more than one or two days).

<sup>71</sup> According to AmCham (2010), 40 percent said that uploading documents and receiving answers by CAs were "difficult" or "very difficult."

Later that year, the GOA mandated that, starting January 1, 2009,<sup>72</sup> all public institutions would issue procurements only through EPS (this applies to procurements over the lower threshold of 3000 Euros and does not apply to sole sourced procurements).<sup>73</sup> Project documents, third party reports and the KIIs indicate that this decision was based on GOA’s positive assessment of the EPS. One of the main success factors stated by the GOA was that using EPS reduced costs by as much as 15 percent.

In the four to five months after the end of the project, use of EPS expanded, drastically—from four to 100 percent of e-procurement. Figure 21 describes the total number of bids announced by the CAs through EPS over time. As can be seen, the number of contract notices using EPS jumped drastically from 2008 and 2009, after which both the total and the EPS-based contract notices decreased in 2010 (most likely a reflection the budget constraints).<sup>74</sup>

**Figure 21: Number of contract notices announced by the CAs: total and over EPS**



Source: PPA Annual reports

only so that it complied in full with the PPL,<sup>76</sup> but also to change its database design, rendering data storage safer and upgrading the two-server-based hardware system to an integrated Blade system to support 100 percent e-procurement. Former project managers noted that they failed to convince the GOA,

Apparently, the system failed when this expansion first was attempted; the evaluation team was unable to identify the exact cause, but SIGMA (2010) refers to a failure in the air conditioning system. Several interviewees expressed their view: the EPS, as designed and delivered, was too weak to cope with 100 percent e-procurement and they thought it should have been capable of this. This view is not shared by the GOA, however, that insists that this was a purely technical defect unrelated to the expansion of e-procurement. According to PPA, the GOA spent considerable resources<sup>75</sup> to modify EPS, not

<sup>72</sup> Consolidation of the use of e-procurement: Decision 45 of January 21, 2009 by the Council of Ministers mandated the use of electronic procurement for all procedures.

<sup>73</sup> With this decision, Albania became the first country in the world to implement a 100% EPS for all public sector procurements above the threshold of 3,000 Euro. This major achievement was recognized internationally when on June 23, 2010, the PPA received second place (behind Germany) in the Public Service Awards Program, among public organizations from some fifteen countries recognized for excellence in public service by the United Nations Department of Economic and Social Affairs.

<sup>74</sup> This was confirmed by our interviews, although the impact of the financial crisis on Albania was not too harsh. The economy grew by 5.4 percent in 2008, 4.7 percent in 2009, and 3.9 percent in 2010; see IMF Albania Country report from October 2011.

<sup>75</sup> According to PPA, contract concluded between PPA and IkubINFO from 5.12.2009 until 5.12.2011, was valued at ALL 24,000,000 (around US \$24K).

<sup>76</sup> For example, according to the PPA, procedures that did not exist before have been added into the system, such as: the newly launched procedure with lots; the designing of two- and three-phase procedures; cases of modification in dates and documents of procedures was also reflected in the system; the suspension of procedures; roles of audit and administrators for each contracting authority; and other adaptations and improvements for the economic operators.

and especially the PPA, to enhance their technical capacity before scaling up e-procurement so drastically (see Section 3.3.5.1 on Project Design).

The drastic scale up was a risky strategy on behalf of the GOA given (1) the scarcity and the unreliable nature of Internet connectivity in the country at the time;<sup>77</sup> (2) the sheer volume of CAs requiring training in such a short period of time; and (3) the very nature of the nascent procurement framework, which itself required time for testing and refinement. At the same time, there is some evidence that this drastic decision was a push factor itself in terms of the support infrastructure. In AmCham (2010), 93 percent of surveyed businesses reported that they prepared and submitted their own bids online; only 11 percent of interviewed businesses located outside Tirana relied on third parties to do so.<sup>78</sup>

### **3.3.3.6 PPA website and the online bulletin**

The project supported the launch of the PPA Online Announcement Bulletin. In IDRA (BIS-2008), the PPA website and the online PPA Bulletin were reported to be used most frequently as sources of information about tenders and procurement procedures—63 percent and 31 percent of respondents, respectively—which is impressive, since these results were reported only shortly after the launch, at the end of the project.

### **3.3.3.7 Establishment of the Public Procurement Advocate's Office (PPAO)**

As mentioned earlier, the project worked with the Parliamentary commission to incorporate the concept of the PPAO into the PPL. The idea of the PPAO had been discussed in government and donor circles before the project started, but it also was supported by the program. The PPAO<sup>79</sup> has a mandate to safeguard the legal rights and interests of suppliers against irregular actions of the CAs by:

1. Investigating complaints involving procurement and recommending remedial action where warranted; and
2. Monitoring the performance of the procurement system.

The PPAO is appointed by Parliament, upon a proposal by the Council of Ministers, for a five-year term (with the possibility of renewal). As noted in SIGMA (2011), PPAO has no equivalent in the EU Laws or the laws of the EU Member States.

After the GOA staffed the new organization and renovated office space, the project purchased furniture, office equipment and stationary for the PPAO, developed standard operating procedures for complaint processing and trained investigators. PPAO staff also received training in customer relations, procurement ethics and using EPS for investigation and statistical analysis. Furthermore, the project supported PPAO in its outreach campaign.

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<sup>77</sup> Even in 2010, as reported by AmCham (2010), low Internet speed in their offices was mentioned as a problem by nearly 50 percent of businesses located outside Tirana, compared to only 27 percent of Tirana-based businesses. The interviews with the CAs conducted under the same evaluation recorded similar problems.

<sup>78</sup> Klodiana Cankja, Director, Public Procurement Agency, Albania: "e-Procurement in a transition country: a big step towards transparency in Albania," in EBRD "Law in Transition," Autumn 2010.

<sup>79</sup> [www.avp.gov.al](http://www.avp.gov.al)

While the idea behind setting up the PPAO was well perceived, some design issues remained unresolved. PPAO has no power of its own except for some limited investigatory authority and its functions largely duplicated the monitoring tasks assigned to the PPA (SIGMA (2009)). CAs are not required to notify PPAO regarding actions taken in response to specific recommendations for remedial actions the PPAO issued. Although the ATP1 Final Report mentions that PPAO staff was trained in the use of EPS, they seem to have only limited access to it, according to the current legal framework.

The FGDs revealed that PPAO is not used much by businesses and overall, the level of trust in this institution did not appear high (see Box 13). Few businesses mentioned having visited the PPAO; those that had contacted PPAO were not satisfied because they felt “they did not get a solution.” In the BIS2, 70.4 percent of businesses were aware of PPAO and 76.3 percent of those aware of PPAO had approached it at least once. Of those who had not, 50 percent did not have a complaint, but 17 percent had preferred to apply to the PPC instead, 12 percent were not confident that the complaint would be handled fairly by the PPAO, and 15 percent doubted that PPAO had the authority to influence decisions made by the CAs.

There also is an overlap between the role of the PPAO and the PPC (Box 14:). ATP1 did not play a role in setting up the PPC, but the discussion about PPC is necessary because its establishment undermined the role of PPAO further, as it resulted in three institutions (PPA, PPC and PPAO) dealing with complaints related to public procurement and, thus, further exacerbating the confusion among businesses. Before the establishment of the PPC, the number of complaints from bidders to the PPA was 564 in 2008, and it increased to 1100 in 2009 as a result of the sharp increase of EPS coverage. After the establishment of the PPC, confusion continued within the business community, which was voiced in the FGDs. The complaints system was among the most problematic issues raised by many participants, with an overall sentiment that it is dysfunctional.

**Box 14: Establishment of the Public Procurement Commission (PPC)**

The need to have an independent administrative review body with the power to issue decisions (not recommendations) is in no doubt, and this had been pointed by the EU as an urgent action after the passage of the PPL. But the establishment of the PPC by the GOA in 2010 has exacerbated the challenge with the weak powers of the PPAO. PPC is the highest body in the field of procurement, examining appeals on public procurement procedures in compliance with PPL. PPC is a subordinate to the Council of Ministers and financed by the state budget. Upon completion of the decision making process, the decision taken by the PPC is administratively final according to PPL. Each appeal lodged to the PPC incurs a fee of 0.5 percent of the value of a contract, refundable to the winning side. There are several problems related with the setup of the PPC itself, most notably the “finality” of its decision (by PPL), which is not ensured in the case of CAs, which can appeal its decision (albeit again to PPC) while businesses cannot.

Source EU SIGMA (2011)

**Box 13: Perception of PPAO powers**

“... the role of Procurement Advocate is an advisory role ... so no attributes of an Advocate. ...” –*Tirana FG Participant*

“... I think no one has achieved anything through this Advocate. ...” –*SME Group, Tirana*

“Public Procurement Advocate has no power just gives recommendations ... and his recommendations are never taken into consideration.” –*Large companies, Shkodra*

Source: SI FGDs

The merits of PPAO's continued existence are questioned not only in reports (e.g. SIGMA 2009–2011), but also by many stakeholders interviewed by the evaluation team, as well as FGD participants. According to the SIGMA (2010) report, the PPAO, as a transitional body set up prior to the PPC, served a somewhat useful purpose, but after establishment of the PPC, “. . . it is open to question whether the PPAO is still needed . . . the continued existence of the PPAO could distract attention from the PPC, and the possibility of contradictory findings (which happened in the past when the PPA exercised the review function) could well lead to confusion and a lack of confidence in the overall system.”<sup>80</sup> Other participants noted that, rather than abolishing PPAO, they would have increased its powers, from issuing “recommendations” to “decisions,” and allowing it access to EPS.

Data from the PPAO annual reports show that (1) it investigated approximately 300 cases per year (more than the PPC, which reported 283 cases in 2010), of which 60–100 were instigated on its own initiative; and (2) in 80 percent (2008) and 95 percent (2009) of cases, PPAO's recommendations were accepted by the CAs.<sup>81</sup> [NB: results from the BIS2 survey reported less optimistic findings: 36.8 percent of the business that had filed a complaint with the PPAO reported that none of the recommendations were adopted by the CAs]. These figures from the annual reports suggested that perceptions among businesses about PPAO lack of effectiveness were exaggerated. CDDI (2010)<sup>82</sup> shed some light on the potential reasons: the FGD participants asked that the PPAO be elected by representatives of the business community in order to adequately protect their interests—evidence of clear confusion regarding the role that PPAO is meant to serve.

As a result of changes in the legal framework in 2010, the PPAO became the main monitoring body, so its importance was elevated, even if unintentionally. What seems apparent is the need to clarify the competencies of all public procurement institutions in order to avoid the overlapping of tasks.

### 3.3.3.8 *Training of the CAs*

The FGDs revealed that businesses were concerned with the human and institutional capacity of the CAs (especially local governments) to deal with public procurement, which mainly was related to the acute lack of specialized staff who could give informed answers to questions or complaints from tendering companies. This pertained to the many revisions to, and the overall quality of, the law and regulations and inadequate CA training in general, and on EPS in particular. According to the AmCham (2010), the CAs (and especially the Evaluation Commissions) reported the need for more training on EPS. The project did not reach its target number of trained personnel from the CAs (898 against the target of 2000, as stated in the ATP1 Final Report),<sup>83</sup> but even if it had, the sheer number of existing CAs makes the task of training

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<sup>80</sup> (SIGMA (2010), p. 100

<sup>81</sup> No such data is available from 2010 and 2011 Annual Reports, since, as mentioned earlier, the CAs are not obliged to report back to the PPAO on actions taken by them with regards to PPAO recommendations: the figures for 2008 and 2009 are available because the PPAO leadership at the time had collected these on their own initiative.

<sup>82</sup> From December 2010 to March 2011, the CDDI, with support by the MCC Albania Threshold Program II (ATP2), conducted a study of the performance of the PPAO on the experience of businesses that participate in the public procurement procedures, and the public institutions that issue public procurement (CA, PPA, and PPC). The study included: five focus groups, with 57 EO participants that had submitted at least one complaint to PA and one focus group with EOs that have not submitted any complaints to the PA; fifteen in-depth interviews with procurement specialists from CAs in six regions (Tirana, Korça, Vlora, Fieri, Elbasani and Shkodër); and six in-depth interviews with public officials of the PPA, the PPC and the PPAO.

<sup>83</sup> Albania had 2,000 procurement officials to conduct 7,000 procurements annually. A large proportion of the procurement officers work for communes or small municipalities, have other non-procurement responsibilities, and participate in only one or two

and retraining staff challenging, at the least. The project did undertake some measures to improve the situation (see the Section 3.3.5), however, the challenge remains and a more structural approach is needed (see the Section 3.3.4.4 Quality of Project Design).

### 3.3.3.9 **Training of businesses**

According to the ATP1 Final Report, the project trained 505 company representatives (still short of the target 600) in a series of two-day sessions, during which participants received hands-on instruction in advance on electronic tenders in which their companies planned to participate. Here, too, the training needs were and are much larger. For example, in AmCham (2010), 50 percent of surveyed businesses said that they needed further training on using EPS. Again, while the project undertook important measures to contribute to the resolution of this challenge (see Section 3.3.5), the high numbers of businesses visiting CAs for clarifications can partially be explained by the continued need for more training.

## 3.3.4 **Outcomes**

### 3.3.4.1 **Outreach**

The project conducted outreach campaigns about EPS and the PPAO (in particular using TV spots). According to the ATP Final Report (based on IDRA [2008]), by the end of the project (2008):

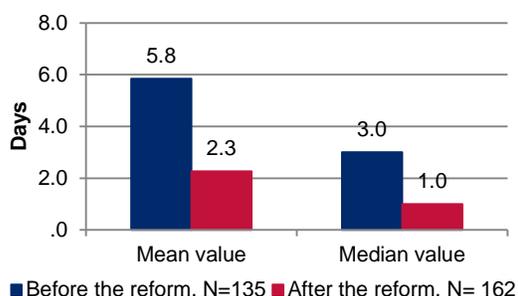
- The share of businesses aware of e-procurement increased to 89 percent in 2008 (target: 40%); and
- The share of businesses aware of PPAO was 73 percent (target: 40%). Interestingly, BIS2 noted that this number remained a very close 70 percent four years later (with the largest companies and companies in Tirana somewhat more aware). Thus, awareness of the PPAO has not increased, and this remains the case especially in the regions, which points to an inadequacy of current outreach activities by the PPAO. KI responses indicated that businesses expected the PPAO to be more active.

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procurements per year, or perhaps none. The project and the PPA made training available on a voluntary basis to all of the procurement officials in regional training events and the PPA contacted them and promoted the training. At the time of the training, the PM had not made his decision to scale up mandatory e-procurement to the municipalities. Accordingly, half or so of the officials chose not to attend.

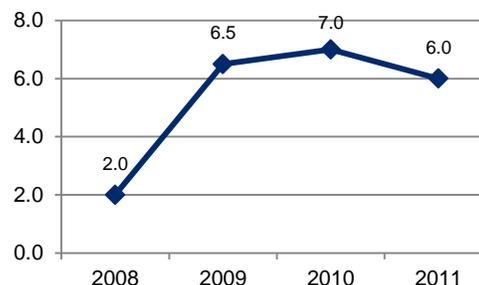
### 3.3.4.2 Savings in time and costs for businesses, CAs and the PPA

**Figure 22: Average time to submit a bid before and after the reforms (days)**



Source: BIS2

**Figure 23: Average number of bids per contract notice**



Source: SI, based on PPA Annual reports

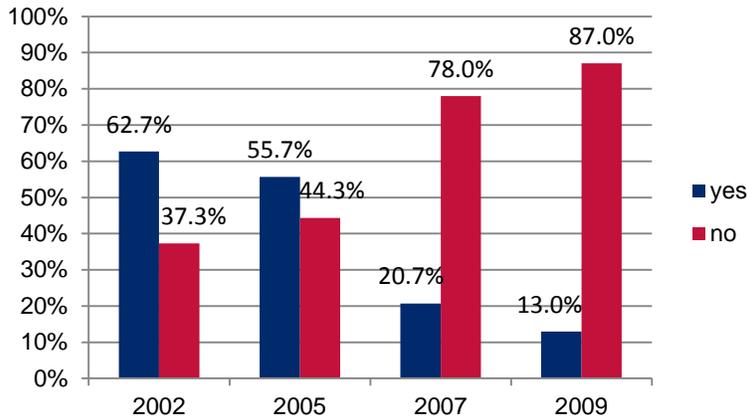
FGD participants indicated that businesses greatly valued the easier access to tender notices, as compared to the situation before EPS. In AmCham (2010), approximately two-thirds of the respondents reported they could upload tender documents into the system in eight working hours or less. Data from the BIS2 shows similar results (a reduction from three working days to one [median] and from 5.8 to 2.3 working days [mean] was reported by respondents (Figure 22). In AmCham (2010), CAs in the FGDs thought that use of the EPS had increased the efficiency of procurement procedures by eliminating unnecessary delays and shortening the time needed to complete procurements.

In AmCham (2010), 82 percent of interviewed businesses reported reduced human and financial costs for participation in a procurement procedure since the introduction of the EPS. Participants of the FGDs conducted within the framework of this evaluation concur; in particular, they mentioned savings in printing costs, notary costs and transport costs. Additionally, PPA management mentioned that, before EPS, tender documents were sent electronically and in hardcopy to the PPA, where six employees had to publish every tender notice and compare them. These staff costs and time had been eliminated.

### 3.3.4.3 Participation in public procurement, competition and financial gains

AmCham (2010) found that, for the 70 percent of businesses surveyed, using EPS had increased the number of procurement procedures in which they participated in 2009, compared to their participation in paper-based procurement procedures before the reform. PPA reports confirmed that both the overall number of bids and the competition per bid increased (from two in 2008 to six in 2011). In BIS2, in 2011 the share of companies that bid on public procurement contracts is the same as before EPS; in the BEEPS (Figure 24) in 2009, the share of companies participating in public procurement declined (it important to note, however, that the BEEPS was carried out in 2008 before e-procurement was made mandatory). This data indicates that EPS has had a bigger effect on the competition per bid than on the number of companies that are bidding. In other words, a small number of companies bid more frequently than before the reform. Unfortunately, the evaluation team was not successful in obtaining data from the PPA to confirm this finding.

**Figure 24: Share of businesses participating in public procurement**

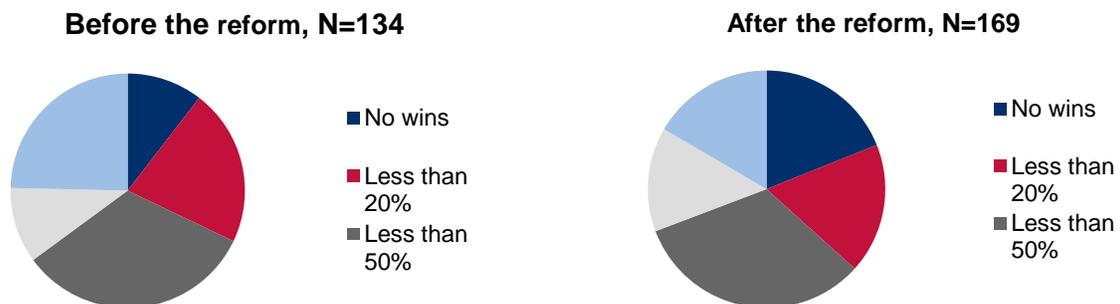


Source: BEEPS Panel Data for 2007–2009

obstacles to participation in public procurement. Several in-depth interviews with businesses indicated that the perception of corruption also was a deterrent. Data from the PPA on the number of new suppliers (347 in 2011) showed that businesses increasingly were starting to bid. A number of other reports also showed the level of trust in the Albanian procurement system to be increasing.

BIS2 confirmed some positive developments, as the share of companies winning 100 percent of bids and the share of companies that win more than 80 percent of the bids declined somewhat (see Figure 25).

**Figure 25: Share of winning bids in participation: before the reforms and after**



Source: BIS2

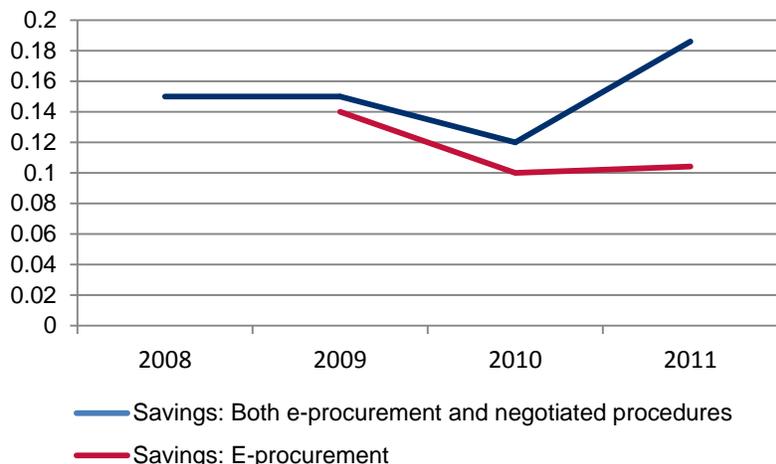
PPA annual reports showed a 15 percent savings as a result of government procurements in 2008 (the target was 20 percent in the project PMP, which was perhaps overly optimistic).

BIS2 showed that the EPS brought about increased participation in procurement at the municipality level: 68.8 percent of businesses reported bidding on municipality contracts at the same level or more. These findings are in line with findings from AmCham (2010).

Interviews with small companies conducted by the evaluation team showed that for some small businesses, the stringent rules (discussed in Section 3.3.1) in the PPL are deterrents and

Figure 26 demonstrates the level of savings (percent of announced total budgets) over time based on PPA annual reports, both in the total system and for the EPS-based procurement.<sup>84</sup>

**Figure 26: Savings in the procurement system: e-procurement and overall**



Source: SI, based on PPA Annual reports

This data shows that savings attributed to EPS amounted to 14 percent in 2009, before declining to 10.4 percent in 2011. The methodology used by both the GOA and the project is to compare the award price with the budget set for the procurement prior to the bid. Using this methodology, the decline is natural, and could be interpreted as EPS bringing up a competitive price. While the competition per bid in e-procurement was larger than in areas still applying paper based procurement, some persisting challenges remain.<sup>85</sup> In particular:

- Collusion still seems to be an issue for the overall system. In a recent OECD report,<sup>86</sup> the Albanian Competition Authority estimates the increased cost (5–10%) of concerted conduct among firms involved in investigated cases of public procurement. Unfortunately, the report does not indicate how widespread the practice is, but interviews and FGDs indicate that these are not uncommon.
- according to SIGMA (2010, 2011), the combination of fixed-ceiling prices (which must be disclosed to tenderers by the CAs, according to PPL) and the existence of a well-known formula for the exclusion of abnormally low bids means that bidders try to fix the offer price between the two and as a result, price competition is not based on costs, but rather on an artificial competition to meet figures proposed by the government.

According to the PPA Annual Reports (2008–2011), the e-procurement system generated savings of 100 million Euros since its introduction. This is an impressive result, which the evaluation team was unable to verify independently using available data. This was also the case for an assessment of whether or not actual savings match all potential savings.

<sup>84</sup> The evaluation team was not able to verify this independently based on the dataset which was made available to us, due to the problems with the archived data

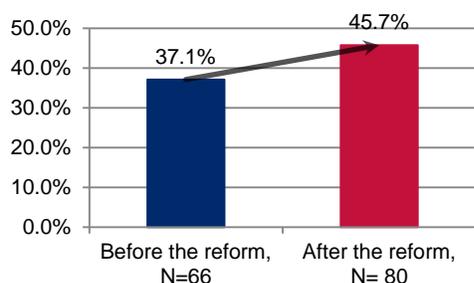
<sup>85</sup> Unfortunately, the data made available to us does not establish the correlation between increased competition per bid and the reduced actual price; however, it is safe to assume a contribution. Annual Reports (2008; 2009; 2010; 2011)

<sup>86</sup> OECD (2010). "Collusion and Corruption in Public Procurement: Contribution from Albania," Global Forum on Competition, DAF/COMP/GF/WD(2010). While the PPL has a clause requiring disclosure of conflict of interest, its implementation is in question.

### 3.3.4.4 Contribution to Reducing Corruption

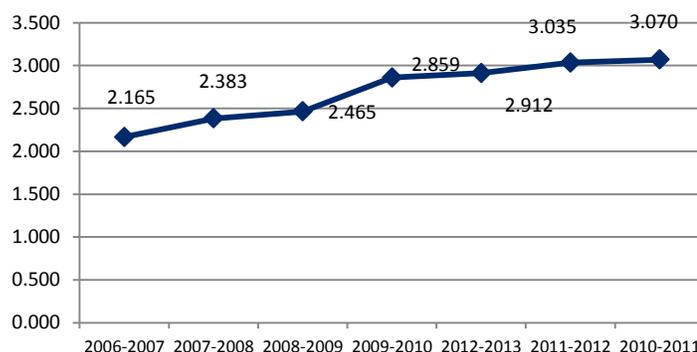
The main thrust of the project presented the EPS in itself as a tool that would reduce opportunities for corruption by increasing transparency and verifiability in the procurement system. This and similar statements can be found not only in the project document, but also in third-party reports (e.g., SIGMA 2010).

**Figure 27: Share of bidders reporting “no bribes” in public procurement**



Source: BIS2

**Figure 28: Perceptions on the extent to which government officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts, Albania**



Source: WEF Global Competitiveness Survey,

1 = always show favoritism; 7 = never show favoritism].

<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

According to the BIS2, the share of bidders who reported “no informal payments” increased from 37 percent to 46 percent as a result of the reforms (see Figure 27). A recent survey by INSTAT<sup>87</sup> confirmed this: perceptions among the population about corruption in procurement were in the same range as BIS2 results, at slightly below 50 percent. The ATP1 Final Report (based on IDRA [BIS-2008]) reported results that were more dramatic;<sup>88</sup> it stated that the share of firms saying that bribery to secure government contracts was frequent had been reduced from 42 percent at baseline to 17 percent after the reform.

One other useful survey for this analysis comes from the World Economic Forum’s (WEF) Global Competitiveness Survey,<sup>89</sup> which contained this question/indicator: “To what extent do government officials in a country show favoritism to well-connected firms and individuals when deciding upon policies and contracts?” The results, presented in Figure 28 [1=always show favoritism; 7=never show favoritism], show a clear and positive trend. While this cannot be attributed to the project,

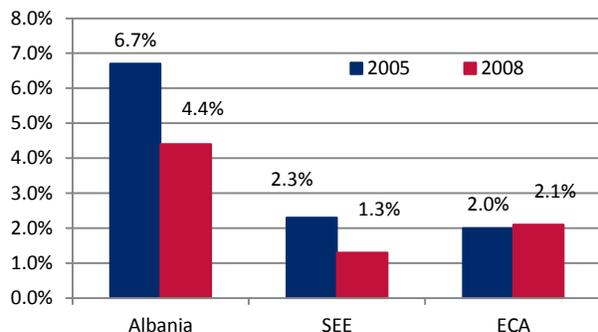
<sup>87</sup> INSTAT Albania (2011): “Corruption in Albania: Bribery as Experienced by the Population,” funded by UNODC and co-financed by the EU. Tirana, Albania

<sup>88</sup> The question was framed somewhat slightly differently between in the two surveys: In BIS2, the question asked about any bribes, whereas in IDRA BIS-2008, the question asked about frequent bribes. Moreover, in BIS2 we tried to identify whether there is any correlation between the instances of in-person meetings or cancellations, with the instances of informal payments. No link could be established.

<sup>89</sup> Data is based on the annual Executive Opinion Surveys.

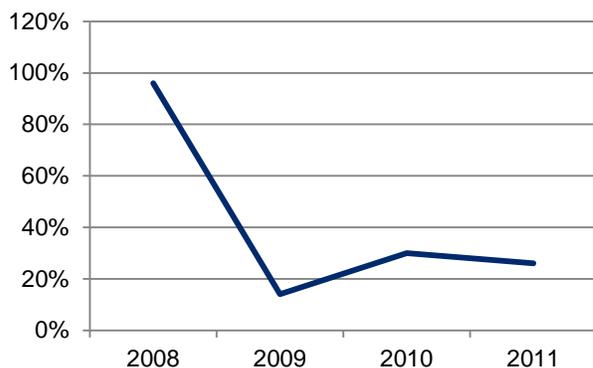
alone, it is safe to assume a contribution. As for e-procurement per se only five percent of the surveyed participants said that e-procurement has *not* reduced the corruption in the system.<sup>90</sup>

**Figure 29: Percentage of contract value paid to secure a contract, BEEPS**



Source: BEEPS Panel Data 2005–2008

**Figure 30: Share of negotiated (sole-source procurement) contracts in the total number**



Source: SI, based on PPA Annual reports

some of these sentiments might have stemmed from businesses losing tenders, the amplitude of the perception was overwhelming. There was a sense that local governments, as CAs, behaved more arbitrarily than central government entities.

This sentiment of slow progress was confirmed by other reports. According to the U.S. Department of State’s 2012 Investment Climate Statement about Albania,<sup>91</sup> “Regardless of legal improvements,

Data from BEEPS on the percentage of contract value paid to secure a contract—informal payments, or “kickbacks” (Figure 29)—showed a reduction between 2005 and

2008, from 6.7 percent to 4.4 percent, which is still higher than the regional average. The ATP1 Final Report indicated a reduction from 6.2 percent to one percent, a rather high estimate in light of the evidence presented here. In summary, these findings indicate at least some reduction in corruption, both in incidence and size, before and after the reforms and introduction of e-procurement.

Notwithstanding this progress shown by surveys, the FGDs (see Box 15) revealed a general perception that informal payments were still widespread in public procurement and that not much had changed. The perception that “in most cases, the tenders have already been pre-arranged for the winner” was widely held among businesses. The view expressed by most participants was that things were not as “blunt” as they used to be, but that corruption had become more sophisticated as a consequence of the reforms, which in turn had raised the size of the kickbacks, i.e., the share of contract value paid to secure contracts. Overall, respondents expressed a sense of apathy, that things could not be changed. While

<sup>90</sup> Elezi, E. and Harizaj, M. “Efficiency Evaluation of the Public Procurement System in the Reduction of Corruption: The Albanian Case,” based on a survey of 800 companies.

<sup>91</sup> 2012 Investment Climate Statement – Albania. [www.state.gov/e/eb/rls/othr/ics/2012/191094.htm](http://www.state.gov/e/eb/rls/othr/ics/2012/191094.htm)

companies confront a non-transparent process when competing for public tenders, whether it is ‘fixed’ technical specifications designed to lock out a potential bidder or a lack of clear communication with the relevant ministries. A lack of enforcement of existing legislation is also common theme foreign companies also grapple with when considering entering the Albanian market.” In the same vein, a recent INSTAT survey on foreign, direct investment in Albania, foreign businesses indicated that this perception of corruption in procurement was a deterrent to making investments.<sup>92</sup>

Several possible explanations might account for the discrepancies in findings between perception surveys and statements made by business representatives in interviews. For one, it is likely that the reduction of high-level corruption was not significant, while petty corruption may have been reduced. This feature of larger contracts is more difficult to tackle, and the theory behind the proposition voiced during the FGDs of “higher risk, higher reward” could be valid. In a small country like Albania, this had the potential to affect perceptions. In addition, 25–30 percent of contracts, according to PPA data (SIGMA’s estimate was higher, at 37.6 percent), were still awarded based on negotiated (sole-source procurements) procedure

**Box 15: FGDs on corruption in public procurement**

“Nowadays you have to pay more under the table to get the tenders. It used to be less before. . . .” –SME Group, Tirana

“ . . . [E]ven if you win the tender legally (by all standards) you cannot escape ‘paying under the table.’ Because when you go to sign the contract – they will find a way to let you know that you have to pay. Otherwise . . . they may cancel the contract, they will send you supervisors to make your life hell - force you and so on . . . no escape.” –Large Companies, Shkodra

“ . . . [I]t is the same as with the doctors. They do not force you to pay, but you pay them yourselves.” –FG participants, Shkodra

. . . [O]f course there are some improvements, but corruption is far too big of case to be solved by this e-system only. We are a developing economy. . . .” –Large Companies, Tirana

“ . . . [T]he incidence of informal payments may have decreased compared with the period prior to this system, but the value of each of the payments has increased . . . before you had to deal with 20 people who came to ‘submit documents’ for the tender. They had an envelope under their shoulders and the one company that wanted to get the tender was giving them money/paying them to get out of the way. This is not done now . . . but you have to pay higher to those that award you the tender. . . .” –Large companies, Tirana

“There is no substantial difference. The mayor of Tirana decides who to award with a tender, Minister Olldashi (Minister of Public Works) decides who to award tenders. It is basically the same principle at work . . . .” –SME group, Tirana

“The more expensive a tender is (i.e., the central government tenders are of higher value) the more sophisticated filters get. . . .” –SME group, Elbasan

“All tenders by communes are already decided before they are announced. . . .” –Large companies, Shkodra

Source: SI FGDs

<sup>92</sup> Institute of Statistics of Albania (2011). “Report on Foreign Direct Investment in Albania,” funded by UNCTAD/UNDP

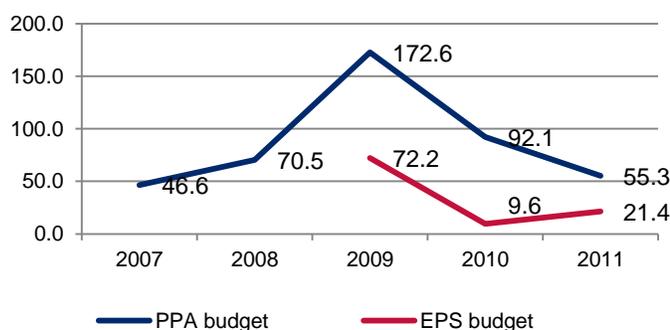
(see Figure 30) without previous publication; this figure was relatively high and had the potential to affect business perceptions. Finally, it is clear that CA staff experienced difficulties understanding and applying the law, which might contribute to negative perceptions.

### 3.3.5 Sustainability

The main threats to system sustainability come from the PPA’s reduced budget and staff. Staffing of the PPA, following a decision by the Council of Ministers, was reduced by 50 percent (from 36 in 2007 to 18 in 2010).<sup>93</sup> Although the PPA ceased to handle appeals, it was entrusted with new tasks related to concessions and still shouldered the immense responsibility of guiding and training the CAs (despite the fact that the training department was eliminated); it needs more staff to be able to effectively monitor the procurement markets, when (and if) it regains that power.<sup>94</sup>

As shown in Figure 31, the budget for PPA decreased sharply since 2009—a matter of concern, for the reasons discussed above. Figure 31 also shows the IT budget, which had increased somewhat in 2011 after a sharp drop in 2010. In 2011, software and hardware capacity increased slightly, but needs became much larger. The PPA demonstrated a particular need to improve hardware capacities for the server in order to enhance data safety. A number of experts interviewed by the evaluation team expressed the view that the EPS, in its current form, had exhausted itself and the PPA therefore might require a new system. Interviews with the PPA management indicated the continuous increase in M&U requirements related to the IT platform, coupled with ever-increasing prices (partly connected with the de-facto monopoly position of the company that built the EPS), represented one of the main challenges.<sup>95</sup>

**Figure 31: PPA funding from the state budget (millions, ALL)**



Source: SI, based on data from PPA Annual reports

The competencies of all public procurement institutions should be clarified in order to avoid overlapping tasks and remove the remaining loopholes in the system. As of the writing of this report, no

<sup>93</sup> *Years 2007 – April 2010*: 36 persons (General Director’s Office: 3 persons; Department of Complaints and Legal Matters for Procurement: 7 persons; Department of Complaints and Legal Matters for Concessions: 3 persons; Sector of Inspection: 6 persons; Sector of Bulletin and Statistics: 6 persons; Sector of Trainings, Finance, Integration and Management of Human Resources: 8 persons; IT Sector: 3 persons); *April 2010 – to date*: 18 persons, out of which four persons are supportive staff. With regard to the organizational aspect, PPA is divided as below: Legal, Monitoring and Publication Department: five persons; IT Department: eight persons

<sup>94</sup> This role was reduced to implementation of the PPAO recommendations, i.e. penalization of procurement officers who have been responsible, in the PPAO opinion, for irregularities in public procurement. This situation threatens the effectiveness of monitoring of compliance in the system. (SIGMA (2011)).

<sup>95</sup> The list of companies that the PPA uses to maintain and upgrade the IT include: IkubINFO (software support); Infsoft System (hardware support); Intracom Telecom (hardware support); MSSC (server room monitoring); BNT Electronics (hardware support); IkubINFO software solutions (software support).

comprehensive and sustainable system of administrative monitoring and control of the application of public procurement rules and contracts had been introduced.

The project developed and implemented additional activities to boost the sustainability potential of the new procurement framework. In particular:

- A Masters-level course in procurement for the Faculty of Economics at the University of Tirana was developed,<sup>96</sup> with 24 graduates before the end of the project; and
- According to the ATP1 Final Report, the project team equipped and trained procurement-technical assistance centers at the Union of Chambers of Commerce and Industry and AmCham to create sustainable capacity for technical assistance to vendors in using the e-procurement system after the end of the project. Interviews with AmCham indicated that it continued to organize training courses as a service to its members and other companies. As for the Union of Chambers of Commerce and Industry of Albania, according to the evaluation team's inquiries and interviews, it did not offer such courses at the time of writing of this evaluation report.

Training courses outside project funding have taken place, including training for the PPA, as part of the EU-funded Instrument for Pre-Accession Assistance Program, to establish a training unit in Balkan countries; for the PPA, working in coordination with the Training Institute for Public Administration (TIPA), which controls budget resources for the training of all civil servants in Albania, training was provided in the use of the EPS in 2009. The evaluation team found no evidence that this continued into 2010 and 2011. In addition, it is important to note that the 2009 TIPA training, at central and local level, only included 1,600 of the 5,100 procurement officials. TIPA's annual budget amounts to US \$90,000 a year; to fulfill its mandate, TIPA is required to train 6,000 government civil servants per year (UNDP [2010]).

Both CAs and vendors require more training to ensure the sustainability and integrity of the system. There is a clear need for more training schemes, possibly utilizing *qarks* (regional administrative centers), and creating regional training centers.

The overall procurement system should be fully integrated with the public financial-management system, with an enhanced planning function and should adopt a common, integrated internal-control framework, modernizing the internal and external control function (UNDP [2010] and WB PEFA [2011]). The majority of experts also argue that the PPL requires simplification. In addition, UNCP (2010) suggests that the vast number of CAs—a setup that reflects the budgetary system of Albania—is not fully justified, an opinion that was shared by the project which recommended the consolidation of some of the smaller procurement authorities.

### 3.3.5.1 **Quality of Project Design**

Overall, the project was well designed: it adopted a multifaceted approach that combined IT solutions, regulatory framework, outreach and training, both for the CAs and vendors. The main shortcoming of the program design related to its somewhat “myopic” vision—a support target of only 2.5 percent of e-procurement, when the need for expansion should have been addressed with the GOA at a much earlier

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<sup>96</sup> <http://www.unitirmasterekn.edu.al/master/index.php?faq=MPA>

stage. The scale and speed of GOA's planned expansion was not reflected in the SOAG. The project had been designed as a pilot; the GOA's vision should have been made clear at the outset, with a corresponding timeframe for pilot evaluation and subsequent expansion.

The fact that ATP piggybacked on the EU-sponsored project to develop the new PPL was problematic and affected its outcomes. The PPL draft, which the project inherited, was too complex and included many loopholes. This rendered effective implementation difficult, at persistent risk of high levels of corruption. This could have been remedied if the project had conducted a complete and thorough review and revision of the draft PPL, which would have required a longer period for implementation. Overall, the short timeframe for reform of this magnitude was a factor that affected other results as well: for example, the number of regulations and guidelines that the project delivered and the number of CA staff it managed to train.

### **3.3.6 Conclusion**

The Albanian procurement system's efficiency was enhanced by the implementation of the e-procurement system. Based on the foundation built by ATP (which reached the objective of 2.5 percent of e-procurement towards the end of the project), Albania scaled up its use, becoming the first country to adopt 100 percent e-procurement, winning a UN prize.

The new procurement system also was supported by a set of rules and regulations developed by the project to complement the new draft law on procurement, which had been drafted before the start of the ATP with EU support. These regulations, an important contribution from the project, supported procurement reform. They were, however, somewhat rigid and lacked both details and guidance; and this, coupled with some the drawbacks of the law itself, have left the system vulnerable to abuse and difficult for its users to understand.

The swift scaling up of the e-procurement system, however, left the country ill prepared in terms of hardware and human capacity, especially in light of the fact that some 1700 contracting authorities award public contracts in Albania. The system experienced certain technical glitches during the scale up, which the project and the GOA should have been able to anticipate. In particular, the project's vision lacked a clear understanding of the GOA's dramatic plans to scale up e-procurement. A clearer vision would have led to a more careful project design, in terms of the system's technical characteristics and its support mechanisms for training and retraining the extraordinary numbers of procurement officers working in Albania's large number of contracting authorities.

The project also helped redefine the PPA's role in 2008. There are, however, a number of shortcomings related to its mandate and design. For one, the PPA's mandate lacks institutionalized engagement with the private sector. For another, the mandate itself is somewhat contentious, as other entities—most notably the new PPC, created outside of the realm of the project, and the PPAO, supported by the project—support a few similar functions. At the time of writing this report, the PPA's role had been diminished and it was left with virtually no powers to monitor the irregularities and initiate investigations, which is a threat to the integrity of the system.

The PPAO proved useful in the transition period before PPC was created; however, in the current environment, three institutions (PPAO, PPC and PPA) with overlapping powers and functions is a source

of confusion for businesses. PPAO's limited powers led businesses to perceive it as ineffective; this may stem from a lack of understanding of the PPAO's mandate by businesses.

Reforms in the procurement system reduced both time and cost for businesses, contracting authorities and the PPA and increased the competition for bids. The number of businesses engaged in procuring public contracts seems to be rising more slowly than expected, but use of the system is growing. The fact that there was some growth in usage among foreign and international companies was a sign of growing trust in e-procurement in Albania. E-procurement and increased competition reduced costs; however, more savings could have been achieved if the existing legal framework for procurement allowed reaping the full benefit of competition, and if the number of negotiated contracts were smaller.

The new regulatory framework and e-procurement seem to have reduced corruption in the system. Petty corruption was reduced more than grand corruption, and the reduction to kickbacks as share of contracts' value is not likely to have been large. The legal framework itself and a lack of effective enforcement are the key culprits, and the successful resolution of this problem will require more forceful and higher-level actions. The government should adopt a comprehensive action plan for the improvement of the procurement system in order to increase the effectiveness, efficiency and transparency of the Albanian public procurement system in the medium and long term.

### **3.4 IMPROVING TAX ADMINISTRATION AND REDUCTION/ELIMINATION OF CORRUPTION IN TAX POLICY AND ADMINISTRATION**

#### **3.4.1 Background and main activities**

ATP assisted the GOA with tax administration reform under the auspices of the GDT in both phases of the program (ATP1 and ATP2), reflecting the high priority given to this program area. The project's overall objective was to incorporate international best practices, based on self-assessment principles; to employ checks and balances that underpin modern tax administration; to ensure equal treatment and thus boost taxpayer compliance; and reduce corruption in the system. A number of activities under ATP2 were continuations of activities started in ATP1 and therefore, they are presented jointly in Table 11.

**Table 11: Activities and planned outcomes, taxes**

ACTIVITIES	PLANNED OUTCOMES
<b>ATP1</b>	
<ul style="list-style-type: none"> <li>• Improvements in the VAT, corporate income tax (CIT), tax procedures and personal income tax (PIT)</li> <li>• IT support and training</li> <li>• Promotion of taxpayer rights and responsibilities</li> <li>• Improvements to the audit, appeal and tax court processes</li> <li>• Introduction of a program-monitoring mechanism</li> <li>• Amendments to tax legislation and regulations</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Limit tax officials' personal interaction with taxpayers and their discretion in tax assessment and collection</li> <li>• Broaden the tax base by including a larger percentage of the economy</li> <li>• Improve tax collection by upgrading IT applications</li> <li>• Upgrade technical expertise and improve procedures by providing training and manuals to tax collectors, internal auditors and the judiciary</li> <li>• Create a better and more efficient legal tax environment</li> <li>•</li> </ul>
<b>ATP2</b>	
<ul style="list-style-type: none"> <li>• Reorganize tax administration along functional and geographic lines, pursuant to the new TPL</li> <li>• Create operational manuals for specific tax administration functions and train 1,000 tax inspectors to orient them to the new organizational and functional scheme</li> <li>• Establish an internal investigation and anti-corruption unit within the tax administration</li> <li>• Establish a criminal investigative unit within the tax administration to enforce laws against tax evasion and fraud</li> <li>• Establish a taxpayer's consultative council to institutionalize consultation with tax administration and the public</li> <li>• Establish a taxpayer advocate office to protect taxpayers' rights</li> <li>• Establish a tax section at the new administrative court</li> <li>• Expand e-filing and e-payment for all taxpayers</li> <li>• Establish education and information service centers</li> <li>• Establish an electronic system for selection of audits based on risk</li> </ul>	<ul style="list-style-type: none"> <li>• Reshape the tax bureaucracy into an effective revenue-collection agency</li> <li>• Increase revenues collected through taxation as a proportion of GDP</li> <li>• Improve Albania's ranking in WB DB survey</li> <li>• Efficient investigations units in GDT</li> <li>•</li> </ul>

Source: SOAGs, ATP1 and AT2 Final Reports

**Table 12 Indicators, baseline, target, and reported results, taxes**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
<b>ATP1</b>			
Number of businesses consulted in advance of the new law	0	110	111
Number of tax laws and regulations developed, reviewed and revised	0	29	31
Percent of taxpayers aware of new tax procedures	0	75	95
Target of explanatory tax guidance (percent)	0	95	99
Percentage of returns e-filed by Ito and Tirana taxpayers	0	15	47
Tax revenue by office as a percentage of total tax revenue	0	50	50
Percentage of taxpayer accounts available electronically	0	100	100
Number of tax office visits required	4	0	1
Average time to prepare, file and pay for three major taxes (hours)	240	200	190
Average number of tax payments paid per firm per year	53	35	36
Percentage of firms stating bribery is frequent in tax collection	42	35	19
<b>ATP2</b>			
Labor costs as percentage of revenues collected through GDT <sup>1)</sup>	0.77	0.72	1.01
Operating costs as percentage of revenues collected through GDT	0.96	0.88	1.19
Number of tax evasion cases referred from Tax Investigations Directorate to OPG	n/a	16	339
Number of tax corruption cases referred from the Internal Investigation and Anti-Corruption Unit to OPG	n/a	9	8
Percent of businesses aware of the Tax Advocate Office	n/a	65	69
Percent of tax returns generated through e-services	81	90	71.5

Source: <sup>1)</sup> GDT Records; Reported results taken from ATP1 and ATP2 Final Reports

Evaluation of the tax reforms is based on a triangulation of results from the sources described in Section 2.3 with those of the monitoring surveys by the IELC (IELC[2010]),<sup>97</sup> IDRA (ETS 2010),<sup>98</sup> BNS (2007)

<sup>97</sup> The study, "Monitoring of the Tax Administration's Taxpayer Services and Processing Functions," was conducted from July through October of 2010 by the Institute of Economic and Legal Consulting (IELC) as a subcontractor to Chemonics. The main purpose of this study was to collect, analyze and evaluate information about the quality of services delivered to Albania's taxpayers by the TSC and the tax processing offices for the period January 1, 2009 through June 30, 2010. The study examined taxpayer awareness of the available services that are part of each Regional Tax Directorate, along with specific taxpayer experiences with those services, including quantity and quality of information provided, timeliness, effectiveness, transparency and user-friendliness. The study also evaluated taxpayer interaction with the tax processing offices and the level of confidence taxpayers had in the tax processing officers' efficiency and fairness. The study targeted both taxpayers and tax processing officers in the following seven tax administration regions: Tirana, Durrës, Shkoder, Elbasan, Fier, Korça and Vlora. The taxpayer survey included two main groups, VAT and non-VAT taxpayers. It consisted of a survey with 300 taxpayers (through face-to-face interviews) and four focus groups with taxpayers. The tax processing officers' opinions and experiences were collected through 23 in-depth interviews conducted with tax officials in seven Regional Tax Directorates.

<sup>98</sup> IDRA conducted the Electronic Tax Services Survey under contract by the MCC ATP2, January–March, 2010 in the cities of Tirana, Durrës, Fier, Vlora and Shkodra. Electronic tax (e-tax) services include downloading of tax forms and electronic filing for the income tax, VAT and the social and health insurance contributions through the GDT website: <www.tatime.gov.al/>. The Electronic Tax Services Survey focused on three main issues: business awareness of e-tax services (awareness); their infrastructure capacity to benefit from these services (Internet access); and their experience with e-tax services (usage). The survey employed quantitative and

and BIS(2008);<sup>99</sup> administrative data from the GDT; third-party surveys, most notably the World Bank's Doing Business (annual) and the EBRD's BEEPS (2008, 2009); and IMF country reports for Albania and EU Albania Progress Reports.

### **3.4.2 Quality of project implementation**

The project was faced with strong resistance from within GDT to the e-filing of tax declarations, which delayed the effective implementation of that subcomponent and made revisions of targets necessary. However, the project staff persevered and their efforts paid off. In addition, the project displayed flexibility and innovation when confronted with the need to design additional IT systems to complement the main GDT system (in Oracle). For example, a web-based solution was introduced for the e-filing system that communicated with the GDT's database. Similarly, efficient IT solutions were developed to overcome the problem the GDT faced with the fragmentation of data between its regional offices and HQ and between GDT and Treasury (through reprogramming of the routers) and to establish daily, automatic exchanges of payment data with the Treasury and business registration data with the NRC. The project team also displayed critical flexibility to respond to emerging needs: for example, when the GOA decided to upscale mandatory e-filing quite sharply, the project boosted GDT IT capacities to cope with the increased demand.

### **3.4.3 Outputs**

#### **3.4.3.1 Legal framework**

Compared to the activities described in the SOAG, the actual assistance activities changed shape over the course of the project. There were other assistance projects (e.g., under EU Customs Assistance Mission, EU Customs and Fiscal Assistance Office and the DFID policy advisory project), which ended in 2009.

The GOA revised its main tax laws around the same time ATP1 was active. In particular, in order to create a friendlier investment climate, make the economy more competitive, encourage legalization of the shadow economy and simplify tax collection,<sup>100</sup> the GOA introduced a 10 percent flat tax on personal income, replacing the previous system of five income-dependent rates of 5, 10, 15, 25, and 30 percent, respectively. This change did not result in a decline in the average personal income tax (PIT) rate. Dividends received by individuals remained taxed at 10 percent; the same rate replaced the previous, small business tax rate of up to 30 percent and in January 2008, a 10 percent corporate income tax (CIT) replaced the 20 percent rate on profits. As a result of these changes, income tax rates were among the lowest in transition economies.

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qualitative research methods to assess taxpayers' awareness of e-tax services, map the extent to which taxpayers use these services, and identify concerns regarding access to e-tax services and their effectiveness. The quantitative data were generated through face-to-face interviews of representatives of 199 businesses, including both users and non-users of e-tax services. The interviews were conducted with business representatives who visited GDT regional branches in Tirana, Durrës, Fier, Vlora and Shkodra. The qualitative data were generated from 40 in-depth interviews with users and non-users of e-tax services, as well as from roundtable discussions with the participation of taxpayers, users of e-tax services and tax officials. These roundtables took place in the five regions (Tirana, Durrës, Fieri, Vlora and Shkodra) where the survey was conducted.

<sup>99</sup> Sub-contracted by Chemonics.

<sup>100</sup> IMF Country Report No. 08/267, August 2008

According to the information available to the evaluation team, the project had little involvement with the revision of these laws. According to the ATP1 Final Report, the project team, based on a review of tax legislation and regulations during the opening months of the project, proposed to assist the Ministry of Finance with drafting a new, unified Tax Procedures Law (TPL) to replace the law of 1999. These developments were, however, highly complementary.

### 3.4.3.2 **Tax Procedures Law (TPL)**

The project worked on the new TPL until the spring of 2008 (the law was enacted by the Parliament in April 2008 and in force since May 2008). By all accounts, it marked a radical transformation of the tax administration process, setting the foundation for achieving greater transparency, efficiency and conformity with international (particularly EU) standards. It features, *inter alia*, 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 and increased investigative powers. The TPL gave GDT the authority to summons books and records from taxpayers and third parties, issue notices of levy, attach notices of tax lien to the titles of real property, and seize and sell taxpayer assets. Never before had the GDT held these tools at its disposal. Under ATP2, the legal support for reform was further strengthened by the April 2010 amendments, which created a taxpayer advocacy function and a TCC aimed at reducing the administrative burden of taxpayers. These legal frameworks supported achievements in numerous areas.

One area where the project experienced a setback involved the GOA's decision to abandon, essentially, the idea of creating special tax courts to handle tax appeals—a goal of the Threshold Plan—and opted instead to include tax appeals as matters to be adjudicated by, as they considered at the time, a soon-to-be-created Administrative Court. This did not happen until May 2012, however.

### 3.4.3.3 **Regulations**

Following the passage of the TPL, the project helped draft regulations to implement its provisions. These regulations, approved in August 2008, included new procedures for audits, collections, penalty payments, appeals and other key processes. The timeline for the passage of the TPL and its regulations (between April and August of 2008) left little time in which to help kick start reform implementation—reforms of this magnitude that usually take longer than the three years planned for by the project. A two-month extension, granted in September, 2008 allowed for some of this to happen, but most of the major changes were achieved during ATP2 (see Section 3.4.6 on Project Design).

### 3.4.3.4 **Institutional changes: GDT reorganization**

In order to assess the magnitude of the project's achievements and discuss its challenges, it is important to point out some features of the Albanian tax system. ATP only supported GDT, not the municipalities, which also have tax collection and inspection functions. Businesses with an annual turnover between 2 and 5 million ALL currently pay a "simplified" tax (instead of profit tax and VAT) to municipalities; businesses become VAT payers after they pass 5 million ALL annual threshold for the calendar year;

businesses with annual turnover between 5 and 8 million ALL<sup>101</sup> pay both a profit tax (to GDT) and a “simplified” tax to municipalities; and businesses become VAT payers after they pass the 8 million ALL annual threshold.<sup>102</sup> All businesses pay certain local taxes to municipalities (e.g., cleaning tax) and all businesses pay certain taxes (e.g., income tax and social insurance) to GDT.

Under ATP1, the project team helped GDT draft a reorganization plan in line with the stipulations of the new TPL. Its implementation commenced after the prime minister approved the plan in August 2008. Technical assistance on this component continued under ATP2.

The reorganization changed GDT’s goal-setting and decision-making processes and allowed it to improve its record of ensuring that structural checks and balances were in place. With advice from ATP, GDT implemented:

- A major, geographic reorganization in October 2008, in which 15 branch offices were designated as regional offices and the remaining 21 offices became satellite offices. Later, under ATP2, the project supported the system’s IT redesign, which facilitated implementation of the functional reorganization at the regional level while keeping the need for extra staff to a minimum. The new regional structure streamlined administrative operations and reduced the time and cost to the GOA for completing nationwide automation of the tax system; and
- A major, functional reorganization along the lines of the provisions of the new TPL. The reorganization created functional directorates at the national level and largely removed the regional office directors’ discretion concerning how to conduct these services. The project worked with the national directorates to standardize the procedures and supporting systems and tools. Regional offices retained the operational responsibility to collect the tax. Some of the services, such as the taxpayer services, previously did not exist at the branch level.

Reforms related to departmental and GDT responsibilities, which constituted the main thrust of ATP’s engagement in this area, are highlighted in the following sections.

### 3.4.3.5 **Staff training**

The functional and geographic reorganization of GDT required assessments of staffing needs, new job descriptions and new skills. The project’s work assisting GDT’s human-capacity building was multifaceted and included a skills survey to identify training needs; targeted training for each reform area, both in implementation of the regulations and in using new IT solutions; on-the-job and classroom training; and the development of manuals to orient GDT employees on key provisions of the TPL. The project reported having trained around 1,000 GDT employees using the materials developed by the project. The evaluation team was not able to verify this figure independently, but interviews confirmed that the scale of training supported by the project was quite large (see Section 0).

### 3.4.3.6 **IT solutions and support**

The project supported modernization of GDT IT infrastructure, both hardware and software. It pursued the objectives of increased efficiency, both for the taxpayers and GDT, and reduced corruption by

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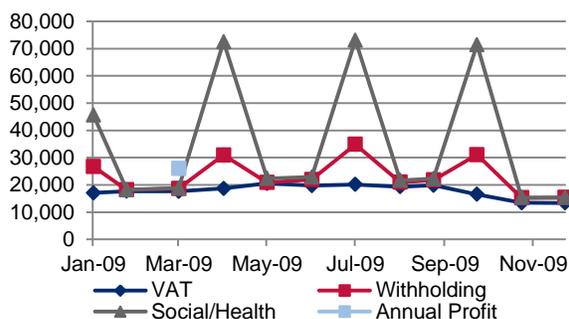
<sup>101</sup> Effective January 1, 2010, the threshold was decreased to 5 million ALL.

<sup>102</sup> With the exception of certain professions.

reducing or eliminating regular contact between taxpayers and tax-processing officers (TPOs). GDT continued to use its main IT system (ITS) while the project helped build e-services around it, ensuring compatibility through data conversion. Key e-services introduced or enhanced by the project include: online availability of tax forms, e-filing; electronic statements of taxpayer accounts; case management and customer relations management for the Taxpayer Services Center (TSCs); audit-risk-analysis software for audit-case selection; and a set of standardized reports for GDT top management.

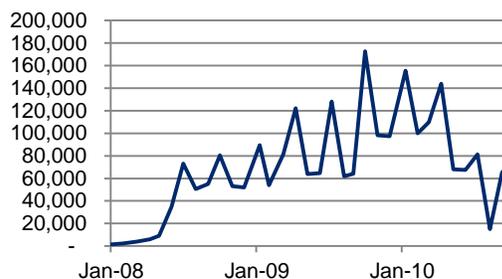
### 3.4.3.7 Downloadable tax forms

**Figure 32: Downloads of tax forms by type of tax, 2009**



Source: SI, based on GDT data

**Figure 33: Total downloads of tax forms over time**



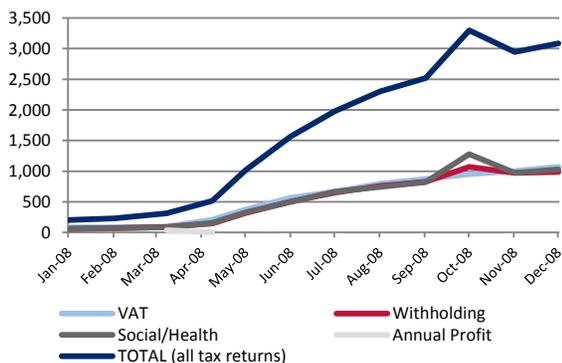
Source: SI, based on GDT data

Downloadable tax forms were made available to all Tirana taxpayers at the beginning of Year 2 of ATP1. Under the previous system, taxpayers would visit their local tax inspectors to obtain tax forms (which featured pre-printed information with the taxpayer’s tax number, name and address). This system was rife with petty corruption and was not secure. The new system allowed taxpayers who preferred to file hard copies to download pre-printed forms from the GDT website, thereby avoiding contact with the TPOs. According to IDRA (ETS-2010), 70 percent of businesses in 2010 stated that their company downloaded tax declaration forms from the GDT website. Use of downloading related directly to business size and location. A modest number (around 10 percent) of small companies, mostly located in the regions, were unaware of this service. Eighty-one percent of users considered use of the site “easy” (ETS-2010). By the end of ATP1, around 75,000 forms were being downloaded per month. Downloading of tax forms decreased towards July 2010, when e-filing was made mandatory and people therefore didn’t need to download, print and send forms anymore (Figure 32). The peaks are reflecting the higher numbers of tax declarations filed each quarter. Figure 33 shows that the pattern remained relatively stable in 2009 for different types of tax forms.

### 3.4.3.8 E-filing and support infrastructure

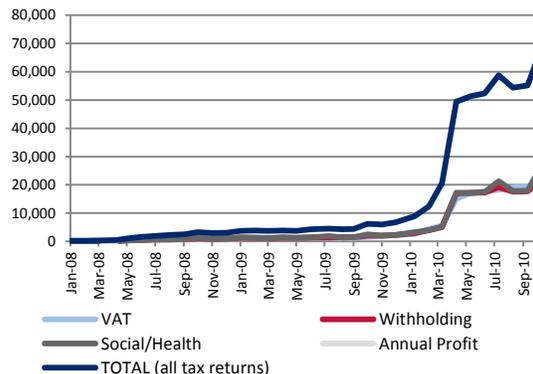
The e-filing system for tax declarations was built step by step, starting with large and Tirana-based taxpayers before rolling out to VAT payers in March 2010) and mandating it for all in June 2010 (see Figure 34 and Figure 35).

**Figure 34: Number of e-filers, 2008**



Source: SI, based on GDT administrative data

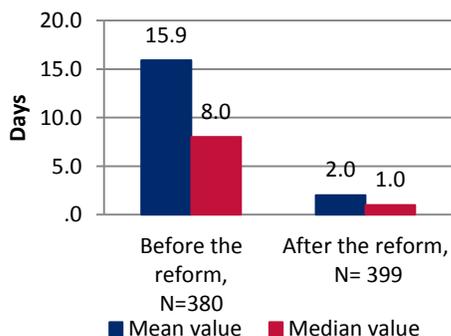
**Figure 35: Number of e-filers: 2008-2010**



Source: SI, based on GDT administrative data

The staggered implementation was very important as it took into account Internet availability at the time and allowed for adaptations where needed (correcting user interfaces and data transmission problems among the various institutions). The project also upgraded servers, routers and switches, storage devices, wiring and backup power equipment in the GDT’s IT department, ensuring adequate technical capacity to cope with the increasing demand. The FGDs showed that businesses considered e-filing to be a very positive development and a clear improvement over the old system (see Box 16). They confirmed the BIS2 findings that e-filing sharply reduced time (see Figure 36) and costs to prepare tax declarations, and made it easier to file taxes. For some businesses, it reduced costs for their financial management because they could file taxes themselves, without hiring external financial experts to do this for them.

**Figure 36: Time to file tax declarations**



Source: BIS2

filing procedure considered it easy.

Despite the fact that the taxpayer service directorate within GDT conducted a large, several-months-long outreach campaign, the outreach activities probably could have been conducted more effectively. According to IDRA (ETS-2010), only 77 percent of interviewed businesses were aware of the e-filing procedure in 2010 and 37 percent did not use it because they did not trust documents uploaded on the Internet.

One of the major “victories” mentioned by FGD participants regarding the new e-filing system was the fact that they were no longer at the mercy of TPOs to obtain tax forms, incurring requests for petty bribes. IDRA (ETS-2010) found that 73 percent of interviewed businesses that used the e-

A small number of FGD participants questioned mandating e-filing for even the smallest businesses. One representative from a small business association cited examples of entrepreneurs, in particular older ones, experiencing difficulties when e-filing taxes. According to IDRA (EPS-2010), 29 percent of interviewed businesses in the five cities lacked full Internet access in their offices in 2010.

### 3.4.3.9 Tax processing

During the last year of ATP2, the project assisted GDT in shifting from the archaic system—manually matching electronic tax declarations to payments—to streamlined electronic reporting. According to the ATP final reports, this has helped to eliminate delays in revenue accounting, which used to take two to three months; enabled better revenue projections; implemented efficient management of individual taxpayer accounts; optimized the use of administrative resources in tax collection and enforcement; and permitted more accurate estimations of the impact on revenue from proposed legislative changes. While the evaluation team was not able to verify these accomplishments independently with figures, data from BIS2 and third-party reports allow a number of observations.

First, the new system permitted taxpayers to view their own tax accounts online in a summary form (taxpayer ledger). This was an important step in establishing transparency in the tax system. The FGD participants reflected that the taxpayer ledger was easily managed and controlled through the online account. In BIS2, 79 percent of businesses found it helpful; the majority (66 percent) reported that it made tax filing easier and 23 percent stated that it helped them to prepare for tax audits (Figure 37). FGD participants commented that the IT system has a number of glitches. In particular, they mentioned that, while the system of “penalizing” is automatic (i.e., if the system detects

#### Box 16: From FGDs on e-filing

“It is easy, handy and practical. . . .” –*Tirana SMEs (VAT Payers)*

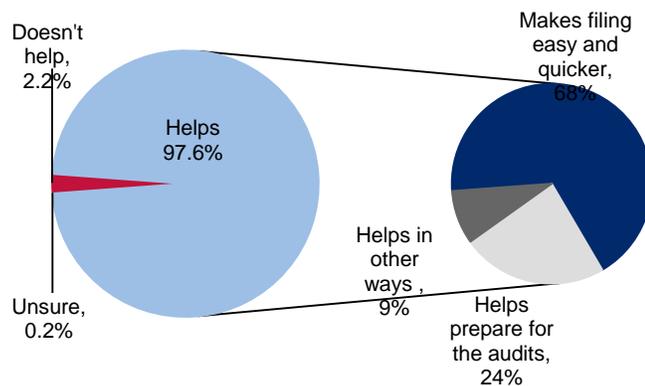
“Many things have improved with the introduction of the new electronic system. It is not as much time consuming as it used to be. Before, it used to take a lot of time to declare your accounts, payrolls, or other statements.” –*Tirana Large businesses*

“It has had a good effect on businesses, Before the tax officers were bugging [you] all the time, meaning that in order to finalize some papers you needed to go four times there, then they would say go somewhere else than back and so on . . . the new system has saved businesses from a lot of stress. . . .” –*Fier SME group*

“It was horrible . . . they would not give you the VAT forms you had to fill. Without these forms you could not pay VAT so you would be a ‘non-payer.’ They would simply not give you the forms. . . .” –*Fier Group*

“. . . [B]efore you had to go to the Tax Office to get the forms. Sometimes they were not yet printed, sometimes they did not want to

Figure 37: Is taxpayer ledger helpful?



Source: BIS2, N=448

that a specific company did not make the required tax payments on time, the system automatically assigns a penalty), the system for handling the payments is error-prone. Many participants claimed that often, their payments through the banks did not appear on the required date in their online account, resulting in inappropriate fines. According to participants, this discrepancy occurred because the bank payments are sent to GDT by mail and GDT operators enter these payments manually into the system.

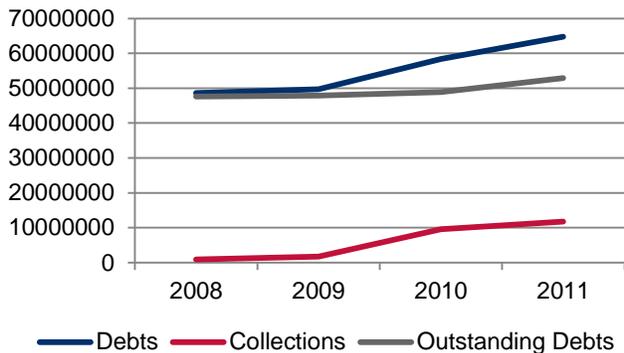
### 3.4.3.10 E-payment

ATP1 planned to introduce a separate e-payment module to withdraw funds from the taxpayer’s bank account for deposit with the Treasury. This was expected to be implemented soon after the end of ATP1, pending an agreement among GDT, the banks and the Treasury. This, however, did not materialize and the evaluation team’s interviews with local experts indicated unwillingness and/or unpreparedness on the banks’ part as the primary reason. Currently, only a small percentage of taxpayers use e-payment services to make payments online. IDRA (ETS-2010) found that only 22 percent of interviewed businesses used online banking services (money transfers and online payments); therefore, this expectation was overly optimistic when the project started back in 2008.

### 3.4.3.11 Collections

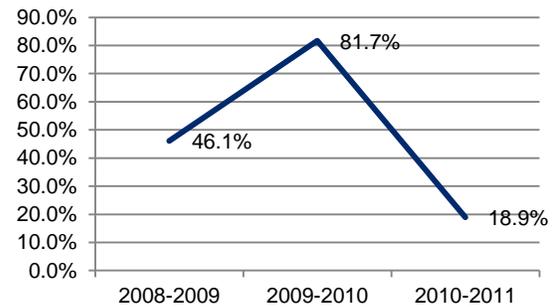
The collections department was formed in GDT following the functional reorganization, as it had lacked established processes to identify and process cases related to taxpayers who owed taxes or had stopped filing returns. ATP2 aided this process with a software solution, starting with a pilot in the Tirana Tax Office, followed by mandatory use nationwide. The software allowed for case prioritization based on certain risk and collectability criteria; generated notices to taxpayers; and created standardized reports to ensure inspectors’ accountability. These efforts were aimed at fostering a culture of voluntary compliance, reducing bad debts and increasing tax revenue collections. Data from the GDT shows that, while collections increased in absolute numbers, debt increased more (Figure 38). The collections rate increased sharply in 2010 compared to 2009 (from 46 percent to 82 percent) and then dropped even more

**Figure 38: Debts and collections at GDT, '000 ALL**



Source: SI based on GDT data

**Figure 39: Changes in collection rates**



Source: SI based on GDT data

drastically to 19 percent, quite possibly reflecting, at least in part, the tax amnesty announced by the GoA in February 2010 (see Figure 39).

### 3.4.3.12 *Investigative mechanisms*

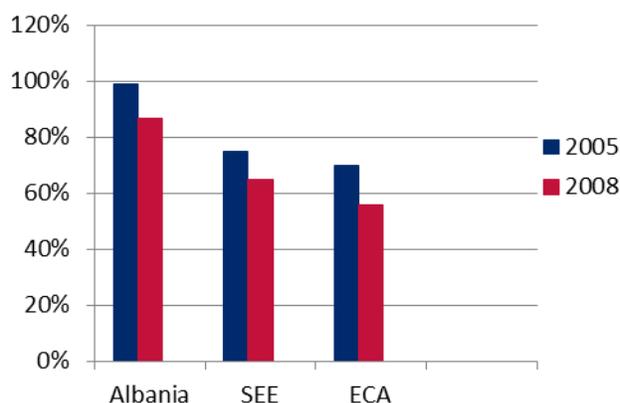
Having reduced tax rates for major taxes in 2008–2009, GDT focused in 2010–2011 on establishing new investigative mechanisms and improving the effectiveness of existing procedures to increase combating tax evasion and increase tax revenues without increasing tax rates.

**Risk-based audit case selection:** The Project helped GDT establish a risk-based methodology for identifying tax declarations to be audited, as mandated in the new TPL. It started for VAT payers in ATP1 (before the project start, VAT taxpayers were required to bring their books to their assigned tax office every month) which reduced face-to-face contact with tax officials and reinforced the practice of self-assessment. The software, introduced in 2008, used a formula that virtually eliminated the possibility that audits would be used for improper purposes. The new procedure also eliminated the practice of “auditing” each return a taxpayer had filed since the last audit.

Sixty percent of all firms currently selected for audits use the new, automated formula while the remaining 40 percent is based on local knowledge, which GDT considers to be important in detecting noncompliance at this stage. In such cases, the basis of audits are to be documented and submitted to GDT HQ by the regional offices for approval before the start of the audit. GDT indicated an intent to move to an eighty/twenty percent split, but with no concrete timeline.

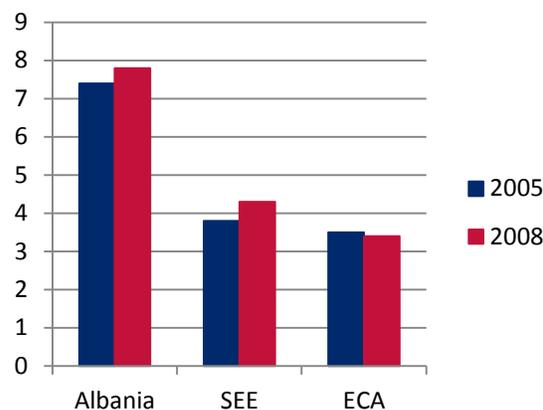
BEEPS data from 2008 showed that, compared to 2005, the frequency of tax inspections increased (Figure 40) but the percentage of firms which were inspected somewhat decreased (Figure 41). On both indicators, Albania is above regional averages.

**Figure 40: Percentage of firms visited by tax inspectors in a year**



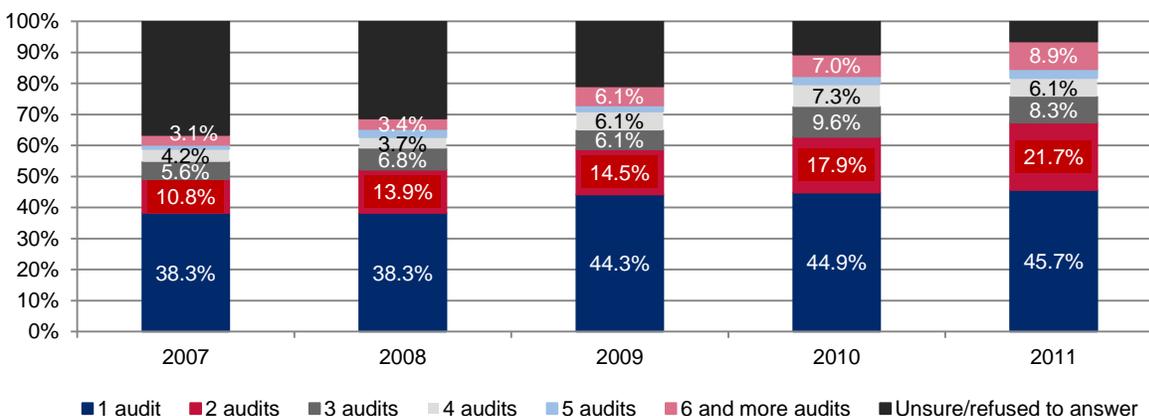
Source: BEEPS

**Figure 41: Frequency of tax inspections in a year**



Source: BEEPS

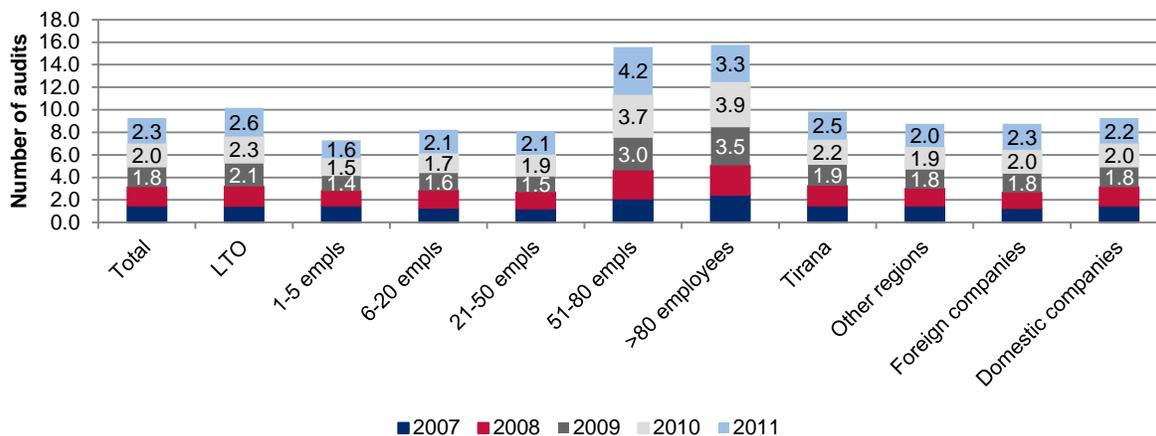
**Figure 42: Share of companies reporting tax audits**



Source: BIS2, Note: N=287

BIS2 data captured a later stage (2011) and showed a similar trend (Figure 42), in that tax audits increased across the board for almost all types of companies and all sizes (see Figure 43).

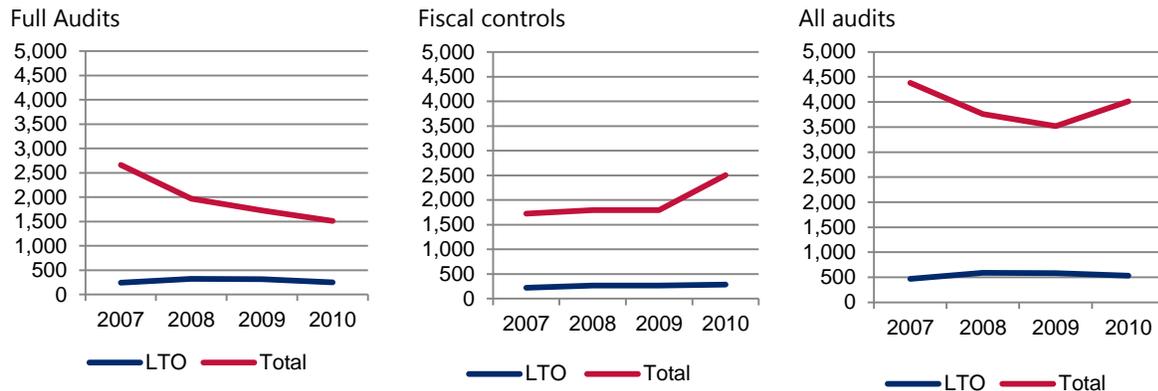
**Figure 43: Average number of audits by types of businesses**



Source: BIS2, Note: N=287

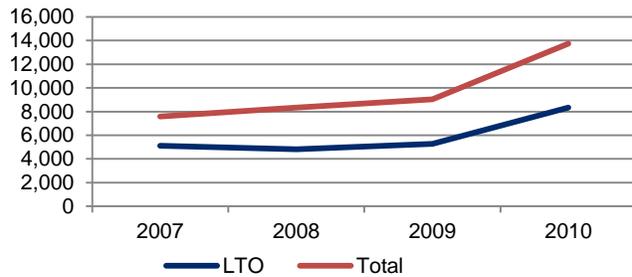
Similarly, GDT data showed an increase in the number of tax audits over time, both in the overall number of audits and for short fiscal controls. The only category that saw a decline over time is the number of full audits (see Figure 44).

**Figure 44: Number of tax audits over time**



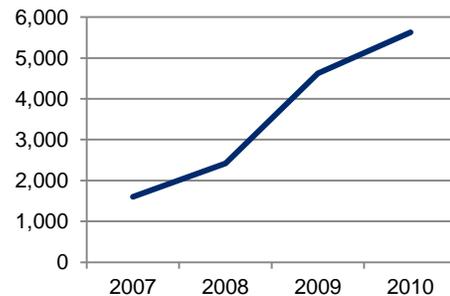
Source: SI, based on GDT data

**Figure 45: Liabilities uncovered and penalties, total, ('000 ALL)**



Source: SI, based on GDT data

**Figure 46: Total loss reduction<sup>103</sup> ('000 ALL)**



Source: SI, based on GDT data

GDT data confirmed the ATP2 Final Report statement that audit results (i.e., uncovered liabilities and penalties) showed exceptional growth in 2010 (see Figure 45 and Figure 46). This should be viewed together with the increasing number of audits, however—hence, the picture is not entirely positive. The increase in tax audit results comes at a cost: businesses audited three to four times a year, which adds to the regulatory burden many firms face.

GDT data also showed that the increase came from audits of large businesses. While audit results<sup>104</sup> from smaller businesses grew in 2009, they dropped sharply in 2010 (Figure 47). As discussed earlier, small

<sup>103</sup> Loss reduction is the reduction in the total tax liabilities (arrears) for GDT through the collection of penalties liabilities uncovered.

<sup>104</sup> Audit results are tax liabilities uncovered as a result of audits (and subsequently recovered from a business) and penalties, together.

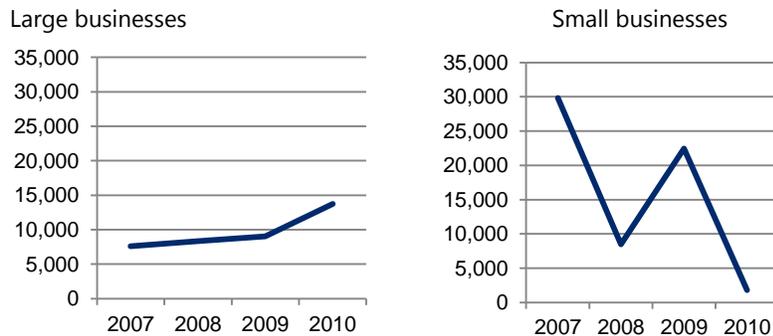
businesses tax payments to GDT varied, depending on their annual turnover. The trend demonstrates the institutional challenges of this “double-collection system,” whereby GDT and municipalities “compete”

for a business; municipalities suffer from negative incentives that make them reluctant to release businesses from their purview, which ultimately results in underreporting of tax liabilities on a large scale.

In addition, as can be seen in Figure 48, most of the monetary results from audits (uncovered liabilities and penalties) have come

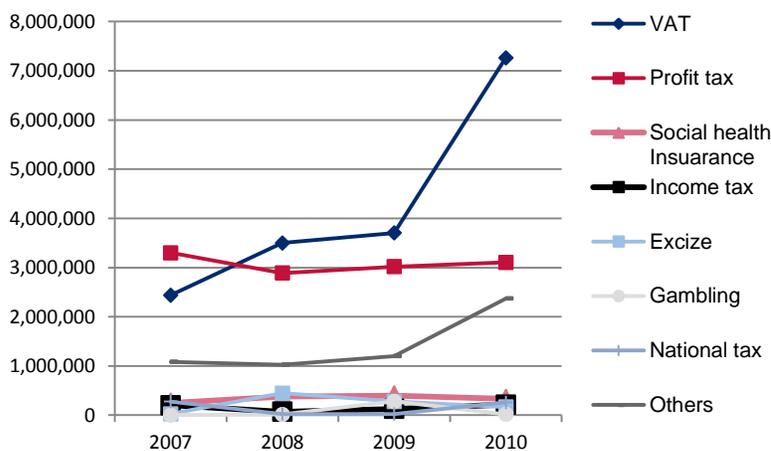
from VAT. Businesses do not receive refunds for overpaying the VAT—a possible reason behind continuing, and perhaps growing, non-compliance with VAT payments.

**Figure 47: Liabilities uncovered and penalties by business size ('000 ALL)**



Source: SI, based on GDT data

**Figure 48: Audit results by type of tax, ALL**



Source: SI, based on GDT data

substantial confusion among businesses regarding the method by which companies were selected for tax audits. Many participants believed audits to be based on tax department preferences. Several others believed that when tax departments needed money, they initiated audits in order to raise revenues. Only a few thought that triggers in the systems told the tax departments when “. . . some ‘indexes/numbers’ of a certain company are problematic (profit margin, VAT payments, etc.). . . .” Tax auditors fail to explain any of this to businesses, which, according to the business representatives, “. . . create a ‘mystery’ around the grounds of the visits. . . .” and this creates confusion and misunderstandings.

The discussion above illuminates feedback received from the FGDs (see Box 17: Tax audits). FGD participants singled out audits as a major problem. The vast majority of businesses were of the opinion that auditors visited with a preconceived opinion that businesses were evading their tax liabilities and they refused to leave without finding an omission. Businesses also commented that auditors failed to explain the purpose of the visits and often did not understand the nature of the business they audited.

Furthermore, there was

The regulation also mandated implementation of a mechanism to track the time applied to each case, enabling GDT to estimate the revenue generated per hour from its audit activities. GDT reported that the time-tracking process measures increased audit output from 170.4 hours/audit in 2009 to an average of 117.6 hours/audit in 2010. The data available to the evaluation team was insufficient to validate this claim.

**Field Verification Work Force:**

In 2010, the project’s tax team developed a set of procedures and internal control mechanisms, with the goal of reducing opportunities for corruption and increasing the productivity of the Tax Verification Work Force

**Box 17: Tax audits**

“It is though the control is not done properly if they do not fine the business, if nothing is found. They are expected to go back to the Tax Departments with some fines and other payments. Even if the company does not have any problems they will give it a penalty nevertheless. . . .”

–Fier SME Group

“They cannot go back to GDT without finding something ‘wrong’ with the businesses. They have to collect some money. So it has happened to me, that after they checked they found nothing wrong, but they said we can’t go like this back. We may get fired if we do not find something. So we had to make up something and pay some small fine. I felt sorry for them.

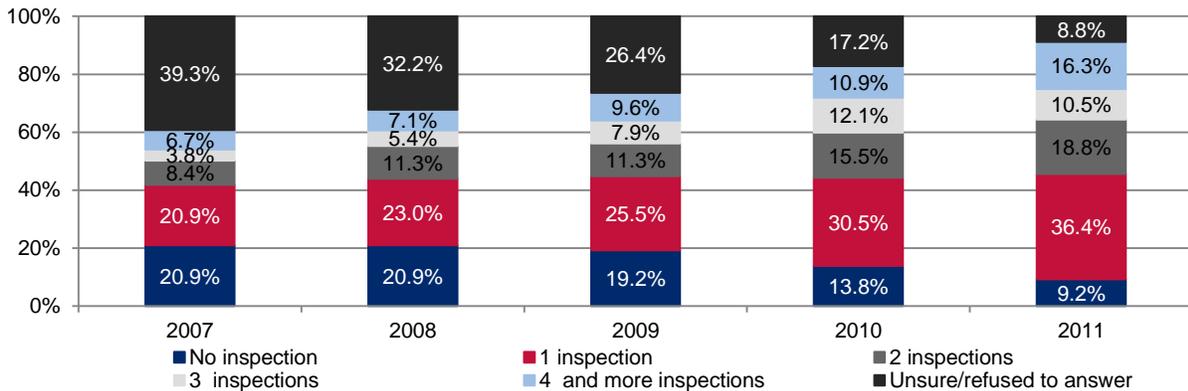
–Tirana SME group

“They come with prejudice. . . .” –Tirana Large Businesses group

“Those are the ones that every five to six months bug you. We were told that if the firm reports everything OK the controls may never come, but they come too often. In five months they come for Social Security, after five months on Profit Tax, and after five months on VAT. . . .” –Fier SME group

Source: SI FGDs

**Figure 49: Share of companies reporting TVWF inspections over time**



Source: BIS2, Note: N=239

(TVWF), formerly called the “Tax Police.”<sup>105</sup> Procedures developed by the project team eliminated assignment of inspectors to large territories. Instead, web-based mapping tools divided territories into mini-zones that could be

verified completely in one week. According to the ATP2 Final Report, this resulted in substantial increases in collected tax revenues, which could not be verified independently by the evaluation team. BIS2 results showed that the incidence of TVWF visits increased over the last five years (Figure 49). This increase was reported by small and large firms, alike, and there does not seem to be a correlation between geographical location and the increase of TVWF visits.

FGDs revealed that perceptions of most participants concurred with the findings from the BIS2 survey that TVWF visits have become more frequent. This is of particular concern to small businesses, since for most of them, inspections are about fiscal cash registers and tax receipts/coupons. While they stated that these inspections were bothersome, respondents acknowledged the impact these visits have had on formalizing their businesses (as one respondent from the Tirana SME group put it, “[B]ecause of these many controls, they have identified in the field all informal businesses, and the situation is different now with informal competition. At least everybody is being registered and identified. . .”).

The lack of coordination between different entities carrying out inspections means that businesses are subject to inspections by various agencies seeking similar information. For example, the High Inspectorate of Labor, of the Ministry of Labor and Social Affairs, also asks for the number and the list of employees and municipality tax controls for small businesses, to examine both profit tax and local simplified tax.

**Criminal Investigation Directorate and Internal Investigation Directorate:** In 2009, the project assisted two new directorates established at the GDT: the Tax Investigation Directorate (TID) and the Internal Investigation and Anti-Corruption Unit (IIAU). Assistance was multifaceted and included developing procedural manuals; providing guidance for employees; inviting U.S. experts<sup>106</sup> to deliver a course on investigative methods for establishing financial proof of tax evasion that could be presented as evidence in trials; and instituting an automated denunciation system that allowed taxpayers to report tax evasion and employee misconduct (citizens can download and mail a form, call a toll-free number, or send an e-mail message); and a nationwide multimedia outreach campaign designed to inform citizens of this new service.

- **TID**– The establishment of the TID was stipulated by the 2008 TPL: its goal, to review cases of tax evasion and refer them to the prosecutor, potentially leading to criminal charges. TPL established that these investigators qualify for designation by the prosecutor as judicial police. At the time of writing the evaluation report, the TID had 162 staff members. By the end of ATP2, more than 200 reports had been filed. Data provided to the evaluation team by GDT indicated that 79 cases were filed in 2009 and 175 cases were filed in 2010. According to the ATP2 Final

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<sup>105</sup> Field verification employees make unannounced visits to businesses to confirm that the business is properly registered and compliant with key requirements, e.g., they use government-approved records for financial transactions and report employment data accurately, product price lists are posted visibly, and excisable goods bear proper stamps. Noncompliance can result in an array of penalties and, in extreme cases, business closure.

<sup>106</sup> In April 2010, the project arranged for three special agents from the IRS Criminal Investigation Division to deliver a weeklong course on financial investigation techniques to employees of the Criminal Investigation and Internal Investigation Directorates, as well as to other agencies and Ministries, including the OPG.

Report, four referrals were made to the prosecutor and a large number of administrative investigations were conducted. The low number of referrals was cause for disappointment on the OPG side and illustrates suboptimal cooperation by GDT in the JIU models (see Section 3.6)

- **IIA**– GDT established this three-person unit, which was not required by TPL, to investigate allegations of employee misconduct. This could be viewed as a demonstration of the GOA’s commitment to anti-corruption and a business-friendly environment. Table 12 describes IAD performance data; note that the project target—IIAU successfully prosecuting 60 cases by Year 2—was met. According to the ATP2 Final Report, six GDT employees were terminated and referred to the prosecutor for criminal action as a result of these investigations and 19 were subject to other disciplinary measures, including written reprimands and bans on promotion.

**Table 13: Reports of corrupt practices reported to and handled by the Internal Investigation and Anti-Corruption Unit (IIAD)**

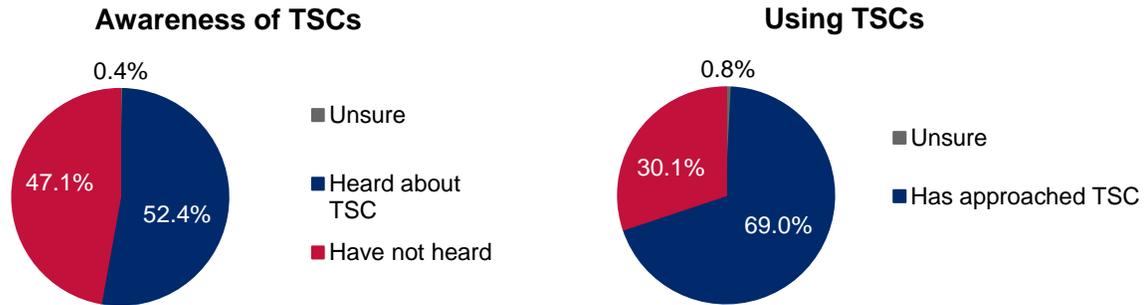
	2009	2010	JAN-SEPT 2011
<b>REPORTS FROM THE PUBLIC ON:</b>			
Bribes	3	13	16
Fiscal evasion	115	102	97
<b>TOTAL</b>	<b>118</b>	<b>115</b>	<b>113</b>
<b>CASES HANDLED BY IIAD</b>			
Referred to Disciplinary Commission	26	25	13
Referred to Prosecutor	-	6	3

Source: SI, based on GDT data

### 3.4.3.13 **Taxpayer education and information service centers**

ATP1 made improvements to taxpayer education and information through the TSC in the new GDT HQ building in Tirana. Taxpayers could visit it to access their accounts, as an alternative to access through the website. The TSC also provided a range of public information services. Acknowledging the utility of the center, the GDT opened similar centers in all regional branches and a new TSC was opened in Tirana to serve LTO taxpayers (SMEs are served by the Tirana regional office). Under ATP2, the project equipped all these new centers and trained the staff.

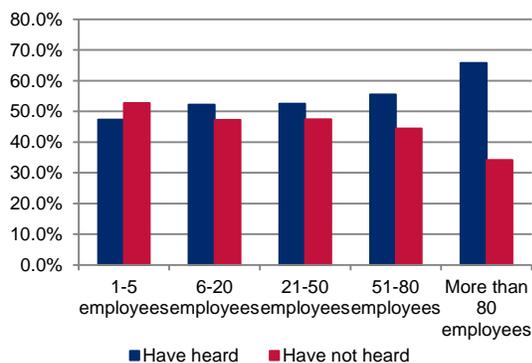
**Figure 50: Extent of knowledge and usage of TSCs**



Source BIS2, Note N=456 for awareness and N=239 for approach

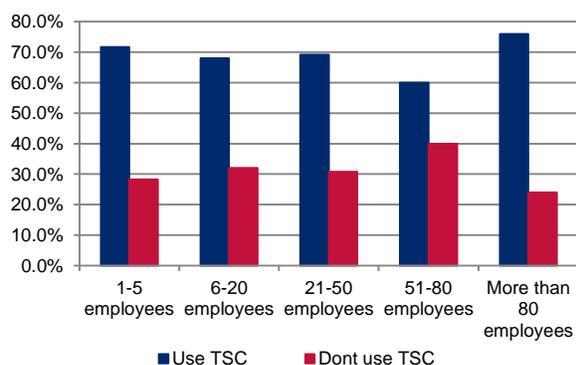
BIS2 data showed that only 52.4 percent of businesses were aware of TSCs (see Figure 50). The same indicator from IELC (2010) was somewhat higher, at 69 percent, but still indicated that awareness about TSCs was insufficient. IELC (2010) also found that almost half of businesses with less than 2 million ALL turnover (excluding independent professionals such as lawyers, writers, dentists, etc.) were not aware of center’s existence, a finding that was confirmed in KIIs with TPOs in the same study; Figure 51 and Figure 52 show similar results. This is problematic, as this is the group that potentially would benefit from TSCs the most. In IELC (2010), small businesses with no Internet access regarded TSC assistance with tax e-filing as highly beneficial. The KIIs with TPOs conducted under IELC (2010) revealed a shared view that limited financial resources and inadequate infrastructure are some of the factors behind the small number of training courses provided to taxpayers and the number of participants.

**Figure 51: Share of businesses with a knowledge of TSCs by company size**



Source: BIS2 N=456

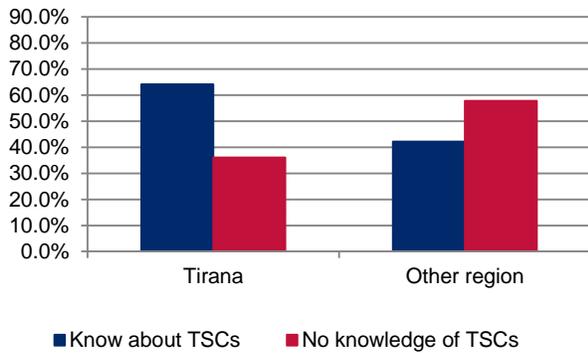
**Figure 52: Share of businesses using of TSCs by company size**



Source: BIS2 N=239

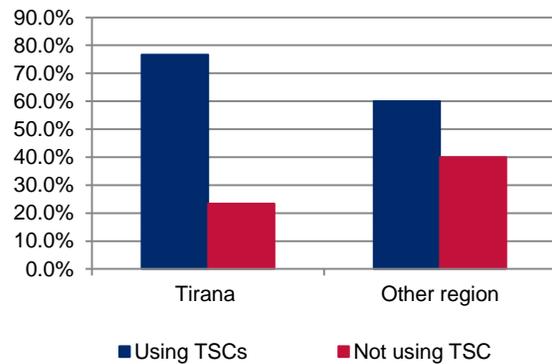
Figure 51 and Figure 52 show that knowledge and use of TSCs was higher in Tirana compared to other regions, which is a concern.<sup>107</sup> Tirana supports a wider range of consulting services than is available in the rest of the country; the TSCs in other regions fill a need. In addition, as indicated during the FGDs, businesses in other regions tend to approach the TPOs more frequently, since it is easier to do in small towns. As Figure 53 indicates, not knowing about TPOs increased the incidence of using TSC services, and Figure 54 shows that the frequency of meeting with the TPOs was inversely related to using TSCs.

**Figure 53: Share of businesses with a knowledge of TSCs by main region of activities**



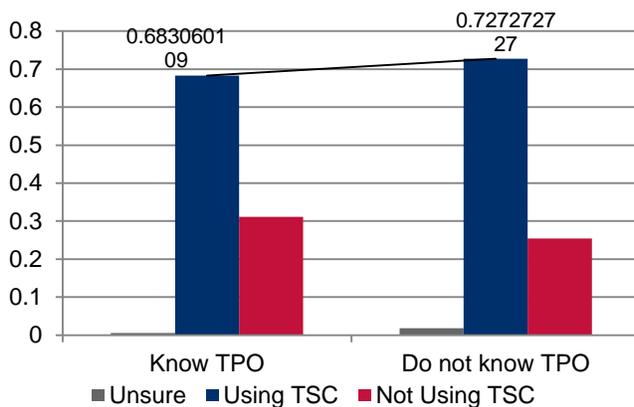
Source: BIS2 Note N=456

**Figure 54: Share of businesses using TSCs by main region of activities**



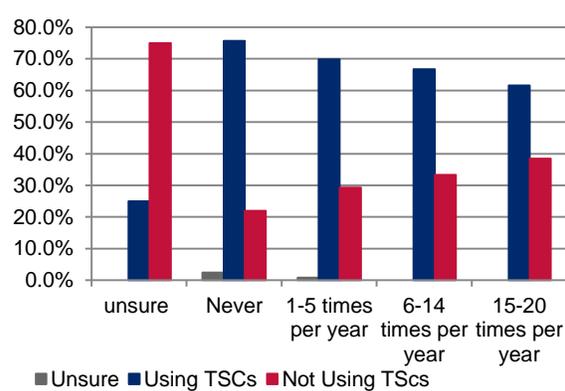
Source: BIS2 N=239

**Figure 55: Share of businesses using TSCs depending on their knowledge of TPOs**



Source: BIS2 N=456

**Figure 56: Share of businesses using TSCs depending on the frequency of meetings with TPOs**



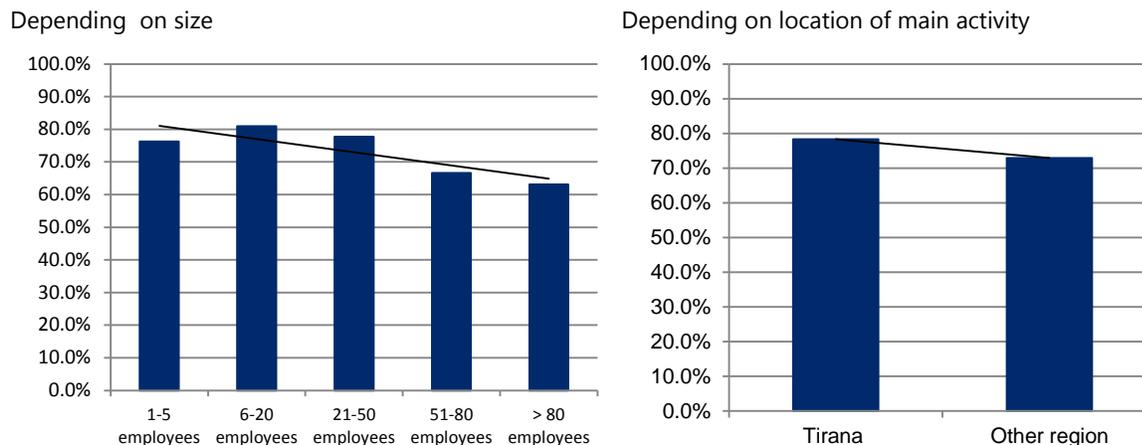
Source: BIS2 N=239

TSC services to taxpayers include assistance with downloading and completing electronic tax declarations; providing personal account passwords; processing tax certificate requests and issuing tax certifications for business de-registrations; and accepting payroll lists for large businesses and VAT

<sup>107</sup> It should be noted that most of the regional TSCs consist of a public access room inside the regional tax offices and some taxpayers receiving services in these rooms may not be aware they are visiting a TSC, as opposed to the tax office.

taxpayers (in some regions). IELC (2010) found that overall these services were rated as positive, but only 32 percent of businesses were approaching TSCS with matters related to their tax accounts. In BIS2, the majority of businesses mentioned that they used TSCs to obtain certificates. The proportion of businesses that used TSCs to clarify questions related to their tax accounts depended upon a number of factors (Figure 57). Larger companies and companies in the regions were less likely to approach TSCs with questions related to their tax accounts (see Figure 55 and Figure 56). Knowledge of TPOs and the frequency of meetings with TPOs did not seem to play a role.

**Figure 57: Share of businesses approaching TSCs for questions related to tax account**



Source: BIS2 N=165

One of the main objectives for the TSCs was to provide a controlled environment for meetings with tax officials concerning tax cases. This was intended to reduce contact in tax processing areas, where the two sides used to converse informally—a process ripe with corruption risks and disruptive to TPOs’ work. When the TSCs became operational, the processing directorate no longer provided assistance with tax e-filing, but still shared responsibility for certificate completion with TSCs. Processing inspectors, however, were responsible for tax declaration assessments (VAT, social contributions, profit tax, and PIT) and tax declaration amendments.

Given that many taxpayers and accountants continued to approach TPOs, the project and GDT implemented a pilot project in June 2010 at the Tirana regional TSC that blocked taxpayer access to TPOs and diverted all requests for assistance to Taxpayer Services. In October 2010, GDT expanded these new procedures to the LTO TSCs in Tirana and the Durres regional office and made plans to expand nationwide. While the ATP2 Final Report stated that both parties in these pilot areas were happy (and that the processing function

**Box 18: TSCs**

“They (Taxpayer Service Center) welcome you and give you information but when it comes to act, to do something they direct you somewhere else. They have no power to act...while the Tax officer can directly make changes in the system for you..” –*Tirana SME group*

“If this is a Service Center for Taxpayer I want to get that service. I need two days to finish in this office and then go to another office because they do not have the right stamp or they do not have paper to print. If they have a Service Center you should get the whole service there and not go in 2-3 other places ...what is the meaning of this...” –*Tirana SME group*

“I once went there with a certificate from the bank that I had paid my dues. The system was showing that I was in debt with taxes. Wrongly. So I took this certificate from the bank and went to this center. They would not do anything. I said to them, here it is the certificate; please clear my debts from the system. They said we can’t...” –*Fier SME group*

“I have not heard of any such center in Fier...” –*Large Taxpayers, Fier Group*

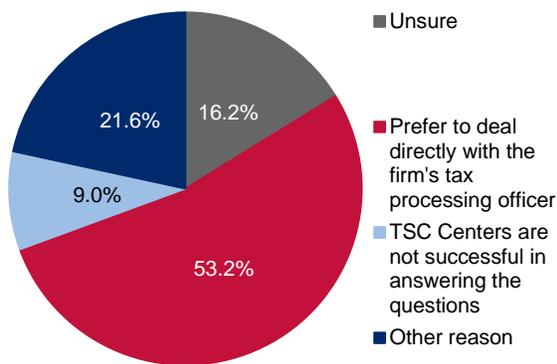
“It exist such a center, on the first floor of Tax Department offices, but it is mostly informative about any legal changes, any rules etc. ” –*Fier Group*

Source: SI FGDs

reported a 20 percent increase in productivity), in reality this has proved to be problematic. IELC (2010) revealed—and FGDs carried out under this evaluation confirmed—that 75 percent of the respondents preferred to deal with only one TPO, rather than have their problems/issues assigned randomly to various inspectors, hinting at the fact that the “cultural change” the project hoped to bring about had not fully materialized at that point.

The taxpayers who participated in the FGDs believed that the issues they had with their tax accounts could effectively be resolved only by TPOs. The FGD participants also mentioned that, while increased contacts with TPOs via mail, e-mail and other means of communication are useful, they felt that personal contact with these officers for clarifications still was necessary. Similarly, the FGDs conducted in the framework of this evaluation (Box 18) revealed the majority of the FGD participants believed TSC staff to be ineffective in resolving issues related to one’s tax account, but were helpful and useful in providing information.

**Figure 58: Main reason for not using TSCs**



Source: BIS2 N=111

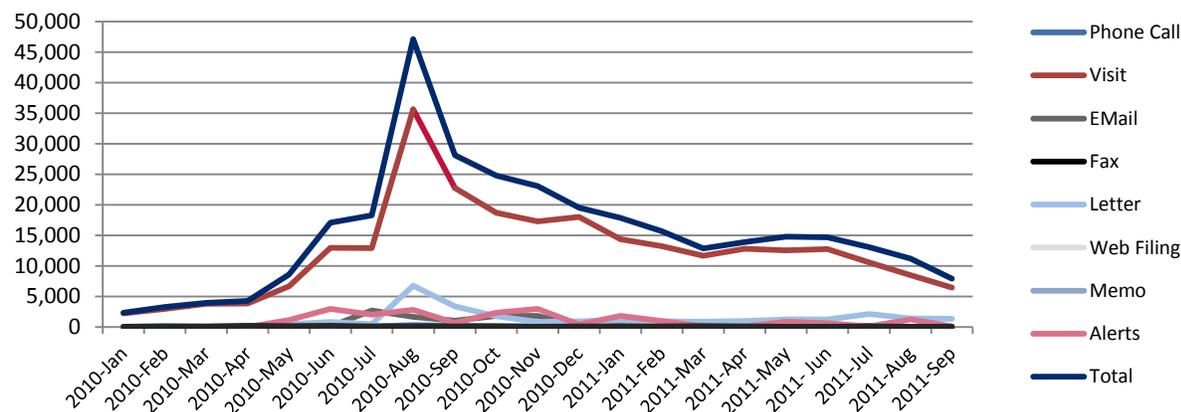
While IELC (2010) KIIs with TPOs cited infrastructure deficiencies as the cause of dissatisfaction, the businesses participating in the FGDs conducted under this evaluation cited other reasons for not using TSCs, including untimely taxpayer position updates, delays in tax re-assessments and refunds, unfair penalties and late business deregistration by NRC.

This kind of feedback led the TSC directorate essentially to abandon this aspect of the pilot and allow for meetings with the TPOs on set dates in a controlled environment. This hints at the fact that perhaps the decision to cut the link with the TPOs was somewhat rushed and a more gradual approach was needed, while ensuring that the quality of TSC services improve. Figure 58 describes the reasons given in BIS2 for not using TSCs. These factors may indicate the reasons

behind a decline in the incident of requests for TSC services over time (Figure 59).

TSCs use several methods to communicate with taxpayers, including direct visits at TSC premises; e-mail correspondence and telephone contacts; notifications and advertisements in local and national newspapers, radio and TV; information on the GDT website; distribution of brochures and flyers to businesses that visit TSCs; and various seminars aimed at taxpayer education. The philosophy of the reforms is to reduce personal visits to TSCs and encourage people to use other means, in particular e-mails. (There is a five-day limit imposed on TSC staff to respond to any queries). In reality, the use of alternative modes of contact, meaning not meeting in person, remained negligible (Figure 59). This effort to change habits and attitudes seem to require more time to be successful.

**Figure 59: Number of TSC contacts by mode and in total**



Source: SI, based on GDT data

### 3.4.3.14 Taxpayer’s Consultative Council (TCC)

Under ATP2, after the corresponding amendments in the TPL in 2010, the project assisted the Ministry of Finance to establish the TCC, with the purpose of institutionalizing consultations with tax administration and the public, assuring taxpayer input into efforts aimed at reducing the administrative burden on taxpayers and improving government tax-related procedures. Within ATP’s own organization, this assistance was handled jointly with the team in charge of the CSO monitoring component, discussed in Chapter 3.8. Several of the CSOs interviewed mentioned that the TCC effectively was inactive.<sup>108</sup> Our interviews with a few TCC members, mostly private sector representatives, indicated that they shared this view. At the time of this report, a total of two meetings had been held, and a third one had been planned for October 2012 to discuss the new draft VAT Law, expected to come into effect in 2013. Overall, participants were of the opinion that the TCC was a formal structure with very limited powers that did not properly collect the voice and opinions of taxpayers and was barely used by GTD.

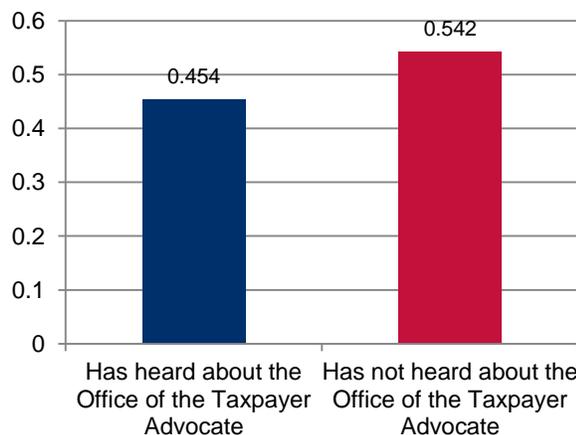
<sup>108</sup> The GOA contested findings that TCC is active two or three times per year

### 3.4.3.15 Taxpayer Advocate (TA) and appeals

The TA, established after Parliament enacted an amendment to the TPL in 2009 (with “ATP2 assistance and encouragement,” according to the ATP Final Report), seeks to protect taxpayers’ rights. According to interviews conducted by the evaluation team, there was some initial debate regarding its status and institutional set up and it was decided that the TA should be established as a structure of GDT (this design was promoted by the project, reflecting the U.S. IRS example).<sup>109</sup> The TA is a member of the senior staff of the Director General of the GDT, participates in the development of plans and policies, serves as a tax administration ambassador to business organizations, is a permanent member of the Ministry of Finance’s TCC and hears grievances from taxpayers. The TA reports monthly to the

General Director of Taxation and every three months to the Minister of Finance. There is a plan to open representative offices throughout Albania. The ATP2 Final Report stated the project created a two tier tax appeal system, in which businesses send their complaints to GDT’s Appeals Directorate, and, if dissatisfied, to the TA. It is important to highlight that this applies to administrative actions only and that the TA is explicitly excluded in its charter from hearing or intervening in tax appeals cases related to tax audit assessments.

**Figure 60: Share of businesses with a knowledge of the Taxpayer Advocate**



Source: BIS2 N=456 (Responses “don’t know” are not included)

#### Box 19: TA

“I have heard that there is such a name . . . don’t know what he does. . . .” –*Tirana Large Group*

“I have always thought that he is the advocate of the state . . . own advocate of tax department.” –*Tirana Large Businesses Group*

“. . . [W]ho is this?” –*Fier Large Businesses Group*

“. . . [H]e is appointed by the Minister of Finance, how can he be advocate for businesses?” –*Fier Large Businesses Group*

Source: SI FGDS

According to interviews with the TA, after review, the TA sends its opinion to the General Director of GDT, who then takes the actions deemed appropriate—which may or may not be in line with the recommendation of the TA. This process presents two potential conflicts of interest. First, the recommendations of the TA concern the actions of GDT’s employees, which is problematic, given that TA is also a unit inside GDT. Second, the GDT is supposed to take action against its own employees, and theoretically there might be a desire to avoid recording high numbers of violations. The alternative, or the next step for a business, would be to go to a court. With passage of the Law on Administrative Court in May 2012,

<sup>109</sup> The Director of the Directorate, or the Taxpayer Advocate, is appointed by the Minister of Finance, while two experts (with experience in administration) are appointed by the Director General of Taxation.

if the original plans still hold, administrative courts will hear tax-related matters, as well. It remains to be seen whether the TA will still have a valid mandate to fulfill. Currently, if a taxpayer applies to the TA and does not get an answer within the specified time frame, they can go to court; during the court hearing, the TA is required to present its opinion.

**Box 20: Complaints/appeals mechanisms**

“. . . [A]s a rule we have to file complaints through Taxpayer Service Centers. But when I went there to file a complaint they would not accept it. They said I had to mail it in. So I had to use private mail to submit my complaint.” –*Tirana Large Taxpayers Group*

“The only possible way to file a complaint is to go to the Regional Tax Directorate. There you have to meet your inspector (Tax Processing Officer).” – *Fier SME Group*

“There are no clear procedures for filing complaints related to Tax System. You see the procurement system there are clear and precise instructions and procedures on how to file a complaint, what to fill and where to send it. Not for the Tax System!” –*Fier SME group*

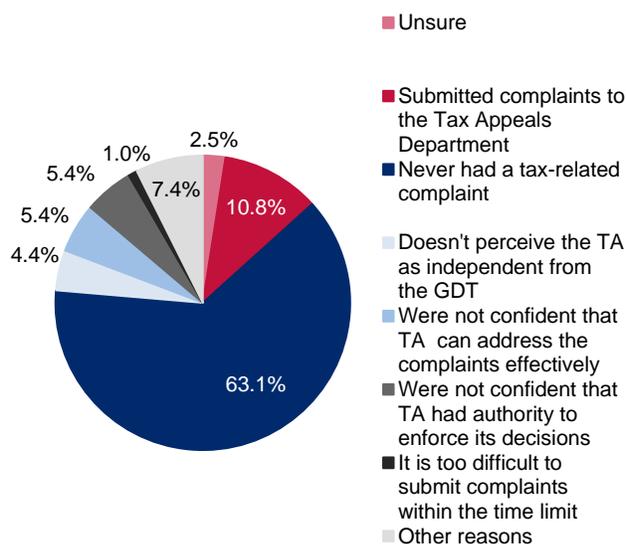
Source: *SI FGDs*

Throughout 2010, the project assisted the TA by drafting processes, policies and procedures to enable the TA to fulfill its legislative mandate. The project also assisted the TA with a public awareness campaign and brokered a partnership between the TA and AmCham to reach out to businesses. BIS2 showed, however, that awareness of the TA was not high: around 45 percent of businesses knew about the TA (Figure 60) and only seven companies had approached it. The FGDs confirmed that the TA is not well known, and also revealed a certain degree of skepticism about the suitability of the institutional setup of the TA if it is called upon to protect taxpayer rights (Box 19). That the TA seemed to lack partnerships with other business associations—most notably small business associations, since smaller businesses need more protection voicing their rights—raised some concerns. This concern was shared by the representatives of one of the SME support

agencies interviewed by the evaluation team.

According to the interview with the TA, in around 40 percent of cases, the taxpayers approached the TA when they should have used the appeals system (within GDT) first—clearly, confusion exists among taxpayers with regard to the complaints system for tax-related matters, as the FGDs confirmed (Box 20). This confusion was also captured by IELC (2010): approximately 50 percent of survey respondents said they did not know where to go to report tax abuse or unfair treatment from the TPO, or where to get confidential advice in case of unfair competition.

**Figure 61: Reasons for not having approached TA**



Source: BIS2

Department of GDT; 33.4 percent chose not to approach the TA for reasons that included lack of trust and doubts about its impartiality and powers.

### 3.4.3.16 *IT department*

The TPL stipulated the establishment of a new IT Directorate. To assist it with analytical and reporting tasks, the project developed a web-based dashboard for GDT management that displays current summary statistics on tax declarations and payments by tax type, region, and tax source. Our interviews with the GDT indicated that they viewed it as a valuable tool that enabled them to measure and improve performance.

### 3.4.3.17 *Public outreach*

The project planned and implemented public outreach activities around all major activities. It used multimedia campaigns, roundtables with business associations and publications. However, as was discussed in connection with a number of activities, there remained a lack of awareness among the business community (e.g., about TSCs and TA). Hence, the effectiveness of these public outreach activities could have been stronger and/or they needed to be longer, continuous and regular.

The TA has been operational since March 2011. As of September 2011, there were 90 cases logged with the TA, almost all of which were related to irregularities in the GDT regional directorates (for example, cases where Regional Directorates failed to respond to taxpayer requests in statutory time limits, as a result of which taxpayers may incur financial losses). In addition to these 90 cases, there were also a smaller number of complaints expressed verbally.

Figure 61 describes BIS2 responses to the question exploring why businesses do not approach the TA. It is interesting to note that 63.1 percent reported they never had a complaint, which is at odds with findings from earlier sections that included high levels of unhappiness with tax inspections. This points a persistent lack of knowledge about the taxpayer rights. The majority who had complaints preferred to approach the Tax Appeals

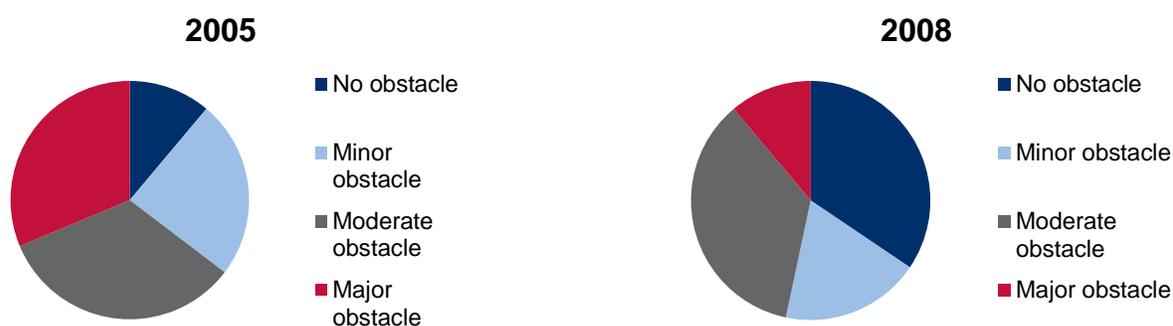
### 3.4.4 Outcomes

#### 3.4.4.1 Broadening the tax base

According to BEEPS, the proportion of businesses reporting that paying taxes was a major problem decreased from 31 percent in 2005 to 10 percent in 2008 (Figure 62).

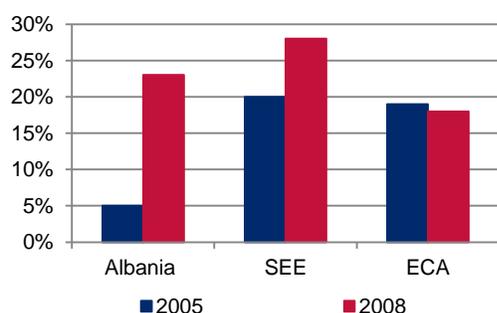
The share of businesses stating that tax rates are not a problem greatly increased over time (Figure 63), as did the share of businesses that stated that tax administration is not a problem (Figure 64).

**Figure 62: Share of business for whom “paying taxes is an obstacle”**



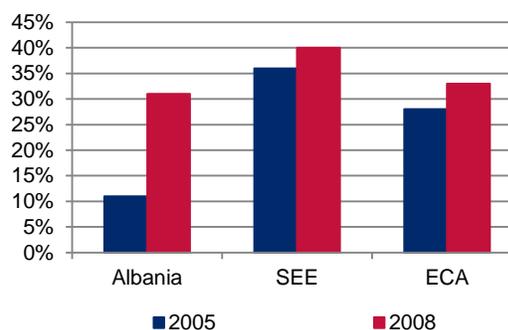
Source: BEEPS

**Figure 63: Share of business for whom tax rates are not a problem**



Source: BEEPS

**Figure 64: Share of businesses for whom tax administration is not a problem**



Source: BEEPS

This is a remarkable achievement for a timeframe as short as three years. Improved tax administration, coupled with reforms in business registration, contributed to an increase in the number of taxpayers (see Figure 65). This was established also in the chapter on Business Registration.

The project estimated that, as of 2008, the number of active business taxpayers increased by approximately 25 percent since the beginning of the project, and the more than 18,000 newly registered

businesses paid 3.2 billion ALL (approximately USD \$37 million) in taxes to the central government between September 2007 and September 2008 (not including small businesses). Data availability does not allow a rigorous assessment by the evaluation team of the project’s contribution to this increase, since, for instance, the lower tax rates, as well as the relatively strong growth of the Albanian economy at the time, would have also contributed to this increase. However, it is very likely that ATP played an enabling role (both by easing business registration and streamlining tax administration).

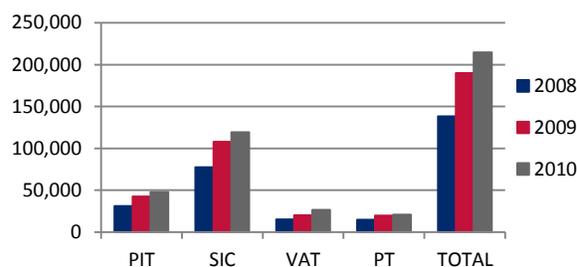
### 3.4.4.2 Improved Tax Collections

As shown in Figure 66 GDT tax revenue increased in absolute value. IMF (2008)<sup>110</sup> concurred, with an estimate of cumulative year-on-year growth for the first trimester of almost 40 percent. This increase occurred, despite a reduction in the top rates of profits tax and PIT as of July 1, 2007. IMF (2008) referred to Keen et al. (2006),<sup>111</sup> which reviewed the experience with flat tax in eight transition economies and concluded that, with few exceptions, the introduction of a PIT or CIT flat rate was associated with revenue losses. IMF (2008) further argued that the likely reason for Albania’s gains is that, in circumstances of initially very weak tax administration and tax compliance, simplifying the tax system, lowering tax rates, broadening the tax base and strengthening tax administration can significantly strengthen revenue collection. Most of the increase in tax collection originated from social insurance contributions and VAT (see Figure 67).

Tax revenues as a share of GDP declined slightly starting in 2009, to around 23.3 percent, and failed to reach the project target of 28 percent. Similarly, GDT tax revenues also declined, from 9.2 percent in 2008 to 8.47 percent in 2011.

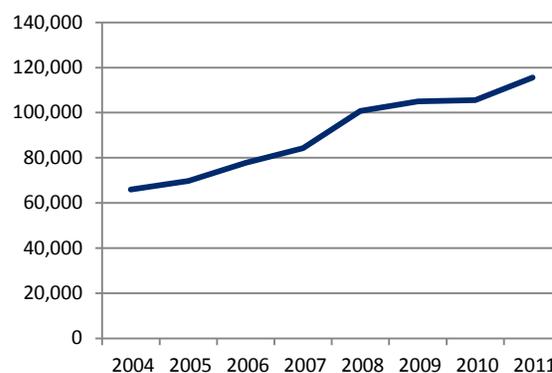
IMF (2011) pointed to structural imbalances, the need for fiscal consolidation and low tax rates as key contributing factors. The report also pointed out, while acknowledging the GOA’s progress with tax administration reform, that these reforms occur with mixed success. While recognizing good results in taxpayer registration, IMF cautioned that administration gains might be difficult to achieve and could even be costly in the short term, particularly in light of a large number of VAT refunds in arrears, which

Figure 65: Number of taxpayers



Source: SI, based on GDT data

Figure 66: GDT tax revenue, total (Million ALL)



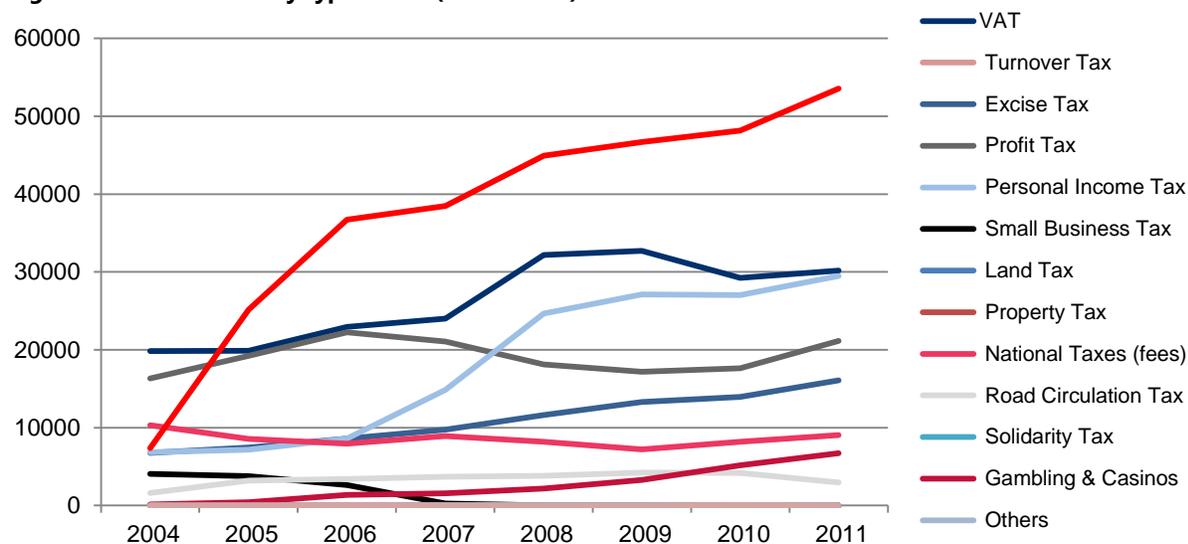
Source: SI, Based on GDT data

<sup>110</sup> IMF Country Report No. 08/267, August 2008

<sup>111</sup> Michael Keen, Yitae Kim and Ricardo Varsano (2008) “The flat taxes: Principles and Evidence. IMF Working Paper 08/128”

risked damaging VAT compliance and Albania’s reputation as a stable harbor for FDI.<sup>112</sup>

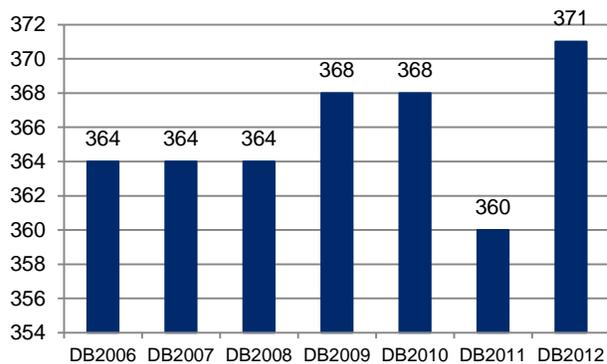
**Figure 67: Tax revenue by type of tax (Million ALL)**



Source: SI, Based on GDT data

### 3.4.4.3 Ranking

**Figure 68: Time needed to pay taxes, hours per year**



Source: World Bank Doing Business

The project target<sup>113</sup> of achieving rank 75 in “Paying Taxes” in the WB Doing Business ranking was not achieved: Albania’s ranking was 150 in 2011 and 152 in 2012. The number of tax payments over these years only reduced from 45 to 44; the time needed to pay taxes, in “hours per year,” decreased in 2011 (by project close) to 360, then increased to a new high at 371 in 2012 (see Figure 68). The evidence presented in the report about the increased incidence of inspections could be a contributing factor. Moreover, the FGDs revealed some concerns from businesses regarding system/server overload, particularly

outside of Tirana and especially when nearing the monthly deadlines for filing, as businesses were unable to upload their books in the system. This could lead to penalties in some cases because of missed deadlines.

<sup>112</sup> IMF Country Report No. 11/313, October 2011

<sup>113</sup> SOGA

#### 3.4.4.4 **Contribution to reducing corruption**

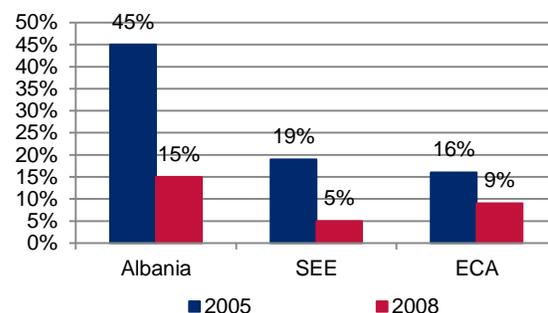
According to BEEPS, the percentage of firms reporting that bribery was frequent in dealing with taxes declined substantially from 2005 (see Figure 69). Given that ATP1 was the single most extensive project assisting GDT with the reform in tax administration, this indicates that ATP1 may have contributed to this reduction in corruption. Still, even in 2008 the indicator was higher than the regional average. More recent data points to a mixed results. According to the Global Integrity 2010,<sup>114</sup> tax laws are not always enforced consistently or without discrimination. The U.S. Department of State (2012)<sup>115</sup> reported that, despite the establishment of reforms to align Albanian tax

administration with international good practice and diminish opportunities for extortion and bribery, implementation and enforcement of the reforms were lacking. An EU progress report (2011) noted that limited progress could be reported regarding administrative and operational capacity; however, transparency and consultation with business representatives in the legislative process remained limited and anti-corruption measures required further efforts, as the perception of corruption in tax administration remained high and further efforts are required to enhance audit, investigation and intelligence capacities and to combat tax fraud and avoidance. In the IDRA Report on “Corruption in Albania 2010,” the general public gave tax officials a score of 81 (0 being “very honest” and 100 being “very corrupt”), thereby making tax administration the second most corrupt institution in the country after customs. Data gathered in the framework of this evaluation allowed for a more nuanced understanding of areas where corruption risks persist in the tax administration process, as is described in the following paragraphs.

#### 3.4.4.5 **Tax processing**

Both the project and the GDT sought to limit TPOs’ personal interaction with tax officers through e-filing and TSCs. As shown in Figure 70, the incidence of very frequent meetings decreased (although the incidence of less frequent visits has increased).

**Figure 69: Share of firms stating that bribery is frequent in dealing with taxes**

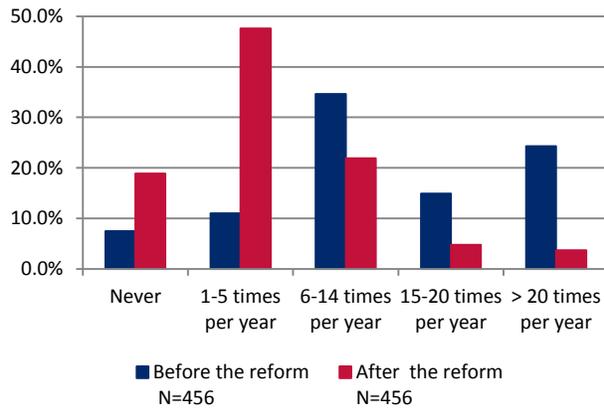


Source: BEEPS

<sup>114</sup> <http://www.globalintegrity.org/report/Albania/2010>

<sup>115</sup> <http://www.state.gov/e/eb/rls/othr/ics/2012/191094.htm>

**Figure 70: Share of businesses reporting meetings with TPOs before and after reforms**



Source: BIS2

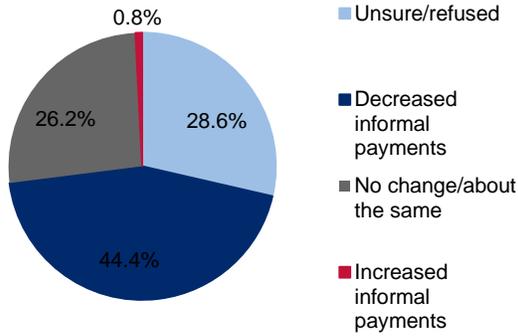
you pay TPOs to solve some problems on declarations, on books or confirming some figures etc. [5000 ALL or 10000 ALL mentioned in some of the groups], . . . but you pay much higher sums to Tax Audits/Controls;” “These kinds of bribes are not in the scale they used to be because the contact is not there anymore.”)

The responses from BIS2 indicate that 45 percent of businesses think that TSCs have helped to reduce corruption, the highest share among the respondents (see Figure 71). Forty-six percent of businesses in Tirana concur with that opinion, as opposed to 42 percent in the regions. It is interesting to note that the frequency of meetings with the TPOs did not correlate with the opinions about the TSCs’ role in reducing corruption.

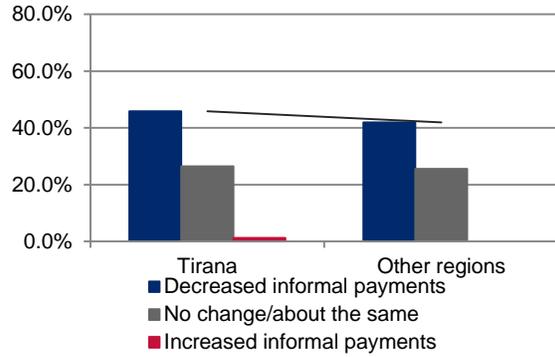
According to IELC (2010), seventy-nine percent of interviewed businesses indicated that they knew their TPO by his/her name; processing inspectors were contacted almost every month by large businesses and every quarter by small businesses. In IDRA (2010), 63 percent of interviewed businesses met once per month or less frequently with tax officials. In short, although the incidence of meetings was reduced, it was a very slow process. Even though these meetings still continued to some extent, businesses participating in the FGDs (see Box 21) stated that the system had reduced the possibility of corruption with TPOs because it limited direct contact with them. They also considered bribing TPOs to be “petty corruption” compared to what they potentially had to pay during tax audits (“. . .

**Figure 71: Share of businesses with views on the role of TSCs in reducing corruption**

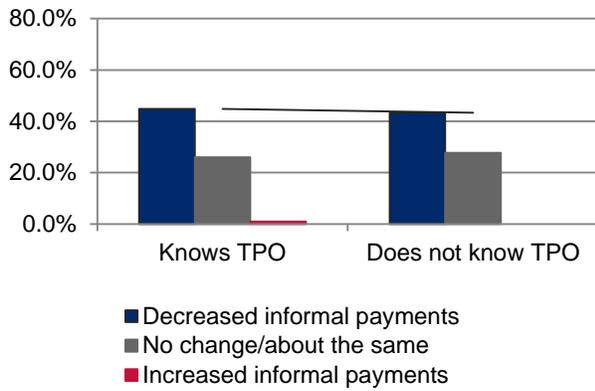
The role of TSCs in reducing corruption



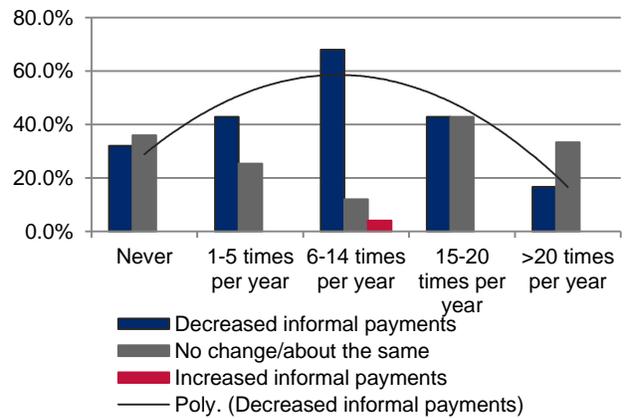
....depending on the region where the main activities of the business are conducted\*



.... depending on knowing/not of TPOs\*



..... depending on the frequency of meetings with TPOs\*

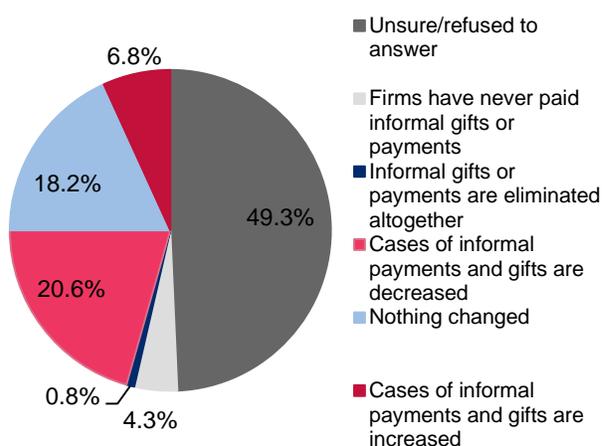


Source: BIS2, Note N= 126, \*Responses "Don't know" and refusals are not included

### 3.4.4.7 Tax inspections

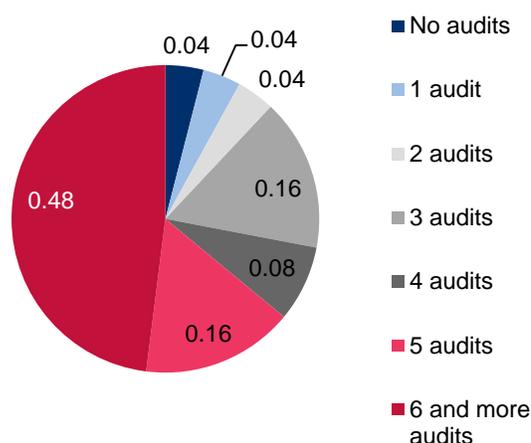
In BIS2 (Figure 72), 17.8 percent of respondents responded that corruption levels in tax inspections did not change, 25.5 percent responded it had decreased (at various levels) and 6.9 percent mentioned it had increased (half of the respondents either refused to answer or had no opinion, so these results are to be treated with caution). The more frequent the inspections, the more likely the businesses were to perceive corruption (Figure 73).

**Figure 72: Share of companies with views on the change in corruption during tax audits**



Source: BIS2 N=369

**Figure 73: Share of companies who think that informal payments to tax inspectors during audits increased depending on the total number of audits**



Source: BIS2 N= 25

#### Box 21: Corruption during tax audits

"[T]here is no way you could escape "coffee giving" (i.e. bribes) to auditors that have come to your office. You have to. Otherwise, they will give you fines which even if are illegal, you firstly have to pay these fines and then find your right. So, better not to mess with such a system. . . ." –*Tirana Large Business*

". . . [D]uring the last months there have been 3–4 controls and 100% of them have taken bribes/money under the table." –*Tirana Large group*

"I think it is slightly worse than it used to be ( prior to 2006). Now they are more aggressive. . ." –*Fier Large businesses group*

". . . [P]rior to 2007, if they gave you a fine of 1 million lek, you gave them 100 000 lek and it was OK. Now, they want to the

Interestingly, the project estimated that corruption related to the audit selection system had been reduced by thirty to forty percent.<sup>116</sup> The overwhelming majority of businesses in the FGDs (see Box 22) thought that informal payments during tax audits were very widespread.

They mentioned that "everybody pays when they are being audited," and that the "alternative of 'not paying bribes' is to get a much higher penalty. . . ." Indeed, the FGDs revealed that some businesses were aware they were not

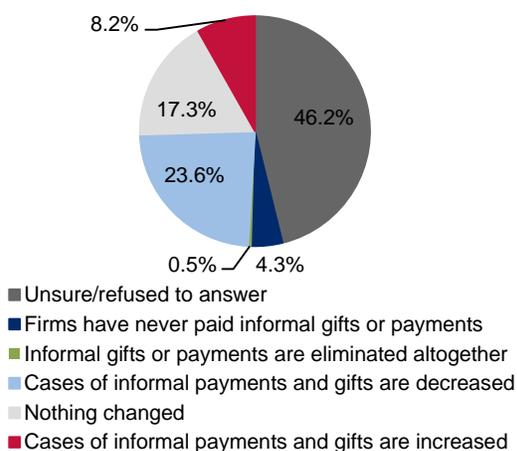
<sup>116</sup> Mid Term Review (MTR), p.18

completely “clean” and therefore found it easier to pay bribes to tax auditors rather than receive a higher penalty. As mentioned in the U.S. State Department’s Investment Climate Assessment for Albania 2012, corruption in tax services, and particularly tax inspection, was an issue of great concern that seriously affected the business environment.

### 3.4.4.8 Tax verification workforce

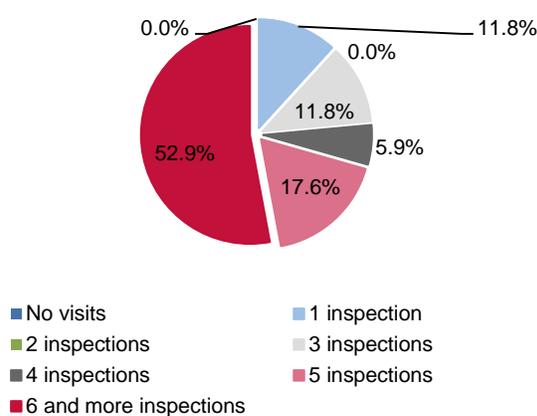
In BIS2, 15.9 percent of businesses thought that corruption within the TVWF had remained at the same level; 10 percent thought that it had increased; and 14.6 percent thought that it had decreased. Among the latter, 10 percent said that it had decreased significantly (see Figure 74). However, given that 52.9 percent of businesses were unsure or refused to answer, these figures are inconclusive. The more frequently the businesses were visited, the more likely they were to say that corruption had increased (see Figure 75).

**Figure 74: Shares of companies with views on the change of corruption in TVWF**



Source: BIS2

**Figure 75: Share of companies who think that informal payments during TVWF inspections increased depending on the overall number of inspections**



Source: BIS2

### 3.4.5 Sustainability

Many of the projects under this component have achieved impressive and permanent results. This is true for e-filing, collection systems, (the partial) introduction of risk-based audits, and better customer service. Enshrining this in the law provided an important foundation for sustainability, as did the structural reorganization of GDT. Concerning the sustainability of project results, three main issues should be mentioned. First, funding for GDT is critical. The GDT budget decreased in 2010, despite the fact that new departments were opened in 2009–2010, requiring additional staff. The GDT budget increased slightly in 2011, but once again declined in 2012.

The second concerns high staff turnover:<sup>117</sup> constant changes in leadership and staff negatively affected performance. The reasons for the high turnover included pay, patronage, ineffective implementation of a merit system and removal for questionable performance.<sup>118</sup> Addressing this issue firmly is a GOA responsibility, one that would most likely occur in the context of broader civil service reform.

The third relates to IT capacity. As mentioned in the EU Albania (2011) Report: “The capacity of the Taxation administration, including as regards IT, remains unchanged overall. The decentralized IT system is no longer adequate for the needs of the tax administration. It is outdated and its risk analysis and accounting functionalities are limited.”<sup>119</sup> This issue also has come up in the FGDs (See Box 22). The GOA made a onetime contribution to the IT system in amount of 7.8 million ALL in 2010. In 2011, an agreement was being negotiated with the Austrian Development Agency (ADA) that would provide GDT with grant funding to replace the main IT system. The IT systems developed with project funding are compatible with this undertaking and will remain in place; the project can be credited for funding IT solutions that will enable this upgrade. Successful implementation of the ADA IT system will remove the threat to technical sustainability.

### 3.4.6 Quality of project design

This component of the program, under both ATP1 and ATP2, was well designed, employing a

#### **Box 22. From FGDs on IT system capacity**

“I tried to upload of the 4<sup>th</sup> (the deadline is on the 5<sup>th</sup>) and I could not. The server was not allowing me. Tried from another place still could not upload. I also tried on the 5<sup>th</sup>. Than [sic] I had to go myself and protocol the books at the tax office. They were not happy. . . .” –*Fier SME Group*

“It happens often that the server is down. Once I heard from the Tax Office here, that there 870 people logged in the same time. Too many people . . . even a powerful server. . . .” –*Fier SME Group*

“It has happened often that on Saturdays and Sundays, it has to work until 3 pm but from 8 am to 5 pm there has been no sign of working at all.” –*Fier Group*

“. . . [I]f you do not declare on time they will fine you and there is no way to overturn it. You have to pay. They will not accept the argument of the server not working. But the system should have a tool that says x businesses tried to upload, tried to log in. There should be some trace to show that it I tried but it was impossible to upload.” –*Fier Group*

Source: *SI FGDs*

multifaceted approach to each major task (including regulatory changes, IT-solutions training and public outreach).

According to the ATP1 Final Report, the scope and complexity of the program’s software development needs were unanticipated, which prompted serious GOA concern and a request that the IT systems be tested by an independent expert. USAID reprogrammed funds to carry out an independent audit of all IT solutions, which helped fix program bugs and security glitches. This increased GOA confidence that the software systems they would soon own were both high-performing and secure. Importantly, the audit also identified actions for

<sup>117</sup> *ibid*

<sup>118</sup> A May 2009 “Albania Public Service Assessment,” conducted by the OECD and European Union SIGMA initiative, stated: “The legal framework regulating the civil service . . . complies with many of the generally accepted European standards and principles but with important omissions—in particular, it is deficient [with respect to] the merit system.”

<sup>119</sup> EU Albania 2011 Progress Report, p.45

the GOA to ensure system capacity, performance and security. This section explores whether these issues could have been foreseen, through more due diligence before project start.

ATP final reports mentioned that the GOA's decision to establish the NAIS was an "unanticipated but positive surprise," since it became clear that the government would have to accept ownership of the e-government solutions and upgrade, maintain and safeguard them. The project therefore used NAIS as a target of opportunity and boosted its capacity. Again, this raises the question: could the need for such an agency have been anticipated with more due diligence in project design before launch? A better needs assessment and feasibility study prior to commencement could have helped improve the e-payment component.

Strong government commitment and follow up were among the key factors affecting the project, in part helped by the ongoing process of Albania's accession to the EU. Initial resistance from the incumbent IT staff at GDT at the beginning of ATP1 caused significant delays. The short duration of each of the two projects led to fracturing of the reforms, since it was not clear at the ATP1 stage that there would be an ATP2—and tax administration reforms cannot be implemented perfectly in a short period of two to three years. The simultaneous implementation of reforms in business registration provided the opportunity to exploit important synergies. Finally, the overlap of GDT functions with municipalities' own tax collection and inspection functions for small businesses created inefficiencies, increasing the "bribe tax" for small businesses and affecting tax collections.

### **3.4.7 Conclusion**

ATP helped produce a major shift—from an archaic system of tax administration to a transparent and efficient modern system—through its support of the new TPL and structural reorganization of GDT. Achievements in e-filing significantly contributed to reduced corruption at the point of taxpayer/tax official contact; contributed to reduction of the size of the informal sector; and achieved higher tax revenue in 2008 and for every consecutive year until 2012. Progress also was made in shifting from arbitrary tax audits to a risk-based selection system; however, corruption in this area does not appear to have been affected in any substantial fashion.

The tax collections function of GDT was reformed drastically and there is some evidence that this contributed to an increase in the collections rate. With project support, the taxpayer services function of GDT completely changed and overall, taxpayers value the services. To be more effective, especially in its impact on reducing corruption through elimination of taxpayer-TPO contact, taxpayer services functions must become more effective and efficient in answering taxpayer queries related to their tax accounts.

The plans for a Tax Advocate and Consultative Council were promising, but in implementation, need to be more effective. The TCC has not, as yet, emerged as an effective conduit of taxpayer opinion into policymaking. The TA's structural position as a unit of GDT negatively affected taxpayers' perception of it as an impartial body; whether it can play an effective role in protecting and promoting taxpayer rights remains to be seen. Overall, the tax-complaints system seems confusing to taxpayers, though this might change with the establishment of Administrative Courts. This, in turn, would require refinement and clarification of TA's role to businesses.

The project's IT solutions helped preserve the existing main IT backbone of GDT. However, towards 2011, the necessity of replacing the system to cope with dramatically increasing demands became clear. This upgrade will not affect the services developed with project support, for which the project's IT support should be commended. The project also supported numerous public outreach campaigns, which do not seem to have been sufficient, as awareness of the TSCs and TA is not high.

Despite these very important improvements in tax administration, Albania's World Bank Doing Business ranking on the ease of paying taxes has worsened slightly, since taxpayers reported spending more days per year dealing with paying taxes. The evidence collected by the evaluation team indicates that perceptions of corruption in the tax system are still high and unchanging, especially net of the effects of e-filing. The evidence also points to tax audits as the primary point where corruption persists.

The trend of increased tax revenue as a share of GDP reversed starting in 2009. The need for structural reforms and fiscal consolidation seems inarguable, as is the need to pursue a reduction in tax evasion—not, however, through more frequent tax audits. Several interviewees estimated that thirty to fifty percent of GDP is outside net tax, even while large taxpayers continue to be audited constantly. Efforts like cash register tracking and the advancement of specific auditing techniques (an effort to be supported by the government of Sweden) can make a difference in expanding the net tax.

However, to boost the sustainability of project outcomes, measures need to be taken—both at GDT and, more broadly, related to overall civil service reform—to curb high staff turnover at GDT and to develop a sustainable mechanism for staff training and retraining, an area in which the project could have made more effort.

## **3.5 CREATING AN ADMINISTRATIVE COURT SYSTEM**

### **3.5.1 Background and main activities**

Since 2007, Albania sought assistance from SIGMA<sup>120</sup> to draft a law on specialized administrative courts. In 2008, the government adopted a decree based on the SIGMA draft, whereby it proposed the adoption of the draft into law by the Assembly (Albania's parliament).<sup>121</sup> With the conclusion of MCC ATP1, the time was propitious for Albania to seek further assistance from MCC for the establishment of administrative courts: the GOA considered the reforms in *Tax Administration*, *Public Procurement System*, and *Business Registration* implemented under ATP1 to be unfinished, unless complemented by an upgraded and adequate system of judicial review. This opinion was shared by MCC: the administrative court system was viewed as a venue where Albanian citizens and businesses could seek redress more efficiently in disputes related to business registration, licensing, taxation, procurement and many other matters. In addition, this had the potential to reduce corruption in—and positively affect public perception of—the judicial system. Consequently, upon GOA's request, ATP2 included an administrative courts

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<sup>120</sup> SIGMA, a joint, EU-OECD initiative, was established to support potential EU candidate countries, such as Albania, in their public administration reform.

<sup>121</sup> Council of Ministers Decree 1340 adopted the draft Administrative Procedures Code, dated January 10, 2008.

component. The activities, objectives and indicators of the project under this component *as planned* (in SOAG) are listed in Table 14.<sup>122</sup>

**Table 14: Activities and planned outcomes, administrative courts**

ACTIVITIES	PLANNED OUTCOMES
<ul style="list-style-type: none"> <li>Contributing to the legal framework</li> <li>Establishment of an administrative court system</li> <li>Training of the newly recruited administrative judges, prosecutors and lawyers on an administrative courts draft law</li> <li>Developing guides or manuals for public administrators in the administrative court system</li> <li>Providing technical support and equipment to the new administrative court in Tirana</li> <li>Adapting the national case-management system for the planned administrative courts</li> <li>Introducing transparency measures in the administrative court (e.g., online docket, publication of all decisions online, audio and video records of trial proceedings, electronic court archives)</li> <li>Conducting public outreach and public education on the administrative court system</li> </ul>	<ul style="list-style-type: none"> <li>Result in savings in time for businesses and citizens to resolve administrative disputes</li> <li>Improve the functional efficiency of the Albanian court system and access to justice for citizens and businesses</li> <li>Reduce corruption in the court system (related more specifically to the resolution of administrative disputes)</li> </ul>

Source: PMP ATP2 and SOAG

The objectives, activities and related performance indicators for this component were based on the assumption that the law establishing these new courts would pass shortly after the start of the project. These plans, however, did not materialize. The highly politicized environment preceding the June 2009 Parliamentary elections, the opposition party's six-month Parliamentary boycott after the election, and the Parliament's inability to resolve the post-election impasse prevented passage of any law requiring a three-fifths majority of votes (including the draft administrative courts law and 15 other justice-sector reform laws). As reported by the ATP2 Final Report,<sup>123</sup> in the face of persisting difficulties, the activities under this component were adjusted and grouped as follows:

**Table 15 Indicators, baseline, target, and reported results, administrative courts**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Days to resolve administrative case <sup>1)</sup>	134	100	n/a
Number of administrative cases resolved by the Administrative Court <sup>1)</sup>	0	40	n/a
Percent of case files that are retrievable and complete <sup>1)</sup>	0	60	n/a
Percent of Administrative Court judges who pass post-training tests <sup>2)</sup>	0	90	n/a
Percent of lawyers who pass post-training tests <sup>2)</sup>	0	90	n/a

<sup>122</sup> USAID Grant Agreement No. 182-SOAG-08-001-00: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 2 , p.9

<sup>123</sup> MCC/USAID (2011): "Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report," Washington, D.C., pp 45-51

Percent of Tirana businesses aware of the new Tirana Administrative Court system	0	75	n/a
Percent of parties of interest who have trust in the Tirana Administrative Court	9	60	n/a

Source: <sup>1)</sup> Court records; <sup>2)</sup> Project training records; Reported results taken from ATP2 Final Report

### 3.5.1.1 **The new draft law on administrative court and draft secondary legislation**

The project, together with the OSCE (Organization for Security and Cooperation in Europe) and EURALIUS (European Assistance Mission to the Albanian Justice System), drafted suggestions for the improvement of the draft law on administrative courts. However, since the draft law on administrative courts did not pass until the end of the project, ATP redirected its assistance and helped develop the items listed below, with the objective to support the law, once approved. In particular, the project:

- Drafted five pieces of secondary legislation focused on the internal functioning of the courts, including their organizational structure; court staff job descriptions; rules and procedures for internal court operations; and budget planning and document management manuals. According to the ATP1 Final Report, this secondary legislation was drafted with the planned administrative courts in mind, but was revised to apply to the court system as a whole, once it became clear that the law would not pass; and
- Conducted a detailed assessment to ensure proper staffing levels in the future courts and prepared recommendations on their physical facilities and IT networks.

#### **Training**

- The project's experts worked with The School of Magistrates to develop nine courses<sup>124</sup> for the judges and staff of the future administrative courts, as well as for public and private lawyers who will be working with administrative courts. The objective of the courses was to build practitioners' ability to understand and properly apply administrative law. In the absence of the law, the project transferred the completed training courses to The School of Magistrates.

#### **Web-based case management system**

- A new, web-based case management system for the future administrative courts was developed, which, according to the ATP2 Final Report, accommodated the entire case flow for trial and appellate courts and enabled the transfer of electronic case data to and from Albania's High Court.<sup>125</sup> Fifteen interactive tests were conducted with Ministry of Justice (MOJ) staff, judges and staff from courts, generating feedback that enabled the project to further improve and tailor the

<sup>124</sup> The courses covered: the new administrative courts law, administrative justice, court administration and the organization of the new courts, the new case management system, public administration, taxes, the NRC, public procurement, and the NLC

<sup>125</sup> Key features included automatic, random assignment of cases to judges immediately upon case registration; an online docket that displayed case events in real time; and a public portal where visitors could search case data and view decisions. The system could also produce reports and statistical data required by the MOJ and High Council of Justice, such as disposition times and clearance rates. The project's courts team conducted 15 interactive tests with MOJ staff, judges and staff from courts. These sessions generated feedback that enabled the project to further improve and tailor the system to meet the specific needs of Albania's courts. See ATP2 Final Report, p.49

system to meet the specific needs of Albania's courts. As explained in Section 3.5.3, it is not in use.

### **Public outreach**

- The project devised an innovative approach to address the political impasse:
  - Helped establish a coalition of 35 Albanian business associations and CSOs, the Coalition in Support of the Administrative Courts, to advocate for the law's passage and further supported it by providing thought and organizational leadership, training its members in coalition-building and advocacy, and providing it with resource and public-education materials;
  - Helped plan, organize and implement roundtables in each of Albania's 12 regions to educate the business community and public about the draft law and generate media coverage. The events were attended, according to the Final ATP2 Report, by more than 350 representatives of the business community, CSOs and local governments and generated positive coverage in the local and national media; and
  - Created a website for the CSO to further elevate the courts issue, educate the public and motivate support for the administrative courts (non-existent now, since the Coalition has ceased to exist).

MCC ultimately chose to withdraw funding for the component in the project's final months. This component was suspended in 2010 due to the GOA's lack of progress. After project completion, however, the draft law was reviewed and finally adopted into law, in May 2012.

To evaluate this component, the evaluation team conducted 14 semi-structured KIIs with a number of stakeholders, including the MOJ; courts; The School of Magistrates; members of the Coalition in Support of the Administrative Courts; Albania High Court; High Council of Justice; Albanian Bar association; members of the Parliament's Legal Committee, and representatives of NGOs. Additionally, 15 interviews were conducted with CSOs with whom ATP2 worked under the "Civil Society Monitoring Component"—some of whom were also members of the coalition.

### **3.5.2 Quality of project implementation**

The eventual cessation of this component of ATP2 is not related to project implementation: as mentioned earlier, it eventually became clear that Parliamentary impasse would not soon be resolved, and uncertainty about passage of the law—in the near future, or at all, for that matter—prompted the decision to withdraw. The political impasse itself could not have been predicted, although interviews with former project managers showed that, in hindsight, taking on this component was a risky endeavor from the start (see also the Section 3.5.6 on the quality of Project Design). At the same time, all the interviewees were unanimous in their view that the project staff, as well as USAID and U.S. Embassy, invested major effort to achieve the passage of the Law by mobilizing civil society lobbying, albeit with no ultimate result during the project's lifetime.

Some of the KIs questioned certain aspects of the program implementation: e.g., the fact that tests of the newly developed case management system were not undertaken in a real court, but in the developing firm's laboratory<sup>126</sup> and the lack of follow up by the project on the secondary legislation's fate.

### 3.5.3 Outputs

#### 3.5.3.1 *Draft law on administrative courts*

As mentioned earlier, ATP2 only provided comments to the existing (at the time) draft law. Out of the 26 submitted recommendations, only eight were reflected in the final version of the law when finally approved by Parliament. The majority of the KIs stated that the submitted proposals/comments would not have affected the draft in any significant manner, even if they had been accepted in their entirety.<sup>127</sup> Therefore, the effectiveness of this particular sub-component was limited. At the same time, despite inherent deficiencies in the approach taken to amend the draft law at such a late stage of the legislative process, the substance of the remarks and proposals was beneficial, as it seemed geared to provide extra guarantees to private parties to court proceedings. This much needed, and refreshing, perspective counterbalanced the government's emphasis on expediency in the adjudication of administrative cases.

When commenting on the reasons for rejecting most of the project's suggestions regarding the draft law on administrative courts, the KIs from Parliament argued that one reason for this poor record was the fact that advocates of the ATP proposals did not attend the final stages of deliberation in the Parliament, so many counter-arguments raised by members of Parliament (MPs) during that stage remained unanswered.

#### 3.5.3.2 *Secondary legislation*

The only KIs who displayed awareness of the secondary legislation drafted by the project were those from the MOJ and the Office for the Administration of the Judicial Budget (OAJB). The mere fact that Order No. 1830 (March 4, 2001) of the MOJ on the approval of the by-law, "On the Organization and Functioning of Court Administration"—which regulates the internal functioning of the courts, their organizational structure, court staff job descriptions and rules and procedures for internal court operations (much in the domain of the five pieces of secondary legislation drafted by the project)—is still in effect demonstrates clearly that the secondary legislation drafted by the project is not in use.<sup>128</sup> The explanation provided to the evaluation team for this was that the Ministry has not yet undertaken a thorough review of the aforementioned regulation (Order 1830 of the Minister of Justice) because the most problematic aspects of internal court administration (most notably, the relation between the Chief Judge and the

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<sup>126</sup> Fifteen tests were conducted with court staff, judges, the MOJ, the developing firm's laboratory and others.

<sup>127</sup> Arguably, the main elements of the Albanian Law on Administrative Courts (indeed, any law on administrative courts) are the following: (1) the scope of review by the court; (2) standing and the various actions to seize the administrative court; (3) the degree/depth of control exercised by the courts; (4) the range of decisions that may be made by the administrative court; and (5) the organization of the administrative courts' structure. The project's comments and proposals did not affect any of these elements.

<sup>128</sup> Three out of the five pieces of secondary legislation developed by the project (the set of rules for the courts' internal functioning, the court staff's job descriptions and procedures for internal court operations) could only be used if legally adopted. The legal instrument whereby these regulations would have been adopted is an Order of the Minister of Justice. These aspects of internal court activity are currently regulated by Order No. 1830 (March 4, 2001) of the Minister of Justice on the approval of the by-law, "On the Organization and Functioning of Court Administration." To date, this Order has not been amended. Therefore, this evaluation concludes that these three pieces of secondary legislation are not in use.

Chancellor) were regulated at statutory level by the 2008 amendments to the law on the Organization of the Judiciary.

As for the other items (including budget-planning and document-management manuals, as well as an assessment of and recommendations for staffing needs on the physical facilities and IT networks), KIs from the MOJ and the OAJB generally responded that the documents were used, but the evaluation team was not able to gather any further evidence to that effect.<sup>129</sup>

### 3.5.3.3 **Training**

The course modules developed by the project and transferred to The School of Magistrates were incorporated into the school's continuous training plan/curricula. This finding was confirmed through KIIs with school staff and, in addition, these courses were included in the online course offerings on the school's official website. The training courses corresponded fully to the list of courses reported in the ATP2 Final Report and the beneficiaries confirmed that the course modules were developed with ATP assistance. The school's continuous training plan is revisited periodically, but is nevertheless a rather static document. Therefore, the effectiveness of this activity could be regarded as high.

### 3.5.3.4 **Web-based case-management system**

The MOJ's Director of IT was the only KI able to comment on the web-based case-management system. This individual confirmed that the project did formally submit the system to the MOJ; however, tests of the system were performed in the offices of the company that developed the system (IkubINFO). The system was never installed in the courts.

Albania is now in the final stages of consolidating the Integrated Court Management Information System (ICMIS), its court-case-management system, which is expected to be operational in 2013. In the past, two competing case-management systems were used by different courts: ICMIS, developed with WB support, was the primary. The KI added that it is unlikely that the web-based case management system developed by ATP2 will be used in the administrative courts, as it is advisable to use one case management system for all courts (the ICMIS), especially given that ICMIS has been upgraded over the last few years.

The GOA's intention to use the WB-developed ICMIS system for administrative courts was announced officially by the MOJ at the Albanian Court Leadership Conference in April 20, 2012. The conference was organized jointly by the USAID Justice Sector Strengthening Project and the OSCE Presence in Albania.

The fact that the project developed a new case management system when, in some parts of the country, ICMIS was already used—and the GOA subsequently chose to use ICMIS for the administrative courts, as well—raises questions about the effectiveness of the project approach. The Mid-Term Review (MTR)

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<sup>129</sup> These were intended to be used as resource materials by the beneficiaries. Since these are manuals and studies that support GOA activities, but will not be passed into law, it is more difficult to ascertain the extent to which these documents were utilized. This issue was queried to MOJ and OAJB officials during KIIs and they confirmed that the documents are being used as resource materials.

of the project<sup>130</sup> offers a possible explanation for this chosen course of action: the former minister of justice was critical of ICMIS and, therefore, requested the development of a new, electronic case-management system for the administrative courts. At the same time, the EURALIUS II project had been supporting ICMIS improvements and it was understood that this support would continue under EURALIUS III (then scheduled to begin in autumn 2010). The KI expressed the view that it was very likely that donors were poised to invest heavily in ICMIS and support for ICMIS grew within the GOA as improvements were made. Moreover, it was clear that putting in place a separate system for the administrative courts would imply additional costs in maintenance and training. While ATP2 had suggested that this system for the administrative courts could be “bolted onto” ICMIS, the practicality and implications of this were unclear from the start.<sup>131</sup> By 2010, it appeared obvious that a better solution would be to opt for an upfront and complete integration of administrative court modules into ICMIS, with web interconnectivity among the courts.<sup>132</sup> A more thoughtful assessment of the need for a newly designed system, as well as its possible characteristics, was warranted.

### **3.5.4 Outcomes**

#### **3.5.4.1 Public outreach**

Regarding the role of the CSOs in support of administrative courts:

The KIs confirmed that the coalition elevated and maintained the issue’s profile in the media, the business community and within the GOA. By the end of the project, more than 1,000 people had signed a petition in favor of the enactment of the law;

Most KI interviewees were of the opinion that the project’s strategy, its ability to draw on work already underway by other actors and its ability to synergise with the perspectives and interests of those actors should be commended. Several business organizations and members of the future coalition had been lobbying for the adoption of the law as early as 2007, spurred on by the amendments to the new Tax Procedures Law, also supported by the MCC under ATP1 (see Section 3.4), since it gave Albanian tax authorities adjudicative powers in tax disputes. These business organizations united on their own, lobbying politicians from both sides before the beginning of ATP2. The project drew on their initiative and supported it in the form of the Coalition in support of the Administrative Courts.

However, opinions among the KI on the role of the coalition split:

- While most of the interviewees were of the view that passage of the Law largely was due to international pressure and occurred at a time when the coalition was no longer active, those closer to the coalition tended to think that it had played an important role, and partly attributed this to bringing USAID into play. This latter view of the effectiveness of the support to the coalition by ATP2 is also confirmed through the 15 KIIs in the CSO component (see Section 3.8).

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<sup>130</sup> “Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010

<sup>131</sup> see the MTR, p.16

<sup>132</sup> Ibid

- Other KIs, who had followed the activity of the coalition sporadically and from a certain distance, tended to regard the entire idea of lobbying the passage of a law in this manner as not suitable to the objective and doomed to fail. The arguments of these “skeptics” may be grouped into two categories: some argued that, in the politically aggravated climate that surrounded the public debate on the administrative courts law, the coalition was used by the government to exert pressure on the opposition to relent in its obstruction on the law. In their view, such a perception fuelled an even more intransigent attitude by the opposition, which regarded the move as politically motivated. Others simply thought the Coalition was an artificial creature.

#### 3.5.4.2 **Potential for reducing corruption**

It is highly likely that resolution of administrative disputes would be more expedient for the businesses, saving them both time and cost. There is general agreement that greater efficiency in dealing with administrative cases, greater transparency vis-à-vis investors and the public, and some lessening of corruption could also be achieved. As for the latter, the revised status of the parties in the proceedings<sup>133</sup> is one of the main channels through which the project is likely to achieve reduction of corruption, coupled with more straightforward procedures and processes.

### 3.5.5 Sustainability

Now that the Law on Administrative Courts has been passed, the need for corresponding secondary legislation is highlighted anew. The secondary legislation on court administration developed by the project will serve, at best, as a resource when the respective Order of the Minister of Justice is revised. There is no certainty in this regard however, as pointed out by the KIs. On a positive note, other assets developed in this component are being utilized: namely, the budget planning and document management manuals, the assessment of staffing needs and recommendations on the physical facilities and IT networks.

Including an activity targeting the Magistrates Court, an important and forward-looking step, will contribute to the effectiveness of the future courts by ensuring a sustainable supply of trained graduates.

The coalition had ceased to exist even before ATP2 ended, i.e., before the law actually passed. Several interviews with CSOs reflected that the coalition could have become a platform to lobby for other legislative matters, which did not happen. In retrospect, a sustainability strategy for the coalition might have been worthwhile.

### 3.5.6 Quality of project design

Identifying Parliament as the main beneficiary of the administrative court component posed a risk, given the highly politicized climate and especially since there were planned elections in Albania after the established start date of ATP2. This was mentioned by a number of interviewees as a contributing factor that affected the project outcome. The project documents, which were made available to the evaluation team, did not identify this as a potential risk.

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<sup>133</sup> The presumption of the legality of administrative acts has made way to a new principle whereby the administration needs to prove the legality of its actions.

The highly politicized environment preceding the June 2009 Parliamentary elections, the opposition party's six-month Parliamentary boycott after the election, and Parliament's inability to resolve the post-election impasse prevented passage of any law requiring a three-fifths majority of votes (including the draft administrative courts law and 15 other justice-sector reform laws). These were the key external factors that affected the outcome of this project component before the end of ATP. However, while some of these developments were unforeseen early on, the political polarization was evident during the design stage of ATP2, which took place just before the elections, but the project made the decision to take on this component, nonetheless.

### **3.5.7 Conclusion**

The program was not successful in realizing passage of its desired legislation into law during its lifetime and, as a consequence, failed to see the court established and cases processed through it. Significant external factors created a political impasse within the GOA. At least some of these risks were foreseeable at the time the project planned their major interventions. With this in mind, failure of the project in contributing to the passage of the law on Administrative Court while the project was still active does not reflect on the quality of program implementation. However, given that the political risks were foreseeable, at least partially, the question is whether the project should even have attempted to contribute to this outcome from the outset. Most KIs stated that the severe extent to which the political standoff escalated could not have been predicted. In hindsight, the majority of ATP staff and management now believe that this program posed too great a challenge, given the extent to which the country was polarized.

While passage of the law was aided significantly by pressure placed on the GOA from the international community, the project did contribute by providing the business community with a voice that reached government officials; highlighting the importance of reforms, both for the business community and the general public; contributing to the improvement of the original draft of the law; and developing secondary regulations and rules which could support "next steps" after the passage of the law. In addition, the training courses for The School of Magistrates will contribute to the supply of a qualified cadre of professionals well versed in sound administrative practices of court operations.

There seems to be little doubt as to the importance of establishing administrative courts in Albania to achieve efficiency in dealing with administrative cases, greater transparency vis-à-vis investors and the public, improved access to justice for citizens and businesses, as well as a reduction in corruption. Despite the external challenges, there were some internal weaknesses regarding the project's proposed activities and methods. For example, the proposed case management system probably should not have been pursued and proved to be a risky strategy, given there was strong support behind the WB-initiated system (ICMIS), at least by some other donors.

## **3.6 STRENGTHENING INVESTIGATING CAPACITY**

### **3.6.1 Background and main activities**

At the end of 2008, the U.S. Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and USAID signed a Participating Agency Partnership Agreement stipulating that ATP2 would include a component supporting the establishment of six regional JIUs to

fight economic crime and corruption in Albania, building on the experience of the JIU in Tirana. The latter had been established with OPDAT's assistance earlier in 2007 and was deemed successful. The weak link between criminal intelligence and investigations, and the lack of coordination between the judiciary and the police, were key weaknesses in Albania prior to JIUs (before 2008). These weaknesses resulted in unprocessed intelligence.<sup>134</sup> A Commission of the European Communities progress report noted that the Tirana JIU had improved cooperation among the law enforcement agencies and investigative capacity.<sup>135</sup> It was expected that the expansion of the JIU model would further improve this outcome.

The decision to expand the JIU model and to approach MCC to include this expansion in ATP2-planned activities was based on the request of the Office of the PG, the Ministry of the Interior (MOI), the Minister of Finance (MOF), the Director of the State Intelligence Service (SIS), the Inspector General of the High Inspectorate for the Declaration and Audit of Assets (HIDAA), and the Head of the High State Audit (HSA).

The JIU concept was based on the creation of specialized investigative teams consisting of the highest caliber prosecutors, judicial police and law enforcement officers from various police and investigative agencies, together with representatives from MOI, MOF, GDT and General Department of Customs, to collaborate at the investigative stages of administrative corruption and financial crimes. Commitments regarding delegation of staff were established in a MOU signed on May 6, 2009.<sup>136</sup> Table 16 describes the project activities and objectives. In line with the vision for JIUs and the ensuing goals, ATP2 developed performance indicators, listed in Table 17. Due to an error in calculating the baseline data (see Section 2.3), data released in 2010 became the actual baseline; the project was unable to measure effectiveness by comparing the performance of the JIUs against the same type of offences committed before the JIUs were established.

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<sup>134</sup>Commission of the European Communities (2008):"Commission Staff Working Document SEC(2008) 2692: Albania 2008 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2008-2009 {COM(2008) 674}, p.47

<sup>135</sup> Commission of the European Communities (2009):"Commission Staff Working Document SEC(2009) 1337: Albania 2008 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2009-2010 {COM(2009) 533}, p.12

<sup>136</sup> In particular, the MOU stipulated that (1) three agencies (the Prosecution Office, the Ministry of Interior/Police and the Ministry of Finance/Tax and Customs Offices) would provide full-time members to the JIUs; (2) four other agencies (the SIS, the MOF's FIU, the HSA and the HIDAA) would provide liaisons/contact points for the JIUs; (3) the PG would designate one prosecutor in each Appellate Prosecution Office to handle appeal cases that were passed on by the JIUs, and SIS would assign one experienced inspector from the Directorate of Counter Terror, Organized Crime and Corruption to be a special liaison to all signatory institutions and six liaison officers to each JIU; (4) the General Inspector for HIDAA would assign one experienced inspector (possibly with experience with gathering information on corruption and economic and financial crime and a degree in finance or business) to be a special liaison to all Joint Investigative Units; and (5) the head of the HSA, as final signatory to the MOU, shall assign one experienced auditor (possibly with experience in gathering information on corruption and economic and financial crime and degree in finance or business) to be a special liaison to all JIUs.

**Table 16: Activities and planned outcomes, JIUs**

ACTIVITIES	PLANNED OUTCOMES
<ul style="list-style-type: none"> <li>• <b>Network of six regional JIUs.</b> Assist in the establishment of regional JIUs as special units within the OPG in Shkodër, Durrës, Fier, Vlorë, Korçë and Gjirokastra to investigate and prosecute corruption and economic crimes; assistance with equipment</li> <li>• <b>Training program.</b> Establish a central training office in Tirana JIU and conduct training programs on the use of special investigative techniques, with the aim of enhancing the capacity of the newly established JIUs; developing an operational manual for use by all JIU members as a guide to investigate and prosecute corruption and economic crime</li> <li>• <b>Public Awareness.</b> Increase public awareness of anti-corruption enforcement efforts through grants to nongovernmental organizations and educational institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Bring about consistency (continuous exposure of the same pool of people to the same categories of criminal offences) and improved quality and expediency (through better interagency coordination) in the investigation of complex economic and financial crimes</li> <li>• Achieve an increase in the number of prosecutions for corruption and financial crime cases</li> <li>• Achieve an increase in the rate of convictions on prosecutions based on investigations by the JIUs</li> <li>• Enhance public awareness of corruption and financial crime enforcement efforts</li> </ul>

Source: SOAG

**Table 17: Indicators, baseline, target, and reported results, JIUs**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Increase in number of investigations (i.e., number of registered criminal cases under JIU mandate)	60	100	n/a
Increase in cases filed with court (i.e. the number of criminal cases under JIU jurisdiction) (percent)	n/a	15	n/a
Increase in convictions (i.e., the number court decisions resulting in punishment—imprisonment/ fine or one of the alternative punishments), in cases related to crimes under JIU jurisdiction	26	60	n/a
Increase in citizen referrals of corruption and financial crime. (i.e., citizens' referrals made directly to the JIU, on cases related to crimes under JIU jurisdiction) (percent)	0	15	n/a

Source: Reported results taken from ATP2 Final Report

The approach to evaluating this component included the data sources described in Section 2.2, as well as an in-depth review of two of the regional JIUs (in Durrës and Vlora) and an analysis of data provided to the evaluation team by the PG office for each JIU for 2010 and 2011. The data provided included the number of registered cases; the status of each case (spanning a series of statuses from “under investigation” to “sent to trial” and “final court convictions”); the origin of each case; and the type of criminal offence (corruption, abuse of office, tax evasion, etc.).

### **3.6.2 Quality of project implementation**

Implementation of the project was affected by delays. Originally scheduled to begin in January 2009, actual implementation began in July 2009. The U.S. Embassy recruitment and hiring processes of subject matter experts took longer than originally anticipated. There were also procurement delays. As a result, the project ended six months later than its planned end date of January 2011 and received a no-cost extension through July 31, 2011.

The equipment list and training topics were based on thorough needs assessments,<sup>137</sup> developed in consultation with stakeholders and tailored to bring about precisely the sort of change in investigative methods desired and was reported by the KIs. KIs also noted that the project was often able to develop and deliver training at relatively short notice to respond to emerging needs.

Several of the interviewed JIU prosecutors were of the opinion that, in some cases, the mixed nature of the audiences (although desirable for certain aspects) resulted in trainers conducting less technical discussions in order to accommodate the variety of training attendees. Also, in retrospect, given current difficulties in interpreting the law concerning the value of financial evidence and certain aspects of the money laundering statute in the courtroom, most KIs from the prosecution argue that the project should have included more judges in the training program.

High-level participation of senior officials from the region and a selection of renowned foreign guests (such as a Pulitzer Prize-winning, U.S. investigative journalist) brought prestige to the training events and recognition of the regional JIUs in Albania's public life.<sup>138</sup> Finally, the KIIs revealed an overall appreciation on the part of local stakeholders that the project team met often with and solicited recommendations from the newly appointed JIU heads, which were then forwarded to the PG and her staff.

### **3.6.3 Outputs**

#### **3.6.3.1 *Network of the regional JIUs***

The Tirana JIU served as the model, from which the project worked with the PG to establish six regional JIUs as planned, and built up their technical capacity with equipment. The Tirana JIU was intended and did serve as a resource base.

#### **3.6.3.2 *Training programs and technical assistance to the JIUs***

As stated in the Commission of the European Communities 2008 Albania progress report, the investigative capacity of law enforcement bodies and the prosecution remained weak due to shortfalls in

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<sup>137</sup> As an example: with the aim of providing a training program that was responsive to the needs of all JIU stakeholders (not just the prosecutors), the Project sponsored two JIU roundtables in 2010 (in Tirana and in Durrës), which were attended by the JIU Coordinator, all the regional JIU chiefs and the representatives of the partner agencies in the JIUs (Albanian State Police, Tax, Customs, HIDAA, Financial Intelligence Unit (FIU), and High State Audit (HSA))

<sup>138</sup> For example, a Pulitzer prize-winning U.S. investigative journalists who had famously unearthed corruption scandals in the U.S. was invited to join the Regional Anti-Corruption Conference on September 15-17, 2009.

expertise and investigative methods, even after the establishment of the JIU in Tirana, in 2009.<sup>139</sup> The goal of the JIU expansion scheme (ATP2) was to upgrade this capacity across the country. The training section of this component included:

- **Training programs in Tirana and the regions**, including trial advocacy training; training on financial investigative techniques and cybercrime training; training course on analyzing digital evidence (in cooperation with ICITAP);<sup>140</sup> computer forensic training; training on the guidebook to corruption and financial crimes investigation; and a three-week advanced digital forensic training course for the cybercrime unit of the Institute of Scientific Police (associated with the Albanian State Police);
- **TOT** program on advanced trial advocacy;
- **Roundtables**, including a roundtable on bank evidence, with particular emphasis on Albanian banking procedures; three roundtables on comprehensive criminal procedure code reform; and amendments of constitutional immunity provisions;
- **Study Tour**: A three-week tour of the U.S. criminal justice system by 20 Albanian prosecutors and police officers from May to June 2011;
- **Training materials** for The School of Magistrates for a two-week trial advocacy course, which was to be included in the school's curriculum beginning May 2011; and
- **An operational manual** for JIU members, as a guide in investigating and prosecuting public corruption and economic crime offenses, for the development of which a working group comprised of OPDAT, several prosecutors from the JIUs and PG's Office, and the Council of Europe PACA, was set up.

Findings from the KIIs indicated widespread consensus on the following aspects of the trainings:

- **The training program and technical assistance** (the latter refers primarily to the development of the manual) improved stakeholders' knowledge and application of the law. KIIs assessed the training as effective. For example, a three-week, advanced digital forensic training course, supported by the project, for the Cybercrime Unit of the Institute of Scientific Police led to the certification of five participants to testify as experts in court about various digital forensic examination procedures. This unit's assistance was considered particularly important to Tirana and Regional JIUs, as the cases they investigate increasingly involve the seizure of computers and cell phones. In addition, KIIs mentioned that the training program laid the groundwork for a common understanding of the issues and roles of all actors and improved the investigation methods employed by the JIUs.
- The methods used in the investigation of economic/financial crime changed significantly in the following directions:
  - The use of special investigative techniques (electronic surveillance, tracking and entrapment/provocation) in the investigation of economic/financial crime can be credited almost entirely to the creation of JIUs. (Of the interviewed KIIs who spoke on this topic, only one individual, from the Vlora JIU, maintained that these techniques had been used before the creation of the JIUs);

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<sup>139</sup> Commission of the European Communities (2009): "Commission Staff Working Document SEC(2009) 1337: Albania 2008 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2009-2010 (COM(2009) 533), p.12

<sup>140</sup> Interagency Career Transition Assistance Program (U.S. government)

- JIU prosecutors are now increasingly relying on the examination of financial evidence to understand the entirety of the person under investigation's assets to corroborate their primary evidence. (However, it should be noted that judges are undermining this aspect of the JIU efforts by questioning the admissibility of such financial evidence in court);
  - The creation of JIUs also marked a more proactive stance by the prosecution concerning investigation of economic/financial crime; and
  - JIUs increased exploration of asset seizures in their economic/financial criminal cases. All the KIs concur that this technique (seizure of assets) never was utilized before the creation of JIUs.
- **The Manual** (The Guidebook to Corruption and Financial Crimes Investigation) guided law enforcement practitioners towards a shared understanding of many pertinent issues, which provided the basis for important rules concerning the work of JIUs and helped to quickly orientate the new members (especially the highly mobile members from the Albania State Police [ASP]); and
  - **JIU forums**, organized by the project throughout its lifespan, served as a platform to debate certain issues, reach shared interpretation of certain legal notions, and share best practice among the JIUs.

### 3.6.4 Outcomes

#### 3.6.4.1 *Public awareness of corruption and financial crime enforcement efforts*

The financial resources dedicated to public awareness activities were very limited; no grants were provided to the NGOs, contrary to the initial plan (see Section 3.6.4.7 on Project Design). In order to bring the corruption issue into the public spotlight and secure much needed MCC ATP and JIU visibility, the project utilized an assortment of techniques throughout 2010, including screening educational films to targeted audiences; inviting media to project events and certain training programs; selecting renowned, international guest-speakers to join notable activities; organizing open mock trials; and supporting the production of a documentary film about corruption in Albania.<sup>141</sup>

#### 3.6.4.2 *Improved coordination among JIU stakeholders*

As noted previously, expansion of the JIU model was expected to improve coordination between the judiciary and the police. Physical proximity of the representatives of several law enforcement agencies, clearly identified liaisons, common training and the ability to work together on a daily basis had a positive

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<sup>141</sup> Activities included: (1) showing of the movie "The Untouchables," followed by a panel discussion focused on seeking creative ways to prosecute organized crime and corruption defendants using tax and money laundering laws; (2) Round table (attended by PG and USAID Director) with all JIU prosecutors and representatives from all six agencies contributing members to the JIUs, with the aim of discussing success stories, upcoming challenges and difficulties involved in making multi-agency units successful; (3) securing media coverage of the project's main events, such as the manual launching event in Tirana and the Regional Anti-Corruption Conference, etc.; (4) organization of a mock trials at the University of Vlore Law School and Tirana University Law School, with a scenario involving bribery of a government official; (5) production of a documentary film based on the two mock trials and follow-up forum discussions and its distribution; (6) participation and presentation of the project in other high-level events, such as the high panel discussion sponsored by PACA (Council of Europe); (7) efforts to embed a Trial Advocacy Course in The School of Magistrates' continuing training program; (8) the final MCC Closing Ceremony for all stakeholders, which included viewing a short film documenting MCC-OPDAT activities throughout the life of the program. Also, the training programs kicked off with a high visibility Regional Anti-Corruption Conference on September 15-17, 2009.

effect on the level of cooperation among partner agencies in the regional JIUs. This model followed the Tirana JIU experience, with similar results. In particular, cooperation of the HSA, HIDD, SIS and FIU with the prosecution has steadily improved, despite the fact that initially, the intelligence agencies (especially FIU) seemed to have an unrealistic expectation that each and every referral should trigger a criminal investigation by the JIUs. In addition, at the time of the writing of this evaluation report, the debate focused on the failure of the JIUs to keep the involved GOA agencies informed on the progress of cases initiated by their referrals. These difficulties are being settled as these agencies become more aware the roles, mandates and powers each agency plays—their own, the partnering agency, and JIUs. Increased public awareness of the JIUs has added pressure on the stakeholders to be more cooperative.

KIs also thought that typically, the investigation of economic crime by the JIUs was characterized by better planning and was more prosecution driven than other types of crimes.

Problems with inter-agency cooperation, in particular with the ASP, persist, but, according to KIs from the Prosecution Service, changes to police officers assigned to the JIUs were frequent and it was often difficult to understand the underlying rationale behind these decisions. In addition, these police officers were thought to be lacking in proper training and expertise. In the words of one of the regional JIU heads, Albania still lacks “purebred investigators” (i.e., police officers who are professional, full-time investigators literate in the forensic sciences and the rules of criminal procedure). On the contrary, it is typical for the ASP to rotate their officers across the various technical offices within the police force, which negatively affects the ability of these officers to develop deep specializations. ASP believes that the challenging relationship between police and prosecutors is, in part, due to the current law on “Judicial Police” (this law regulates the relationship between prosecutors and police in the investigation of crime). The Tirana JIU has been able to reap the benefits of a newly structured, professional unit against economic crime at the Central Department of Police in Tirana. This success has not been replicated to the same extent with the regional JIUs. In general, the creation of the regional JIUs has only mitigated the challenging relations between prosecutors and police commonly ascribed to the applicable Law on Judicial Police. The JIU prosecutor and the respective division of police are more cohesive, when compared to a region without a JIU. However, challenges to achieving this cohesion exist in the JIU regions as well. The most significant indicator for this lack of cohesion, arguably, is the concern expressed by JIU prosecutors that the police exercise discretion (beyond the control of JIU prosecutors) over which cases to take to the JIU and which cases to drop. If JIU and ASP had been a single, compact team, this would not have become an issue. Regardless, the regional and Tirana-based JIUs have highlighted the issue of prosecutor-police relations and have provided a strong foundation for continuing needed reforms.

There is still less-than-desired cooperation between the General Department of Customs and the GDT. By the time this report was compiled, the number of “relevant” cases from taxes and customs had diminished (“relevant cases” refers to cases which have a good chance of being prosecuted successfully and a conviction obtained as a result of securing the necessary evidence in a procedurally correct manner). Overall, the political will of the government plays a large role in the ability of the JIU model to lead to functional reforms. On several occasions, stakeholders tended to hide behind legal provisos to justify lack of cooperation.

### 3.6.4.3 *Improved quality of investigations*

All KIs interviewed by the evaluation team concur that the project had a positive impact on the quality and effectiveness of economic/financial criminal investigations and that this success could be attributed to the multi-pronged approach that was pursued, which included training, technical assistance and technical capacity building. Despite the relatively smooth launch and operation of the regional JIUs, certain challenges persist. Two types of challenges are noteworthy:

- Referrals made by administrative agencies, such as HIDAA and HSA: the issue raised by both JIU prosecutors and HIDAA and HAS staff is that the supporting documentation from the aforementioned agencies accompanying referrals is not always sufficient to trigger a criminal investigation;<sup>142</sup> and
- Inadequately low number of reports from the intelligence agencies, such as SIS and FIU.

The expected increased expediency of investigations as a result of the JIUs was another challenge. JIU prosecutors argued that the applicable procedural time limits were rather stringent and, as such, they compromise the quality of their investigations. Most KIs believe that little or nothing had changed regarding the speed of the investigation. Only one KI was of the opinion that the speed of investigations of economic/financial crime increased thanks to the specialized supervision of JIU heads. Other KIs do not consider speed to be an issue and, therefore, doubt the merits of selecting increased expediency as an objective. This argument states:

- The most important aspect of the investigation is the final result, not its speed; and
- The objective of decreasing investigation time would lead to less thorough investigations and plummeting conviction rates.<sup>143</sup>

### 3.6.4.4 *Visibility of JIUs/citizen referrals*

By their very nature, economic/financial criminal cases investigated by JIUs are of high interest to the public. Cases involving politicians invariably are accompanied by media attention and, therefore, little in the way of public relation efforts is needed by the JIUs. However, less visible cases need to be communicated to the public more effectively. KIs raised doubts about: (1) the effectiveness of the ATP2 strategy in helping educate the public, and (2) the ability of the JIUs themselves to reach the public. The public relations function of the prosecution service is centralised and performed by the Office of the PG. There are obvious advantages to centralizing PR responsibilities—better formulation of message, message

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<sup>142</sup> An acrimonious exchange of accusations has taken place (even publicly) among the Prosecution Service and the two agencies over what the prosecutors consider lack of quality referrals and the referring agencies consider lack of diligence or willingness by the prosecutors. The JIU prosecutors argue that referrals only should be made when there are elements of criminal offence, such as criminal intent, criminal consequences, etc. On the other side, HIDAA and HSA argue that, by their very nature as administrative agencies, they confine themselves to spotting irregularities as these are reflected in official documents and they are in no position to investigate further than this. In a celebrated case, HIDAA referred the case of an official who allegedly concealed a bank account to the Tirana JIU for criminal prosecution (concealing assets by officials who are under the obligation to declare their assets is a criminal offence in Albania). The JIU argued that money kept in a bank account in Albania does not amount to concealing in the criminal sense and therefore dropped the case, adding to the ongoing controversy with HIDAA.

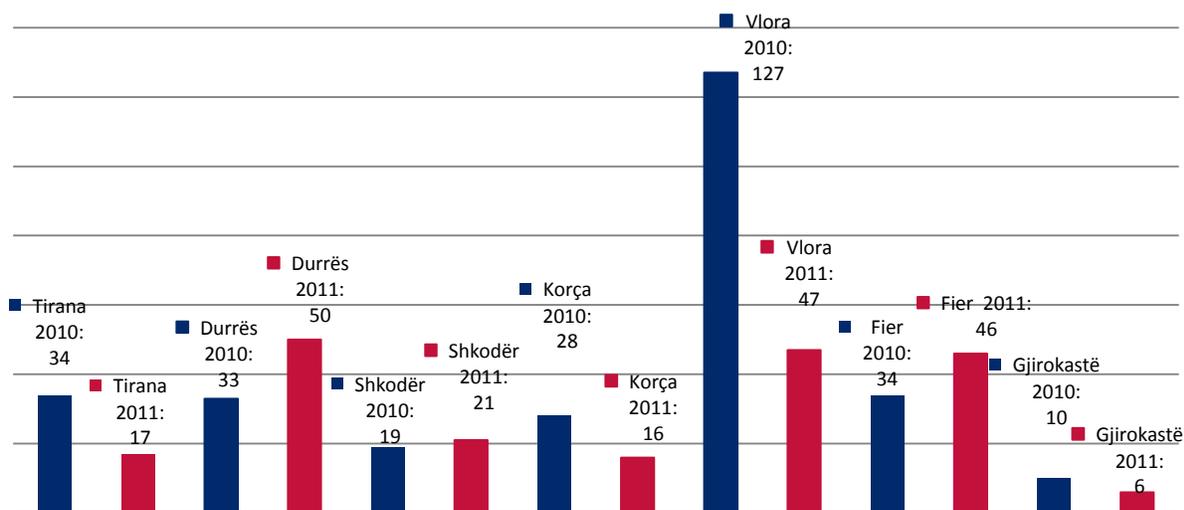
<sup>143</sup> More broadly, the challenges connected to the speed of investigations relate for the most part to the regulation of the Criminal Procedure Code and the hierarchical organization of the prosecutorial system in Albania, as a result of which a prosecutor has limited independence in his/her decision when it comes to bringing charges in court.

consistency and better circulation—as well as disadvantages, in that the visibility and transparency of regional JIUs is diminished.

Because financial resources dedicated to the public awareness activities were limited, the project undertook alternative activities to fulfil the goal of raising public awareness. Lack of sufficient funding could have affected some of the outcomes. In particular, the number of cases opened based on citizens’ referrals had not been growing and, with many JIUs, were actually declining. The total number of referrals by citizens declined in four out of seven JIUs from 2010 to 2011 (see Figure 76). This also has implications for the sustainability of the immediate results of the JIU operations.

Public and foreign donor oversight obliged the JIUs to isolate figures relative to their operation from the overall prosecution statistics. Attention and resources given to the investigation of financial crimes, as reflected in PG annual reports, increased steadily from one year to the next, thus enabling outside observers to monitor effectively the performance of JIUs. The mere fact that JIU performance is now better disseminated contributes to increased accountability. Future areas of improvement could include making internal performance measures available to the public and improving economic crime indicators as well.

**Figure 76 Number of citizen referrals**



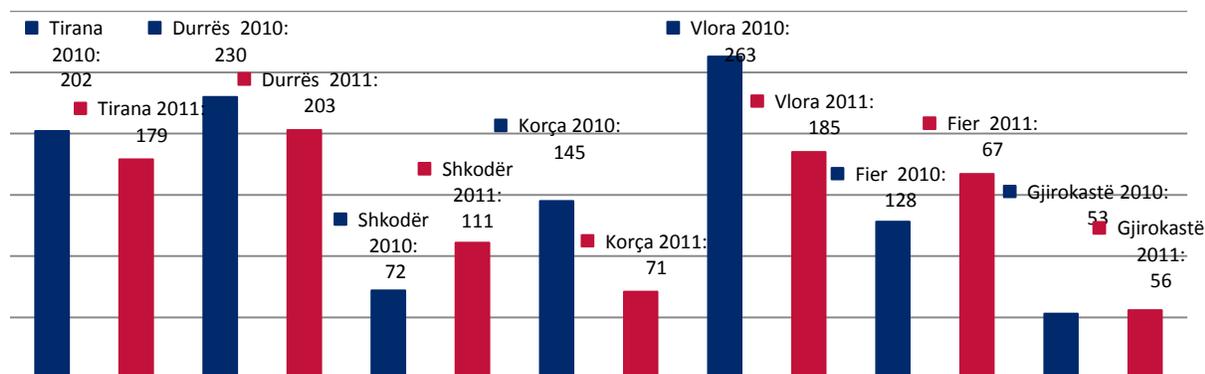
Source: SI, based on data from PG Office on JIUs

### 3.6.4.5 **Potential for reducing corruption in administrative case management**

The improvements to the quality of investigations discussed in previous sections certainly contributed to more robust prosecutor arguments in the courtroom and an increase in the number of cases resulting in convictions. Keeping in mind the performance indicators described in Section 3.6.1,<sup>144</sup> the analysis of the data provided by the PG office allows for the following observations regarding regional JIUs' performance from 2010 to 2011:

- The total number of cases declined in four out of seven JIUs (Figure 77). In view of persistently high public perception of corruption and the concerns expressed by some JIU prosecutors that police may be failing to refer “good” cases for prosecution to the JIUs, the evaluation team concluded that the reported decrease in the number of cases was an indication of poor performance, rather than an indication of reduction in crime;
- The total number of cases sent to court increased in four out of seven JIUs (Figure 78);
- The total number of convictions for both JIU and non-JIU cases initiated increased in six out of seven JIUs (see Figure 79) (note, that the main challenge is that overall conviction rates in corruption cases remain low<sup>145</sup>); and
- Durrës JIU improved its performance in all but one indicator (the only declining indicator is the number of registered cases). The performance of the other regional JIUs was much more mixed. Possible interpretations of this apparent decline in performance indicators include: decline in ASP referrals to police in the aftermath of the chaotic local elections in May 2011, resulting in fewer prosecutions; lowering of the pressure on the JIUs during the second half of 2011 after the end of the project ended; and possibly also lack of the lasting effects of the awareness-raising activities.

**Figure 77: Total number of registered cases**

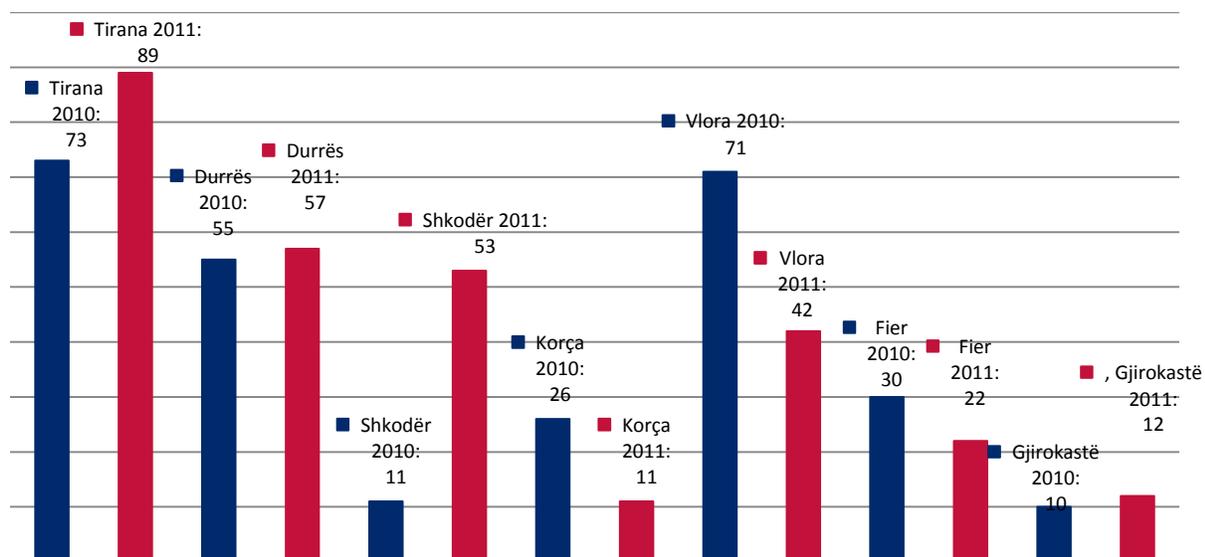


Source: SI, based on data from PG Office on JIUs

<sup>144</sup> Percentage increase in number of investigations, percentage increase in cases filed with court, percentage increase in convictions, percentage increase in citizen referrals of corruption and financial crime.

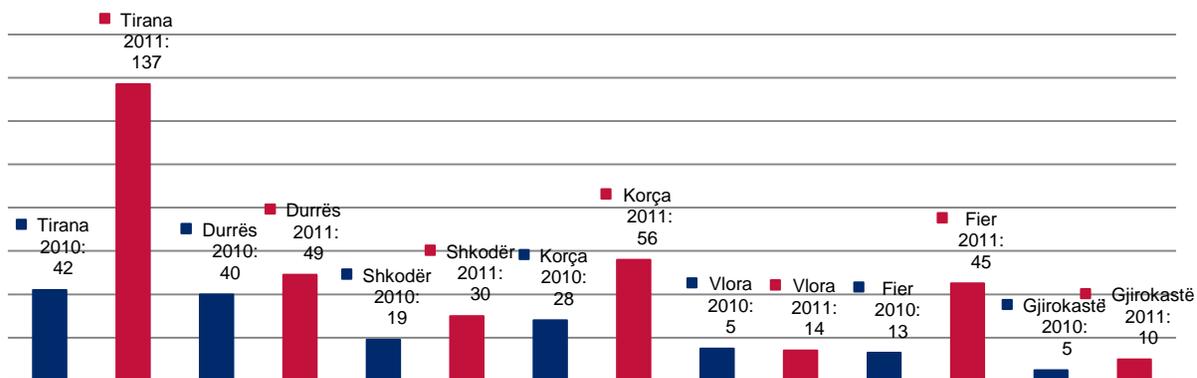
<sup>145</sup> Commission of the European Communities (2009): “Commission Staff Working Document SEC (2009) 1337: Albania 2008 Progress Report,” accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2009–2010 (COM(2009) 533), p.12

**Figure 78: Total number of cases sent to court by JIUs**



Source: SI, based on data from PG Office on JIUs

**Figure 79: Total number of convictions in court for the JIU cases**



Source: SI, based on data from PG Office on JIUs

It is worth noting that the expected outcomes, as defined in SOAG (as below), were achieved:<sup>146</sup>

- One hundred prosecutions for corruption and financial criminal cases initiated
- Sixty convictions on prosecutions based on investigations by the JIUs

The moral support provided by the project and the modest increase in the JIUs visibility helped to boost the readiness of the JIUs to take on delicate cases—in particular, technically complex money-laundering and corruption cases. An increased readiness to prosecute high-level officials was witnessed during the project’s life. Box 24 describes examples from Durrës and Vlora JIUs on bringing charges against high-level officials. On the other hand, analysis of the cases handled by the regional JIUs by the type of criminal offence (corruption, abuse of office, tax evasion, etc.) revealed that, for instance, the number of cases under Article 164 of the Criminal Code (abuse of power) was negligible and there were no cases under Article 319 (Active Corruption of Judges).

**Box 23: Illustrative cases at Durrës and Vlora JIUs**

In May 2010, the Durrës JIU brought charges against five officials within the Durrës regional office of ALUIZNI (Agency for Legalizing, Urbanizing and Integrating Informal Areas and Constructions), including the director. The officials were charged with soliciting bribes from families who requested formalization of their houses located in Durrës, in the coast area.

- In June 2010, as a result of a case initiated by the Durrës JIU, three Durrës municipality officials were convicted for passive corruption for receiving bribes from various individuals in exchange of tolerating illegal constructions.
- In September 2010, the Durrës JIU took four persons into custody, pending completion of an investigation into exercising influence on public officials (specifically, taking over 80,000 Euros from several people to influence the minister of energy in one case involving a mining company and influencing a court of appeals judge in another case) and for “fixing” the results in national football contests. During the investigation, JIU investigators utilized covert recordings and telephone interception to capture the bribery transactions on tape.
- In May 2010, the director of the Vlora Regional Agency for Restitution and Compensation of Properties was convicted for abuse of office in a case initiated by the Vlora JIU. In the same month, the Director of the Vlora Regional Bailiff’s Office was investigated for passive corruption.

*Sources: SI, based on KIs and media reports*

Deficiencies in the available statistics prevented the evaluation team from assessing trends in the changes of case origins investigated by the JIUs by sector. Comparisons of performance between the regions that had JIUs and regions that did not were not pursued because of their limited size and exposure to economic crime.

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<sup>146</sup>USAID Grant Agreement No. 182-SOAG-08-001-00: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 2 , p.12

### 3.6.4.6 **Sustainability of the JIUs**

The project took multiple measures to strengthen the sustainability of the JIUs, including initiating the TOT program on advanced trial advocacy; attempting to introduce the NITA-developed trial advocacy course in the training curriculum of The School of Magistrates; and the introduction of a 20 percent salary increase for JIU members (including prosecutors, police and tax and customs officers), which would help attract talented professionals. In addition, the PG established a special unit within the Office, the “*Sector against Economic Crime and Corruption at the Prosecutor General’s Office.*” Specifically, the PG designated one senior prosecutor as the head of this sector with experience and knowledge in investigating financial and economic crime.<sup>147</sup>

However, there are significant threats to the sustainability of the JIUs in the long term:

- **MOU as the basis of operation.** The JIUs are first and foremost an organizational innovation. The establishment of JIUs was not underpinned by either a new regulatory instrument that created new authorities (or agencies) or by increased funding (other than the 20 percent salary increases for JIU members). The JIU model is based on a pooling of resources and a mechanism of standing coordination. In the absence of a proper regulatory basis, activities of the JIUs are regulated by several bylaws (internal orders) of the PG concerning their organization, functioning and reporting processes. The basis, staffing and operation of all JIUs, including Tirana, are based on the Amended MOU signed in May 2009. In addition, there are several other, bilateral MOUs signed between the PG office and the government institutions (HIDAA, HSA, etc.): these are not directly related to the JIUs, although they may affect the work of the JIUs. Moreover, a string of joint orders between the PG, ASP and SIS add to the patchwork regulation underpinning the existence and work of the JIUs. These bylaws and MOUs provide detailed guidance for JIU prosecutors and other law enforcement professionals in carrying out their daily tasks and responsibilities and, to date, as a number of KIs stated, prove to be sufficient to support the operation of the JIUs. However, they lack a proper regulatory basis (as opposed to the Serious Crimes Prosecution Office), which the majority of KIs described as potentially the largest risk to the long-term sustainability of the JIUs. According to the OPDAT, the key reason for opting for an MOU as the basis of operations of the JIUs was the parliamentary boycott of the opposition for over two years.
- **The continuing understaffing of the JIUs** is a manifestation of this vulnerability. After the formal establishment of the six regional JIUs on May 6, 2009, the project followed progress closely and systematically reported on problems related to the staffing of the JIUs. The project also documented concerns in its quarterly reports, including serious delays in the appointment of state police, customs and tax officers to the JIUs, and noted the high mobility of these officers (those coming from the ASP, in particular) in several JIUs.<sup>148</sup> The project produced a comparison of required versus actual staffing levels for each JIU as of June 31, 2011 in its last quarterly

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<sup>147</sup> The Sector communicates regularly with the prosecutors from all JIUs, as well as with prosecutors from Appellate Prosecution Offices, in order to develop strategies and facilitate communication. The Sector is responsible for reviewing cases from all districts involving the criminal offences listed in the Memorandum, and, if necessary, will recommend that a JIU prosecutor be assigned to handle cases in other districts. The Sector also ensures liaison, communication and information exchange with central representatives of the MOI, SIS, the Directorate General of Taxation, the Directorate General of Customs, the Financial Intelligence Unit, the High Inspectorate for the Declaration and Audit of Assets and the Supreme State Audit Institution. It also monitors the progress of JIUs in terms of workload, staffing and the handling of cases.

<sup>148</sup> the project, however, recorded that both the PG and the Minister of the Interior generally have been responsive to the project’s requests for bringing the staffing of the regional JIUs into compliance with the MOU.

report: only the Durres and Vlora JIUs were fully staffed in accordance with the inter-agency MOU.

- **The financial standing of the prosecution service.** The overall budget constraints on the prosecution service, already in place due to the 2011 budget cuts, could take a further toll on JIUs performance. While the additional costs associated with a 20 percent salary increase for JIU prosecutors, tax and customs officers, police, and other staff will help attract talent, they also add to the funding burden. The funding for these additional expenses comes from the respective agencies' budgets. This arrangement is susceptible to the willingness of the stakeholders.
- **Lack of a sustainable mechanism to monitor JIU activities.** The budget originally dedicated to support "cooperation with civil society" ultimately was used for mock trials. While it is likely that this reallocation was justified in light of the scarcity of the allocated funding levels, it means that the project failed to strengthen local capacity to monitor JIU performance in the future.
- **Lack of an institutionalized training scheme.** Initially, the project and The School of Magistrates agreed on the insertion of a NITA-developed Trial Advocacy course in the school's training curriculum (to commence October 2011) and the project was to provide the syllabus. However, KIIs with school management revealed that this did not take place due to financial constraints at the school.<sup>149, 150</sup>

Albania recently removed the regime of immunities for its MPs and judges. This is expected to reduce the scope of protection reserved for those officials, which ultimately will boost the JIUs' ability to effectively investigate corruption of high-level officials. This development likely will have two consequences. On the one hand, JIUs would acquire more visibility and public oversight, which should strengthen their authority. On the other hand, it could lead to increased tensions with other branches of government, which, in turn, may result in government agencies finding ways and methods to "tame" the JIUs. The pressure could take a variety of forms, such as political attacks on the PG, removal of trained and qualified JIU prosecutors and judicial police officers from their positions, the "drying up" of referrals from governmental stakeholders, reduction of funding by the government, etc. In short, the reform of immunities represents both an opportunity and a potential challenge for the JIUs. At this point, JIU success and visibility, as well as international and public opinion support, would be the main guarantees for their sustainability.

Ebbing international assistance and attention to JIU pursuits (although, not likely in the near future) could add to the grim scenario depicted above; however, the JIUs and their work have acquired the status of "sacred cows" for Albania's international sponsors. OPDAT will continue to provide assistance and training to all JIUs. Public opinion is also accustomed to the JIU's place in Albanian society. Consequently, a wholesale revision of their structure and principles of operation is unlikely.

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<sup>149</sup> Following severe cuts in the school's budget in early 2012, the school cannot perform any continuous training unless donor money is available. The School of Magistrates' official website also confirms that the trial advocacy course developed by the project has not been repeated in the training season of 2012–2012. In sum, the project has provided the syllabus and the materials of the trial advocacy course, but the school has not been able to institute the training on its own.

<sup>150</sup> OPDAT noted that it sponsored Trial Advocacy Training in March 2012, and will again do so in March 2013, at The School of Magistrates. After this time period, OPDAT expects that the training will become self-sustaining, with Albanian prosecutors serving as instructors for the course.

#### **3.6.4.7 Quality of project design**

Public perception, fuelled by recent scandals and media coverage, indicated an endemic level of corruption in the country. International observers of Albania such as Freedom House, Transparency International, the U.S. Department of State and the EU in their periodic reports also pointed to high levels of corruption and, from 2008, started to look to the Tirana JIU (created in 2007) as a source for reform and increased transparency. Most of the KIs interviewed concurred that the expansion of the JIU model was both timely and justified. A few individuals questioned the merits of such expansion, arguing that the regional JIUs were weaker than the Tirana JIU. There exist no substantial differences in terms of operating principals between the Tirana JIU and regional JIUs. The only practical difference is that liaison functions for the FIU, HIDAA and HSA perform out of Tirana, as these agencies do not have a presence at the regional level. This simplifies interactions between these agencies and the Tirana JIU. The other agencies (including ASP, SIS, Tax and Customs Offices) are decentralized and are represented in the regional JIUs by their respective regional branches. At the same time, the Tirana JIU is larger and seems to have an informal monopoly on HIDAA referrals, due to the fact that HIDAA declarations are filed in Tirana; false statements on such documents, therefore, are within the jurisdiction of the Tirana JIU. Several KIs outside the system argued that size played a beneficial role for the Tirana JIU, in that it seemed easier to conduct covert investigations in a big city. Also, it may be more difficult to conduct investigations and bring charges in other smaller towns where leaks of information, either from local police or prosecutors, are not uncommon. However, most of the KIs agreed that, on balance, the project strategy on the expansion of the JIU model to the regions was justified and beneficial.

#### **3.6.4.8 The role of the Tirana JIU**

The Tirana JIU served as a model for the regional JIUs and as a resource center, which proved to be an effective strategy. It allowed regional JIUs to utilize the experience accumulated at the Tirana JIU to understand what measures proved successful and what pitfalls to avoid. An additional benefit, Tirana served as a central hub for the development of training materials and as the primary training base to assemble regional JIU staff.

#### **3.6.4.9 PG bylaws serving as a framework for JIU personnel**

JIUs enjoy an important advantage from an HR perspective when compared to other branches of the Albanian prosecution service and police agencies. To begin, a vetting procedure was instituted for members of the JIUs. The MOU for the establishment of the JIUs clearly provided that “[t]he individuals assigned to be members of and special liaisons to the Joint Investigative Units shall be carefully vetted in cooperation with the National Intelligence Service to ensure that they all possess the highest moral and professional integrity. Those individuals who shall not be cleared by the vetting process shall not be assigned as members to Joint Investigative Units.” In addition to vetting, another important advantage of the JIUs relates to the thorough list of qualifications and training prerequisites set in place to join the JIUs (as stipulated in the MOU establishing the JIUs). As a consequence, JIU members are selected from the pool of prosecutors and other law enforcement professionals with experience and training in investigating financial and economic crime. Moreover, they all have participated in several training programs on specific topics under the umbrella heading of “administrative corruption, and economic/financial crimes,”

designed specifically for them by the project in collaboration with support from the US DOJ, EURALIUS,<sup>151</sup> PAMECA<sup>152</sup> and PACA.

#### 3.6.4.10 **Statistics on cases related to economic crimes and corruption**

In its 2011 report on Albania's progress towards EU integration, the EU Commission noted that Albania needs to develop a "solid track record of investigations and punishments of economic/financial crime."<sup>153</sup> With the help of the project and under pressure from international donors, Albania kept track of the JIU cases and reported on them (isolating figures relative to their operation from the overall prosecution statistics). However, the overall manner in which these statistics were organized and tracked as pertaining to economic and financial crimes was inadequate. For example, the fact that it was not possible to group cases by the nature of origin (i.e. referral source) and sector limited the usefulness and potential application of this information.

#### 3.6.4.11 **Public outreach**

Project activities designed to involve the CSOs and reach out to the public were grouped under *Goal 3: Enhancing Public Awareness of Corruption and Financial Crime Enforcement Efforts*. The objective of these activities was to increase public awareness on anti-corruption efforts. During KIIs, OPDAT representatives pointed out that (1) the project documents and the work plan provided practically no guidance on the implementation of this set of activities; and (2) a very limited budget was set aside for this activity (a mere 20,000 USD), which was inadequate, especially in light of its importance, considering that the success of the JIU model likely will depend on its visibility, some sort of alliance with civil society, and continuing positive public opinion. Initially, these funds were intended to be a grant to one CSO to support awareness activities. However, the funding was reprogrammed, as discussed, with an additional consideration that all public events include a public-awareness component.

One endeavor meant to raise public awareness was the funding and production of a documentary film that chronicled two mock trial competitions, organized by the project at the University Law Schools in Tirana and Vlora. The film also captured the ensuing, public discussion with 200 students. It was to be recorded on DVD, distributed to universities and high schools throughout the country (the evaluation team verified that this occurred through the Tirana and Vlora Universities), and aired on local television (the evaluation team was not able to secure evidence that the documentary aired on local TV). The remaining funds were used to create a video that reviewed the various landmark achievements reached by the MCC-funded project. The video was presented at the MCC ATP closing ceremony.

The high relevance of these interventions and the commendable thought demonstrated in the approach to identify specific equipment and training gaps, targeted TA, and well-developed and needed training materials provided a solid basis for meaningful results. The main factors impacting program results negatively included the immunity of judges and MPs from prosecution (now removed); the failure to

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<sup>151</sup> The European Union Project of Assistance to the Albanian Judiciary

<sup>152</sup> The European Union Project of Assistance to the Albanian Police

<sup>153</sup> European Communities (2011): "Commission Staff Working Document SEC(2011) 1205: Albania 2011 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2011-2012," p.53

include judges in the trainings; and the limited budget for public awareness activities, coupled with a seeming lack of strategy planning on how best to implement an innovative and effective public awareness campaign. The fact that the JIU model was founded an MOU, rather than a regulatory basis, has had both positive and negative results. The PG enacted several bylaws that specifically defined the structure, functioning, operations and reporting procedures for the JIUs. However, given the absence of a legal, regulatory basis for the Investigative Units, a potential long-term risk to sustainability exists, primarily in terms of being under resourced.

### **3.6.5 Conclusion**

Overall, the program has achieved its goals: the total numbers for prosecuted and convicted cases concerning economic crime and corruption have, on average, increased in the regional JIUs. However, performance across the individual JIUs varied. Of particular note, performance in the smaller JIUs diminished in 2011, compared to 2010.

KIs attributed these results to a number of factors:

- The quality of the investigation of economic crimes and corruption cases improved as a result of improved investigation methods, and this improvement should be credited to project trainings, technical assistance and the technical capacity to anticipate and procure needed equipment and resources. Certain issues remained, notably in the inadequate quality of referrals by partnering GOA agencies (especially the HIDAA, the State Intelligence Service, the FIU and the High State Audit).
- Despite the fact that there some challenges with a few of the stakeholders persisted (mostly ASP, but also the GDT and Customs), coordination among the law enforcement agencies improved. Even in these challenging circumstances, the JIU experiment brought the issue of inter-agency relations into the spotlight and made a strong case for continued support to the JIUs, and in the case of ASP, complete revamping.
- The moral support provided by the project and the somewhat increased visibility of the JIUs helped to boost the readiness of the JIUs to take on delicate cases. There were a number of successful money laundering cases, which was a new development for Albania.

On the other hand, the analysis of the cases handled by the regional JIUs by the type of criminal offence (corruption, abuse of office, tax evasion, etc.), showed that, for instance, the number of cases under Article 164 of the Criminal Code (abuse of power) was negligible and there were no cases brought under Article 319 (active corruption of judges). The regime of immunities (struck down in October 2012) for the Albanian MPs and judges was mentioned as one of the key factors hampering the ability of the JIUs to affect corruption through successful prosecution and obtaining adequate court decisions for the cases. As immunity was removed in October 2012, positive developments are awaited (as well as potentially some negative, such as backlash from the some of the agencies concerned).

JIUs face certain procedural challenges. For example, JIU prosecutors argued that the applicable procedural time limits are rather stringent and, as such, compromised the quality of their investigations. OPDAT, in conjunction with the MOJ and other international donors, are working on an overhaul of the Criminal Procedure Code, which should address this issue. Increasing the expediency of the investigations, one of the objectives in the SOAG, raises questions and could be viewed as being in conflict with the objective of increasing thoroughness.

JlUs have begun to compile internal performance measures, which has increased the transparency of the prosecution service. However, this information needs to be made public and be widely available.

Project events were sufficiently promoted to be visible to government stakeholders and, to an extent, to the general public as well. Arguably, more effort could have been made to raise public awareness of smaller cases involving the prosecution of low- to medium-level public officials. The lack of activities in this direction was a result of inadequate resources and guidance available to the project. Hence, project achievements in terms of working with civil society were minimal and the main challenge seemed to occur at the project design phase. More likely than not, this lack may have contributed to the slow growth—or decline—in the numbers of cases initiated from citizen referrals.

While a few of the KIs questioned the merits of the expansion of the JIU model to the outer regions, given the challenges to their operations because of their size, the majority concurred that the potential gains of this expansion outweighed the challenges.

Sustainability of the JIUs is threatened primarily by the fact that they operate based on multiple MOUs and not a law; the risks related to underfunding; and a lack of a sustainable mechanism to monitor JIU activities. The only reliable measure to ensure the JIU model is to enshrine the JIU concept in the law. Even though ebbing international assistance and attention to JIU endeavors (although, not likely in the near future) could add to the grim scenario depicted above, the JIUs and their work have acquired the status of “sacred cows” for Albania’s international sponsors. The public is also growing accustomed to their existence. Consequently, a wholesale revision of their structure and principles of operation is unlikely.

## 3.7 IMPROVING THE NATIONAL PLANNING REGISTRY (NPR)

### 3.7.1 Background and main activities

#### **Box 24: Main donor assistance programs supporting reforms in national territorial planning in Albania**

##### **The World Bank's Land Administration and Management Project (LAMP)**

LAMP is the largest and perhaps the most complex project that the WB has financed in Albania, at US \$56 million (US \$35 million from the WB) and involving three ministries (Justice, Public Works and Interior). Having successfully advised the GOA in developing the new Territorial Planning Policy, the WB also helped the GOA to develop a new Territorial Planning Law (TPL). In addition, LAMP has also conducted municipal planning exercises in eight pilot municipalities (namely: Durres, Shkodra, Vlore, Berat, Korca, Lushnje, Kamez and Gjirokaster), in urban land management (including the development of regulatory plans, such as city development strategies, infrastructure investment plans and regulatory plans), and building a GIS database in 10 municipalities (Berat, Durres, Elbasan, Fier, Gjirokaster, Kamez, Korca, Lushnja, Shkodra and Vlora).

##### **USAID's LGPA, implemented by ARD/CoPlan**

LGPA assisted the GOA in drafting secondary legislation addressing uniform and model planning regulations that are aligned with geo-spatial referencing and reliable controls. The three, key regulations include: Uniform Planning Regulation, the Uniform Development Control Regulation and the Model Planning Regulation.

**With ATP1 assisting the GOA with the National Planning Registry**, these three projects were interconnected parts of the reforms in territorial planning in Albania.

The GOA has carried out land and property administration reforms since 1991 in an effort to modernize the legacy inherited from the communist-era land management system. By the time ATP1 started, despite certain progress, Albania faced substantial challenges with weak national urban planning laws and enabling legislation; urban planning and land management capacity and enforcement of development control regulations; few urban areas with regulatory plans, zoning, subdivision controls or building codes; conflicts between devolution and local capacity; and widespread illegal subdivision of land and construction of properties.<sup>154</sup> Significant urbanization, beginning in 1991 when internal migration controls were removed, had aggravated the situation.

Planning and construction application processes were plagued by a high degree of informality and corruption, resulting in:

- Territorial Adjustment Councils (TACs) and local planning authorities meeting rarely, with delays beyond procedural limits for their review of building permits, and their decisions

reflecting undue influence.

- As of 2008–2009, 600,000 urban and 300,000 rural parcels of land were not formally registered<sup>155</sup> and 50 percent of construction occurred without the required permits.<sup>156</sup> The Co-PLAN Gazette estimates this figure as exceeding 80 percent.<sup>157</sup>

<sup>154</sup> "Providing Technical Assistance on National Territorial Planning Legislation: the Albania Experience," David E. Dowall, City and Regional Planning Institute of Urban and Regional Development, University of California, Berkeley

<sup>155</sup> Ibid

<sup>156</sup> MCC/USAID (2011): "Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report, Washington, D.C., p.39

<sup>157</sup> Co-PLAN GAZETTE, A Biannual Publication of Co-PLAN - Institute for Habitat Development, Issue No. 1 June 2011, Co-PLAN's Role and Position in Urban and Regional Development in Albania, p. 4

- In the GOA’s application for ATP2, the government concluded that “unclear regulations, long review and application procedures and wide discretion afforded planning authorities adversely affect development, diminish the rule of law, and threaten economic freedom.”<sup>158</sup>

These factors undermine infrastructure provision and options for sustainable municipal financial systems, and pose significant threats to sustainable urban and village development.

The World Bank’s 2009 Doing Business report ranked Albania 170th in a list of 183 countries for ease of obtaining a standard construction permit. The report identified 24 steps to obtain a permit to build a warehouse, requiring a total of 331 days.<sup>159, 160</sup>

ATP2 initiatives were designed to take place in the broader context of ongoing reforms in territorial planning supported by various actors, the WB and USAID in particular. WB and USAID-funded efforts are described in Box 24.

The new Law on Territorial Planning (LTP)—developed with WB support—passed, after two years of development, in April 2009. Among others, the LTP:

- Mandated that all local planning authorities must develop or update their urban and land use plans by May 2012;
- Included a provision for the creation of new procedures and forms, with silent consent deadlines imposed in an effort to reduce delays that might create opportunities for corruption on the part of local authorities vested with the authority to issue permits;
- Stipulated that the Ministry of Public Works (MPW) is now responsible for coordinating a National Territory Council (NTC), and for developing and managing the NPR, with the NTPA as its technical secretariat, stipulating that under the MPW the NTC and NTPA are to develop guidelines for transparent territorial planning, and the NTPA is to provide technical support to national and local planning authorities to fulfill the new planning and development control requirements;
- Authorized the establishment of the Territorial NPR, an integrated network of decentralized databases of national and local authorities, exchange of and public access to the data they maintain, and the posting for public view of their planning and development control decisions. Specifically, the law required all national and local authorities to post their urban and land-use plans on the registry and that all development and construction permit applications be posted for public comment prior to permit award; and
- Dissolved the old Territorial Adjustment Boards and stipulated the creation of Local Councils with a technical secretariat, the Local Government Unit, which replaced the Local Territorial Adjustment Committee

The three, key regulations, developed with the support of USAID Local Government Program, included:

1. Uniform Planning Regulation;
2. Uniform Development Control Regulation; and
3. Model Planning Regulation

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<sup>158</sup> Action Memorandum to MCC Investment Committee, July 10, 2008. Subject: MCC Stage II Threshold Program – Albania, p.22

<sup>159</sup> Although some steps could be conducted in parallel

<sup>160</sup> MCC/USAID (2011): “Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report,” Washington, D.C., p.39

These were approved by the Ministers Council on June 22, 2011 (only three months before the last extension deadline of the Law entering into force; see Section 3.7.2).

ATP2 initiatives were conceived largely as a technical intervention. ATP2 applied e-governance technology to territorial land-use planning and development control, in particular to the processing of construction permit applications. The purpose of this component was to develop NPR to streamline permitting, bringing transparency and accountability to permitting procedures through on-line access and thereby limiting opportunities for corruption and reducing delays and uncertainties in obtaining permits. These actions were expected also to contribute to improved criteria for land use, development intensity, subdivisions and zoning characteristics.

In the absence of a functional, national counterpart agency up until April 2010 (see Section 3.7.2), substantial delays compelled ATP2 to find alternative avenues for making at least some progress towards furthering the project. ATP2 signed cooperation agreements with five pilot cities, including Tirana, Fieri, Pogradec, Shkodra and Vlora. It is the understanding of the evaluation team that the idea of pilots was in the project initially, although it was not possible to validate this from a statement in the project files (one of the interviewees has contested this). According to the agreements, the municipalities agreed to:

- Partner with ATP2 to develop and field test NPR software, including on-line tracking systems for construction permit applications and awards; and
- Make general information pertinent to urban planning readily accessible on line in each municipality

**Table 18: Activities and planned outcomes, National Planning Registry (NPR)**

ACTIVITIES	PLANNED OUTCOMES
<ul style="list-style-type: none"> <li>Identify stakeholders and characteristics of the NPR; conduct system design and testing in five pilot municipalities</li> <li>Design registry software, create a geographic information system database, and draft secondary legislation on the National Planning Registry</li> <li>Facilitate and monitor a process for publishing legal acts and other information on planning rules and regulations, through custom designed, web-based software.</li> <li>Develop an action plan for establishment of the register to the Ministry of Public Works</li> <li>Train NPR staff and pilot municipalities in use of the system</li> <li>Commentary to the draft laws and regulations</li> <li>Technical Support to NTPA</li> </ul>	<ul style="list-style-type: none"> <li>To establish a streamlined, national, electronic registry for development and building permits, thereby reducing opportunities for corruption in construction.</li> </ul>

Source: SOAG and ATP2 Final Report

**Table 19: Indicators, baseline, target, and reported results, National Planning Registry (NPR)**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Number of permit approval procedures	12	10	n/a
Permit approval time for construction is reduced (days)	260	150	n/a
Number of construction permits about which information is available electronically in five pilot municipalities <sup>1)</sup>	n/a	300	31
Percent of businesses aware of the new and streamlined construction permitting procedures <sup>2)</sup>	n/a	n/a	40

Source: <sup>1)</sup> Project records; <sup>2)</sup> Project-sponsored survey; Reported results taken from ATP2 Final Report

The evaluation team conducted an extensive document review, KIIs, and a survey to evaluate this component:

- KIs included local stakeholders, including GOA representatives, independent experts, representatives of construction companies and architectural bureaus. A total of 10 interviews were conducted.
- The survey included representatives of 11 urban planning departments (UPD), each representing a municipality, which hereafter are referred to as Survey of Urban Planning Departments (SUPD). The UPDs were chosen to represent a mixture of municipalities with varying sizes, land use profiles, participation (or not) in the WB LAMP, and being/not a pilot for ATP2.<sup>161</sup> The sample was selected to be representative of the 65 municipalities in Albania. However, there are

<sup>161</sup> The KIIs with municipality officials were conducted by the Institute for Democracy and Mediation, IDM ([www.idamalbania.com](http://www.idamalbania.com)).

also 309 communes. Communes do not differ from municipalities in terms of legal requirements related to territorial planning, but are rural local government units (as opposed to municipalities, which are urban settlements).<sup>162</sup> Communes have the potential to become very important from a sustainable development and/or regional development perspective, even in the near future (see Section 3.7.6).

### 3.7.2 Quality of project implementation and influencing factors

The program suffered from significant delays, the reasons for which are multifaceted and both external and internal in nature. The most significant reasons for these delays include:

- **Lock-step procedure for the provisions of law.** The law sought to set a deadline for the relevant administrative bodies to approve new secondary legislation and make the provisions of the law fully effective.<sup>163</sup> Despite the fact that Parliament set strict deadlines for approval of the secondary legislation, the implementing regulations were not prepared in time (see below). As a result, the government issued an urgent normative act on August 28, 2010 that postponed the latest effective date of the law from September 1, 2010 to January 15, 2011 and then again to September 30, 2011.<sup>164</sup>
- **Delays in the appointment of the NTPA director by the GOA.** Both the “Decision of the Council of Ministers on the Organisation and Functioning of the National Agency of Territorial Planning (No.1190)” and the “Decision of the Council of Ministers on the Organisation and Functioning of the National Register of Territorial Planning (No.460)” were issued on November 11, 2009, six months after the passage of the law. The new director and staff for the NTPA were named only in April 2010—a delay of more than a year after the passage of the law. According to the ATP MTR, Ministry of Public Works officials indicated that staff needed time to assimilate the significance and ramifications of the new law and to assume their new mandated responsibilities.<sup>165</sup>
- **Delays in developing secondary legislation.** As a result of the late appointment of the NTPA director, the secondary legislation was developed after significant delay. Further delays in producing secondary legislation (through assistance from the USAID Local Government Program) were inevitably linked to the complexity of the legislation, which required, *inter alia*, addressing 42 planning instruments by the uniform planning regulations and synchronization with a myriad of other laws and bylaws (in particular those related to local governance). The definitions of and relationship between “national interests” and “local authority” were identified by the local experts<sup>166</sup> as the weakest sections of the legislation and it took time to include

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<sup>162</sup> Some communes have a territorial jurisdiction over: (1) coastal areas, and the pressure of development there might be considered even more difficult to handle, from perspective of planning and procedures, than in a small municipality; (2) territories adjacent to bigger cities (e.g., around Tirana, Durres, etc.), where the pressure of development from bigger cities induces a strong, unbalanced development pattern; (3) territories with rich natural resources (forests, rivers and water reserves) and/or where agricultural development potential is located.

<sup>163</sup> See [www.internationallawoffice.com/newsletters](http://www.internationallawoffice.com/newsletters); “New planning framework in limbo: what’s next?” April 15, 2011

<sup>164</sup> Under Article 101 of the Constitution, the Council of Ministers may take responsibility for issuing normative acts to implement temporary measures in cases of urgent need. However, the extended deadline did not allow enough time to prepare the secondary legislation.

<sup>165</sup> See “Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 24

<sup>166</sup> Sited in the MTR and also in “Providing Technical Assistance on National Territorial Planning Legislation: the Albania Experience,” David E. Dowall, City and Regional Planning Institute of Urban and Regional Development, University of California, Berkeley.

revisions that ensured an appropriate balance of power in decision making and its transparent application.

- **Suboptimal coordination and conflicting priorities.** For such a complex reform to succeed—and to succeed in a timely manner—close coordination by all partnering agencies and stakeholders was required. Inter-agency coordination was challenged further by delays in the nomination of the key, counterpart government staff and the desire to meet internal deadlines for each program. As a primary example, ATP2 designed the first version of NPR in the absence of secondary regulations (drafted by the USAID Local Governance Program in Albania [LGPA]) and once those secondary regulations were adopted, NPR required subsequent revision. These revisions took place in the fall of 2011, after ATP2 concluded.

As a result of the combined effects above—most notably, in the delays in appointing the NTPA director by the GOA and in the adoption of the secondary legislation—the ATP2 component concerning NPR fell behind schedule by eight to nine months. These events required ATP2 to redesign this component, as described in Section 3.7.1.

Delays in enacting the legal framework not only negatively affected the project, but, more importantly, real estate development within the country. Municipalities, local construction companies and developers experienced a slowdown of their activities and lost revenue. While existing Law 8405 (and accompanying secondary legislation) was in effect until September 30, 2011, uncertainty surrounding the applicable legal provisions and the effective date of new requirements slowed down real estate projects. These internal challenges in Albania coincided with a worldwide economic slowdown, a result of the international financial crisis.<sup>167</sup> As for the municipalities, the UPDs confirmed that the workload (defined as the number of “building permits reviewed”) pre- and post-2009 declined in many municipalities, but not in all.<sup>168,169</sup> Figure 80 demonstrates that the process of issuing permits continued in many municipalities.

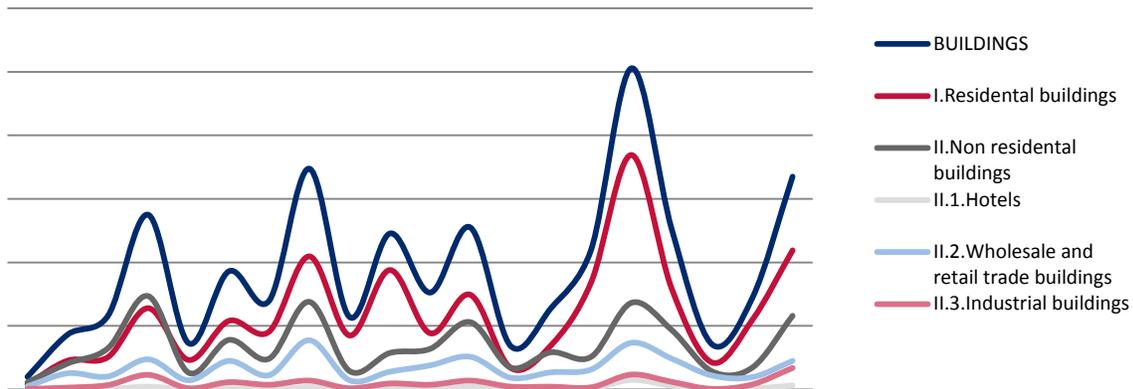
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<sup>167</sup> [www.internationallawoffice.com/newsletters](http://www.internationallawoffice.com/newsletters); “New planning framework in limbo: what’s next?” April 15, 2011.

<sup>168</sup> The few exceptions are cases where workload increased (as in Saranda and Fier), but these are mainly the municipalities where the pressure for urban development was higher (e.g., in coastal areas) and where the perception that the entry into force of the new Law will impose more stringent conditions for urban development has prevailed.

<sup>169</sup> There were other influencing factors mentioned related to permits workload declining, such as: TAC not being functional for a certain period preceding the local elections of 2011, due to political blocking (as in the case of Durres, Korca, Tirana). For example, in Tirana the TAC did not function between 2009-2011, so no building permits were approved at all. In addition, the economic slowdown has played a role.

**Figure 80: Number of building permits issued by type, 2007–2011**



Source: SI, based on data from INSTAT, [www.instat.gov.al](http://www.instat.gov.al)

After the new LTP entered into force in September 2011, no building permits were approved at all, due to the provisions of the new law and a lack of relevant bylaws regulating building permit procedures during the transitory phase of 2011–2013. Most likely, this will continue until the new territorial plans are approved for each municipality. Municipalities have been affected, since they rely heavily on permits and taxes as an important source for financing municipal budgets and expenditures. For example, in the case of Vora municipality, this tax represented 40–45 percent of revenues. As a result, they cannot afford the necessary expenditures to implement the new urban planning system. The complexity of NPR may have been a contributing factor.

Under challenging circumstances, ATP2 efforts can be credited with reorienting and reinvigorating this component by signing a piloting agreement with five municipalities. Capacity building required quick action and training rolled out swiftly. The project took a rather significant risk in developing the NPR and training the UPDs' staff in the pilot municipalities in the absence of the adopted secondary regulations (being developed by USAID LGPA), as potential changes to the NPR would most likely be required after these regulations are adopted (which turned out to be the case).

Interviews with UPDs revealed negative perceptions of certain aspects of the project's efforts, including a perception that the project did not include significant consideration of the sequencing of activities and that assistance was considered sporadic and discontinuous. With the exception of the assistance connected to drafting the new Local General Plans (developed with the support of WB LAMP project), most activities were perceived as having been short in duration.

### **3.7.3 Outputs**

#### **3.7.3.1 *Regulatory framework***

##### **3.7.3.1.1 *Commentary regarding draft laws and regulations***

According to the ATP2 Final Report, the project provided expert testimony to the Parliamentary committee charged with drafting the law; reviewed and commented on draft sub-legal acts to establish planning and development control regulations; drafted harmonizing amendments to other legislation to establish the NTPA as an autonomous entity; and provided municipalities and communes with access to competitively awarded grants for integrated territorial planning.<sup>170</sup> Regarding the last point, the evaluation team was not able to gather any supporting evidence, as expert interviewees were not aware of any influence on (or any changes to) the channels for municipalities to access these grants. This may refer to grant funding from the regional development funds. As for the effectiveness of the legal commentary provided to the Parliamentary committee, the evaluation team was not able to gather sufficient evidence to warrant comment.

##### **3.7.3.1.2 *NPR regulations***

In collaboration with the GOA and the WB, the program established an IT working group comprised of central and local government stakeholders and donors (notably, the WB) to develop specifications for the Register. The project established common, spatial IT standards conforming to EU norms, vetted by a working group of donor institutions and Albanian IT and territorial planning experts. However, contrary to the requirements of the new law (of which the majority of the UPDs was not made aware prior to its approval), SUPD officials explained that they were not aware of the NPR bylaws until they were approved.<sup>171</sup>

##### **3.7.3.1.3 *Construction permitting procedures***

According to the ATP2 Final Report, the project supported a working group tasked with developing streamlined and unified municipal construction permit procedures and forms aligned with the new law.<sup>172</sup> The working group was formed at the Municipality of Tirana and attempted to pioneer the role and use of the NPR, which previously was supported with geographic information system-mapping (GIS) technology. Since the initial NPR version was developed before the building permits bylaws, it was difficult for the working group to design the permits' section of the NPR in line with the new LTP. Thus, the working group streamlined permit procedures to enable progress on NPR design-related work. Feedback from interviewees included the following:

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<sup>170</sup> MCC/USAID (2011): "Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report," Washington, D.C., p. 40

<sup>171</sup> It should be mentioned, however, that in some cases the respondents were not in a position to answer to the questions on consultations, since they were hired after the June 2011 local government elections

<sup>172</sup> Ibid

- Collaboration between ATP2 and WG was useful, to an extent, since there was a substantial gap resulting from the absence of bylaws. However, working group efforts were terminated mid-course after the MCC sub-team leader left the project.
- Working group efforts to streamline municipal construction permitting procedures and forms were useful, but insufficient. Design efforts did not include sufficient input from local urban planning experts and this could have contributed to the challenges currently facing the UPDs.

### 3.7.3.2 ***National Planning Registry***

#### 3.7.3.2.1 ***Web portal: NPR design***

The NPR is a web-based tool that allows the public to view GIS data uploaded by municipalities and selectively overlays nearly 50 types of data (such as individual parcels; electrical, sewage, and water lines; roads; and zoning boundaries). Property owners can learn about their parcels, zones and monitor planned/ongoing construction projects. The registry also provides planning agencies an opportunity for improved planning, coordination, and monitoring of development and construction permit applications. The project’s key contribution was the innovative idea that the registry should not have administrative authority or control over the information posted on it by the planning authorities.<sup>173</sup>

The majority of KIs positively assessed the quality and usability of the NPR. A few individuals questioned its suitability for the Albanian context, given heavy reliance on GIS technology. However, the utilization of such technology provides a wide breadth of applications, some of which are being developed and others that could be suitable in the future.

As for the SUPD, the responses about the user-friendliness of the NPR are summarized below:

- **For urban planning purposes:** A few KIs indicated that for the publication of planning information (i.e., draft local general plans), the NPR was user friendly, but the online building permit process was less intuitive.
- **As visitors:** A greater number of KIs from UPD visited the public website and, therefore, were able to provide feedback. Generally, KIs stated that simpler, “lower level” platforms should be made available for basic users and that the existing “higher level” platforms could accommodate advanced users. Practically, the consensus was that this website could be useful for businesses, but it would be difficult for citizens to use the online services without assistance from a professional.

#### 3.7.3.2.2 ***NPR status***

The process of installing the NPR began in March 2012 and progress in utilizing it for publishing planning instruments and uploading spatial information had been reported only on occasion. These services were used even less frequently for publishing permit notices. Therefore, during the time of this evaluation (summer 2012) it was too early to assess the long-term effectiveness and impact of the NPR. Progress had been reported where municipalities were recipients of donor assistance projects. An ATP

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<sup>173</sup>MCC/USAID (2011): “Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report,” Washington, D.C., p. 41

pilot in the cities of Kamza and Shkodra was stated to have positively influenced NPR progress. The majority of municipalities included in the SUPD were still in the process of installing the NPR and were only beginning to publish preliminary planning information (Fier), spatial/territorial information (Kamza), and/or using it for a permitting process (Fier and Tirana).<sup>174</sup>

NTPA's response and support are the main factors that influence the installation of the NPR, as the project cannot act independently on this matter. It is the within the authority of the NTPA to grant domain rights, for which several municipalities are still waiting.

As for the availability of spatial information to upload—the key factor in operationalization of the NPR—this is, in almost all cases, linked to the support (or the lack of thereof) of the donors.

Operationalization is also strongly influenced by technological adaptability, which is not at the level required to achieve the desired progress. UPDs stressed capacity building as their critical need to accomplish the operationalization of the NPR. As an illustration: of 11 municipalities in the SUPD, only four reported GIS capabilities (including unlicensed copies).

A number of KIs thought that the process should begin from the central government, despite the fact that not one central government agency has uploaded their information, nor has any central government agency connected its database with the NPR to establish a data exchange that would enable the NPR to become a central information portal, as envisioned.<sup>175</sup>

### **3.7.3.2.3 Manual**

According to the ATP2 Final Report, the project also developed a manual for the conversion and uploading of spatial information onto the registry web portal (“Data Conversion with Spatial Data Integrator 3.2.0”). KIIs with UPD personnel and other subject matter specialists revealed they were not aware of such a manual. In sum, the interviews conducted under the SUPD revealed that the municipalities (even in the case of large and experienced locations, such as Fier) are too dependent on the NTPA's ability to provide instructions on how to proceed with the operationalization of the NPR.

### **3.7.3.2.4 Pilot municipalities**

According to the ATP2 Final Report, the project (1) trained staff in the five pilot municipalities in using initial versions of software applications that were to become the registry web portal, then refined and extended the software based on those field tests; and (2) subsequently worked with the five pilot municipalities, plus the municipalities of Durres and Kamza, to upload all their available territorial planning data to the registry.<sup>176</sup> The KIIs at the municipalities as well as the SUPD indicate that:

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<sup>174</sup> Of the 11 interviewed UPDs, only five had installed the NPR (and had username and password). Out of the five municipalities who installed it, only three had started to use it (uploading info – two cases; publication – one case; building permits process: two cases); out of 11 interviewees, six had interacted with the NPR as a visitor and five had not.

<sup>175</sup> A few of the central government institutions (e.g. the Ministry of Education, the State Cadastre) have started working on the digitalization of their information, but have not shared this information through the NPR.

<sup>176</sup> MCC/USAID (2011): “Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report,” Washington, D.C., pp. 41-42

- UPD staff from the municipalities that had received assistance from donor agencies were better informed about the NPR's role and functionalities, and progressed more in terms of installing and utilizing it. Shkodra and Fier UPDs can serve as examples, having been ATP2 pilots. According to the ATP2 PMP, the number of construction permits for which information was available electronically in five pilot municipalities was 31 (with a baseline value n/a, and target 300), and these only from the most advanced municipalities, like Shkodra, Tirana and Fier
- Smaller, and especially unsupported, municipalities (e.g., Saranda and Patos) had the most difficulty and were not progressing at the same rates as the larger, more invested UPDs.

### **3.7.3.2.5 Support to NTPA and training**

According to the ATP2 Final Report, the project provided NTPA with:

- Senior legal and technical support for detailed budgeting over a five-year planning horizon so the NTPA could begin to conduct its core function of providing technical assistance to national and local planning authorities; and
- An action plan for establishment of the NPR within the Ministry of Public Works that allocated institutional roles and responsibilities, identified specific activities and tasks to be performed by the project and its counterparts, and laid out an implementation schedule.

Despite numerous attempts, the evaluation team was not able to verify this with the NTPA and solicit feedback about these deliverables and their quality. According to the information available to the team, the current USAID-funded LGPA, being implemented by Tetrattech ARD/Coplan, helped NTPA to develop its action plan. It is not clear how this initiative is related to the activity reported by ATP2.

The project also provided NTPA with specialized IT equipment, software and furniture.

According to the ATP2 Final Report, in order to support the NTPA's training rollout to the 420 municipalities and communes, the project trained a core team of six NTPA technical staff as trainers and assisted them in developing and implementing a comprehensive program to train more than 300 municipal planners in the target municipalities. By project close, the NTPA and the project had trained more than 100 of these planners.<sup>177</sup> SUPD officials stated that trained UPD staff thought the trainings were generic and theoretical as opposed to practically supporting them to acquire practical skills or work methodology. However, this is due in part to the timeframe that the project confronted, given the fact that rollout of the NPR was behind schedule (it was not finalized, and the training was conducted on its draft version). SUPD also revealed a strong need for capacity building and/or specialization. To the extent that certain processes were halted (e.g. GIS data cannot be used, even though it has been entered), KIs were concerned that the situation might deteriorate with the approval of the new territorial plans.

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<sup>177</sup> MCC/USAID (2011): "Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report," Washington, D.C., p. 43

### **3.7.3.2.6 Outreach activities**

Signing ceremonies and working groups held in the pilot municipalities helped disseminate information about the new LTP and the vision for the establishment and operation of the registry.<sup>178</sup> Aside from that, however, outreach activities were limited to small focus group consultations with stakeholders about different aspects of the project (e.g. the Association of Municipalities, Association of Construction Companies and the Ministry of Public Works).<sup>179</sup> In particular, no outreach targeted the public. According to the PMP from the ATPT2 Final Report, outreach activities were not conducted, because the full implementation of the new TPL has been postponed by the time the project closed.

Most municipalities did not understand that the assistance they received was funded by the MCC.

According to the ATP2 Final Report, the project helped build NTPA's public outreach capabilities by assisting it to develop appropriate messages to planning authorities and stakeholders about the implementation of the new TPL and its requirement to post planning and development control decisions on the registry. KIs at municipalities indicated that they were not aware of such a public information campaign, but cited working meetings and discussions with NTPA and the MPW as the main sources of information related to these topics.

## **3.7.4 Outcomes**

### **3.7.4.1 *Progress with the reforms***

The 2012 WB Doing Business report ranks Albania 183rd in the ranking for “dealing with construction permits,” compared to 176th in 2011. This means that Albania is ranked among the lowest performers for its performance during that timeframe. The construction permitting process has been frozen until September 2013, by which date the municipalities will need to have their plans approved and information uploaded onto the NPR. This stagnation is the factor that contributed to poor performance within the WB Doing Business report.

The SUPD revealed that reforms not only had been delayed until the enactment of the law in September 2011, but lagged behind at the point in time when this evaluation was being conducted, as well—in particular, with regards to progress with:

- **Drafting of the new Local General Plans in accordance with the new LTP requirements ensuring public consultations.** The new local general plans were drafted with the support of donor agencies (through technical assistance projects) or, in rare cases, of large and well-off municipalities that contracted consultants. For the municipalities without assistance by donor agencies, mostly smaller ones, no progress is recorded (e.g., Saranca and Patos);
- **Drafting of the local regulations/local planning and development control instruments to complete the local legal framework.** The municipalities had not started on this activity, except

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<sup>178</sup> See “Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 43

<sup>179</sup> See also “Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 24

for cases in which these were part of the package of donor-funded projects on drafting new Local General Plans (Kamza and Shkodra);<sup>180</sup> and

- **Operationalizing the NPR.** While operationalization of the NPR progressed at the larger (and pilot) municipalities, the majority of (especially smaller) municipalities lagged behind.

Lack of capacity was reported in UPDs as the key factor behind this slow progress. The challenges below refer to lack of capacity, particularly with regards to (1) software and hardware; (2) human resources and (3) technical expertise.

- **Hardware and software.** While the new law and the NPR raised awareness and made municipalities keen to use the registry to obtain GIS-based information, they considered it to be a big challenge. Generally, almost all municipalities reported a need for aid with software and the right hardware to support these software needs (e.g. servers, professional printers, scanners and topographic surveying devices for data updating are very much needed to make and keep the NPR functional);
- **Human resources.** The vast majority of the UPDs reported needing increased staff—new specialties and expertise, and, most notably, urban planners (not just engineers and architects), as well as environmental and GIS specialists. No municipality did any hiring (at least in the FY 2011–2012) as they underwent budget cuts (partially because of the lack of budget revenues that would normally come from the taxes from the building permits approval process);
- **Technical expertise.** The vast majority of the UPDs reported a strong need for training in the new law (since it introduces a new system, work processes and concepts for the UPD staff), drafting of Detailed Local Plans in the use of GIS, etc. Most of the KIs pointed out the need for “on-the-job” and other practical trainings. KIs mentioned that UPDs had played more of a supportive role to the consultants than a real analytical, process management role during the drafting of the new Local General Plans. Thus, a real transfer of technical expertise had not occurred, even in the pilot municipalities, for ATP2, WB and USAID programs on local governance. Small cities are in greater need of capacity building and for them it is more difficult to hire consultants, due to both their own financial constraints and the lack of the needed experts (e.g. GIS experts in the localities).

### 3.7.5 Potential outcomes

Since few UPDs had actual experience using NPR, the evaluation team was only able to gather perceptions from the UPDs based on their initial experiences:

- **Time.** Most interviewees believe that long-term improvements in the time required to review building permit applications will take place through this reform process. The factors contributing to these positive expectations are: the abolishment of TAC; shortened permit application review and approval time; and the establishment of NPR, in particular the online application and better access to planning and development information.
- **Quality of territorial planning.** Almost all UPD KIs had a firm belief that the quality of territorial planning would be increased. Some interviewees even listed this as one of the major challenges for them, but also as the most desired outcome, with a high probability of likelihood.

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<sup>180</sup> It should also be noted that a number of national bylaws (Decision of Council of Ministers or Instructions of line ministries) have yet to be drafted and approved to ease this process.

- **Informal construction.** SUPD demonstrated that the opinion of UPDs split regarding the potential impact on informal construction. Notably, some interviewees expressed a concern that if the system appears too complicated and permits too difficult, to acquire this could actually increase the informal construction.

### 3.7.5.1 *Potential for reducing corruption*

Not all UPDs were willing to respond to the SUPD question about the potential effects of the reforms in general, and NPR in particular, on corruption, but of those who did answer, opinions split: some thought that there might be a potential positive impact, in particular given the changed roles of the UPDs, with increased demands for accountability; others said that it will depend on the application and the enforcement of the law. The second group was also skeptical about the new role of the Municipal Councils, and some thought that these, perceived as political structures, would sabotage the reforms in urban planning (a few thought that these Councils should also be trained). The interviews with the expert practitioners indicated some skepticism among them, as well. In particular, to apply transparent criteria for awarding a construction permit, the municipalities need to have proper zoning of their territories and historical data on property ownership, both of which currently are very problematic. Hence the reforms, and NPR in particular, may not improve transparency until these happen (this is also an opinion expressed in the MTR).<sup>181</sup>

### 3.7.6 Sustainability

Since the NPR is an integral part of the urban planning system, its sustainability cannot be analyzed in isolation and needs to be reviewed in the context of the reforms.

The municipalities in the SUPD mentioned the following challenges they anticipate to be *coming next* (after the 2011–2013 first law implementation phase):

- The drafting of Detailed Local General Plans, considering that new Local General Plans were not drafted by UPDs, but were outsourced, and trainings and/or transfer of knowledge has not been sufficient and consistent so far;
- The difficulties in implementing the new Local General Plans in cases/areas dominated by informal settlements, if the legalization reform process is not concluded soon and the property situation is not clear (this is a particular concern in Kamza and Berat); and in relation to the need to progress with land consolidation, where land fragmentation is a serious issue, including the challenges connected with working with land owners and financing the development;
- Harmonization of Local Plans and/or projects with the National General Plan (e.g. in the case of Durres, and/or Berat, where the preservation of historical areas is also a major issue), especially highlighted by the fact that the new Local General Plans are being drafted while the National General Plan and/or sectorial or Regional Plans are missing. UPDs fear that a second revision of Local General Plans will happen once planning at the national level progresses;
- Lack of awareness and information campaigns related to the new law targeting citizens, businesses and, in particular, professionals such as architects and engineers, who will be the end users of the new law system (regulations and local planning instruments). The interviewees

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<sup>181</sup>See “Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 25

reflected that they cannot afford to finance the increase of end users' preparedness for the new system.

All the KIs concur that the successful implementation of the urban planning reforms depends on the investment of financial and human resources at local and central levels to comply fully with the provisions of the new LTP. While this understanding is shared, for its first year of operation, the GOA Ministry of Public Works allocated only 7 million ALL (\$9,000) to NTPA for operating expenses. Additional formal budget requests for the NTPA were to be included in the next budget cycle, but the evaluation team was not successful in obtaining information from NTPA, despite numerous requests.

The vast majority of municipalities are not prepared financially to implement the new reform in a sustainable manner. Only a few municipalities—mostly the larger and stronger ones—in SUPD dedicated small amounts of funds to finance the revisions of the new plans (e.g., Vora) and/or any GIS support (Kamza, Berat and Korca). It should be noted that the municipalities do not have a dedicated budget line for territorial planning. One of the reasons the vast majority of municipalities have not allocated significant funds to support implementation of reforms is related to their financial situation, which has suffered, both because of the economic slowdown in general, and because the September 2011 freeze on permits eliminated revenue from permits. The building permitting cannot resume until the new Local General Plans, new Local Detailed Plans and the Register (at least the section on building permits) are established. It therefore becomes a “vicious circle” for most municipalities.

Significant financial and technical assistance is needed to face current and upcoming challenges. So far, the vast majority of municipalities is seeking this assistance from donors—mostly USAID's Planning and Local Governance Project, which is providing assistance to 15 municipalities (there are also smaller support initiatives financed by bilateral donors). This overreliance on donor assistance is a concern and a threat to sustainability, even if only for the fact that it cannot cover all the municipalities and communes in Albania. In this context, it also must be acknowledged that communes, while currently mostly rural, will become very important from the sustainable development and/or regional development perspective in the future. Their need to comply with the new territorial planning framework is even larger, given that they are weaker in every aspect, lacking basic capacities (human, technical, technological, financial) to plan and implement the reforms. It is critical that they be supported in order for the reforms in territorial planning to be sustained and goals achieved.

As for the financial sustainability of the NPR per se, respondents reported a need for financing trainings, software and technical expertise and related information processing (e.g. GIS). They also noted that if the process of populating the NPR with spatial information is prolonged, it may make people skeptical about its use, which seems realistic at the speed that it is currently being implemented.

According to the information available to the evaluation team, no government funds or commitments were made to support municipalities in preparing plans and other planning/development instruments in 2013, which also applies to the planned 12 Regional Assistance Centers. The team failed to obtain more concrete information from NTPA, despite numerous requests.<sup>182</sup>

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<sup>182</sup> The secondary legislation establishing the NPR addressed to some extent the points that were left undetermined in the new LTP, such as allocating responsibility to the NTPA for maintaining the registry and its technical assistance units in 12 regional administrative centers (*qarks*), and, according to the ATP2 Final Report: “. . . projecting the means by which local authorities would

However, according to the information obtained by the evaluation team in SUPD, none of the interviewed UPDs received any assistance from a *qark* and they were not aware that such centers had been, or would be, created, nor did they expect any assistance. Interviews at several *qarks* indicated that these regional assistance centers indeed had not been established, and when it would happen was unclear.

The local experts interviewed by the evaluation team think that these centers could play an important role, since:

- The reliance on the NTPA is a reflection of an excessively centralized approach and the *qarks*' centers will promote the thrust of the new LTP regarding decentralization, integration and sustainability, and promote less reliance on NTPA as a "NPR service center." NTPA has a different role to play, promoting reforms and developing guidance;
- There are many other stakeholders in territorial planning apart from NTPA and municipalities: central-level institutions, public entities, private utility service providers, business community, professionals (architects, engineers), universities and, most importantly, citizens. All of them have a role to play in populating and using the NPR and might need continuous assistance, especially in these first years of reforms; and
- NTPA is based in Tirana; municipalities and communes are further away. It therefore will be easier for them to go to the planned "Regional Assistance Centre," which will be in their city or close to their city/village.

To summarize, insufficient GOA funding for the NTPA and the lack of assistance (financial, technical, and skillsets) to the municipalities threatens the achievements and the sustainability of the results anticipated under this component.

### 3.7.7 Quality of project design

Land management reforms in a complex environment require five elements: property registration and titling; national urban planning enabling law; urban planning and regulations to manage development; building and construction codes; and enforcement.<sup>183</sup> At the start of the reforms, Albania was weak on all five fronts: property registration was inadequate; national urban planning law was overly centralized and incomplete; local governments lacked planning and regulatory capacity; building codes were outdated; and there was limited enforcement capacity.<sup>184</sup> Former reform attempts had not been particularly fruitful. In this environment, tackling only one aspect of the reform—the NPR—in a highly politicized and institutionally complex environment with strong vested interests (mentioned as a key factor behind the delays by some of the interviewees) and to expect it to happen in two years proved unrealistic. Interviews with former project management and other stakeholders confirmed that they share this view.

Initial program activities followed an approach similar to the reforms supported by ATP in business licensing, registration and e-procurement, in that there was an expectation that utilizing IT platforms and

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finance the urban and land use plans that the new law required them to post on the register for public review." The review of the law and the regulation, however, did not indicate specifying exact mechanisms for financing. Rather declarative in nature, they require that the Council of Ministers and the NTPA ensure the setting up and financing of the Regional Assistance Centers and that the NTPA assists them, with the expectation that they, in turn, would assist the municipalities.

<sup>183</sup> David E. Dowall. Providing Technical Assistance on National Territorial Planning Legislation: the Albania Experience." City and Regional Planning Institute of Urban and Regional Development, University of California, Berkeley

<sup>184</sup> Ibid

aligning procedures to legislation would bring transparency to the process and limit face-to-face interactions, where petty bribery often occurs. The NPR required other procedures, systems and data to be in place in order to function effectively<sup>185</sup> and therefore differed from the other reform areas mentioned above. The majority of the interviewed expert practitioners shared the view that, even if secondary legislation addressing uniform and model planning regulations had been adopted in time, the municipalities would have needed substantial and continued assistance to develop their local territorial plans, including GIS-based maps,<sup>186</sup> and so it hardly would have been realistic to see the achievement of the objectives set up by the project in time, unless the government and donors made substantial resources available to support the reforms, which was not apparent. Other opinions voiced in the course of the interviews mentioned that the main complication stemmed from delays with the appointment of the NTPA director and enactment of the law. This was voiced in particular by experts involved in the original project design.

The opinions among interviewees about the pilots were mixed, with the majority supporting the idea of pilots as a means of testing the initial version of the NPR, while the others thought that pilots were not a good use of resources.

The NTPA as a start-up government entity faced immediate capacity limitations. Against that backdrop, a component in the project design on the capacity building of NTPA would have been reasonable to expect; this happened to some extent in the end of the project. MTR suggested a resident advisor, which did not materialize.<sup>187</sup> If this had been incorporated into the program design from the start, it potentially might have aided in a smoother implementation. Arguably, the need for such assistance could have been foreseen.

### **3.7.8 Conclusion**

The project achieved important results in the face of difficult circumstances, namely: developing and establishing the NPR as a web-based repository for planning and building codes, guidelines and decisions; developing secondary legislation for NPR; establishing uniform spatial data standards; creating unified online construction permitting forms; training NTPA staff, orienting them to the NPR model (attendees included more than 100 central government staff and over 30 municipalities trained in posting plans and decisions on the register); and uploading the available territorial planning information from seven municipalities to GML format and then uploading this information to the register for public viewing.

However, the project objectives determined in the SOAG were not met, as significant external factors played a large role. Central challenges included the GOA's extended delays in appointing the NTPA director and, consequently, in the passage of secondary legislation. In addition, there were other factors, including project planning and implementation-related difficulties.

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<sup>185</sup> Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 24

<sup>186</sup> in the WB-funded pilots projects under LAMP, this has taken two years at times, both due to the nature of the work itself and because of the difficult nature of interaction with the State Cadastre

<sup>187</sup> See "Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 25

Reforms in urban planning were needed and project efforts made important contributions to this endeavor. However, at question is whether due consideration was given to the complexity of these challenges and the feasibility of achieving results. The compressed and ambitious three-year timeframe is even more challenging considering that the project was only tasked with establishing NPR and other government agencies working on interconnected aspects of these reforms. Furthermore, the project approach adopted for NPR-related tasks was similar to other project e-platform components (e.g., business registration and licensing), however, the project underestimated the complexity of operationalizing the NPR. It is also questionable whether the NPR, even when fully operational, will have a significant effect on reducing corruption by itself until proper zoning and ownership/authority regimes are established with clear guidelines.

In the short-term, this comprehensive and complex platform is challenging for government stakeholders and private, professional users, but should provide long-term value to and structure for an effective system. Significant subject matter and technological capacities will be needed to continue to educate and orient these users to the new, evolving system. Even more education and sensitization efforts would be required for the citizenry. The reforms require continued oversight and resources from the GOA to be sustainable. While keeping the reforms in focus is on the government's agenda, the evaluation team was not able to confirm this priority by analyzing future funding allocations. Currently, international donor agencies (including USAID) only provide limited funding.

### **3.8 SUPPORTING CIVIL SOCIETY MONITORING OF GOVERNMENT ANTI-CORRUPTION EFFORTS**

#### **3.8.1 Background and main activities**

The Albanian civil society evolved significantly after the fall of the communist regime. However, Albanian CSOs are still rather marginalized and vulnerable to political changes. At the time of ATP2's conceptualization (2007–2008), Albania was emerging from a 2006 slowdown. Several prominent civil society activists joined the GOA; already in 2007, CSOs effectively monitored local elections and were actively involved in discussions on important new laws.<sup>188</sup> At the same time, the civil society agenda in Albania continued to be donor-driven; limited financial resources hampered the development of human capacities within the sector; the line distinguishing NGOs and consultancy firms was in some cases blurred; and CSOs lacked sustainable resources, organizational capacity, and advocacy skills.<sup>189</sup> Against this backdrop, and with the view that “CSOs can play an important monitoring and advocacy role in anti-corruption projects such as [ATPs], [ATP2] adopted a multi-pronged approach to working with CSOs that focused on building their capacity through training and technical assistance and engaging them to monitor project-supported reforms.”<sup>190</sup> The objectives of this component, as stated in the SOAG:

- Strengthen improvement in the capabilities and visibility of the recipient nongovernmental actors

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<sup>188</sup> “Nations in Transit: 2008, Albania,” Freedom House, p. 61

<sup>189</sup> Ibid, p. 67

<sup>190</sup> MCC/USAID (2011): “Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report,” Washington, D.C., p. 53

- Beneficiary groups or associations should become progressively more engaged in the reform efforts and see movement toward economic self-sustainability through membership dues and other sources.

Overall, the project worked with around 30 CSOs. The multipronged approach included the components listed in Table 20.<sup>191</sup>

The indicators, as well as achievements against them as reported in the PMP, are described in Table 20 and Table 21, respectively.

**Table 20: Activities and planned outcomes, CSO monitoring activities of government anti-corruption efforts**

ACTIVITIES	PLANNED OUTCOMES
<ul style="list-style-type: none"> <li>• <b>Training</b> in: (1) understanding and maximizing the advocacy campaign cycle, (2) using IT tools to advocate effectively and (3) monitoring and incorporating advocacy campaigns and outcomes. (Number and type of target = CSOs: 16, various types)</li> <li>• <b>On-the-job training</b> in advocacy (Number and type of target = CSOs: 5, leading business associations)</li> <li>• <b>Monitoring of program results</b> (sub agreements). Sponsor six distinct initiatives to monitor the performance of systems and institutions created with the support of both ATPs and provide close supervision and mentoring where needed of these CSOs.</li> <li>• <b>Tax Consultative Council:</b> support for establishment, training and capacity building (Number and type of target = CSOs: 4, business associations)</li> <li>• <b>Engagement of CSOs in promoting the ATP2 reform agenda (learning –by-doing).</b> Outreach to their members and other businesses explaining the reforms and generating feedback.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing advocacy capacity</li> <li>• Enhancing the sustainability of government anti-corruption programs</li> <li>• Lobbying the Parliament for the passage of the draft law on administrative courts</li> <li>• A consultative platform, led by the Ministry of Finance, to advocate for the improvement of tax procedures</li> <li>• All the major reforms supported by ATP2 contained a public outreach/stakeholder consultation components, and the CSOs were invited to participate and mediate</li> </ul>

Source: ATP2 Final Report

<sup>191</sup> Other communications and outreach activities have included a quarterly program newsletter, Monitor, and launch of a website ([www.mcata.org.al](http://www.mcata.org.al)).

**Table 21: Indicators, baseline, target, and reported results, CSO monitoring activities of government anti-corruption efforts**

INDICATORS	BASELINE	TARGET	REPORTED RESULT
Number of monitoring initiatives conducted or policy papers produced by CSOs <sup>1)</sup>	0	8	6
Number of CSOs' members involved in monitoring or advocacy activities <sup>1)</sup>	0	120	789
Advocacy Index score of CSOs that are supported by project	3.6	2.9	3.8

Source: <sup>1)</sup> Project records; Reported results taken from ATP2 Final Report

The evaluation team<sup>192</sup> conducted 15 interviews with a selected set of CSOs with which the project worked under this component. The selection of the CSOs followed the following principle: all CSOs that received monitoring subagreements were selected, ensuring a proportionate representation of the CSOs which had participated in the different subcomponents of this component.

### 3.8.2 Quality of project implementation

Among the positive aspects of the implementation of the CSO component, many interviewees gave the project credit for responding to pressure from the GOA to allow it to select CSOs for the watchdog component. After a series of negotiations, ATP managed to convince the GOA to withdraw this request, recognizing that its involvement would create a perception of partisanship. ATP2 also successfully designed the CSO component around existing initiatives, in particular the Coalition in Support of Administrative Courts, which, albeit in a less organized and streamlined way, existed before the project. Finally, ATP2 adopted a learning-by-doing approach and directly supported the mobilization of civil society to advocate for reforms contemplated under ATP2.<sup>193</sup> A few interviewees were of the opinion that the program design could have taken advantage of this channel even more. Finally, it also was positively noted that ATP2 engaged with a very large number of CSOs.

Some interviewees raised concerns about the selection process for the five monitoring subagreements, which were based on a call for proposals addressed to several shortlisted CSOs. The evaluation team did not have evidence to explain why the project had chosen this method. The concerns evolved mainly around the transparency of the selection process, but also, the fact that costs were considered as a more (or equally) important criteria, along with the CSO's profile. To note, the evaluation team's interview with one of the former project implementers indicated that the latter point was also shared within the project team, but the way it was done was a result of the procurement guidelines.

<sup>192</sup> Albanian Institute for Mediation (IDM, www.admalbania.org) was contracted to administer the KIIs

<sup>193</sup> For example, ATP2 supported four roundtables to elicit feedback on the operation of the NBLC, drawn from businesses and lawyers that serve the Tirana/Durres area, where most large businesses are headquartered. More than 100 businessmen and women engaged in discussions with the NBLC Director and staff, as well as with USAID experts. USAID also supported public information efforts through CSOs to encourage taxpayers and the public to use the new "tele-green hotline" for denouncing tax evasion and corruption. See "Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 21

Furthermore, a number of interviewees opined that there should have been more information sharing and more contact between the involved CSOs which, in their view, was fragmented. One CSO representative commented that the information that was shared focused on completed activities rather than opportunities for the CSOs to get involved.

### **3.8.3 Outputs**

#### **3.8.3.1 Classroom Training**

The training topics included: (1) understanding and maximizing the advocacy campaign cycle, (2) using IT tools to advocate effectively, and (3) monitoring and incorporating advocacy campaigns and outcomes. The majority of the CSOs (eight out of 12) were satisfied or somewhat satisfied with the training they received and thought that their expectations had been met. Most positive feedback came from the CSOs that specialized in areas other than civic matters (agricultural association, legal advice), i.e., organizations looking for a comprehensive introduction to advocacy, from key theoretical concepts to their respective application in practice (problem identification, setting goals, design of concrete strategies to be followed, etc.). CSOs with an established record of accomplishment in advocacy, on the other hand, found the trainings too basic and theoretical. Similarly, the component on IT training was found to be too basic for CSOs with more experience in using IT tools to advocate for their interests. Some interviewees suggested that the training could have been more effective if it had been tailored specifically to the needs of the different groups.

Even some of the more critical voices, however, reported certain benefits and changes in their practices as a result of the training, e.g. changes in their communication strategies (for example, careful selection of audiences), more sensitivity in their advocacy work, intensified cooperation with public institutions, etc. In terms of applying the acquired knowledge, the majority of interviewees reported using certain parts of the newly acquired knowledge in their everyday work, but mentioned they lack the (financial) resources to use the full range of steps and instruments and to apply the full range of advocacy elements taught in the training.

When probed about examples where acquired skills were applied, most interviewees mentioned activities related to donor-funded programs, which raises concerns about the sustainability of CSOs and whether this aspect should have been emphasized more in the training. It seems that combining capacity building for advocacy, while at the same time assisting CSOs to become financially sustainable, has proved to be challenging, a conclusion already mentioned in the MTR.<sup>194</sup>

#### **3.8.3.2 On-the-job training**

This intensive, on-the-job training focused on the gaps identified for each CSO. Only three of the interviewed CSOs received the one-to-one training component, which was targeted exclusively to business associations. The feedback from the three associations was quite positive and they all cited the opportunity to improve their internal organization by assessing their own capacities, practices and gaps to

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<sup>194</sup> See "Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 27

implement effective advocacy as important takeaways from the training. While all three representatives of the associations cited examples of using the knowledge learned to lobby for certain changes in laws (e.g., the Law on Cooperatives and the Law on Excise), one of the respondents mentioned that advocacy was not high on their current agenda.

Exclusively targeting business associations under this component raises some questions. While there is no doubt that the CSOs that most effectively engage in advocacy are membership organizations—such as business associations—the type of advocacy in which they often engage is narrowly related to lobbying for certain changes in the laws, which might not always be justified from a public policy perspective,<sup>195</sup> and does not constitute anti-corruption activities, per se.

### 3.8.3.3 ***Coalition in Support of Administrative Court***

The support to the coalition included: training, capacity building, and technical support. The Coalition in Support of Administrative Court brought together 28 business associations to lobby Parliament to pass the draft Administrative Court Law. Most of the interviews conducted by the evaluation team indicated that this was a highly visible advocacy initiative. Eight of the 15 interviewed CSOs were part of the coalition. All of them thought that this had been an effective strategy, gathering a large number of diverse actors through which the members learned how to work together for a common goal.

The interviewees highly praised ATP's approach in linking efforts between business associations and other civil society actors. A few of the CSO representatives commented that they found partners among the members of the Coalition to work with for other initiatives and projects. A number of respondents commented that this was the first time business associations joined forces, sharing resources, coordinating steps, lobbying and promoting their interests in full coherence, an experience from which they learned how to work as a team. One CSO representative mentioned that this experience had shown the participating CSOs that they could also tackle other initiatives, which led to a campaign for fiscal amnesty in 2010 (outside of ATP support).

It is important to note that these are the opinions voiced by CSO representatives who were part of the coalition. As noted in the Section on Administrative Courts, the representatives of the legal profession who were interviewed questioned the effectiveness of the strategy and especially the fact that USAID was involved in supporting it in a highly politically charged atmosphere, which has led some to conclude that this support was manipulated by political parties. One of the 15 CSOs interviewed shared this view.

### 3.8.3.4 ***Tax Consultative Council (TCC)***

A series of amendments to the “Law on Tax Procedures” in May 2010 stipulated the establishment of the Taxpayers’ Advocate and the TCC. The project supported the formation of the TCC as a consultative body to the MOF with the purpose of serving as a technical advisory and communication forum between the MOF, GDT and the taxpayers—namely, the business community. The main mandate of the TCC is to deal with tax administration issues, such as examining procedures for the declaration of tax payments

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<sup>195</sup> For an overview of the literature highlighting the positive and negative roles that business associations play in development, see for example Doner R.F and Schneider B.R: “ Business Associations and Economic Development: Why Some Associations Contribute More Than Others,” Business and Politics, Vol. 2, No. 3, 2000

with the aim of improving tax procedures; examining difficulties taxpayers encounter with exercising the rights granted by the legislation and proposing measures to guarantee these rights; proposing changes in procedures to enable voluntary completion of tax obligations with the lowest administrative cost for the tax administration and with a low cost to the taxpayers.<sup>196</sup>

The project assisted with the establishment of TCC and the elaboration of its founding document and procedures. Only four out of 15 interviewed CSOs were part of the TCC; of those four, one was unaware of ATP involvement in establishing the TCC. Two of the four CSOs involved mentioned that TCC, although as a well-intentioned strategy, only met a handful of times during the project and only twice thereafter. In further interviews with TCC members, representatives of the private sector indicated that they shared the view that TCC had not emerged as an effective conduit of private sector and CSO views into policymaking.

### 3.8.3.5 **Monitoring Activities**

ATP2 engaged several CSOs to monitor project results in specific areas. These were intended to be grants, but the approach was changed to issue sub-award agreements. At the same time, these had some of the features of grants, e.g., several CSOs were invited to send in EOIs. Many project documents refer to these as grants and the use of the word “grant” in the discussion below is a matter of convenience.

The objective of this component was to contribute to the capacity building of CSOs, other watchdogs and associations in monitoring of the government’s anti-corruption efforts. All five CSOs that received monitoring grants from ATP were included in the list of the 15 interviewed by the evaluation team. The selection criteria for the grant recipients included both past experience and cost proposals. However, past experience in respective areas did not prove sufficient to ensure that these CSO would engage in monitoring government anti-corruption efforts after the monitoring projects under the ATP2 grants ended. The interviews showed that the CSOs continued their engagement in the *broad* field of the grants received, but in their narrow capacity/scope of operations. In particular, AmCham assists its members with training on e-procurement issues; CDDI is engaged in reforming legal framework for the administrative courts and procurement advocate; IDRA carries out research related to corruption perception in various fields, including taxation; IELC uses the knowledge gained in its work in research and trainings on economic and legal issues; and Partners Albania grew its experience in the area of advocacy and anti-corruption in business registration and licensing. Thus only IDRA and PA continued the *monitoring* role—the former, in its research capacity and the latter in an advocacy role. This demonstrates that the ATP2 objective of more CSOs with improved capacity to implement similar monitoring projects was not fulfilled in its entirety.

Two of the participants mentioned that they would have liked a follow-up debate to discuss monitoring activities involving the respective government institutions to see whether the recommendations were taken/were planned to be taken into account. No such activity seems to have taken place, despite the fact that the CSOs had received an overall positive appreciation of their reports from the GOA.

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<sup>196</sup>Reformation of Tax Procedures along the European Integration Process,” Dr. Genta Bungp, Tafa, Faculty of aw, University of “Justiniani I,” Tirana, Albania [www.academicus.edu.al/nr6/Academicus-MMXII-6-084-100.pdf](http://www.academicus.edu.al/nr6/Academicus-MMXII-6-084-100.pdf)

One of the CSO representatives and the former project management staff of ATP2 were of the opinion that the quality of some of the reports was poor, despite coaching by ATP2 staff. The representative of one of the CSOs commented that the involved CSOs could have profited more from technical assistance and coaching for the monitoring component, rather than the basic advocacy training they received.

### 3.8.4 Outcomes

SOAG objectives highlighted the focus placed on the financial viability of the partner CSOs, along with their visibility and organizational capacity. Interestingly, the CSO Sustainability Index for Albania, compiled by USAID, indicates that the CSO Sustainability (MEAN) Index increased to 3.9 from 3.7 in 2008. The financial viability index also increased, from 3.4 to 4.6, whereas the organization capacity index declined from 4.5 to 3.9, the advocacy index declined from 3.7 to 3.6, and the public image declined from 3.9 to 3.8.<sup>197</sup> It is important to keep in mind that these indicators cover all of Albania and therefore cannot be interpreted as a reflection of the performance of the subset of CSOs involved with ATP2. Nonetheless, looking at the CSO Sustainability Index provides some interesting insights:

- There was hardly any significant change in the advocacy level and public image of the CSO sector overall. This was at least in part due to the lingering political stalemate and the highly confrontational political environment<sup>198</sup>; and
- Financial sustainability of the CSOs increased; however, while there had been some improvements in terms of financial management of CSOs due to more stringent regulations, and the level of state funding (grants to CSOs) increased, (1) this does not distinguish between income generated by the CSOs from donor funding, which continues to be the most important source of financial resources for most Albanian CSOs;<sup>199</sup> and (2) there is no clear distinction between “consultancy” and “advocacy” in many CSOs and these figures therefore should be interpreted with caution.

Opinions differed regarding the level and effectiveness of the advocacy efforts. One group of interviewees did not see an increased role of CSOs, while other interviewees voiced optimism that some modest but positive developments had and were taking place and that the state no longer views CSOs as enemies. The latter group was not unanimous about the contribution of ATP2 to the observed positive change: only a part of the respondents attributed these changes, to some extent, to the project.

None of the interviewed CSOs reported a radical change in its vision and mission as a result of collaborating with ATP2: eight out of 15 interviewed CSOs reported certain changes in the modalities of their work, e.g., by adding new elements to their advocacy work, communications strategy, and increased collaboration between different CSOs—seen by the majority of the CSOs as one of the main legacies of ATP2, as discussed earlier.

The project conducted a baseline and end line assessment<sup>200</sup> of the advocacy capacity of 30 CSOs, based on USAID’s Advocacy Index.<sup>201</sup> The baseline Advocacy Index resulted in an average score for the group

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<sup>197</sup> [http://transition.usaid.gov/locations/europe\\_eurasia/dem\\_gov/ngoindex/](http://transition.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/)

<sup>198</sup> USAID (2011): “The 2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia. 15th Anniversary Edition,” p.18

<sup>199</sup> Ibid

<sup>200</sup> The baseline assessment was carried out by the Institute for Sustainable Communities (ISC).

<sup>201</sup> USAID (1998): “Handbook of Democracy and Governance Program Indicators”

of 3.6 out of a possible total of 5.0. According to the ATP2 Final Report, after 18 months, the CSOs' overall Advocacy Index score had increased from 3.6 to 3.8, "...a modest yet laudable increase during a short timeframe."<sup>202</sup> While the baseline assessment was a good strategy to conduct a needs assessment at the start of the project to identify the training topics, the use of the same Index-based methodology to estimate the impact of the project raises questions: the questionnaire used does not attempt to attribute any of the changes observed to ATP2.

The interviewed CSOs were unable to assess whether ATP2's work with CSOs had contributed to reducing corruption. The improved capacity to conduct effective advocacy had the potential to affect corruption in the country; however, it remains to be seen whether or not this will materialize and depends on many factors, such as the financial sustainability of the CSOs.

### **3.8.5 Sustainability**

The majority of the interviewed CSOs responded that that they would have liked to build on the training received through ATP2, but their financial status did not allow them to do that. A few of them also added that, even if they had the financial resources to pay for the additional knowledge in advocacy, they would not know where to obtain it: this highlights a missed opportunity, as the project did not include a TOT component and did not leave a legacy institution behind to continue trainings at the same advanced levels.

As discussed earlier, the high levels CSO financial dependence on donor funding is perhaps the most significant threat to the sustainability for the CSO component of the project.

On 9 March 2009, the Albanian Parliament adopted the "Law on the Organization and Functioning of the Agency for Supporting Civil Society (Law No. 10093)." It followed the example of countries such as Hungary, Croatia and Estonia, which have created similar structures (funds). The Agency, a public law entity managed by a supervisory board, would distribute grants to NGOs. The MTR recommended that ATP2 engage its sub-grantees in working with this fund to improve their financial sustainability.<sup>203</sup> To the knowledge of the evaluation team, this has not happened.

Thus, there does not seem to have been a well-considered strategy for comprehensive capacity building of the CSOs as anti-corruption advocates and monitors of the government's anti-corruption strategies. Moreover, the momentum gained by the Coalition in Support of Administrative Courts was allowed to dwindle, without capitalizing on the existing network for other pressing issues. Several interviewed CSOs held this view, noting also that the project should have engaged with the Business Consultative Council.

To summarize, this component of ATP2 lacked a well-developed sustainability and exit strategy.

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<sup>202</sup> MCC/USAID (2011): "Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report," Washington, D.C., p. 54

<sup>203</sup> See "Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review," prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010, p. 27

### **3.8.6 Quality of project design**

One of the interviewed CSOs raised doubts about the fact that the monitoring grants stemmed from the same source of financing as project implementation, i.e. the MCC ATP budget. As the key drawback in project design, several CSOs mentioned the lack of prolonged and in-depth work to upgrade CSO capacities.

Some of the external factors affecting this component of the project include the overall nascent stage of the development of civil society in Albania and their weak financial standing as a starting point. As for internal factors, apart from issues with the project design, the other main factor is perhaps the fact that there was no resident international advisor to the project to lead the CSO component on the ground and provide continuity in the coaching and training of the CSOs. Finally, as discussed earlier, the lack of a TOT scheme and suboptimal attention to supporting financial sustainability of the CSOs were also drawbacks of project design.

### **3.8.7 Conclusion**

Overall, CSOs' abilities to advocate for new laws increased through learning-by-doing campaigns, specialized skills training and their participation in the Coalition for the Administrative Courts. However, it is less clear how much ATP contributed to this increased capacity. The single most important constraint voiced by CSOs was the lack of systemic and continued support and capacity building for CSOs. In particular, the lack of capacity building on financial sustainability was raised as a major concern. Furthermore, only five CSOs, which was limited to business associations, received on-the-job training—small fraction of CSOs. Moreover, business associations are at times preoccupied with lobbying for certain legislative changes, rather than advocating for the fight against corruption.

The monitoring grants were perceived to be successful overall, but these were a one-time activity and the project did not continue to work with these organizations on a sustained basis. Furthermore, the lack of follow-up activities to the monitoring reports was criticized by most interviewees

The Coalition in Support of Administrative Court was hailed by all the members as a very effective strategy, despite not achieving the goal of getting the Law on Administrative Courts passed during the lifetime of the project. Members learned useful skills and teamwork approaches for a common goal. The only caveat was that supporting the coalition was a risky strategy, given the highly politicized climate, and there was a risk that the project could have been manipulated by political parties.

As for the TCC, the majority of the interviewed CSOs were of the opinion that its activity declined drastically after the end of the project.

## 4 CONCLUSIONS AND LESSONS LEARNED

The two MCC Albania Threshold Programs carried out between 2006 and 2011 were ambitious and far-reaching initiatives to substantially improve the governance environment in Albania. The programs comprised a large number of activities with the overarching goal of enhancing the efficiency of the Albanian government; creating a business-friendly environment that will attract domestic and international investment; and reducing corruption to facilitate economic growth. While the envisioned outcomes may have been overambitious at times, this evaluation found that both ATP1 and 2 did indeed lead to a somewhat improved regulatory and business environment in Albania and may have contributed to reduced corruption. However, the data available for this evaluation does not allow for a conclusive statement about the extent to which the ATPs contributed to this reduction. The extensive amount of evidence collected and reviewed by the evaluation team has also shown that there were vast differences in the quality of design and implementation between the different project components and whether or not they have led to the intended outputs and outcomes.

ATP1 and 2 delivered nearly all of the outputs envisioned at project inception, with two notable exceptions:

- **Establishment of administrative courts.** The administrative courts law passed over a year after project completion, which brought this component to a halt. While the reason for the delay—the political standoff in the Albanian Parliament—was outside of the projects’ realm, it was inherently risky for the project to take on such a substantial project during a highly politicized election season with a GOA counterpart agency.
- **Operationalization of the NPR.** The NPR was in its pilot phase at the time of project completion. Delays were caused by external factors, such as the vacancy of the head of the counterpart government agency for almost a year, but also by a risky project design in terms of interlocking deadlines with other components of the reform in territorial planning, which were supported by other donor-funded projects.

In a few other cases, the planned activities were modified based on the GOA’s request over the course of the program. The establishment of the Tax Courts is a notable example, where the GOA decided to combine this activity with the Administrative Courts activity. Other reforms, such as the business licensing reform, where several areas remained outside the purview of the NLC, were likewise modified.

The MCC ATPs have coincided with a period of progress in the business and regulatory environment in Albania, which is evident in a number of improvements in indicators measuring the ease of doing business, government effectiveness, and regulatory quality. In particular, the target for the “rule of law” indicator was achieved and surpassed during the ATPs, improving from -0.73 in 2006 to -0.49 in 2011. The same cannot be said about corruption, however, where ATP2 stated the goal of an improvement from -0.55 at baseline (2008) to -0.43 at completion (2011) on the control of corruption indicator. In reality, Albania experienced a decline of the score to -0.61.

Data collected and analyzed by the evaluation team that allows for a nuanced look at the sectors and timing of these improvements hints at the fact that the ATPs indeed contributed to an overall improved business climate. Many firm representatives voiced the opinion that the reforms have streamlined processes and decreased the opportunity for corruption, albeit not in all intervention areas. In business

licensing, for example, corruption still persists at the stage of line ministry inspections and very little improvement was recorded in higher-end corruption in public procurement and tax inspections.

The most significant improvements to Albania's business-enabling environment brought about by the ATPs were reductions in time, and in some cases cost, to businesses. Reductions in time were mainly observed in processes related to compliance with business registration and obtaining an operating license, where the introduction of NRC and NLC have significantly improved services for businesses. Time reductions also became evident in the payment of taxes and the bidding process for government contracts, which can now be carried out electronically using e-filing and e-procurement. As a result of these streamlined processes, Albania has experienced a significant reduction in the size of the informal economy, which is related to the fact that smaller businesses were disproportionately affected by improvements in business registration and tax administration.

The project also helped draft a number of important laws in many reform areas, which have contributed to making the reforms and achievements virtually irreversible, leaving behind a lasting legacy of the ATPs. The laws on NRC and the new Tax Procedures Law both constitute important improvements that strengthened the administrative legal framework in Albania. The project also helped to establish three new public institutions: the NRC, the NLC and the PPAO. The NRC and NLC are effective institutions, whereas the mandate of the PPAO remains somewhat vague and a number of officials, experts and international agencies have questioned the merits of its continued existence. Moreover, the ATP activities also helped to establish two structures to promote the rights of businesses, the Procurement Advocate (PPAO) and the Taxpayer Advocate (TA). Finally, the project's IT solutions generally are considered to be a major contribution of the project, with high rankings for the quality, security, reliability, and user-friendliness of these e-platforms. However, for some of the project's contributions, and in particular the PPA, the NLC and a few IT platforms, continued funding after completion of the project remains a concern and the evaluation has identified a number of areas where the financial sustainability of project outputs is not guaranteed (e.g. JIU, NPR).

The evaluation has identified several of areas of concern related to the sustainability of the progress made during ATP1 and 2. Perhaps most importantly, after an initial growth in tax revenues as a result of the introduction of e-filing in 2009, the share of tax revenues in GDP has declined and tax evasion remains a major issue. A similar pattern could be observed in business registration. The improved environment for business registration led to a temporary surge in new business registrations—with an annual growth rate of close to 20 percent—after the NRC was established in 2007. Moreover, the surge consisted almost entirely of small firms with one to four employees, which means that while the NRC has been very effective in reducing informality, at least in the short run, it did not succeed in fostering the growth of larger (and potentially more productive) businesses.

Overall, the project design was adequate for both phases to the extent that each component encompassed a multifaceted set of activities to address the major bottlenecks within the regulatory field, IT solutions, training, and capacity building. The inadequate duration of the project meant that the activities sought shortcuts at times, often piggybacking on exiting initiatives, and in particular existing draft laws, with limited ability to assure their quality. There was a clear understanding between the project and the GOA regarding the GOA's plans of follow-up activities, with the notable exception of e-procurement, where the project vastly underestimated the scope and pace at which the GOA would expand the system upon completion of the project. Phasing of the reforms was often advantageous and complementary, as

demonstrated by the mutual reinforcement of tax administration reform and business registration activities. Addressing licensing reforms subsequent to the business registration reforms was a good strategy and made the process easier technologically, administratively, and financially.

Reforms were implemented based on consultative processes and by making the best use of local talent and international experience. Most of the accomplishments were achieved over a remarkably short period, given that the overall project duration was inadequate for reforms of such magnitude. On several occasions, the program displayed remarkable perseverance in overcoming major challenges to program implementation. The project also displayed flexibility in altering the initial activity designs when needed—for example when responding with hardware support to emerging needs from the GDT decision to sharply increase the scope of mandatory e-filing. The project has also found alternative ways to pursue goals when warranted, for example, when meeting resistance from the line ministries in handing over their licensing functions to NLC.

#### **4.1 LESSONS LEARNED**

Strong commitment from key government agencies and counterparts is essential for the success of the programs. The ATPs demonstrated both positive and negative examples. For one, strong commitment of the GOA was essential when the project met resistance from a particular segment of the lower tiers of the government, prompting the need for action. For another, in the case of reforms in territorial planning, commitment to reforms was somewhat lacking and the project subsequently faced difficulties in implementing its reforms. The project also demonstrated that supporting reforms for which the country faced additional push factors (such as EU accession) increased the chances of government commitment.

The magnitude of the reforms required a longer period than the less than three years available under each ATP. ATP2 enabled deepening of the reforms that were started under the first program in tax administration. However, reforms which had to be completed under a single ATP required a longer timeframe. The program tried to address this issue by either piggybacking on existing initiatives—such as existing draft laws—developing regulations and e-platforms around them and/or conducting several activities in parallel (i.e., developing e-platforms while the regulatory framework was being finalized), with the consequence that these had to be refined later, at additional costs. In the case of NPR, the project even trained staff on an earlier version of the software that differed from the final software implementation.

It is very important to develop detailed sustainability plans before starting programs and activities. This was somewhat lacking, especially in the first phase when ownership issues of IT solutions and e-platforms were not clearly addressed, and for institutionalized training activities. A similar argument could be made about the need to conduct a more detailed needs assessment before the start of the program. A better assessment of risks is needed before decisions are taken regarding which components to include.

Supporting the establishment of the administrative courts was a risky strategy. Even though it was difficult to predict the extent of the political standoff in Parliament following the elections, the project should have foreseen the need to build-in safeguards for components where Parliament was the counterpart. There was a related risk in the development of NPR, where multiple agencies were involved,

and interlocked deadlines and coordination became a challenge—especially if the government does not deliver on its commitment in time.

Exceptional care needs to be given to activities supporting the establishment of new institutions to ensure that their mandates, powers, operational principles, and funding sources are adequate. It remains questionable to what extent this has happened in the case of the PPAO (powers), the NRC (funding), and the TA (institutional set up).

E-governance solutions are as effective in combating corruption as the underlying legal frameworks. Therefore it is important to ensure that e-governance systems are built around sound legal frameworks so that the desired outcomes in terms of reduction in corruption are more likely. This did not happen in the case of public procurement in Albania.

It is essential to pilot e-solutions and allow sufficient time before scaling them up. Activities mostly progressed in this manner, with the exception of the e-procurement system.

It is important to boost the advocacy and monitoring capacity of CSOs so they function as an active watchdog. The complexity of the task needs to be well understood and addressed with innovative approaches. Simply delivering training courses and providing research grants to conduct monitoring will not suffice.

Public outreach is extremely important and necessary resources need to be made available for these activities. Outreach activities should not only inform and stimulate demand, but also change behavior, especially behavior around corruption practices. This was underestimated, in particular, in the case of regional JIUs.

On-the-job trainings and trainings tailored to various audiences have proved to be more effective. While the project often used a mix of training models, most often based on a prior needs assessment, the trainings were not often tailored to the audiences (e.g. under the CSO component).



## ANNEX 1: ATP1 AND ATP2 DETAILS

Table 22: ATP1 and ATP2 Program planned activities and expected outcomes

ATP COMPONENTS	PROGRAM ACTIVITIES (PLANNED OUTPUTS)	PROGRAM OBJECTIVES (EXPECTED OUTCOMES)
ATP1		
<p><b>Component One:</b> Reduction/Elimination of Corruption in Tax Policy and Administration</p>	<ul style="list-style-type: none"> <li>• Improvements in the VAT, CIT, Tax Procedures and PIT;</li> <li>• IT support and training;</li> <li>• Promotion of taxpayer rights and responsibilities;</li> <li>• Improvements to the audit, appeal and tax court processes;</li> <li>• Introduction of a program monitoring mechanism; and</li> <li>• Amendments to tax legislation and regulations.</li> </ul>	<p>The tax reform program attempted to reduce opportunities for corruption and increase efficiency in tax assessment and collection. Specifically, it aimed to:</p> <ul style="list-style-type: none"> <li>• limit tax officials' personal interaction with taxpayers and their discretion in tax assessment and collection;</li> <li>• broaden the tax base by including a larger percentage of the economy;</li> <li>• improve tax collection by upgrading information technology applications;</li> <li>• upgrade technical expertise and improve procedures by providing training and manuals to tax collectors, internal auditors and the judiciary;</li> <li>• create a better and more efficient legal tax environment.</li> </ul>
<p><b>Component Two:</b> Attaining Transparency and Elimination of Corruption in Government Procurements</p>	<ul style="list-style-type: none"> <li>• Establishment of the Procurement Advocate (will be established by and report to Parliament);</li> <li>• Organizational improvements to the procurement entities as well as restructuring and redefining roles within the PPA;</li> <li>• IT solutions to increase efficiency and achieve cost-savings;</li> <li>• Knowledge and skills-building training program;</li> <li>• Elaboration and use of a Contract Administration Manual;</li> <li>• Development of a system to measure the Public Procurement Law (PPL) compliance and reform impact; and</li> <li>• Public awareness program of procurement reform efforts.</li> </ul>	<ul style="list-style-type: none"> <li>• The public procurement reform program was designed to:</li> <li>• improve transparency and greatly facilitate public scrutiny of procurement procedures;</li> <li>• enhance institutional mechanisms to detect, deter, and punish corrupt practices;</li> <li>• bring the existing public procurement system into fuller compliance with the 1995 public procurement law;</li> <li>• strengthen technical capacities at the PPA to enable it to function as an oversight body over other government procurement entities; and</li> <li>• provide continuous, professional and sustainable training for procurement officers at all procuring entities to elevate skill-levels and strengthen commitment to the enhanced procurement process.</li> </ul>
<p><b>Component Three:</b> Combating Corruption in Business Entry and Registration in Albania - Establishment of the NRC</p>	<ul style="list-style-type: none"> <li>• Creation of a unified registration form and simplified registration procedures.</li> <li>• Establishment of a single office (the NRC) where businesses can file electronically all documents needed to set up a new enterprise or renew an existing business.</li> <li>• Financing of IT and communications infrastructure to establish the NBC.</li> <li>• Revision of administrative rules to allow for statutory response times, for posting fee schedules and for silent-</li> </ul>	<ul style="list-style-type: none"> <li>• The primary focus for this component was establishment of the NRC that would function as a one-stop shop for business registration. The program aimed to:</li> <li>• significantly reduce the size of the informal economy (from</li> <li>• combat corruption in business registration and the judicial system; and</li> <li>• improve Albania's fiscal posture through more collection of taxes and social security contributions.</li> <li>•</li> </ul>

**Table 22: ATP1 and ATP2 Program planned activities and expected outcomes**

ATP COMPONENTS	PROGRAM ACTIVITIES (PLANNED OUTPUTS)	PROGRAM OBJECTIVES (EXPECTED OUTCOMES)
	consent rules, in which approval is automatically granted if a relevant agency does not respond within a given.	
ATP2		
<p><b>Component 1:</b> Create an Administrative Court System</p>	<ul style="list-style-type: none"> <li>• Establish a new Administrative Court System</li> <li>• Train newly-recruited administrative judges, prosecutors, and lawyers on an administrative courts draft law</li> <li>• Develop guides or manuals for public administrators who will use the administrative court system</li> <li>• Provide technical support and equipment to the new administrative court in Tirana</li> <li>• Adapt the national case management system for the new administrative court to track case progress from registration to resolution</li> <li>• Introduce transparency measures in the administrative court (e.g., online docket, publication of all decisions online, audio and video records of trial proceedings, electronic court archives)</li> <li>• Conduct public outreach and public education on the administrative court system</li> <li>• (This component was effectively suspended in 2010 due to the GOA's lack of progress.)</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Increase case management efficiency from case registration to resolution</li> <li>• Increased number of administrative court cases are adjudicated in a year during the first 2 years</li> <li>• Improved perception of judicial system</li> <li>•</li> </ul>
<p><b>Component 2:</b> Improve Tax administration</p>	<ul style="list-style-type: none"> <li>• Reorganize the tax administration along functional and geographic lines and provide training to tax inspectors</li> <li>• Expand tax e-filing systems to all taxpayers and install an electronic risk-analysis-based system of audit targeting</li> <li>• Establish new criminal investigative units to focus on fraud and tax evasion</li> <li>• Establish a taxpayer advocate office to protect taxpayers' rights</li> <li>• Establish education and information service center</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Increased revenue collected through taxation as a proportion of gross domestic product</li> <li>• Improved ranking in terms of "paying taxes" according to WB <i>Doing Business Report</i></li> <li>• Successful prosecution of cases by Anti-Corruption Units</li> <li>•</li> </ul>
<p><b>Component 3:</b> Combat Corruption in Business Licensing</p>	<ul style="list-style-type: none"> <li>• Create a National Business Licensing Center (one stop shop) to streamline licensing processes, permit electronic submissions, and permit businesses and track their license</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in average license approval time and average number of license approval steps</li> </ul>

**Table 22: ATP1 and ATP2 Program planned activities and expected outcomes**

ATP COMPONENTS	PROGRAM ACTIVITIES (PLANNED OUTPUTS)	PROGRAM OBJECTIVES (EXPECTED OUTCOMES)
	<ul style="list-style-type: none"> <li>• applications online</li> <li>• Conduct public outreach to explain licensing reforms to the public and promote the new National Business Licensing Center</li> <li>• Provide grants to NGOs to monitor licensing reforms</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the number of licenses granted</li> <li>• Increase in Albania’s ranking on licensing in the Doing Business Report</li> <li>•</li> </ul>
<p><b>Component 4:</b> Improve the National Planning Registry</p>	<ul style="list-style-type: none"> <li>• Establish a National Planning Registry, a web-based repository for planning and building codes, guidelines, and announcements</li> <li>• Design registry software, create a geographic information system database, and draft secondary legislation on the National Planning Registry</li> <li>• Develop a training plan for National Planning Registry staff</li> <li>• Train 400 national and local planning experts on the new building registry system.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in permit approval time for construction</li> <li>• Reduction in the number of permit approval procedures for construction</li> <li>•</li> <li>•</li> </ul>
<p><b>Component 5:</b> Strengthen Investigating Capacity</p>	<ul style="list-style-type: none"> <li>• Establish special units within the OPG in six administrative districts to investigate and prosecute corruption related and economic crimes</li> <li>• Provide training and equipment to help establish offices for these units</li> <li>• Work with nongovernmental organizations and educational institutions to increase public awareness of anti-corruption enforcement efforts</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of prosecution cases for corruption and financial crime cases</li> <li>• Increased number of convictions based on prosecution cases</li> <li>•</li> </ul>
<p><b>Component 6:</b> Civil Society Monitoring of Government Anti-Corruption Efforts</p>	<ul style="list-style-type: none"> <li>• Work with nongovernmental organizations, civil society organizations, and other watchdogs and associations to monitor the government’s anti-corruption efforts and serve as an advocate for improved efforts where necessary</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• improvement in the capabilities and visibility of the recipient nongovernmental actors</li> <li>• Beneficiary groups or associations progressively more engaged in the reform efforts with improved self-sustainability through membership dues and other sources.</li> </ul>

**Table 23: Survey data collected during the Albania Threshold Programs**

ATP	RESPONSIBLE PARTY	YEAR(S)	SAMPLE FRAME	TYPE OF DATA COLLECTED
ATP1	Institute for Development Research and Alternatives (IDRA)	2007, 2008	Businessmen interacting with public sector on procurement, tax and/or business registration	3 separate surveys collected perception and experiential data from businessmen in Tirana related to interactions with GOA relevant to tax collection and filing, public procurement and business registration
	Partners Albania	2010	Businessmen interacting with the NRC	Survey collecting perception and experiential data from businessmen in Tirana related to interactions with the NRC
	American Chamber of Commerce	2010	Businessmen interacting with public sector on e-procurement	Survey collecting perception and experiential data from businessmen in Tirana related to interactions with the procurement authority
ATP2	Institute for Development Research and Alternatives (IDRA)	2010	Businessmen interacting with public sector on tax filing	Survey collecting perception and experiential data from businessmen in Tirana related to interactions with the tax office
	Partners Albania	2010	Businessmen interacting with the NLC	Survey collecting perception and experiential data from businessmen in Tirana related to interactions with the National Licensing Center
	IELC	2010	Businessmen interacting with the GDT TPOs and GDT TSCs	Monitoring of the Tax Administration's Taxpayer Services and Processing Functions
	CDDI	2010	Businesses that participate in the public procurement procedures, and the public institutions that issue public procurement (CA, PPA, and PPC).	Study of the performance of the Public Procurement Advocate (PPAO)

**Table 24: ATP1 and ATP2 Budgets**

<b>PROGRAM COMPONENTS</b>	<b>BUDGET (MILLION)</b>
<b>ATP I: PROGRAM COMPONENT</b>	
Reduction/Elimination of Corruption in Tax Policy and Administration	\$5.44
Attaining Transparency and Elimination of Corruption in Government Procurements	\$5.81
Combating Corruption in Business Entry and Registration in Albania-Establishment of NRC	\$2.60
<b>Total ATP I Program Cost</b>	<b>\$13.85</b>
<b>ATP II: PROGRAM COMPONENT</b>	
Create an Administrative Court System	\$3.044
Improve Tax Administration	\$3.902
Combat Corruption in Business Licensing	\$2,994
Improve the National Planning Registry	\$3.225
Strengthen Investigative Capacity	\$1.616
Civil Society Monitoring of Government AC Efforts	\$0.75
Monitoring	\$0.2
<b>Total ATP II Program Cost</b>	<b>\$15.731</b>

## **ANNEX 2: LIST OF INSTITUTIONS CONSULTED**

### **I. Government Counterparts**

1. Ministry of Energy, Trade and Economy (METE)
2. Ministry of Finance (MoF)
3. National Registration Center (NRC)
4. National Licensing Center (NLC)
5. Public Procurement Agency (PPA)
6. Public Procurement Advocate's Office (PPAO)
7. Public Procurement Commission (PPC)
8. General Directorate of Taxation (GDT)
9. National Territorial Planning Agency (NTPA) of the Ministry of Public Works
10. Ministry of Innovation and Information Communication Technology
11. National Agency for Information Society (NAIS)
12. Local governments of: Tirana, Fier, Shkodra, Kamza, Durres, Korca, Kukes, Berat, Vora, Saranda, Lezhe, Patos

### **II. Civil Society Organizations**

13. American Chamber of Commerce (AmCham)
14. Center for the Democratic Development of Institutions (CDDI)
15. Institute for Development and Research Alternatives (IDRA)
16. Institute for Economic and Legal Consulting (IELC)
17. Partners – Albania
18. Mjaft! Movement
19. Union of Chambers of Commerce and Industry of Albania (UCCIAL)
20. Agribusiness Council of Albania (KASH)
21. Professional Handcraft Business Women's Association (PHBWA)
22. Refleksione
23. Albanian Disability Rights Foundation (ADRF)
24. Citizens Advocacy Office (CAO)
25. Center for Parliamentary Studies (CPS)
26. Institute for Contemporary Studies (ISB)
27. Chamber of Commerce and Industry of Tirana (CCIT)
28. Institute for Contemporary Studies
29. Regional Development Agencies in Tirana and Korca

### **III. Implementers**

30. Richard Wolfe Chief of Party, ATP (Chemonics), by phone
31. USAID Albania
32. OPDAT, U.S. Embassy in Albania
33. Bruce Key - USAID (formerly with USAID Albania)
34. IcubINFO

### **IV. Donors**

35. Mrs. Evis SULKO (Country Operations Officer)

\*Names are not listed to protect confidentiality.

## **ANNEX 3: MAIN DOCUMENTS REVIEWED**

### ***Planning Documents***

1. USAID Grant Agreement No. 182-SOAG-1820510-00: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 1
2. USAID Grant Agreement No. 182-SOAG-1820510-02: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 1
3. USAID Grant Agreement No. 182-SOAG-08-001-00: MCC Threshold Program Strategic Objective Grant agreement (SOAG) between USA and the Government of the Republic of Albania, Stage 2
4. Action Memorandum to MCC Investment Committee, July 10, 2008. Subject: MCC Stage II Threshold Program – Albania
5. Chemonics Albania Threshold Program Phase 2 (2008): “Year 1: Work Plan and Performance Monitoring Plan,” prepared for USAID/MCC, Albania

### ***Project Documents***

6. MCC/USAID (2008): “Strengthening Governance in Albania: Support to Albania’s Millennium Challenge Account Threshold Agreement: Final Report,” Washington, DC
7. MCC/USAID (2011): “Strengthening Governance in Albania: MCC Albania Threshold Program, Stage II: Final Report,” Washington, DC
8. Millennium Challenge Corporation Albania Threshold Country Program, Stage 2: Mid-Term Review,” prepared for USAID/Albania by Mark Meassick, USAID and Virgil Miedema, USAID Consultant, May 2010
9. MCC/USAID (2010): “MCC Albania Threshold Program II: Advocacy Capacity Assessment. End of Program Summary Report,” Prepared by Nicole Farnsworth, Advocacy Capacity Assessment Specialist, Consultant for the Institute for Sustainable Communities, November 30, 2010, Tirana, Albania
10. Partners Albania (2010): “Monitoring the Performance of the National Registration Center,” prepared for USAID/MCC, Albania
11. Partners Albania (2010): “Monitoring the Performance of the National Licensing Center,” prepared for USAID/MCC, Albania
12. American Chamber of Commerce of Albania (2010): “Monitoring the usage of the E-procurement System in Albania,” prepared for USAID/MCC Albania
13. Center for Development and Democratization of Institutions (2011): “Monitoring of the Work of the Procurement Advocate,” prepared for USAID/MCC Albania
14. Institute of Economic and Legal Consulting (2010): “Monitoring of the Tax Administration’s Taxpayer Services and Processing Functions,” prepared for USAID/MCC Albania
15. Institute for Development Research and Alternatives (2010): “Electronic Tax Services” prepared for USAID/MCC, Albania
16. Institute for Development Research and Alternatives (2010): “NLC Business Awareness Survey,” prepared for USAID/MCC Albania
17. Institute for Development Research and Alternatives (2007): “Business Needs Survey,” prepared for USAID/MCC, Albania
18. Institute for Development Research and Alternatives (2008): “Business Needs Survey,” prepared for USAID/MCC, Albania

### **Progress Reports**

19. Chemonics Albania Threshold Program Phase 1, 2006, Quarterly Report, July–September
20. Chemonics Albania Threshold Program Phase 1, 2006, Quarterly Report October–December
21. Chemonics Albania Threshold Program Phase 1, 2007, Quarterly Report, January–March
22. Chemonics Albania Threshold Program Phase 1, 2007, Quarterly Report, April–June
23. Chemonics Albania Threshold Program Phase 1, 2007, Quarterly Report, July–September
24. Chemonics Albania Threshold Program Phase 2, 2011, Quarterly Report, January–March

### **GOA Documents**

25. INSTAT Albania (2011): “Corruption in Albania: bribery as experienced by the population,” Funded by UNODC and co-financed by the EU. Tirana, Albania
26. INSTAT Albania (2011): “Report on Foreign Direct Investment in Albania,” funded by UNCTAD/UNDP
27. Klodiana Cankja, Director, Public Procurement Agency, Albania: “e-Procurement in a transition country: a big step towards transparency in Albania” in EBRD “Law in Transition,” Autumn, 2010
28. Republic of Albania, Council of Ministers, (2008): “Cross Cutting Strategy for Prevention, Fight on Corruption and Transparent Governance: 2008–2013”
29. Public Procurement Agency, Albania: Annual Reports from 2008, 2009, 2010, 2011
30. Public Procurement Advocate of Albania: Annual Reports from 2008, 2009, 2010, 2011
31. National Registration of Albania: Annual Reports from 2008, 2009, 2010, 2011

### **Background documents**

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33. Commission of the European Communities (2009): “Commission Staff Working Document SEC(2009) 1337: Albania 2008 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2009-2010 {COM(2009) 533}
34. Commission of the European Communities (2011): “Commission Staff Working Document SEC(2011) 1205: Albania 2011 Progress Report, accompanying the Communication from the Commission of the European Parliament and the Council Enlargement Strategy and Main Challenges 2011-2012”
35. David E. Dowall (2011): “Providing Technical Assistance on National Territorial Planning Legislation: the Albania Experience,” City and Regional Planning Institute of Urban and Regional Development, University of California, Berkeley
36. Elezi E. and Harizaj M., (2011): “Efficiency Evaluation of the Public Procurement System in the Reduction of Corruption: the Albanian Case,” Tirana, Albania
37. EBRD (2010): “Law in Transition: Strengthening Public Procurement”
38. EBRD (2011): “Core Principles on an Efficient Public Procurement Framework: Albania Country profile: < in
36. EBRD (2005, 2008): “Business Environment and Enterprise Performance Surveys,” London, UK
39. Freedom House (2008): “Nations in Transit: 2008, Albania”
40. IMF Country Report No. 08/267, August 2008
41. IMF Country Report No. 11/313, October 2011
42. IDRA (2008): “Moving Towards Consolidated Interactions, Between the Local Government and Central Institutions at Local Level Supported by the Open Society Foundation for Albania – SOROS July 2008

43. IDRA (2006, 2007, 2008, 2009, 2010): “Corruption in Albania: Perceptions and Experience,” Tirana, Albania
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47. USAID (2011): “The 2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia. 15th Anniversary Edition”
48. USAID (1998): “Handbook of Democracy and Governance Program Indicators”
49. U.S. Department of State (2012): “Investment Climate Statement – Albania”
50. WB (2012): “Albania: Public Expenditure and Financial Accountability Assessment (PEFA), 2011,” by Allan Gustafsson, Andy Macdonald, and Antonin Braho
51. WB Doing Business Surveys (annual)
52. WB (2011): “Governance in Albania: A Way Forward for Competitiveness, Growth, and European Integration,” a World Bank Issue Brief, Report No.62518-AL, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region
53. World Economic Forum Global Competitiveness Reports, Annual
54. World Bank Institute: Worldwide Governance Indicators, Annual

### ***Newsclippings***

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56. Co-PLAN GAZETTE, A Biannual Publication of Co-PLAN - Institute for Habitat Development, Issue No. 1 -June 2011, Co-PLAN’s Role and Position in Urban and Regional Development in Albania
57. “Navigating a Political Boycott: Daniel Lexington and the Albania Millennium Challenge Corporation Threshold Program,” Public Policy Case Competition, February 5, 2010

**ANNEX 4: DATA COLLECTION INSTRUMENTS AND EVALUATION TOOLS**

**Annex 4A: BIS2 Survey**

Sample frame: 486 businesses; 4 partially-overlapping samples from 4 different (though partially overlapping) sampling frames: (1) VAT payers, (2) large (LTO) taxpayers, (3) businesses that obtain licensing and (4) businesses that participate in public procurement.

**BIS2 SURVEY INSTRUMENT**

**Introduction**

Survey respondent: Should be person mostly responsible for managing the finance and tax operations of the firm. Questionnaire section [PROCUREMENT] can be asked from individual responsible for preparation and submission of government tenders.

*Hello, my name is \_\_\_\_ and I am here on behalf of the Institute for Development Research and Alternatives to conduct a survey on business perceptions and experiences. The purpose of this survey is to understand how reforms in business registration, licensing, public procurement and taxation have affected time and cost burdens to businesses. The Millennium Challenge Corporation is the main subscriber of this survey. I expect that this discussion will take about 30 minutes.*

*With your permission, I would like to record your responses in this questionnaire. The information you provide will only be used for project evaluation purposes and will be kept confidential and analysed only by the Millennium Challenge Corporation and their analysts from the United States of America. The information will not be used for tax purposes and will not be given to the government except before all identifying information has been removed. Neither your name nor the name of your business will be used in any document based on this survey. You have the right not to participate and you have the right to stop the interview at any time or decline to answer any of the questions posed. If you are willing to be interviewed, please indicate by giving your verbal consent now.*

**Starting time**

Hour	Minute

**Survey Subscribed :**  
The Millenium Challenge Corporation, through Social Impact, Inc.

**Survey Implemented :**  
Institute for Development Research & Alternatives, IDRA

**BUSINESS IMPACT SURVEY 2**

<b>ID NUMBER FROM SAMPLE</b>					

<b>REGION:</b>	Berat.....	1
	Diber.....	2
	Durres.....	3
	Elbasan.....	4
	Fier.....	5
	Gjirokaster.....	6
	Korce.....	7
	Kukes.....	8
	Lezhe.....	9
	Shkoder.....	10
	Tirana.....	11
	Vlore.....	12
<b>STREET:</b>		
<b>NUMBER:</b>		

<b>Name of Primary Respondent</b>		<b>TITLE:</b>	
<b>Name of Secondary Respondent (if applicable)</b>		<b>TITLE:</b>	

**VISITS TO THE FIRM**

(to be filled by the enumerator)

	1 visit	2 visit	Code of RESULT:
<b>DATE:</b>	___/___/___	___/___/___	Complete .....1 No one present.....2 Business permanently moved.....3 Business not found .....4
<b>RESULT:</b>	1 2 3 4 5 6 7	1 2 3 4 5 6 7	Primary/Secondary Respondent temporarily not present .....5 Refused.....6 Not a VAT Taxpayer .....7

## 2. IDENTIFIERS

ENUMERATOR																			
2.1.	Name	<input type="text"/>																	
2.2.	Date of interview	<input type="text"/>												Month	<input type="text"/>		Day	<input type="text"/>	
2.3.	Signature of the enumerator	<input type="text"/>																	

## 3. QUALITY CONTROL SHEET

SURVEY RECORDS (to be filled by the supervisor)

SUPERVISOR																			
3.1.	Name	<input type="text"/>																	
3.2.	Supervisor's verification and confirmation	<input type="text"/>												Month	<input type="text"/>		Day	<input type="text"/>	
3.3.	Signature of the supervisor	<input type="text"/>																	

SURVEY RECORDS											
○	#	Attempts									
3.4.	1 <sup>st</sup> ATTEMPT										
3.4.1.	Date	<input type="text"/>		Month	<input type="text"/>		Day	<input type="text"/>			
3.4.2.	OUTCOME	Responses options			Response	Code					
		Interview completed			1	<input type="text"/>					
		Interview in-complete			2	<i>To agree to continue interview</i>					
		Refused during the interview			3	<i>To clarify causes of the refusal</i>					
3.5.	2 <sup>nd</sup> ATTEMPT										
3.5.1.	Date	<input type="text"/>		Month	<input type="text"/>		Day	<input type="text"/>			
3.5.2.	OUTCOME	Responses options			Response	Code					
		Interview completed			1	<input type="text"/>					
		Interview in-complete			2	<i>To agree to continue interview</i>					
		Refused during the interview			3	<i>To clarify causes of the refusal</i>					

**CLARIFICATION: Why was the interview/refused?**

**Section B. General Information**

	<p>What is your firm’s current legal status?</p> <p><b>SHOW CARD 1</b></p>	<p>Sole proprietorship</p> <p>Limited Liability Company</p> <p>Joint-Stock Company</p> <p>Branch or Representative Office of Foreign Company</p> <p>Collective Company</p> <p>Commandite Company</p> <p><b>NUK E DI (SPONTANE)</b></p> <p><b>OTHER (SPONTANEOUS – SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>-99</p> <p>7</p>	
	<p>Using this card, please choose the 2-digit code that best applies to the main product or service of your firm.</p> <p><b>SHOW CARD 2</b></p>	<p>Code of main product</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>__-__</p> <p>-99</p>	
	<p>Which of the following best describes the largest owner or shareholder of your firm?</p>	<p>Private domestic individuals, companies or organizations</p> <p>Private foreign individuals, companies or organizations</p> <p>State</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>OTHER (SPONTANEOUS – SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>-99</p> <p>4</p>	

	<p>How many employees does your firm currently employ in total, including full-time, seasonal and contract employees, but not including part-time employees?</p> <p><b>Interviewer: Include respondent when applicable.</b></p>	<p>1-5 employees</p> <p>6-20 employees</p> <p>21-50 employees</p> <p>51-80 employees</p> <p>More than 80 employees</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p>	
	<p>In which of these ranges did your firm's total sales in 2011 fall?</p> <p><b>SHOW CARD 3</b></p> <p><b>Interviewer: Ask respondent to identify a range choice, not the exact number.</b></p>	<p>Up to 2.000.000 LEK</p> <p>2.000.001 – 6.000.000 LEK</p> <p>6.000.001 – 10.000.000 LEK</p> <p>10.000.001 - 100.000.000 LEK</p> <p>100.000.001 – 300.000.000 LEK</p> <p>Over 300.000.000 LEK</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p> <p><b>NO SALES IN FY 2011/NO FULL YEAR IN OPERATION IN 2011 (SPONTANEOUS)</b></p> <p>New LEK</p> <p>Old LEK</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>-99</p> <p>-98</p> <p>-97</p> <p>-1</p> <p>-2</p>	

**Section C. Business Registration**

	<p>In what year was your firm formally registered?</p> <p><b>Interviewer: Provide four digits for year.</b></p>	<p>Year firm formally registered</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>____-____-____-____</p> <p>-99</p>	
<p><b>READ THE FOLLOWING BEFORE PROCEEDING</b></p> <p><b>I want to proceed by asking you about your firm's initial registration.</b></p>				
	<p>In reference to that registration, was it obtained from a court or from the NRC (<b>National Registration Center</b>)?</p>	<p>Court</p> <p><b>NRC (National Registration Center)</b></p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p>	
	<p>Did your firm hire a lawyer or other outside service provider to apply for the firm's initial registration on its behalf?</p>	<p>Yes</p> <p>No</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p>	<p>⇒C.7</p> <p>⇒D.1</p>
	<p>In reference to that registration, in your estimation, approximately how many calendar days did it take from day the final decision was made to register to the day the firm's registration was granted? <b>SHOW CARD 4</b></p>	<p>Less than one day</p> <p>About 1 day</p> <p>2 days</p> <p>3 -5 days</p> <p>6-10 days</p> <p>11-14 days</p> <p>15-30 days</p> <p>31-60 days</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p>	

		61-90 days More than 90 days <b>DON'T KNOW (SPONTANEOUS)</b>	9 10 -99	
	In reference to that registration, approximately how much did it cost in total, including the amount paid to the lawyer or other service provider and any other fees, but not including your firm's own labor hours?  <b>Interviewer: Write cost in LEK. Respondent should state the cost in LEK at the time of registration, not the value of the cost today.</b>	Total cost to register, with lawyer  <b>DON'T KNOW (SPONTANEOUS)</b>  New Lek Old Lek	____ LEK -99 -1 -2	
	It is said that firms have sometimes been required to make gifts or informal payments to public officials to "get things done" with regard to registering their business. Around the time that your firm was registered, were firms working in a similar sector likely to pay informal payments to public officials to obtain or speed up the registration, or were lawyers likely to pay informal payments on the firm's behalf?	Yes  No  <b>DON'T KNOW (SPONTANEOUS)</b>  <b>REFUSAL (SPONTANEOUS)</b>	1 2 -99 -98	⇒D.1 ⇒D.1 ⇒D.1 ⇒D.1
	In reference to that registration, in your estimation, approximately how many calendar days did it take from day the final decision was made to register to the day your firm's registration became official? Please include time for name verification, notarization, the registration itself, and post-registration tasks including social security registration and obtaining the company seal. <b>SHOW CARD 4</b>	Less than one day About 1 day 2 days 3 -5 days 6-10 days 11-14 days 15-30 days 31-60 days	1 2 3 4 5 6 7 8	

		61-90 days	9	
		More than 90 days	10	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
	<p>Let's discuss the costs associated with your firm's initial registration. Using this worksheet, please provide estimates for the total cost registration, and, if you are able, estimates for as many of the elements of that cost as you can remember.</p> <p><b>SHOW WORKSHEET 1</b></p> <p><b>Interviewer: Please use worksheet and provide total to right. Ask respondent to estimate each component. If the respondent does not use worksheet, mark "No Worksheet".</b></p>	<p><b>Total</b> Cost to Register _____</p> <p>Official <b>Fee</b> _____</p> <p>Notary/<b>Seal/Stamp</b> _____</p> <p>All <b>other</b> costs _____</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p> <p>New LEK -1</p> <p>Old LEK -2</p> <p>Worksheet Used -3</p> <p>No Worksheet Used -4</p>		
	<p>It is said that firms have sometimes been required to make gifts or informal payments to public officials to "get things done" with regard to registering their business. Around the same year that your firm was registered, how much did firms working in a similar sector pay, on average, in informal payments to public officials to facilitate the registration? The reason why we are asking "a similar firm like your" relates to our analytical need of understanding potential differences in economic sectors when it comes to informal payment or gifts.</p> <p><b>Interviewer: Write amount in LEK. Respondent should estimate value of gifts paid at the time</b></p>	<p>Total informal payment to facilitate registration _____ LEK</p> <p><b>No payments/gifts are paid</b> 0</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p> <p><b>REFUSAL (SPONTANEOUS)</b> -98</p> <p>New LEK -1</p> <p>Old LEK -2</p>		

	they were given.		
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**Section D. Business Licensing**

<p><b>READ THE FOLLOWING BEFORE PROCEEDING</b></p> <p><b>While every business must register, some businesses must obtain licenses to sell particular types of products or services. The following questions are about these licenses.</b></p>				
	Does your firm currently hold one or more license, not including building permits or professional licenses held by individual employees & authorizations?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 -99	 ⇒E.1 ⇒E.1
	How many licenses does your firm currently hold?  <b>Interviewer: Do not include the number of subcategories of main licenses &amp; authorizations.</b>	Number of licenses  <b>DON'T KNOW (SPONTANEOUS)</b>	_ _ _ _ -99	
	Was one or more of your firm's current licenses obtained or renewed from the NLC ( <b>National Licensing Center</b> ), which opened in 2009?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 -99	 ⇒D.10 ⇒D.10

	<p>In your opinion, do firms working in a similar sector as this one make gifts or informal payments to facilitate obtaining licenses from the NLC?</p>	<p>Yes</p> <p>No</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p> <p>-98</p>	<p></p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p>
	<p>When firms working in a similar sector make gifts or informal payments to facilitate obtaining a similar license, do they do so at the National Licensing Center or when are inspected by line ministry officials, or both?</p>	<p>Informal payments at NLC <b>ONLY</b></p> <p>Informal payments during line ministry inspections <b>ONLY</b></p> <p>Informal payments <b>BOTH</b> at NLC and during ministry inspections</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p> <p><b>OTHER (SPONTANEOUS-SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>-99</p> <p>-98</p> <p>4</p>	<p>⇒D.6</p> <p>⇒D.7</p> <p>⇒D.8</p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p>
	<p>When firms working in a similar sector make gifts or informal payments to facilitate obtaining a similar license through the NLC, how much is the typical value of the gift or informal payment paid at the NLC and not during ministry inspections?</p> <p>Show card 5!</p>	<p>Up to 500 LEK</p> <p>501 – 1,000 LEK</p> <p>1,001 LEK - 5,000 LEK</p> <p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>More than 100,000 LEK</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p>	<p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p> <p>⇒D.10</p>

		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒D.10
		<b>REFUSAL (SPONTANEOUS)</b>	-98	⇒D.10
		New LEK	-1	⇒D.10
		Old LEK	-2	⇒D.10
	When firms working in a similar sector make gifts or informal payments to facilitate obtaining a similar license through the NLC, how much is the typical value of the gift paid during ministry inspections?  Show card 5!	Up to 500 LEK	1	⇒D.10
		500 – 1,000 LEK	2	⇒D.10
		1,001 LEK - 5,000 LEK	3	⇒D.10
		5,001 LEK – 20,000 LEK	4	⇒D.10
		20,001 LEK – 50,000 LEK	5	⇒D.10
		50,001 LEK – 100,000 LEK	6	⇒D.10
		More than 100,000 LEK	7	⇒D.10
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒D.10
		<b>REFUSAL (SPONTANEOUS)</b>	-98	⇒D.10
		New LEK	-1	⇒D.10
		Old LEK	-2	⇒D.10
	When firms working in a similar sector make gifts or informal payments to facilitate obtaining a similar license through the NLC, how much is the typical value of the gift paid during ministry inspections?	Up to 500 LEK	1	
		500 – 1,000 LEK	2	
		1,001 LEK - 5,000 LEK	3	

	<p>Show card 5!</p>	<p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>More than 100,000 LEK</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p> <p>New LEK</p> <p>Old LEK</p>	<p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>-99</p> <p>-98</p> <p>-1</p> <p>-2</p>	
	<p>When firms make gifts or informal payments to facilitate obtaining a similar license through the NLC, how much is the typical value of the gift paid only at the NLC?</p> <p>Show card 5!</p>	<p>Up to 500 LEK</p> <p>500 – 1,000 LEK</p> <p>1,001 LEK - 5,000 LEK</p> <p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>More than 100,000 LEK</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p> <p>New LEK</p> <p>Old LEK</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>-99</p> <p>-98</p> <p>-1</p> <p>-2</p>	
	<p>Did your firm ever obtain a license through an agency or ministry outside of the NLC <b>(National</b></p>	<p>Yes</p>	<p>1</p>	

	<b>Licensing Center)?</b>	No	2	⇒E.1
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒E.1
	In your opinion, did typical firms working in a similar sector make gifts or informal payments to public officials in order to facilitate obtaining licenses from agencies or ministries other than the NLC?	Yes	1	
		No	2	⇒E.1
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒E.1
		<b>REFUSAL (SPONTANEOUS)</b>	-98	⇒E.1
	When firms working in a similar sector make gifts or informal payments to public officials to facilitate obtaining a similar license through other agencies, approximately how much is the typical value of the gift or informal payment—you can choose from these ranges.  <b>SHOW CARD 5</b>	Up to 500 LEK	1	
		500 – 1,000 LEK	2	
		1,001 LEK - 5,000 LEK	3	
		5,001 LEK – 20,000 LEK	4	
		20,001 LEK – 50,000 LEK	5	
		50,001 LEK – 100,000 LEK	6	
		More than 100,000 LEK	7	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
		<b>REFUSAL (SPONTANEOUS)</b>	-98	
		New LEK	-1	
		Old LEK	-2	

**Section E. Public Procurement**

	Moving on now, let's talk about public procurement. Has your firm ever participated in a public tender?	Yes  No  <b>DON'T KNOW (SPONTANEOUS)</b>	1  2  -99	⇒F.1  ⇒F.1
<p><b>READ THE FOLLOWING BEFORE PROCEEDING</b></p> <p>The following questions assess whether the time and cost associated with bidding for contracts with the government has changed since introduction of the Public Procurement Agency's e-procurement system.</p>				
	From January through December 2011, did your firm participate in any public tenders?	Yes  No  <b>DON'T KNOW (SPONTANEOUS)</b>	1  2  -99	⇒E.16  ⇒E.16
	From January through December 2011, approximately how many tenders did your firm participate in, and how many did you win?	<b>DON'T KNOW.....-99</b>  <b>REFUSAL.....-98</b>  Total # of tenders in 2011	# Bid  __-__ -99 -98	# Won  __-__ -99 -98
	Approximately what percentage of your firm's revenue in 2011 came from public tenders?  <b>Interviewer: Read response choices to respondent.</b>	None/0%  1% - 24%  25% - 49%  50% - 74%  75% - 99%  All/100%  <b>DON'T KNOW (SPONTANEOUS)</b>  <b>REFUSAL (SPONTANEOUS)</b>	1  2  3  4  5  6  -99  -98	

**READ THE FOLLOWING BEFORE PROCEEDING**

**I'd like you to think about a tender that your firm bid on during 2011 that is most typical in nature of the kind of tenders that your firm most often bids.**

	Thinking of this tender, in your estimation, approximately how many total staff hours were spent in obtaining the tender notice and submitting the bid? Please do not include here the time needed for documentation preparation process.	Time for recent typical bid  <b>In HOURS</b>  <b>In DAYS</b>  <b>DON'T KNOW (SPONTANEOUS)</b>	__-__-__  1 (hours)  2 (days)  -99	
	To your knowledge, did your firm submit a tender for a similar type of product or service before 2009, using the paper system?	Yes  No  <b>DON'T KNOW (SPONTANEOUS)</b>	1  2  -99	⇒E.12  ⇒E.12
	In your estimation, for this bid using the paper system, approximately how many labor hours were spent in total by members of your firm in obtaining the tender notice and submitting them bid?	Time for similar older bid  <b>In HOURS</b>  <b>In DAYS</b>  <b>DON'T KNOW (SPONTANEOUS)</b>	__-__-__  1 (hours)  2 (days)  -99	
	Last year, from January through December 2011, to your knowledge, how often did a representative from your firm meet with a procurement specialist of a procurement authority before submitting a bid?  <b>Interviewer: Read responses choices to respondent.</b>	Never  For less than half of the tenders you bid  For about half of the tenders you bid  For more than half of the tenders you bid  For every tender you bid  <b>DON'T KNOW (SPONTANEOUS)</b>  <b>REFUSAL (SPONTANEOUS)</b>	1  2  3  4  5  -99  -98	⇒E.10

	<p>When a representative from your firm would meet with procurement officers, what were one or more of the purposes of the visit(s)?</p> <p><b>Interviewer: Read all responses choices to respondent. Circle ALL that apply</b></p>	<p>Submitting paper copies of proposals, in addition to submitting the proposals online</p> <p>To ask questions about announced bids</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p> <p><b>OTHER (SPONTANEOUS-SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>-99</p> <p>-98</p> <p>3</p>	
	<p>It is said that firms are sometimes required to make gifts or informal payments to public officials to “get things done” and secure a government contract. Imagine a typical firm in this county working in a similar sector as your firm. Over the past 12 months, how often would such a firm pay in informal payments or gifts to secure a contract?</p>	<p>Never</p> <p>For less than half of the tenders you bid</p> <p>For about half of the tenders you bid</p> <p>For more than half of the tenders you bid</p> <p>For every tender you bid</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p> <p>-98</p>	<p>⇒E.16</p>
	<p>When gifts or informal payments are paid, what percentage of the contract value do firms working in your sector pay, on average, in informal payments or gifts now that the e-procurement system is mandatory?</p>	<p>Percent of contract value paid as informal payments or gifts</p> <p><b>NO PAYMENTS/GIFTS WERE PAID</b></p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>__ - __ - __ %</p> <p>0</p> <p>-99</p> <p>-98</p>	<p>⇒E.16</p> <p>⇒E.16</p> <p>⇒E.16</p> <p>⇒E.16</p>
	<p>Last year, from January through December 2011, to your knowledge, how often did a representative from your firm meet with a procurement specialist of a procurement authority <b>before</b> submitting a bid?</p>	<p>Never</p> <p>For less than half of the tenders you bid</p> <p>For about half of the tenders you bid</p> <p>For more than half of the tenders you bid</p> <p>For every tender you bid</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p> <p>-98</p>	<p>⇒E.14</p>

	<p>When a representative from your firm would meet with procurement officers, what was the most common purpose of the visit?</p>	<p>Submitting paper copies of proposals, in addition to submitting the proposals online 1</p> <p>To ask questions about announced bids 2</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p> <p><b>REFUSAL (SPONTANEOUS)</b> -98</p> <p><b>OTHER (SPONTANEOUS-SPECIFY)</b> 3</p>		
	<p>It is said that firms are sometimes required to make gifts or informal payments to public officials to “get things done” and secure a government contract. Imagine a typical firm in this county working in a similar sector as your firm. Over the past 12 months, how often would such a firm pay an informal payment or gift to secure a contract?</p> <p><b>SHOW CARD 11</b></p>	<p>Never 1</p> <p>For less than half of the tenders you bid 2</p> <p>For about half of the tenders you bid 3</p> <p>For more than half of the tenders you bid 4</p> <p>For every tender you bid 5</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p> <p><b>REFUSAL (SPONTANEOUS)</b> -98</p>		⇒E.16
	<p>When gifts or informal payments are paid, what percentage of the contract value do firms working in your sector pay, on average, in informal payments or gifts now that the e-procurement system is mandatory?</p>	<p>Percent of contract value paid as informal payments or gifts _ _ _ %</p> <p><b>NO PAYMENTS/GIFTS WERE PAID</b> 0</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p> <p><b>REFUSAL (SPONTANEOUS)</b> -98</p>		
	<p>From January through December 2008, before the Public Procurement Agency’s e-procurement system was made mandatory in January 2009, did your firm participate in any public tenders?</p>	<p>Yes 1</p> <p>No 2</p> <p><b>DON'T KNOW (SPONTANEOUS)</b> -99</p>		⇒E.21 ⇒E.21
	<p>In 2008, before the Public Procurement Agency’s e-procurement system was in use, approximately how many tenders did your firm participate in, from January through December 2008, and how many did you win?</p>	<p><b>DON'T KNOW .....-99</b></p> <p><b>REFUSAL.....-98</b></p> <p>Total # of tenders in 2008</p>	<p># Bid</p> <p>__ - __ -99 -98</p>	<p># Won</p> <p>__ - __ -99 -98</p>

	Tenders can be cancelled after the submission of the proposal and before the announcement of the winner. In your experiences, does this now occur less often, about the same amount of times, or more often than it did before 2009?	Tenders are cancelled less often than before About the same number of times Tenders are cancelled more often than before <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b>	1 2 3 -99 -98	
	Now imagine a typical firm working in a similar sector as your firm before the introduction of the EPS in 2009. Over a typical year, approximately how often would such a firm pay an informal payment or gift to secure a contract?  <b>SHOW CARD 11</b>	None/Not at all 1% – 25% of the time 26% - 50% of the time 51% - 75% of the time 76% - 99% of the time All/100% of the time <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b>	1 2 3 4 5 6 -99 -98	⇒E.21
	What percentage of the contract value would firms working in your sector pay, on average, in informal payments or gifts before the EPS became mandatory in 2009?	Percent of contract value paid as informal payments or gifts <b>NO PAYMENTS/GIFTS WERE PAID</b> <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b>	_-_-_% 0 -99 -98	
	Did you bid on public tenders at the municipality level in 2011?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 -99	⇒E.25 ⇒E.25
	Did you bid on public tenders at the municipality level in 2009?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 -99	⇒E.25 ⇒E.25

	Did you bid on fewer, about the same number, or more public tenders at the municipality level in 2011 than you did in 2009?	Fewer About the same number More <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 3 -99	
	Of the times you bid, did you win fewer, about the same number, or more public tenders at the municipality level in 2011 than you did in 2009?	Fewer About the same number More <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 3 -99	
	Have you heard about the Public Procurement Advocate?	Yes No <b>NOT SURE (SPONTANEOUS)</b>	1 2 -99	⇒F.1 ⇒F.1
	Approximately how many times has your firm submitted a complaint to the Public Procurement Advocate since it was established in 2009?	Number of complaints to PA <b>DON'T KNOW (SPONTANEOUS)</b>	___-___ -99	<b>If 0,</b> <b>⇒E.28</b> ⇒F.1
	For the complaint or complaints that you submitted to the Public Procurement Advocate over the past year, how many times were its recommendations accepted by the contracting authorities?	Number of complaints to PA accepted by the contracting authority <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b>	___-___ -99 -98	⇒F.1 ⇒F.1 ⇒F.1
	Why has your firm never submitted a complaint to the Public Procurement Advocate?  <b>SHOW CARD 6</b>  <b>Interviewer: Circle ALL that apply</b>	Your firm prefers to submit its complaint to the Procurement Commission  Your firm has never had a complaint about a procurement  Your firm was not confident that the complaint would be handled fairly by the Public Procurement Advocate  Your firm was not confident that the Public	1 2 3	

		Procurement Advocate had the authority to influence the Contracting Authority	4	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
		<b>OTHER (SPONTANEOUS-SPECIFY )</b>	5	

**Section F. E-Filing Taxes**

<p><b>READ THE FOLLOWING BEFORE PROCEEDING</b></p> <p>The following questions assess how firms, such as this one, deal with tax officials and agencies, and whether the perceptions of the tax system have changed since e-filing became required. We will begin by discussing tax filing, then move on to tax processing and inspection. Your responses will be kept confidential, and neither your name nor the name of your firm will be used in any of the documents based on this survey.</p>					
	<p>In what year did your firm stop filing paper tax declarations in order to do <b>ALL</b> of its filing online?</p> <p><b>Interviewer: Provide four digits for year.</b></p>	<p>Year when started <b>ONLY</b> e-filing</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>____</p> <p>-99</p>		
<p><b>READ THE FOLLOWING BEFORE PROCEEDING</b></p> <p>Think of these 3 types of taxes that this company pays: (1) VAT, (2) Social insurance and (3) Income tax.</p>					
	<p>Currently, approximately how many labor days are spent by this firm each month to collect information, to prepare the forms for filing, and to file all of these 3 tax declarations?</p>	<p><b>VAT</b></p> <p>Hours per day</p>	<p>—</p>		

	<p><b>Interviewer: Use Worksheet 2</b></p>	<p>Average days per month</p> <p><b>DON'T KNOW (SPONTANE) (SPONTANEOUS)</b></p> <p><b>EXEMPT FROM VAT (SPONTANE)</b></p> <p><b>Social Insurance and Income Tax</b></p> <p>Hours per day</p> <p>Average days per month</p> <p><b>DON'T KNOW (SPONTANE)</b></p> <p><b>Don't Know Because Tax Operations are Outsourced (SPONTANEOUS)</b></p>	<p>—</p> <p>-99</p> <p>-96</p> <p>—</p> <p>—</p> <p>-99</p> <p>-96</p>	<p>⇒G.1</p>
	<p>Now think back to when only paper tax declarations were filed. Thinking of the same 3 declarations, what was the total time spent per month to collect information, prepare the forms for filing, and to file?</p> <p><b>Interviewer: Use Worksheet 2</b></p>	<p><b>VAT</b></p> <p>Hours per day</p> <p>Average days per month</p> <p><b>DON'T KNOW (SPONTANE) (SPONTANEOUS)</b></p> <p><b>EXEMPT/DID NOT PAY VAT BEFORE E-FILING (SPONTANE)</b></p>	<p>—</p> <p>—</p> <p>-99</p> <p>-96</p>	

		<b>Social Insurance and Income Tax</b>  Hours per day — Average days per month — <b>DON'T KNOW (SPONTANE)</b> -99  <b>Don't Know Because Tax Operations were Outsourced (SPONTANEOUS)</b>		
			-95	⇒G.1
	Does your firm monitor its tax account online?	Yes  No  <b>DON'T KNOW (SPONTANEOUS)</b>	1  2  -99	  ⇒G.1  ⇒G.1
	What the benefit, if any, of monitoring of your firm's tax status online provide?  <b>Interviewer: Circle ALL that apply</b>	Does not help  Makes filing easy and quicker  Helps prepare for the audits  <b>DON'T KNOW (SPONTANEOUS)</b>  Helps in other ways (specify)	1  2  3  -99  4	

**Section G. Tax Processing**

	<p>Are your firm's tax matters handled by the Large taxpayers' Office of GDT?</p>	<p>Yes No <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b></p>	<p>1 2 -99 -98</p>	
	<p>Do you or another person in your firm know the tax official responsible for processing your firm's taxes?</p>	<p>Yes No <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b></p>	<p>1 2 -99 -98</p>	
	<p>During the last fiscal year, 2011, how many times did in-person meetings occur between your firm's tax processing officer and the firm's representatives?</p>	<p>Never/Not at all/0 times 1-5 times 6-14 times 15-20 times More than 20 times <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b></p>	<p>1 2 3 4 5 -99 -98</p>	
	<p>When paper based filing was still practiced, approximately how many times, during the course of a year, would contacts occur between your firm's tax processing officer and the representatives of this firm?</p>	<p>Never/Not at all/0 times per year 1-5 times per year 6-14 times per year 15-20 times per year</p>	<p>1 2 3 4</p>	

		More than 20 times per year	5	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
		<b>REFUSAL (SPONTANEOUS)</b>	-98	
	<p>It is said that companies are sometimes requested or expected to make an informal gift or payment to their tax processing officers. Imagine a firm working in a similar sector as your firm. Approximately how much would that firm or representatives from that firm make in gifts or informal payments to its tax processing officer in the 2011 fiscal year?</p> <p><b>SHOW CARD 8</b></p>	<p>Up to 500 LEK</p> <p>501 – 1,000 LEK</p> <p>1,001 LEK - 5,000 LEK</p> <p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>100,001 LEK – 300,000 LEK</p> <p>More than 300,000 LEK</p> <p><b>NO PAYMENTS/GIFTS ARE PAID</b></p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>-99</p> <p>-98</p>	
	<p>Now imagine a similar firm working in a similar sector as your firm when only paper-based filing was practiced. Approximately how much per year would that firm or representatives from that firm make in gifts or informal payments to its tax processing officer?</p> <p><b>SHOW CARD 8</b></p>	<p>Up to 500 LEK</p> <p>501 – 1,000 LEK</p> <p>1,001 LEK - 5,000 LEK</p> <p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>100,001 LEK – 300,000 LEK</p> <p>More than 300,000 LEK</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p>	

		<b>NO PAYMENTS/GIFTS ARE PAID</b>	9	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
		<b>REFUSAL (SPONTANEOUS)</b>	-98	

**Section H. Tax Collections**

	Has your firm accumulated arrears in the past 5 years, from fiscal year 2007 through fiscal year 2011?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b> <b>REFUSAL (SPONTANEOUS)</b>	1 2 -99 -98	⇒I.1 ⇒I.1 ⇒I.1
	In which of these years did your firm accumulate arrears, and in which of these years, if any, did the GDT offer to provide an alternative payment plan?			
	<b>Debts/arrears accumulated</b> Yes 1 No 2 [⇒Next Item] <b>DON'T KNOW</b> -99 [⇒Next Item] <b>REFUSAL</b> -98 [⇒Next Item]		<b>GDT help to resolve the debt</b> Yes 1 No 2 <b>DON'T KNOW (SPONTANEOUS)</b> -99 <b>REFUSAL (SPONTANEOUS)</b> -98	
2011	1.....2.....-99.....-98		1.....2.....-99.....-98	
2010	1.....2.....-99.....-98		1.....2.....-99.....-98	
2009	1.....2.....-99.....-98		1.....2.....-99.....-98	
2008	1.....2.....-99.....-98		1.....2.....-99.....-98	
2007	1.....2.....-99.....-98		1.....2.....-99.....-98	

**Section I. Tax Audits**

**READ THE FOLLOWING BEFORE PROCEEDING**

The following questions assess how establishments, such as the one, deal with audits (tax inspections) Please note that the questions apply to tax audits carried out by General Directorate of Taxation and not tax audits carried out by municipality officials. Or the tax verification force.

	<p>Has your firm been audited by the GDT during the past five years, from FY 2007 through FY 2011?</p>	<p>Yes</p> <p>No</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p> <p>-98</p>	<p></p> <p>⇒J.1</p> <p>⇒J.1</p> <p>⇒J.1</p>
	<p>In which years was your firm audited, including both comprehensive audits and short fiscal controls, and approximately how many times per year? With short fiscal control we mean the controls coming from GDT for a specific tax and not the general audit.</p>			
	<p><b>Audits per year</b></p> <p><b>DON'T KNOW</b> -99</p> <p><b>REFUSAL</b> -98</p> <p><b>Interviewer: Ask about each year in sequence, and write number of audits per year</b></p>			
<p>FY</p> <p>2011</p>	<p>____-____</p>	<p>-99.....-98</p>		
<p>FY</p>				

2010	___-___	-99.....-98
FY		
2009	___-___	-99.....-98
FY		
2008	___-___	-99.....-98
FY		
2007	___-___	-99.....-98

<p>In [INTERVIEWER: READ YEAR OF MOST RECENT AUDIT IN H.2], approximately how much would a typical firm working in a similar sector as your firm offer or be expected to pay in informal payments, gifts and other benefits to tax auditors over the course of a year?</p> <p><b>SHOW CARD 8</b></p>	Up to 500 LEK	1	
	500 – 1,000 LEK	2	
	1,001 LEK - 5,000 LEK	3	
	5,001 LEK – 20,000 LEK	4	
	20,001 LEK – 50,000 LEK	5	
	50,001 LEK – 100,000 LEK	6	
	100,001 – 300,000 LEK	7	
	More than 300,000 LEK	8	
	<b>NO PAYMENTS/GIFTS ARE PAID</b>	9	
	<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
<b>REFUSAL (SPONTANEOUS)</b>	-98		
	New LEK	-1	
	Old LEK	-2	
In your estimation, how has the amount paid by firms in informal gifts or payments to tax inspectors during	Firms have never paid informal gifts or payments	1	

audits changed over the past five years, if at all?  <b>SHOW CARD 9</b>	It has been eliminated altogether	2	
	It has significantly decreased	3	
	It has somewhat decreased	4	
	It has not changed / stayed about the same	5	
	It has somewhat increased	6	
	It has significantly increased	7	
	<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
	<b>REFUSAL (SPONTANEOUS)</b>	-98	

**Section J. Tax Verification Force**

<b>READ THE FOLLOWING BEFORE PROCEEDING</b>				
The following questions assess how officials from the Tax Verification Force, also known as the Field Verification Units or the Tax Police, interact with businesses.				
Did the Tax Verification Force visit your firm during the last five years?	Yes	1		
	No	2		⇒K.1
	<b>DON'T KNOW (SPONTANEOUS)</b>	-99		⇒K.1
	<b>REFUSAL (SPONTANEOUS)</b>	-98		⇒K.1
To your memory, approximately how many times in each year did the Tax Verification Force visit?				
<b>Visits from Tax Force per year</b>				
<b>DON'T KNOW</b> -99				
<b>REFUSAL</b> -98				

	<p><b>Interviewer: Ask about each year in sequence, and write number of visits per year</b></p>			
FY 2011	___ - ___	-99.....-98		
FY 2010	___ - ___	-99.....-98		
FY 2009	___ - ___	-99.....-98		
FY 2008	___ - ___	-99.....-98		
FY 2007	___ - ___	-99.....-98		
	<p>It is said that companies were/are requested or expected to make an informal gift or payment to the Tax Verification Force. In <b>[INTERVIEWER: READ YEAR OF MOST RECENT VISIT IN I.2]</b>, approximately how much a company like yours would be expected to pay in informal payments and gifts to officials from the Tax Verification Force?</p> <p><b>SHOW CARD 10</b></p>	<p>Up to 500 LEK</p> <p>501 – 1,000 LEK</p> <p>1,001 LEK - 5,000 LEK</p> <p>5,001 LEK – 20,000 LEK</p> <p>20,001 LEK – 50,000 LEK</p> <p>50,001 LEK – 100,000 LEK</p> <p>More than 100,000 LEK</p> <p><b>NO PAYMENTS/GIFTS ARE PAID</b></p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>-99</p>	

		<b>REFUSAL (SPONTANEOUS)</b>	-98	
		New LEK	-1	
		Old LEK	-2	
	In your estimation, how has the amount paid by firms in informal gifts or payments changed over the past five years, if at all?  <b>SHOW CARD 11</b>	Firms have never paid informal gifts or payments	1	
		It has been eliminated altogether	2	
		It has significantly decreased	3	
		It has somewhat decreased	4	
		It has not changed / stayed about the same	5	
		It has somewhat increased	6	
		It has significantly increased	7	
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	
		<b>REFUSAL (SPONTANEOUS)</b>	-98	

### Section K. Taxpayer Advocate

	Have you heard of the Office of the Taxpayer Advocate?	Yes	1	
		No	2	⇒L.1
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒L.1
	Over the past year, approximately how many times has your firm approached the Taxpayer Advocate with a complaint?	Number of complaints	___-___	If 0, ⇒K.4
		<b>DON'T KNOW (SPONTANEOUS)</b>	-99	⇒L.1

	<p>For the complaint or complaints that you submitted to the Taxpayer Advocate over the past year, how many times were its recommendations accepted by the tax units against which the complaints were made?</p>	<p>Number of complaints accepted</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>___-___</p> <p>-99</p> <p>-98</p>	<p>⇒L.1</p> <p>⇒L.1</p> <p>⇒L.1</p>
	<p>Why has your firm never submitted a complaint to the Taxpayer Advocate?</p> <p><b>Interviewer: Circle ALL that apply</b></p>	<p>Your firm submits complaints to the Tax Appeals Department</p> <p>Your firm has never had a tax-related complaint</p> <p>Your firm does not perceive the Taxpayer Advocate as independent from the GDT</p> <p>Your firm was not confident that the Taxpayer Advocate could competently understand and address the complaint</p> <p>Your firm was not confident that the Taxpayer Advocate has the authority to enforce its decisions</p> <p>It is too difficult to submit complaints within the time limit</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>OTHER (SPONTANEOUS – SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p> <p>7</p>	

**Section L. Taxpayer Service Centers**

	Have you heard about the Taxpayer Service Centers?	Yes No <b>NOT SURE (SPONTANEOUS)</b>	1 2 -99	⇒M.1 ⇒M.1
	Has your firm approached the Taxpayer Service Center since 2010?	Yes No <b>DON'T KNOW (SPONTANEOUS)</b>	1 2 -99	⇒L.7 ⇒M.1
What was the purpose of your visits?				
		<b>Purpose</b> Yes 1 No 2 <b>DON'T KNOW</b> -99		
	To ask general tax questions	1.....2.....-99		
	To obtain certificates	1.....2.....-99		
	<b>Other [SPECIFY]</b>			
	To ask questions about your firm's tax account	1.....2.....-99	<b>⇒L.4</b>	<b>⇒L.9</b>

	<p>For the most recent time your firm approached the Taxpayer Service Center with a question about your firm's tax account, was the tax inspector at the Taxpayer Service Center successful in answering the question?</p>	<p>Yes</p> <p>No</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p>	<p>⇒L.6</p> <p>⇒L.6</p>
	<p>Did a representative from your firm approach your firm's Tax Processing Officer after the Taxpayer Service Center was unable to answer the question (either at Taxpayer Service center or independently)?</p>	<p>Yes</p> <p>No</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>-99</p>	
	<p>In your opinion, has the Taxpayer Service Center decreased, had no change, or increased the amount firms need to pay in informal payments to answer questions about their tax accounts?</p>	<p>Decreased</p> <p>No change/about the same</p> <p>Increased</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>-99</p> <p>-98</p>	<p>⇒M.1</p> <p>⇒M.1</p> <p>⇒M.1</p> <p>⇒M.1</p> <p>⇒M.1</p>
	<p>What is the <b>primary reason</b> your firm has not approached the Taxpayer Service Center since 2010?</p> <p>INT: Single response!</p>	<p>It is preferable to deal with your firm's Tax Processing Officer directly</p> <p>Taxpayer Service Centers are not successful at resolving queries</p> <p>It takes too long to receive a response through taxpayer service centers</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>OTHER (SPECIFY)</b></p>	<p>1</p> <p>2</p> <p>3</p> <p>-99</p>	

			4	
	Where do you go most often to ask questions about your firm's tax account?	Tax Processing Officer Taxpayer Service Center <b>DON'T KNOW (SPONTANEOUS)</b> <b>OTHER (SPECIFY)</b>	1 2 -99 3	⇒M.1 ⇒M.1 ⇒M.1 ⇒M.1
	What is the primary reason your firm has not approached the Taxpayer Service Center to ask questions about your firm's tax accounts?	It is preferable to deal directly with the firm's tax processing officer Tax Payers Service Centers are not successful in answering the questions . It takes a lot of time to get an answer from the Taxpayers Service centers <b>DO NOT KNOW (SPONTANEOUS)</b> <b>OTHER (SPECIFY)</b>	1 2 3 -99 4	

**Section M. Count Lists**

	Please take a look at this list of common activities that firms engage in to complete their taxes. After you read the list, just tell me <b>HOW MANY out of these 5</b> these activities your firm engaged in during the 2011 fiscal year. I	0 1	0 1
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	<p>don't want to know which ones, just <b>HOW MANY</b>.</p> <p><b>SHOW CARD 12 (DO NOT READ RESPONSES)</b></p> <p>Looked for instructions for completing tax filings on the GDT website</p> <p>Hired a consultant or accountant to assist you in filing your taxes</p> <p>Paid an informal charge to a tax processing officer to expedite procedures</p> <p>Reviewed the status of your tax account on the GDT website</p> <p>Visited the Taxpayer Advocate more than 5 times</p>	<p>2</p> <p>3</p> <p>4</p> <p>5</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p> <p>-98</p>
	<p>If your firm bid on a government tender during the 2011 fiscal year, please take a look at this list of common activities firms engage in to make their goods or services more attractive to government clients. After you read the list, just tell me <b>HOW MANY out of these 5</b> activities your firm engaged in during the 2011 fiscal year. I don't want to know which ones, just <b>HOW MANY</b>.</p> <p><b>SHOW CARD 12 (DO NOT READ RESPONSES)</b></p> <p>Dropped off pamphlets or fliers at government offices advertising your goods or services</p> <p>Opened your business or a branch of your business near government offices in order to be nearer to the decision-makers</p> <p>Appealed to a friend or relative in the office to steer government business toward your firm</p> <p>Paid a "commission" to a government official to ensure that when your business won the contract, he would receive a small percentage</p> <p>Check the official website of the Procurement Agency for new announcements</p>	<p>0</p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p><b>DON'T KNOW (SPONTANEOUS)</b></p> <p><b>REFUSAL (SPONTANEOUS)</b></p>	<p>0</p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>-99</p> <p>-98</p>

**End of Questionnaire**

Thank you very much for your cooperation.

**Interview End Time**

Hour	Minute

## Annex 4B: FGD Guides – VAT Payers

### FGDs: BUSINESS REGISTRATION

**SAMPLE:** Economic Operators that were registered after 2006 with NRC. Only 1 FG- in Tirana Businesses will vary by size and sector, but we will select only those businesses which have registered by themselves, without hiring an external person. Participants should be the individuals who personally interacted with the NRC to register.

#### GUIDE FOR FOCUS GROUP WITH ECONOMIC OPERATORS THAT WERE REGISTERED WITH NRC

##### ***Presentation of the project***

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in the **business registration process**, of the support that was provided for the establishment of **National Registration Center (NRC)** and revision of the regulatory framework for business registration.

The questions in this guide are organized in sessions to better understand your perceptions and opinions. However, the discussion may reveal other important situations that would be useful to be elaborated.

You have been selected from the list of Economic Operators that have registered their business with the NRC. This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves, the company, when it started working and when it registered.*

##### **A. General**

*Moderator: We want to start with some questions regarding the business registration process in general*

- a. What do you think about the regulatory field around business registration in general? How easy is it to understand? How effective and efficient? What are the main challenges in your view?

##### **B. Collecting documentation before submitting the applications at NRC**

*Moderator: We want to ask some questions regarding the paperwork that is collected prior to submitting their application to NRC.*

2. What do you think about the procedures for registering at NRC? How clear or unclear are they?
3. How much time did you spend collecting the documentation required prior to submitting your application for registration to NRC? What were they for? Which of these papers were specifically required to register, and which did you choose to collect on your own initiative? How did you find out which papers were required, and which were not?
4. How much money did you spend for formal payments prior to submitting your application for registration (for instance, to obtain any required papers), and what was it for?
5. What were the main challenges prior to submitting your registration, and how did you address them?
6. What about the incidence of informal payments (or requests for such) at this preparatory stage? At which stage do they occur, if at all?

**C. Registration process at NRC**

*Moderator: We want to proceed now with some questions regarding the registration process per se at NRC.*

7. Was your application accepted or not accepted at the first attempt of submitting it? If it was not accepted at the first attempt, what were the reasons and what do you think about it?
8. How much time did it take after you submitted your application and before you received the registration certificate? How were you informed that your registration is complete and you can collect the registration certificate?
9. How much did the registration cost in formal payment(s)? Where did you pay the amount? What do you think about it- payment method, choice of bank, etc?
10. What do you think about the professionalism of the staff?
11. What do you think about the incidence of informal payments (or requests for such) during this stage at NRC?

**12. Obtaining other certificates from NRC**

*Moderator: We want to understand the experiences of EOs related to functions of the NRC other than initial registration (e.g. providing certificates, closure of business, name change, change of address, etc)*

13. Have you ever approached NRC for anything else after your company got registered? If yes, for what?
14. How much time was involved, and what were the formal costs?
15. What do you think and incidence of informal payments (or requests for such) for these applications?

**16. Complaints**

*Moderator: We want to understand the experiences of EOs in case they have complaints regarding their applications with NRC.*

17. Have you ever complained about the application process at NRC, and if yes, to whom do you complain, and how were your complaints handled?
18. If you have not complained- why? Because you didn't have a complaint or for some other reason?
19. How does this differ from the procedure of complaints and your experiences with complaints at other agencies?

## FGDs: PUBLIC PROCUREMENT

**SAMPLE:** Economic Operators that were active on EPS starting from January 2009, but who had also bid before that, including some who have filed a complaint to the Procurement Advocate. 2 groups (one of large businesses, and one of medium size businesses). Mix of different sectors and types of procurements within each group.

### GUIDE FOR FOCUS GROUP WITH ECONOMIC OPERATORS THAT PARTICIPATE IN PUBLIC PROCUREMENT

#### ***Presentation of the project***

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in the public procurement, of the support that was provided both to the (a) Public Procurement Agency PPA, for the revision of the law and establishing the e-procurement system, and (b) PPAO- Public Procurement Advocate. The program was administered by the U.S. Agency for International Development (USAID). The program was implemented with the overall goal to increase the effectiveness and efficiency of the system, reduce the administrative burden on the PPA, and on businesses but also increase the fairness in the system: increase competition, and reduce the incidence of informal payments.

The questions in this guide are organized in sessions to better understand your perceptions and opinions. However, the discussion may reveal other important situations that would be useful to be elaborated.

You have been selected from the list of Economic Operators that were active on Electronic Procurement System (EPS) starting from January 2009, but who had also bid before that. This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves and what they specifically do in relation with public procurement procedures.*

#### **D. PPA procedures**

*Moderator: We want to start with some questions re PPA and its procedures*

1. What do you think about the current requirement for public procurements under the current Law? Do you think that the requirements for submission are reasonable to allow the government to make an informed decision?
2. What do you think about the reliability of the e-procurement system? Do you find submitting your bids online as a reliable way to operate and user-friendly? What are the challenges and how do you address these?

3. What do you think of the procedures in place when bidders have queries about the bids? How often do you have questions about the bids announced? What do you normally do when you have such questions? Please distinguish your answers between central and local governments
4. What do you think about meeting the Contracting Authorities (CAs)? What is the main purpose of these meetings? What do you think about the procedures that the CAs employ with regards to sole-sourcing? Could you please describe your experiences? Please distinguish your answers between central and local governments
5. What do you think about the procedures that the CAs have for cancelling the announced bids? How often does this happen before and after 2009? Could you please describe your experiences? Please distinguish your answers between central and local governments
6. What do you think about the stage after the bids are submitted: do you get contacted by the CAs and for what mostly? Please distinguish your answers between central and local governments
7. What do you think about the competition among the bidders? In your experience did it increase per bid or not? Please distinguish your answers between central and local governments
8. What do you think about the informal payments in the system: did their incidence increase or decrease before and after 2009? How does this normally take place? Please distinguish your answers between central and local governments

**E. Complaints**

*Moderator: We want to understand whether the businesses have any preferences in the way of handling their complaints against contracting authorities and the start with some questions re PPA and its procedures*

9. If you have a complaint about CAs, to who do you prefer your complaints and why? Which agency: PPA, PPAO or PPC? Please explain the reasons?
10. Have you ever complained to the PPA?. What has been your experience? What do you think of the way they conducted the investigation, professionalism of staff, the results it brought, etc?

**F. PPAO as a institution in the public procurement system**

*Moderator: We want to know if you have enough information on PPAO institution and its role in helping EOs and assuring the correct implementation of the legal framework on public procurement.*

11. What is your understanding of the PPAO's role and impact, as a separate and independent institution, in the public procurement system? How did you first learn about it?
12. In general, what is your perception of the PPAO's efficiency and usefulness in addressing a complaint? What should be done to make it more efficient and easy to use?
13. Have you ever seen the PA's website? What do you think of it? What should be done to make it more efficient and easy to use?

14. What do you think about the role of PPAO in the public procurement system, and in particular, in the light of the existence of PPC? Are the roles clear? What do you see as the difference? What do you think should be done to streamline the relations between these agencies?

## FGDs: TAX ADMINISTRATION

**SAMPLE:** Businesses (VAT payers) established earlier than 2006, divided into 2 groups: large taxpayers (registered at LTO) and medium size businesses. Mix of different sectors within each group. Some with experience with Taxpayer Advocate and Taxpayer Service Centers.

### GUIDE FOR FOCUS GROUP WITH VAT- PAYER BUSINESSES

#### **A. Presentation of the project**

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in the public procurement, of the support that was provided both to the (a) General Directorate of Taxation (GDT) for reforms in tax administration and (b) Taxpayer Advocate.

The program was administered by the U.S. Agency for International Development (USAID). The program was implemented with the overall goal to increase the effectiveness and efficiency of tax administration, to reduce the administrative burden on the GDT and on businesses, but also to improve the business environment related to taxation for businesses and reduce the incidence of informal payments.

The questions in this guide are organized in sessions to better understand your perceptions and opinions about the GDT. However, the discussion may reveal other important situations that would be useful to be elaborated.

You have been selected from the list of Economic Operators that were active before 2006, when the reforms in tax administration supported by MCC/USAID began. This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves and what they specifically do in relation with public procurement procedures.*

#### **B. GDT procedures**

*Moderator: we want to start with some questions re PPA and its procedures*

15. What do you think about the current **e-filing** system of tax declarations? What do you think of the way your tax declarations are submitted now compared to the situation before 2006? Think of changes in efficiency and informal payments.
16. What do you think about the work of **tax processing officers**? What do you think of the way your tax declarations are processed now compared to the situation before 2006? Think of changes in efficiency and informal payments (or requests for them).

17. What do you think of the work of **tax auditors** now compared to the situation before 2006? What do you think about the frequency the businesses are audited and the basis of audits? Please reflect on comprehensive audits separately from short fiscal controls.
18. What do you think about changes (if any) in efficiency, length of audits, fairness the businesses are treated with, the helpfulness of the tax auditors, and incidence of informal payments (or requests for them)?
19. What do you think of the work of **Tax Verification Force** now compared to the situation before 2006? What do you think about the frequency the businesses are being inspected? What do you think about changes (if any) in efficiency, fairness the businesses are treated with, the helpfulness of the tax inspectors and the incidence of informal payments (or requests for them)?
20. What do you think of the work of **Tax Collection procedures at GDT** now compared to the situation before 2006? What do you think about the changes (if any) in efficiency, helpfulness of GDT and fairness the businesses are treated with, and incidence of informal payments (or requests for such). If you had issues with tax arrears, please describe when and how these were dealt with.
21. What do you think **Taxpayer Service Centers**? How often do you use them and for what purpose? What do you think about their procedures and professionalism? What do you think about the role these Centers play in relation to informal payments (or requests for such) in tax administration?
22. What do you think about the relationship between Taxpayer Service Centers and Tax Processing Officers? Do you think that the TSCs reduce the incidence of having to approach one's tax processing officer? Please reflect on the efficiency of procedures and incidence of informal payments in this light.

### **C. Complaints**

*Moderator: we want to understand whether businesses have any preferences in the way of handling their complaints against contracting authorities and the start with some questions re PPA and its procedures*

23. What do you think of options of complaints for businesses regarding tax administration? How do you prefer to act if you have a complaint, and why? When you have a complaint, which agency do you go to and why? (GDT, Taxpayer Advocate, other)?

### **D. Taxpayer Advocate (TA)**

*Moderator: We want to understand how much you know about the Taxpayer Advocate and its role, as well as your views about it.*

24. Have you heard about the Taxpayer Advocate and if yes, then how did you first learn about it?
25. What do you think about the role of the TA in the tax administration system?
26. Have you ever seen the TA's website? What do you think of it?
27. In general, what is your perception of the TA's efficiency and usefulness in addressing a complaint? What is your understanding of the TA and its impact?

## FGDs: GROUP 1 and 2 NLC LICENSE HOLDERS

**SAMPLE:** Economic Operators that obtained both Group 3 licenses from the NLC and other licenses from other agencies before NLC was established. A total of 3 focus groups will be derived from this frame, 2 in Tirana (one of large businesses and one of medium-sized businesses), and 1 outside of Tirana. Businesses will vary by sector and type of license within Group 3.

### GUIDE FOR FOCUS GROUP WITH ECONOMIC OPERATORS THAT HAD OBTAINED LICENSES FROM NLC AND HOLDING GROUP 3 LICENSES

#### ***Presentation of the project***

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in the licensing system, of the support that was provided for the establishment of National Licensing Center (NLC) and revision of regulatory framework for licensing

The questions in this guide are organized in sessions to better understand your perceptions and opinions. However, the discussion may reveal other important topics that should be further discussed.

You have been selected from the list of Economic Operators that have obtained licenses from the NLC. This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves and what they specifically do, in relation to their business licenses.*

#### **A. General**

*Moderator: we want to start with some questions regarding the licensing field in general*

- a. What do you think about the regulatory field around licensing in general? How easy is it to understand? How effective and efficient – at different agencies and government levels? What are the main challenges and how do you deal with these?

#### **B. Applying for a licence**

*Moderator: We want to start with some questions regarding the procedures for applying for licenses.*

20. What do you think about the procedures for applying for a license at NLC? How clear or unclear are they?

21. How time consuming was it to obtain the required paperwork to apply for the licence (before applying)? How does this compare to the situation before the NLC was established for a similar type of license (if you have this experience)?
22. How long did it take from the moment of application and before obtaining the license? How does this compare to the situation before NLC was established, for the same licenses (if you have this experience)?
23. How much were the costs at NLC itself? How does this compare to the situation before NLC was established, for the same licenses (if you have such experience)?
24. What do you think about the professionalism of the staff?
25. What differences do you see between the application process for licenses from the NLC in comparison with other agencies granting licenses (before and after establishment of NLC)?
26. What do you think about the incidence of informal payments (or requests for such at the stage of application for license) at NLC and also as compared to other agencies granting licenses?

**C. Obtaining the license**

*Moderator: We want to understand the experiences of EOs after the applications are submitted.*

27. What were your experiences after you had applied for the license from NLC and before you received the license? Please reflect on your experiences related to this “waiting time” with NLC and with other agencies granting licenses (before and after establishment of NLC).
28. If you were inspected by a line Ministry, what were your experiences? Were you notified about the inspection? How long did the process take? Please reflect on your experiences related to this before and after 2009 (before and after the NLC was established).
29. What do you think about the line Ministry inspection process prior to granting a license? How effective and efficient is it?
30. Were you contacted by NLC during this time, and if so, for what purposes?
31. Do you think that the reforms in licensing affected the incidence of informal payments (or requests for such) at the line ministry inspection stage?

**D. Complaints**

*Moderator: We want to understand the experiences of EOs in case they have complaints regarding how their application was handled.*

32. Have you ever complained about the application process at NLC and if yes, how were your complaints handled? How does this differ from the procedure of complaints and your experiences with complaints at other agencies, granting licenses?
33. Have you ever complained regarding the line ministry Inspections? If yes, to which agency? What were your experiences with that?

## FGDs: GROUP 3 NLC LICENSE HOLDERS

**SAMPLE:** Economic Operators that obtained both Group 3 licenses from the NLC and other licenses from other agencies before NLC was established. A total of 3 focus groups will be derived from this frame, 2 in Tirana (one of large businesses and one of medium-sized businesses), and 1 outside of Tirana. Businesses will vary by sector and type of license within Group 3.

### ***Presentation of the project***

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in the licensing system, of the support that was provided for the establishment of National Licensing Center (NLC) and revision of regulatory framework for licensing

The questions in this guide are organized in sessions to better understand your perceptions and opinions. However, the discussion may reveal other important topics that should be further discussed.

You have been selected from the list of Economic Operators that have obtained licenses from the NLC. This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves and what they specifically do, in relation to their business licenses.*

### **A. General**

*Moderator: we want to start with some questions regarding the licensing field in general*

- a. What do you think about the regulatory field around licensing in general? How easy is it to understand? How effective and efficient – at different agencies and government levels? What are the main challenges and how do you deal with these?

### **B. Applying for a licence**

*Moderator: We want to start with some questions regarding the procedures for applying for licenses.*

34. What do you think about the procedures for applying for a license at NLC? How clear or unclear are they?

35. How time consuming was it to obtain the required paperwork to apply for the licence (before applying)? How does this compare to the situation before the NLC was established for a similar type of license (if you have this experience)?
36. How long did it take from the moment of application and before obtaining the license? How does this compare to the situation before NLC was established, for the same licenses (if you have this experience)?
37. How much were the costs at NLC itself? How does this compare to the situation before NLC was established, for the same licenses (if you have such experience)?
38. What do you think about the professionalism of the staff?
39. What differences do you see between the application process for licenses from the NLC in comparison with other agencies granting licenses (before and after establishment of NLC)?
40. What do you think about the incidence of informal payments (or requests for such at the stage of application for license) at NLC and also as compared to other agencies granting licenses?

**C. Obtaining the license**

*Moderator: We want to understand the experiences of EOs after the applications are submitted.*

41. What were your experiences after you had applied for the license from NLC and before you received the license? Please reflect on your experiences related to this “waiting time” with NLC and with other agencies granting licenses (before and after establishment of NLC).
42. If you were inspected by a line Ministry, what were your experiences? Were you notified about the inspection? How long did the process take? Please reflect on your experiences related to this before and after 2009 (before and after the NLC was established).
43. What do you think about the line Ministry inspection process prior to granting a license? How effective and efficient is it?
44. Were you contacted by NLC during this time, and if so, for what purposes?
45. Do you think that the reforms in licensing affected the incidence of informal payments (or requests for such) at the line ministry inspection stage?

**D. Complaints**

*Moderator: We want to understand the experiences of EOs in case they have complaints regarding how their application was handled.*

46. Have you ever complained about the application process at NLC and if yes, how were your complaints handled? How does this differ from the procedure of complaints and your experiences with complaints at other agencies, granting licenses?
47. Have you ever complained regarding the line ministry Inspections? If yes, to which agency? What were your experiences with that?

## Annex 4C: FGD Guide for small businesses

### GUIDE FOR FOCUS GROUP WITH SMALL BUISNESSES WITH AN ANNUAL TURNOVER 0-8 Million LEK

**SAMPLE:** small businesses, with an annual turnover of up to **8 million LEK**, (proportionately representing ranges: 0-2 million LEK, 2-5 Million LEK, and 2-8 Million LEK, paying local government (simplified tax) recruited through small business association in Korca and RDAs in Korca and Tirana. A mix of those registered before 2006 (with the court system) and after (with NRC). The sample will include representatives of various sectors (retail shops, food outlets, restaurants, service sector, taxi drivers, etc).

#### ***Presentation of the project***

*The moderator makes a short presentation of himself/herself, the overall goal of the study and purpose of the focus group as well as the duration of the discussion.*

This meeting/discussion is part of an independent evaluation that our company, Social Impact is conducting with the support Millennium Challenge Corporation. We are evaluating the results of all the components of the MCC Albania Threshold Program (ATP), but this particular meeting/discussion is about the achievements of the program relating to reforms in business registration and tax administration at GDT, but we will have also some questions regarding the reforms in public procurement and licensing.

You have been selected as representatives of small businesses which interact both with the municipality tax department and GDT in filing and paying their various taxes. All the information you provide will be treated as confidential, which means that no interviewee will be identified by name in the study report or elsewhere – only the aggregate results will be reported. We'll be happy to share with you the summary of the results and recommendations of this project.

The questions in this guide are organized in sessions to better understand your perceptions and opinions. However, the discussion may reveal other important situations that would be useful to be elaborated.

This discussion will take about 90 minutes. We would like to thank you in advance for participating.

*Moderator: Ask EOs' representatives to introduce themselves, describe what type of business they represent, how many employees they have and in what bracket they fall in terms of their annual turnover (last FY).*

#### ***E. Business Registration***

*Moderator: We want to start with some questions related to business registration*

1. **Please tell us when you started working.**
2. **When did you register your company, and did you register with the NRC or through the court?**
3. **Why did you decide to register the company?**
- 4.1.1.1.1 **Moderator: Probe into ease of registration, opportunities or the lack thereof to work without registration, and other possible incentives.**
4. **Did the change in the registration system (NRC establishment) play any role in deciding to register?**
5. **Do you have any other company/companies registered in your name, and if yes, why do you have multiple companies?**
6. **What do you think about the process of registration? Where did you register? How long did it take (a) to prepare the paperwork for registration and (b) after you applied and before you received your registration papers?**
7. **How much did it cost in formal payments and for what? How and where did you pay and what do you think about the payment method and place, choice of bank, etc?**
8. **What do you think about the incidence of informal payments (and requests for such) at NRC, or at NRC windows at municipalities? How does this compare with the former procedure of registering with the courts?**

#### ***F. Filing of Taxes***

9. **Which agencies do you file your taxes at? What do you think about the filing process at these agencies?**
  - 
  - *Moderator: Probe into filing the Simplified (local government) tax, profit tax and VAT. How user friendly is the process of filing taxes for them at different agencies and how efficient? Probe into informal payments being requested.*
  -
10. **Do you e-file your tax declarations and if yes- which ones and when did you start e-filing? How does the filing process at GDT (with e –filing) now compare with the situation when paper filing was used? Please reflect on convenience, time and costs involved.**
  - 
  - *Moderator: Probe into changes in efficiency (how long it took before and takes now), costs, and incidence of informal payments.*
  -

#### ***G. Paying the Taxes***

11. **What do you think about the process of paying taxes: separately for local government (simplified) tax, profit tax and VAT? How easy and straightforward is it?**

- 
- *Moderator: Probe into paying Simplified tax and profit tax separately first. Probe into paying advance payments for local government (simplified) tax and reimbursements in case of overpayment. Ask how user friendly is the process? Probe into challenges.*
- 

12. **if your annual turnover is between 5-8 million LEK, do you now pay VAT on the top of local (simplified) tax and Profit tax? What impact did it have on your business?**

- 

13. **Do you know your tax processing officers: please answer separately for GDT and municipality?**

- 

14. **What do you think of the incidence of informal payments (or requests for such) during processing your taxes? Please reflect on this with regards to simplified tax and profit tax? Did the incidence change during the last 3-4 years, and if yes, at GDT or municipality or both?**

- 
- *Moderator: Probe additionally into incentives for the occurrence of informal payments*

○ **H. Tax Audits**

- 

15. **Which agencies audit your taxes and your compliance with tax processing rules? GDT and the municipality or only one of these?**

- *Moderator: Make sure to distinguish between tax auditors (both at GDT and municipality) and tax verification force/tax Police (at GDT)*

- 

16. **What do you think about the tax auditing process? Did you notice any changes during the last 3-4 years and yes, how so? Please reflect on various inspection/auditing units separately: GDT audits, GDT tax verification force (Tax Police) and Municipality tax audits. What are the main challenges?**

*Moderator:*

- *Probe into the question whether audits are carried out for the same issues by various units*

*Probe into the question on whether the business gets audited for the same tax/issue by both agencies.*

*Probe into the frequency/ incidents and amounts (and changes in these) with regards to informal payments*

*Probe into the friendliness, helpfulness of tax auditors, separately for GDT tax auditors, GDT Tax Verification force/tax police and municipality tax audits.*

- 

**I. Taxpayer Service Centers**

-

17. Have you heard about Taxpayer Service Centers? **If yes**, what do you think of Taxpayer Service Centers?

○

18. Are you using Taxpayer Service Centers, then how often are you using these and mainly for what? How are you contacting them (telephone, email, in person)?

○ *Moderator: Probe into the opinions on whether they think these Centers help them and if yes, how? Probe into the professionalism of the staff at the Centers*

○

19. If you are NOT using Taxpayer Service Centers, then why not?

○ *Moderator: Probe into the opinions on whether they prefer to resolve their tax issues directly with the tax processing officers and if yes, why? Probe into convenience of TSCs and professionalism of staff*

○

20. How, in your view the establishment of the Centers, has affected, if at all, the need to visit the GDT and/or municipality to meet your tax processing officer?

○

21. How, in your view the establishment of the Centers, has affected the incidence of informal payments in tax administration (both and separately at GDT and municipality)?

○

○ *Moderator: please ask to substantiate the answer*

○

#### *J. Taxpayer Advocate*

○

22. Have you heard about Taxpayer Advocate? If yes, how did you hear about it and what do you think its role is?

○

23. If you have heard about the Taxpayer Advocate, have you ever approached the Taxpayer Advocate?

○

24. **If yes**, for what and what do you think of your experience with Taxpayer Advocate? **If not**-then why?

○

25. If you have a complaint related to your tax account/issues how do you prefer to resolve these? Who do you approach?

#### *K. Public Procurement*

○

26. Do you procure government contracts?

○

27. **If yes**, when did you start bidding for public procurement contracts, and what is the main type of procurement? What do you think about the e-procurement system now? How does the current e-procurement system compare to the previous, system before 2009- if you have such experience?

○

○ *Moderator:*

○

- *Probe into efficiency (how long it took/takes to bid and how costly it was/is), the reliability (how often does the website crash and what do they do if it does), how convenient it was/is (for example do they have good Internet access)*
- 
- *Probe into their perceptions on the level of access to information before EPS (Electronic Procurement System) and after*
- 
- *Probe into changes in the incidence of informal payments being requested before EPS (Electronic Procurement System) and after*
- 
- 28. If you do not bid for public procurement contracts, then why? Have you ever tried to?**
- 
- *Moderator:*
- *Probe into procurement requirements (e.g. turnover threshold), other objective and subjective reasons (e.g. trust in the system)*
- 
- 29. Have you heard of Procurement Advocate? If yes, where did you hear about them from?**
- 
- 30. Have you ever approached the Procurement Advocate? If yes for what and what do you think of your experience? If you have not approached the Procurement Advocate ever, but know about this existence- then why?**
- 
- L. Licensing**
- 
- 31. Do you have any operational licenses (as distinct from professional licenses held by individuals)? If yes, how clear is the regulatory field around licensing to you?**
- 
- 32. Have you ever obtained a license from the National Licensing Center?**
- 
- 33. If yes, for what? And what do you think about your experience with obtaining a license from the NLC?**
- 
- *Moderator:*
- *Probe into the efficiency of procedures (how long did it take), costs, professionalism of the staff, incidence of informal payments being requested*
- *If the Interviewee mentions informal payments at NLC, ask at what stage*
- 
- 34. Do you have licenses obtained from agencies other than NLC?**
- 
- 35. If yes, how does your experience with NLC differ from your experiences of obtaining licenses from other agencies (municipality and /or other ministries)?**
- 
- *Moderator:*
- *Probe into differences related to the professionalism of staff, efficiency, incidence of informal payments being requested*
-

## Annex 4D: In depth interview guide with territorial urban planning departments (UPDs) of municipalities

### *Instructions for the interviewer:*

The guide will be used as reference to conduct the in-depth interviews with TPD representatives and specifically with the (a) **Head of Department**, and (2) **the Specialist in charge of working with the National Planning Registry**. The interview will take place in their office, where the interviewee will feel comfortable and may have access to the data/information requested by the interviewer. There are explanations below some of the questions, written in italics. They are for the moderator to consider and use to spark the discussion, not as direct question to the respondent.

### INTERVIEW WITH TERRITORIAL PLANNING DEPARTMENTS (TPD)

#### Interviewee data:

Institution: \_\_\_\_\_  
The Interviewee: \_\_\_\_\_  
Job position: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

#### Interview data

Interviewer's name: \_\_\_\_\_  
Date of the interview: \_\_\_\_\_  
Interview starting time: \_\_\_\_\_  
Interview end time: \_\_\_\_\_  
District \_\_\_\_\_

### Description of the Study

We want to inform you that **Social Impact Inc** is conducting an independent evaluation of the Albania Threshold Program, funded by the Millennium Challenge Corporation and administered by the U.S. Agency for International Development (USAID). The evaluation itself is also funded by MCC with the goal to learn from the experience for future similar projects. Through this In-depth interview we aim to get your experience and opinion on the reform of the territorial planning system and the role of the NPR as a tool, as well as your input/ recommendations for the reforms here in Albania and elsewhere.

You have been selected as a representative of your institution, in charge of the territorial planning process. All the information you provide in this interview will be **treated as**

**confidential**, which means that no interviewee will be identified by name in the study report or elsewhere – only the aggregate results will be reported.

We'll be happy to share with you the summary of the results and recommendations of this project.

For any questions and information, you can contact \_\_\_\_\_

## A. The Territorial Planning at the Municipality

### 1. At what stage is your Municipality with the process of the drafting the New Plan?

- *Interviewer, probe into the following:*
- *Is the new plan in the process of being drafted, finished, in process of approval, or already approved?*
- 
- *Interviewer, if the plan is still in process or not started yet, then, probe into the following:*
- *How is the department/municipality doing in complying with the new requirements of the territorial planning for submitting the plans until September 2013 etc.?*
- *If they you have not started working on the new plan as yet, please ask why? Also please ask when do they plan to?*
- *Interviewer:*
- *Ask whether or not they were among the pilot municipalities (10) which had finalized their plans before the Law entered into force?*
  - *If yes- probe into the stage of revision, accordingly with the final versions of the law/bylaws*

### 2. Please indicate what stages have you finished? Which parts of these stages have you finished so far and what still needs to be done in terms of each stage?

- (a) **Territorial policy?** *Probe into obstacles (new concept, integrated approach of strategic planning etc)*
- (b) **Local Territorial Plan?** *Probe into obstacles (technical, financial, lack of capacities, political, regulatory, other)*
- (c) **Local Regulations?** *Probe into the question on whether he/she, his/her municipality has already started a process for drafting local regulations as indicated into the new law. Probe into obstacles*
- (d) **Uploading the information to the NPR?.** *Probe into obstacles (**Interviewer: there are detailed questions in the Section related to NPR later: this question is just to get the big picture**)*

3. Please indicate what are the predominant land uses at your municipality territory? Is the territory of your municipality mainly urban or rural (if rural, mainly agricultural or natural)?

- **Interviewer:** Probe into the following: industrial, residential, protected zone, touristic, services, green zone, agriculture, educational zone, or (according to the new plan) other

**Interviewer, then probe into:**

- what kind of planning efforts are required as a result,
- what kind of technical capacities and
- what kind of territorial information.

**B. The TPD's Capacity to implement new law requirements and experience (before and after 2009)**

4. How is your department organized and what do you need, in technical capacity terms, to comply with the new law implementation requirements?

○ **Interviewer:**

- Ask whether or not they have a department for urban planning?
- Ask for the number of staff dealing with the new urban planning requirements, set in the law/bylaws?
- Ask for the number of staff dealing with the procedures for building permit applications revision/approval?
- Ask whether they have the facilities (e.g. hardware and software) necessary (e.g. Autocad, Servers etc)?
- Ask whether they have regular access in internet?

○

5. Could you please describe your department's workload and challenges before and after 2009?

○ **Interviewer:**

a. **Before** \_\_\_\_\_ **2009:**

- Ask what was the workload like before 2009 (before the new law entered into force), e.g. what was the number of permits granted on average per year?
- Ask what would they describe the major challenges they faced then, i.e. before 2009?

**Interviewer:** Probe into the challenges related to lack of regulatory plan, urban studies, maps, functionality of TAC, the number of applications; number of visitors related to the applications, number of complaints by applicant and their main reasons, main reasons for rejection and their main reasons; resources (staffing, financial)

**b. 2010-2011**

Ask whether they have approved any building permits during 2010-September 2011 (before the new law fully entered into force).

- *If yes, ask approximately how many and how does the workload compare to before 2009?*
  - 
  - *If there was a change compared with the situation before 2009, ask why? Ask how did it affect their operations?*
  - 
  - *If there was no significant change, ask how did they manage to keep up the work process, during this transitory period of the law entering into force and while the regulations and laws were changing? what were the main challenges they faced and how did they deal with these?*

**c. September 2011-up to date**

Ask whether they have approved any building permits from September 2011 (when the law fully entered into force) up to date?

- *If yes, how many approximately?*

Ask what were the main challenges they faced and how did they deal with these.

**C. Awareness and the opinion about the new territorial planning framework**

**6. What do you think about the new Law on Territorial Planning and the new Regulations?**

- **Interviewer:**
- *Ask whether they think these were necessary and why?*
- *Ask whether they think these were timely and why?*
- *Ask whether they think these are easily implementable or they need training or something more to understand and implement the new planning system?*
- 

**7. How did you find out about these reforms, including: the new law on urban planning and the new bylaws the new information management system, i.e. the National Planning Registry (NPR)?**

- **Interviewer:**
- *Ask whether the interviewee was aware about the upcoming reforms before they were announced? If yes, how he/she found out?*
- *Ask whether he/she was aware about the dates of entry into force of the law and the regulations?*
- *Ask whether he/she was aware about the fact that other new regulations should be still drafted, approved and enter in force: (a) by central government and, (b), by local government/municipalities*
-

8. How would the new territorial planning framework affect your operations in your view? *Please reflect on the following TO ILLUSTRATE your answers: simplifying of the building permit procedure, abolishing of the TAC, the new system of territorial planning (different types of plans at central, regional, local level, sectoral, cross-sectoral); different types of planning instruments (the policies, the plans, the regulations etc); the national planning registry (NPR).*

○ *In particular:*

- How would these affect your workload?. *Interviewer, ask to substantiate the answer*
- How would these affect the quality of territorial planning? *Interviewer, ask to substantiate the answer*
- How would these affect the time for approving a building permit?. *Interviewer, ask to substantiate the answer*
- How would these affect the number of complaints? *Interviewer, ask to substantiate the answer*

○

9. What do you think about the major changes the new law brought on the system for urban planning and building permit approval? For example:

a) What do you think about the new roles, authority and responsibility of the following institutions regarding: planning instruments (general plan and local plan), regulations (local ones) and building permit approval? Will this help for the work to improve?

○ *Interviewer, probe into the roles of:*

- *National Territorial Planning Agency;*
- *Municipal Council;*
- *The Mayor and his assigned representative for approving the building permits;*
- *The urban planning department.*

b) What do you think about the new obligations for municipalities under the new urban planning framework? Are they adequate and reasonable to comply within the time frame, given in the laws/bylaws?

○ *Interviewer, probe into:*

- *The obligation for drafting of the new plan within the set deadline in the law (2013)*
- *The obligation to set the Geographical Information System and the Territorial Register?*
- *The drafting and approval by the Municipal Council of a number of local regulations for planning instruments, land management, and building permit procedures and rules?*

**10. Have you received (or are you receiving) any assistance from donor agencies/projects? If yes, please answer the following questions (if you had received multiple assistance projects, please answer these questions separately for each):**

- **what for and when?**
- **what do you think about this assistance, could you have done without it**
- **what have you learned/gained/obtained?**
- **how have you used whatever you have learned?**

***Interviewer: Do not read the list below, but keep it as a reference, in case the interviewee mentions specifically any of these - then circle as appropriate and refer please in the notes.***

- *WB Land Administration and Management Program:*
- *MCC Albania Threshold Program (Chemonics):*
- *USAID Local Government Program in Albania:*
- *USAID Planning and Local Governance Project:*

**11. Have you received/are you receiving any assistance/training from NTPA directly, for what, and what do you think about this if you have?**

***Interviewer:***

*Ask whether they have received any assistance, in the past, or any assistance running in the present.*

- *If yes:*
  - *Ask when, for what and whether they think they could have done without this assistance?*
  - *Ask what they have learned? How have they used whatever they have learned?*
- 

**12. What do you see as the main challenges/difficulties in implementing the requirements of the new law (including, but not limited to the Plan, the Register and GIS, the local regulations) new Law and what assistance do you need in order to cope with these challenges**

- 
- ***Interviewer:***
- *Ask how easy it is for them to understand the Law. Ask to elaborate with an example, if there are challenges*
- *Ask whether they need a change in the way they department is organized or the current set up is adequate?*
- *Ask about the size of the current budget of the department. Ask about the current budget for GIS, Register, new Plan, and new Regulations*

- Ask whether they think they have the necessary financial resources. Ask to substantiate the answer, if not. For example, if they need more funding, then – for what and is it one off – to comply now, or annually? Probe into:
  - the need in new facilities (etc)
  - the need new staff in number and new challenges skills (e.g. GIS experts, IT experts, urban planners etc)

### 13. How do you plan to meet the requirements of the Law?

*a) Interviewer, probe into the potential sources of funding, including:*

- Ask whether they
  - have and plan to use own means with no external help or with own means but hiring local consulting companies?
  - Hope to find an external source of funding - a donor agency to support?
  - Rely on NTPA/government/ Qarku schemes (trainings, manuals, etc.)
  - Other

*b) Interviewer:*

Ask whether they have already asked for any support, from outside the municipality?

- If yes, to what agency, donor? What type of answer did they receive?
- If not, why? What do they need to do so (expertise for “needs assessment”, ToR-s, negotiation and lobbying with the Agency, donor, other)?

### 14. What assistance do you expect to receive from the government?

- **Interviewer:** Suggest that you walk him/her through the following:
  - NTPA: For what? Can they do without it?
  - Ministry of Finance: For what? Can they do without it?
  - Ministry of Interior: For what? Can they do without it?
  - Qarku? For what? Can they do without it?
  - Other
  -

### D. National Planning Register

### 15. What do you think about the National Planning Registry?

**Interviewer:**

Ask how did he/she first find out about it?

Ask whether he/she was consulted on it before it was adopted?

**Interviewer: Before proceeding further please review the answer given to Question 2d) and ask the following questions (16-20) as appropriate**

**16. Do you have the NPR installed? Do you have the software for the Register, the username, the password?**

**Interviewer:**

**a) If yes:**

Ask to describe how they handled the installation: did it with their own means, hired a company, etc

- Ask whether it was easy to install and start using the NPR
- Ask whether they have received any assistance/training related to using NPR and if yes, what do they think about it? Who and when provided the assistance/training?
- Ask whether they have a GIS system in place?

**b) If no, ask why**

**17. If you have NRP already installed, then are you already using it?**

**a) if yes, for what are you using it at the moment for?**

**Interviewer:** Probe into the following:

- Ask whether they are using it for :
  - a. populating information on the planning instruments,
  - b. for the building permit process,
  - c. for publishing notifications etc?
- Ask whether people/businesses in their city can access it? Is it web based? Probe into the penetration of internet and affordable access to internet in their city
- Ask how do they plan to keep the NPR up to date. Probe into the question on whether they have the necessary staff and skills? If not- what do they plan to do?

**b) If not- then why?**

**18. To clarify, have you uploaded the information on property, infrastructure etc, that the bylaw requires to be published for their city in the Registry, in digitalized form or hard copy form/not digitalized yet (e.g. maps)?**

**Interviewer:**

- a) If yes,**
- Ask what type of information for the city they have uploaded there in already e.g. buildings, population, property information, infrastructure information, cadastral information (type and categories of land classification, as agricultural, forest, urban, touristic, etc), other
- b) If not.**
- Ask whether they plan to, when and how this will be financed?
  - If not planned, ask why? What do they need to make this happen?

Ask whether they have any information whether other institutions are working on this or not?

- Ask whether they plan to acquire the land information required and how will you finance it?
  - If no, why?

**19. Have you ever looked at the Register as a visitor?**

**20. If you are using (as visitor) or populating the NPR, then:**

**a) what do you think about the adequacy and user friendliness of the NPR? Is the NPR usable and useful for:**

- planning department work process;
- citizens;
- businesses (developers, builders, architects etc)

**b) what would you change in National Planning Registry if anything and if you had the opportunity?**

- **Interviewer: probe into the ideas about**
- the way that the information is accessed,
- the way new data is entered/updated;
- the kind of information contained therein;
- the classification of information according to the users (e.g. a simplified information for citizens, a more professional information for professionals),
- the user interface- how the page looks and easy to navigate;
- language - the way the text is written. Is it easily understood by various users;
- the software applications that are needed to work with the NPR;

- *the ability to generate analytic reports;*
- *possibility of extending it into “online application” one stop shop for building permits,*

### **E. Potential for Impact**

**21. It is said that the new territorial planning law and regulations the Registry, and overall- the new urban planning framework will increase the efficiency of the work the departments like yours. What do you think about it?**

- 
- **Interviewer:**

*Ask why he/she thinks so?*

*Probe into what they see as a potential outcome (multiple answers possible):*

- *more permits in shorter time (with the same or less costs)?*
- *same number of permits with less costs involved ?*
- *better plans in terms of quality of planning?*
- *effects on informal housing?*
- *better access in information on national projects/plans, other neighbor municipalities’ plans/processes, other state related agencies or infrastructure agencies projects/related information?*

○

**22. It is said that the new territorial planning system will save time and costs to the economic agents (developers, construction companies). What do you think about it?**

- 
- **Interviewer:**
- *Ask why he/she thinks so?*
- *Ask what suggestions would they have had to achieve that goal?*

○

**23. It is said that the new territorial planning system will increase transparency on the planning and development process for the citizens, landowners etc. What do you think about it?**

- 
- **Interviewer:**
- *Ask why he/she thinks so?*
- *Ask what suggestions would they have had to achieve that goal?*

○

**24. It is said that the new territorial planning system will reduce informal payments in the system (if any). What do you think about it?**

- 
- **Interviewer:**
- *Ask why he/she thinks so?*
- *Ask what suggestions would they have had to achieve that goal?*

### **Annex 4E: Interview Guide – CSOs**

## Sample

The sample will consist of approximately 15 CSOs that were assisted by MCC ATP, but representing a mix: those having been trained/assisted with 1-on-1 capacity building/being part of the Coalition of CSO in support of Administrative Court/being part of the TCC/received monitoring grants (the latter, all 5, will be asked to participate in the interviews). Based on ISC reports we will ensure a mix of CSOs, which had recorded a progress (according to ISC assessment) and have not.

### IN-DEPTH INTERVIEW GUIDE WITH CSOs

#### *Instructions for the moderator:*

The guide will be used as reference to conduct in-depth interviews with those CSO representatives which have cooperated with the Albania Threshold Program funded the Millennium Challenge Corporation, and specifically with the chairpersons of the CSOs.

The interview will take place in their office where the interviewee will feel comfortable and may have access to the data/information requested by the interviewer.

There are explanations below some of the questions, written in italics. They are for the moderator to consider and use to spark the discussion, not as direct question to the respondent.

#### Interviewee data:

Institution:

\_\_\_\_\_ Interviewee:

\_\_\_\_\_ position:

Address:

Telephone:

Email:

#### Interview data

Interviewer's \_\_\_\_\_ name:

Date \_\_\_\_\_ of \_\_\_\_\_ the \_\_\_\_\_ interview:

Interview time: \_\_\_\_\_ starting  
End \_\_\_\_\_ time:

District: \_\_\_\_\_

### Description of the Study

We want to inform you that Social Impact Inc is conducting an independent evaluation of the Albania Threshold Program, funded by the Millennium Challenge Corporation and administered by the U.S. Agency for International Development (USAID). The evaluation itself is also funded by MCC with the goal to learn from the experience for future similar projects.

Through this in-depth interview we aim to get your experience and opinion of the component of the program which was aimed at strengthening the anti-corruption advocacy role of the CSOs

You have been selected as a representative of your institution, since your organization was part of the MCC ATP program, one of the components of which was aimed at increased the role of CSO advocacy in reducing corruption in Albania.

All the information you provide in this interview will be treated as confidential, which means that no interviewee will be identified by name in the study report or elsewhere – only the aggregate results will be reported. We'll be happy to share with you the summary of the results and recommendations of this project.

For any question and information, you can contact \_\_\_\_\_

### F. About the CSO

#### 1. What is the main Mission and Vision of your CSO?

- *Interviewer: probe into whether they see anti-corruption advocacy as part of their mission and vision*

#### 2. Did the mission and vision of your CSO change as a result of your engagement with ATP?

- *Interviewer: probe into the reasons in both cases, when the answer is yes or no*

#### 3. What are the main policies and strategies, operation modalities that you use?

- *Interviewer: probe into examples*
-

**4. Did the main policies and strategies, operation modalities that you use change as a result of your engagement with ATP?**

- *Interviewer: probe into the reasons in both cases, when the answer is yes or no*
- 

**G. Involvement with ATP**

*Interviewer: ask whether they have been part of the three types of engagement below and then ask the relevant sections B1- B5, if they apply.*

**B1. Training**

**B2. 1-on-1 Assistance**

**B3. Part of the CSO Coalition in support of Administrative Court,**

**B4. Part of Tax Consultative Council (TCC)**

**B5. Received a grant to monitor certain reform area (e.g. tax administration, procurement, etc)**

*Interviewer: there a fine-line between training and one-to-one assistance. Here , under “training” we understand “classroom” training” (the project covered 3 topics: “Advocacy Training Cycle”, “Technology Tools, and ‘Monitoring Advocacy Cycle”), as opposed to 1-on-1, which was varied, depending to CSO’s needs/*

**B.1. Training**

**5. What training did you receive and why did you participate in the training?**

- *Interviewer:*

*Ask about the topics of the training. Probe into the reasons, their expectations, with examples*

**6. What is your assessment of the training you received?**

*Interviewer:*

*Ask whether the training was tailored to their needs, and if yes, how was that assured?*

*Ask how they rank it (very useful, somewhat useful, not at all useful)*

*Ask whether they learned anything new, and if yes, what?*

**7. What do you think about the practical application of the training you received?**

*Interviewer: Ask whether they applied the training they received in practice?*

- *If yes, then (a) how (examples)? (b) Does it continue to date: yes/no, and if yes, then how (examples) and if not- then why?*
- *If not - then why?*

**8. Would have you acquired the same knowledge without ATP support?**

- *Interviewer: Ask whether they would have attempted to acquire the same training (for example, book themselves to a training course)? If yes, then why and how, and if not – then why?*

○

**9. Were your expectations from the training materialized?**

- *Interviewer: Probe into the reasons why the interview answered yes or no*

○

**10. In hindsight, what would you have done differently?**

- *Interviewer: Probe into the way the training was arranged, the topics of the training, the quality of the training, the length and continuity of the training*

○

**11. What do you think about updating/building upon the training that you received?**

- *Interviewer:*

- *Ask whether the interviewee has a desire to do that? If yes, then how, and if not, then why?*
- *Ask whether there are opportunities to do that (for example, are there organizations that provide such training at more advanced level)?*
- *Ask whether they have attempted to do that: if yes, ask for examples and what was the outcome? If not -then why?*

## B.2: 1-on-1 Assistance

**12. Why did your CSO receive 1-on-1 assistance from ATP?**

- *Interviewer: Probe into their reasons, expectations, with examples*

○

**13. What is your assessment of the 1-on-1 assistance that your CSO received?**

*Interviewer:*

*Ask about the exact area of assistance.*

*Ask whether this assistance building was tailored to their needs, and if yes, how was that assured?*

*Ask how they rank it (very useful, useful, not at all useful).*

**14. What do you think about the use of the 1-on-1 assistance that your CSO received and their impact on your CSO?**

*Interviewer: Ask whether it changed the way they work? If yes, then how (ask for examples), if not- then why?*

**Would have you acquired the same additional capacity/knowledge without ATP support?**

- *Interviewer: Ask whether they would have attempted to acquire the same additional knowledge/skills without ATP? If yes, then why and how, and if not, then why?*

○

**15. Were your expectations from the 1-on-1 assistance materialized?**

- *Interviewer: Probe into the reasons why the interview answered yes or no*

○

**16. In hindsight, what would you have done differently?**

- *Interviewer: Probe into the way the 1-to-1 assistance arranged, the quality of it, etc.*

○

**17. What do you think about updating/building upon the 1-on-1 assistance that you received?**

- *Interviewer:*

- *Ask whether the interviewee has a desire to do that?*

- *Ask whether there are opportunities to do that (for example, are there organizations that provide such services)?*

- *Ask whether they have attempted to do that: if yes, ask for examples and what was the outcome? If not, then why?*

**B.3: Part of the CSO Coalition in support of Administrative Court**

**18. Why did you join the Coalition?**

- *Interviewer: probe into the reasons and expectations?*

**19. What is your assessment of the way that the ATP mobilized the CSOs into the Coalition and supported the Coalition Activities?**

- *Interviewer: probe into the opinions about the strategies that ATP used*

○

**20. Do you think that the coalition building was an effective strategy to lobby for/achieve the establishment of the Administrative Court?**

- *Interviewer: Ask to explain the reasons why the interviewee answers yes or no*

○

**21. What do you think about the effectiveness of the work of the Coalition?**

- *Interviewer: Ask whether the interviewee think it was effective or not. If yes, then how? If not- why?*

○

**22. Were your expectations realized?**

- *Interviewer: Ask to explain the reasons why the interviewee answers yes or no*

**B.4: Part of the Tax Consultative Council (TCC)**

**23. Why did you join the TCC?**

- *Interviewer: probe into the reasons and expectations?*

**24. What is your assessment of the way that the ATP mobilized the CSOs to be part of the TCC?**

- *Interviewer: probe into the opinions about the strategies that ATP used*

**25. Do you think that the idea of forming a TCC with the participation of CSOs was an effective strategy to improve the transparency and accountability in the tax system and reduce the corruption in the sector?**

- *Interviewer: Ask to explain the reasons why the interviewee answers yes or no*

**26. What do you think about the effectiveness of the work of the TCC?**

- *Interviewer: Ask whether the interviewee think it was effective or not. If yes, then how? If not- why?*

**27. Are you still a member of TCC? Were your expectations from joining TCC realized?**

**B.4: Grant to carry out a monitoring of a certain reform (tax administration, public procurement, business registration, business licensing)?**

**28. Why did you apply for the grant?**

- *Interviewer:*
- *Ask whether this was a new area for them or whether it was building on their previous experience?*
- *Ask them to provide examples, if they answer that it was building up on the previous interest/experience in the given area*
- *Probe into other reasons and expectations*
- *Ask whether they would have engaged in the topic of the monitoring grant even if the ATP grant was not there. Ask why and how?*

**29. What do you think about this engagement: did these monitoring/evaluation activities affect your CSO? If yes, then how and if not then why?**

*Interviewer:*

*Ask whether it changed their knowledge base and capacity to monitor this area? If yes then how (ask for examples) and if not, then why?*

*Ask whether they continue their engagement in the particular sector? If yes, then how (ask for examples), and if not, why?*

**30. Do you think the monitoring/evaluation grants were an effective way to increase CSO monitoring of anti-corruption programs of the government?**

- - *Interviewer: Ask to explain the reasons why the interviewee answers yes or not*

**H. Program Design**

**31. What is your assessment of the ATP project design in terms of working with CSOs? What, in hindsight, should have been done differently?**

- - *Interviewer:*
  - *Probe into the subcomponents of this component (working with CSOs, B1- B4) of the project: were these relevant and timely? Ask for each subcomponent separately*
  - *Ask whether they think that something else that could have been done instead or in addition? If yes, then what? Ask for each subcomponent separately.*
  - *Probe into how the project worked with CSOs: way of interaction, and involvement of the latter in the main program activities. Ask what should have been done differently*
- 

**I. Potential for Impact**

**32. What do you think about the contribution of ATP work with CSOs to the level of engagement of CSOs in monitoring government?**

*Interviewer:*

*Ask whether they think that CSOs are more actively engaged in monitoring the government activities? Ask whether they think this could be partly attributed to ATP?*

*Ask if they think that CSOs are more actively involved in anti-corruption advocacy.*

**33. Do you think that your CSO's activities/advocacy had any effect on the government's transparency and accountability and level of corruption? If yes then how, and did ATP contribute to it, directly or indirectly? If not, then why?**

- *Interviewer: Probe into examples*
- 34. Do you think that the activities/advocacy of the other CSOs (involved in ATP) had any effect on the government's transparency and accountability and levels of corruption? If yes then how and did ATP contribute to it? If not, then why?
- *Interviewer: Probe into examples*
-

## Annex 4F: Evaluation questions for the regional JIU and Administrative Court components

Component	Agency	Criteria
JIU		
Was the expansion of the JIU model timely and justified?	Ministry of Justice Ministry of Interior Ministry of Finance National Intelligence Service (SHISH) GDT Customs Prosecutors Police/judicial police officers HIDAA Judges with experience in economic crime related cases OPDAT COE/PACA; USAID Rule of Law project WB EU Delegation Albanian Bar Association (several representatives with experience related to cases on economic crimes) Central Bank of Albania University of Vlore and University of Tirana law schools, The School of Magistrates in Tirana	<ul style="list-style-type: none"> <li>• Relevance</li> </ul>
What was the role of Tirana JIU in setting up and operationalizing regional JIU concept? Are there any significant differences between Tirana JIU and others JIUs? If yes, then what are these differences?	Ministry of Justice Ministry of Interior Ministry of Finance National Intelligence Service (SHISH) GDT Customs Prosecutors	<ul style="list-style-type: none"> <li>• Relevance of the program design</li> <li>• Efficiency</li> </ul>

	<p>Police/judicial police officers</p> <p>HIDAA</p> <p>Judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>The School of Magistrates in Tirana</p>	
<p>Did the cooperation between the prosecutors, HIDAA (High Inspectorate for the Declaration and Audit of Assets), JIU stakeholders and police improve: if yes- then how, and if not- then why; opportunities and challenges?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>HIDAA</p> <p>judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Efficiency</li> <li>• Sustainability</li> </ul>
<p>Did the methods used in investigations change, as was planned and if yes, what was the role of the project in affecting the methods that are used in investigations?</p>	<p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Efficiency</li> <li>• Sustainability</li> </ul>

	Police/judicial police officers	
<p>Did the establishment of the JIUs affect the speed of investigations? What are the challenges in this regard?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>HIDAA</p> <p>Judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p>	<ul style="list-style-type: none"> <li>• Efficiency</li> </ul>
<p>Did the project have an impact on the quality of investigations? If yes then how was such an improvement manifest itself; if not- then why? What are the persisting challenges?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>Judges with experience in economic crime related cases</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>○</li> </ul>

<p>Did the establishment of JIUs affect the attitudes among the stakeholders towards investigating and prosecuting corruption cases? If yes- then how? If not- then why? What are the persisting challenges?</p>	<p>Ministry of Justice  Ministry of Interior  Ministry of Finance  National Intelligence Service (SHISH)  GDT  Customs  Prosecutors  Police/judicial police officers  HIDAA  Judges with experience in economic crime related cases  OPDAT  COE/PACA;  USAID Rule of Law project  WB  EU Delegation  Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Sustainability</li> </ul>
<p>Did the establishment of JIUs affect the transparency and accountability of the operation of the prosecutors' offices in relation to corruption cases? If yes- then how and if not- then why? What are the persisting challenges?</p>	<p>Ministry of Justice  Ministry of Interior  Ministry of Finance  National Intelligence Service (SHISH)  GDT  Customs  Prosecutors  Police/judicial police officers  HIDAA  Judges with experience in economic crime related cases  OPDAT  COE/PACA;</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>○</li> </ul>

	<p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p> <p>Central Bank of Albania</p> <p>University of Vlore and University of Tirana law schools.</p> <p>The School of Magistrates in Tirana</p>	
<p>Did the training and technical assistance provided by the project improve the knowledge of the stakeholders and its application? If yes, then how, and if not - then why? What are the persisting challenges?</p>	<p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>HIDAA</p> <p>Judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p> <p>Central Bank of Albania</p> <p>University of Vlore and University of Tirana law schools</p> <p>The School of Magistrates in Tirana</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Sustainability</li> </ul>
<p>What is the likelihood of sustainability of JIUs? What are the risks and challenges?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p>	<ul style="list-style-type: none"> <li>• Sustainability</li> </ul>

	<p>Judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p>	
<p>What exactly was achieved in terms of working with CSOs and public outreach? How effective and sufficient were these efforts?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>HIDAA</p> <p>Judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>○</li> </ul>
<p>Was the project visible enough?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Efficiency</li> <li>• Sustainability</li> </ul>

	<p>Police/judicial police officers</p> <p>HIDAA</p> <p>judges with experience in economic crime related cases</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p> <p>Central Bank of Albania</p> <p>University of Vlore and University of Tirana law schools</p> <p>The School of Magistrates in Tirana</p>	
<p>Were there significant delays in project execution? If yes, then where reasons?</p>	<p>Ministry of Justice</p> <p>Ministry of Interior</p> <p>Ministry of Finance</p> <p>National Intelligence Service (SHISH)</p> <p>GDT</p> <p>Customs</p> <p>Prosecutors</p> <p>Police/judicial police officers</p> <p>OPDAT</p> <p>COE/PACA;</p> <p>USAID Rule of Law project</p> <p>WB</p> <p>EU Delegation</p> <p>Albanian Bar Association (several representatives with experience related to cases on economic crimes)</p> <p>Central Bank of Albania</p> <p>University of Vlore and University of Tirana law schools</p> <p>The School of Magistrates in Tirana</p>	<ul style="list-style-type: none"> <li>• Efficiency</li> </ul>
<p><b>Administrative Court</b></p>		

<p>To what extent has the draft Law on Administrative Court (the version developed with ATP support) changed during the review at the parliament and why?</p>	<p>Ministry of Justice Courts The School of Magistrates in Tirana Coalition in Support of the Administrative Courts Albania High Court High Council of Justice Albanian Bar association Members of the Parliament's Legal Committee.</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>○</li> </ul>
<p>The secondary legislation was drafted with the planned administrative courts in mind, but was revised to apply to the court system as a whole once it became clear that the law would not pass. Is it in use now, and if not, why not?</p>	<p>Ministry of Justice Courts Albania High Court High Council of Justice Albanian Bar association</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Sustainability</li> <li>○</li> </ul>
<p>Were the course modules which were transferred to the The School of Magistrates incorporated in the curricula? If not, why now?</p>	<p>Ministry of Justice Courts The School of Magistrates in Tirana Albania High Court High Council of Justice Albanian Bar association</p>	<ul style="list-style-type: none"> <li>• Effectiveness</li> <li>• Sustainability</li> </ul>
<p>Was the support in forming the Coalition in Support of the Administrative Courts an adequate mechanism to advocate for the establishment of Administrative courts? Were the activities of the Coalition perceived and adequate and sufficient?</p>	<p>Ministry of Justice Courts The School of Magistrates in Tirana Coalition in Support of the Administrative Courts Albania High Court High Council of Justice Albanian Bar association Legal Reform NGOs</p>	<ul style="list-style-type: none"> <li>• Relevance of the program design</li> <li>• Effectiveness</li> <li>• Efficiency</li> <li>○</li> </ul>

## Annex 4G: Generic KII questionnaire

### EVALUATION QUESTIONS

#### Part I. Quality of Project Design

1. What was your role during the Threshold Project?
2. Were you involved in the development of the Threshold Country Plan (the GOA proposal for MCC support)?
3. Were the MCC's Eligibility Criteria explained to you? Were they relevant to the work your institution does?
4. Please describe how objectives and activities for your institution were decided:
5. Was any baseline or needs assessment done as part of project design?

#### Part II. Capacity Building

6. Did you participate in trainings? (please describe)
7. Of the trainings that you took, are any still useful in your current work (please give example)?
8. Are the trainings being replicated now that the program is over?  yes  no
9. Of staff trained under Threshold what percent are still in their position? \_\_\_\_\_
10. Did you receive IT equipment from the program?  yes  no
11. Were you trained in how to use the equipment?  yes  no  not required  don't remember
12. Is the equipment still functioning?  
  
 functioning well  functioning but has occasional breakdowns  not functioning  don't know
13. Did the consultants help you create a sustainability plan (budget and technical support) for the equipment?  yes  no  don't know
14. Did you receive any other forms of capacity building? Please describe:

### Part III. Effectiveness

15. Were there planned activities that were not completed? If so, why were they not completed?

16. Did the activities produce changes in the way your office works? If so, please describe these impacts by pointing to the specific changes. Please give examples in terms of

- Knowledge
- Attitudes
- Practices

17. Did these changes (if any) reduce corruption? Please give specific examples.

18. What do you feel is the main contribution that Threshold made to your institution?

19. What was the biggest challenge in implementing the activities?

20. Are there any other lessons learned that you would offer about how success was or was not achieved?

### Part IV. Efficiency and cost effectiveness

21. How efficient was the implementation?

22. If there were unnecessary delays, what was the main reason?

23. How would you assess the cost-effectiveness of program activities?

## **Part V. Sustainability**

24. To what extent have the implemented activities and outcomes sustained to date?

25. What is the likelihood that they will be sustained over the short- and long-term?

26. What are threats to sustainability?

## **ANNEX 5: GOVERNMENT OF ALBANIA'S RESPONSE TO THE INDEPENDENT FINDINGS OF THE EVALUATION OF THE ALBANIA THRESHOLD PROGRAMS**



**Republic of Albania  
Council of Ministers**

**Millennium Challenge Corporation**

Washington, D.C.

February 26th, 2013

### **Government of Albania's response to the independent findings of the evaluation of the Albania Threshold Programs**

The Government of Albania welcomes the Report of the independent evaluator “Social Impact” on Albania Threshold programme and wishes to thank the evaluation team for its work, and the Millennium Challenge Corporation for its financial support of the evaluation.

In general, the Government agrees with the evaluation report as it allows for an accurate reflection on the work undertaken by the Albanian institutions, and it is encouraged by the overall positive findings of the evaluation. However, from the in depth reviewing of the report by the Albanian beneficiary institutions of the Threshold Programs, some divergences still exist, which the Government would like to present in the enclosed Annex to be appended to the final report upon publication.

The Government of Albania has taken note of the main findings and recommendations of the evaluation and will give special attention to using such guidance to inform the best way forward.

## Government of Albania's main divergences on the Albania Threshold Programme independent evaluation report

1. In the p.v, regarding the paragraph *“Additionally, the fact that some of the sectors (e.g., road transport, construction) remained outside the purview of the NLC negatively affected its effectiveness (because other agencies fail to register their licenses on the Register) and increased the regulatory burden for businesses.”*, the NLC had commented that *“In accordance with the Law No. 10081 and the DCM No. 538, the road transport licenses, previously issued by the line ministry are nowadays handled by or through the NLC. Only the road transport licenses issued by the local government bodies are handled without the involvement of the NLC.”* and *“For these licenses not being handled by or through the NLC, has neither negatively affected the effectiveness of the NLC nor increased the regulatory burden for businesses. Simply, there have not been any changes in the regulatory and legal framework in the licensing field.”*

Regarding the road transport license only the sentence *“By the time of writing this evaluation report, road transport licenses, previously issued by the line ministry, were transferred to NLC, and only road transport licenses issued by the local government bodies are handled without the involvement of the NLC.”* was added, either in the paragraph as in this case or as a footnote, in other parts of the report whenever the road transport licenses are mentioned. Yet, in order to avoid misunderstandings and misinterpretations, we would strongly suggest for the abovementioned paragraph to be reformulated, in order for our comments to be reflected.

Whether, regarding the comment of the NLC stating that *“For these licenses not being handled by or through the NLC, has neither negatively affected the effectiveness of the NLC nor increased the regulatory burden for businesses. Simply, there have not been any changes in the regulatory and legal framework in the licensing field.”*, after the review of the report we observe that it has not been taken into account and the underlying reason for such is that *“The evaluation team stands by its initial statement that the fact that certain sectors remain outside the purview of NLC does mean that the reforms are incomplete.”*

Therefore, while reviewing the revised version of the report, it is observed that even though the content of the paragraph is slightly changed, it still does not take into consideration the comments made by the NLC several times, during the revision process of the report.

2. In the p.29 and 30, it continues to be mentioned the fact that the road transport licenses have remained outside the purview of the NLC, and the comments of the NLC, made several times, during the revision process of the report, are given only as footnote. Furthermore, in the last comments made by the evaluation team it is stated that *“The evaluation team does not see a reason to change the wording. Transfer of these sectors to*

*NLC has happened after the project end and the way it is in the report is appropriate.”* Even in the case, in order to avoid misunderstandings and misinterpretations, we would strongly suggest for the abovementioned paragraph to be reformulated, in order for our comments to be reflected.

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- 3. In the p. 30, it is continued to be mentioned that the validity period of the licenses/permits issued prior to the establishment of the NLC is two to five years in most cases. Even though, the NLC has commented that *“Being that the validity of the licenses/permits issued prior to the establishment of the NLC varies, in accordance with provisions of the sectorial legislation, stating a validity period of two to five years in most cases, it is not correct,”*, these comments have not been taken into consideration. Moreover, even though the paragraph has been changed the above mentioned validity period continues to be stated as two to five years in most cases.
- 4. The report continues to state that being that the legal requirement for any organization responsible for issuing a license/permit/authorization to publish them in the National Register of Licenses and Permits, is not fully enforced, the NLC does not have the full picture of all the licenses and permits being granted, and therefore it affects its ability to fully carry out this mandate. The NLC have commented that *“The non-publication of all licenses/permits issued by any agency in the National Register of Permits and Licenses, does not at any time affect the ability of the NLC to fully perform its duties. It only does not allow the interested parties to be informed regarding the licenses/permits issued by any agency”*, yet the evaluation team is still of the opinion that *“they cannot identify any action required here”*. Nonetheless, the NLC stands by its suggestion and strongly recommends the evaluation team to reformulate the paragraph in order to avoid misunderstandings and misinterpretations in the future.
- 5. Regarding the second paragraph of the 3.2.3. 5”Training”, the comments of the NLC have not been taken into consideration due to the fact that the evaluation team does not think that any change is necessary here. Also, it stated that even though it is acknowledged that NLC has continuously provided training and assistance to line ministry staff. At the same time the information gathered during the evaluation (including from NLC) indicates that still, more training is needed and capacity building at line Ministries are needed, i.e. the needs are massive.
- 6. In the p.32, regarding the formulation *“even though the businesses perceived the functions of NLC as mainly “logistical,” FGD participants were generally satisfied with the performance of the NLC”*, in the paragraph 3.2.4.1, the comments of the NLC stating that *“For the licenses of the Group 3, the establishment and functioning of the NCL has ensured the timely response from the line ministries and the cessation of additional documents (different from the documents stipulated in the DCM No.538) being requested by the line ministries.”*, have not been taken into consideration and no reason was given for this.
- 7. Regarding the formulation in the p. 33 *“There are three groups of licenses awarded by NLC (the figures in parentheses describe the duration of the award process): Group 1*

(two days), Group 2 (four days) and Group 3 (10–120 days). For Group 3, once the applications for permits and licenses are received by the NLC, those that require further scrutiny are delivered to line ministries to verify that the self-declared information is in order. Furthermore, for this group, prior inspections are required in most cases to verify the fulfillment of criteria that cannot be confirmed by the documentation or are outside the expertise of NLC staff. The fact that there direct requests were made by the NLC to line ministries for approvals when onsite inspections are required was an innovation introduced by the project. The NLC also brought about improved procedures for allocating responsibilities to line ministry clerks (as well as NLC clerks), electronic tracking of their actions and imposition of workflow deadlines for each procedural step. The stakeholders interviewed by the evaluation team were unanimous that this in itself is an important step.”, we would like to explain that in accordance with the Law Nr. 10081 and DCM Nr. 538, all the application for the licenses/permits of Group 3, after preliminarily being reviewed by the NLC, are forwarded to the line ministries. Furthermore, for the licenses of Group 3, the involvement of the line ministries in the decision-making process is not intended only for the verification of the accuracy of the submitted documents. The line ministries are responsible to perform onsite verification and inspection regarding the fulfillment of the criteria, since it is rather difficult to understand only from the documents whether the criteria are met onsite. Moreover, regarding the licenses of Group 3, the entity desiring to apply for a license/permit, submits the actual required documents, which after being scanned are handed back to the entity. Therefore, it is necessary to highlight that the notion of self-declared information is not correct.

8. In page 35, we would like to state that the for the licenses of Group 1, the time period available for the registrars of the NLC to decide regarding the applications is 2 days and for the licenses of Group 2 the time period available is 4 days. Therefore, it is necessary for the first paragraph of the point 3.2.4.4 to be reformulated in order for it to provide the correct information.
9. In page 37, regarding the paragraph “*When asked about the costs of applying for a license, participants of the FGDs (Box 9) mentioned that (1) these had not changed much in comparison to the situation prior to the creation of the NLC, a finding that was also confirmed in interviews with NLC management and experts*”, we would like to highlight that as previously stated in our comments, the information given in this paragraph is partially incorrect. While for Group 3 licenses, applicants are still required to pay the application fee and the sectorial fee, for Group 1 and Group 2 licenses, applicants are only required to pay an application fee of 100 ALL (about \$1).
10. Regarding the phrase “*additional information collected from the small sample of firms that reported informal payments in the NLC licensing process shows that two companies mentioned informal payments only at the NLC*”, we would like to highlight that as previously stated in our comments, this information is not correct. The only fee required to be paid at the NLC, is the application fee of 100 ALL (about \$1)

11. We would suggest that the content of the point 3.2.5, to be revised and to reflect the abovementioned comments.

