



1. Project Data:		Date Posted : 04/20/2001	
PROJ ID: P008272		Appraisal	Actual
Project Name: Tax Administration Modernization	Project Costs (US\$M)	4.42	4.07
Country: Albania	Loan/Credit (US\$M)	4.0	3.53
Sector(s): Public Financial Management	Cofinancing (US\$M)	0.2	0.2
L/C Number: C2646; CP837			
	Board Approval (FY)		94
Partners involved : EU	Closing Date	06/30/1997	06/30/2000

Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives
To assist the Government of Albania sustain and enhance revenue collection in the short term and to improve tax and customs administration in the long term by institutional and technological strengthening of tax collection units .

b. Components
The project financed the purchase of computers for the Directorate of Taxes (DT) & customs unit and the training of staff to administer the newly introduced VAT . The five components are: (1) elimination of the overlap and the clarification of the roles of DT, customs and the financial police and to raise tax revenues, (2) replacement of the turnover tax by the VAT, (3) setting up two pilots to monitor compliance using computers, (4) training tax and customs officers, and (5) purchase of vehicles and equipment for tax and customs directorates and the refurbishment of buildings to accommodate them.

c. Comments on Project Cost, Financing and Dates
It was expected to take about 3 years; but the riots and near civil war that followed the collapse of the pyramid schemes intervened and it was completed in 6 years.

3. Achievement of Relevant Objectives:
The relevant objectives appear to have been achieved with increased revenues from VAT and improved customs administration.

(1) The roles of the DT and customs unit were clarified . Although the financial police was not disbanded, their numbers were reduced from 1,200 to 900 and they now report to the DT and customs departments .

(2) The VAT was introduced in July 1996, with 12.5% rate; but this was raised to 20% to maintain revenue. The number of registered VAT taxpayers has increased to 8,500 from 2,500.

(3) The new automated system for VAT has already been extended to eight (only two were planned) district offices. The social insurance numbers were not introduced in time for use as VAT identifiers; so separate Tax Identification numbers were introduced in 1995 and their use is being extended for other taxes . While the VAT system is computerized, other taxes are still collected on an improved ledger card system .

(4) Auditor skills remain low; so VAT audits are only slowly improving . The training of tax collectors continues . Customs administration has improved, but it has not yet been automated .

(5) The vehicles and equipment and the buildings' security have increased the effectiveness of tax collection .

4. Significant Outcomes/Impacts:
Revenue collection appears satisfactory . Although the ICR does not report target and actual collections, IMF documents report that VAT collection rose from 2.5% of GDP in 1995 to 6% in 1999. Institutional improvements appear significant with the DT and customs unit having better equipment and training to collect taxes .

5. Significant Shortcomings (including non-compliance with safeguard policies):
Early in the project implementation, some vehicles were purchased without approval . The full amount was later reimbursed.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments

Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

There are three lessons of broad applicability .

(1) Focusing on improving the implementation of a single tax, namely the VAT , contributed to the success of the project.

(2) Hiring and retaining qualified staff requires competitive salaries and other incentives such as challenging work .

(3) It is essential to have continuity in project leadership and implementation for project success . The DT's Director changed six times during the early years of the project, but the project proceeded quickly and smoothly during the last 2 years when there was continuity .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The quality of the ICR, while satisfactory, would have been better if it reported on actual and target revenue collections and/or other output indicators that could help judge project success .