

ALBANIA DECENTRALISATION AND LOCAL DEVELOPMENT PROGRAMME (DLDP) IN THE SHKODRA AND LEZHE REGIONS

Thematic Evaluation

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December 2013- February 2014



Map of Albania – Core Programme Area



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ACRONYMS and ABBREVIATIONS

CIT	Corporate Income Tax
DP	Democratic Party
EC	European Commission
FP	Fiscal Package
FPT	Financial Planning Tool
GDP	Gross Domestic Product
GoA	Government of Albania
IMF	International Monetary Fund
INSTAT	Institute of Statistics Albania
LGU	Local Government Unit
MoF	Ministry of Finance
MTBP	Medium Term Budget Programme
ODHIR	Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Co-operation in Europe
PBA	Plani Budgetor Afatmesem (Equivalent in Albanian of MTBP)
PCM	Project Cycle Management
PEFA	Public Expenditure Framework Assessment
PFM	Public Finance Management
PIT	Personal Income Tax
PMU	Project Management Unit
PO	Project Officer
SDC	Swiss Agency for Development and Cooperation
SDP	Strategic Development Plan
SP	Socialist Party
VAT	Value Added Tax
WB	World Bank

SUMMARY

Programme and Financing Agreement

The Decentralisation and Local Development Project (dldp) has started its second Phase in- March 2010 and it lasted until February 2013. The project area covers 33 Local Government Units (LGUs) in Shkodra and 21 in Lezhe Qark. The total population of the region is around 554'000 persons, of which 40 % live in urban areas and approx. 30 % below the poverty line (2004).

The main goal of the dldp is: *capacities of municipalities and communes in Shkodra and Lezhe are strengthened contributing to improved regional development in Northern Albania and decentralization reform at national level.*

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SDC Programme Number	Reference No 7F-04382.02
Main programme partners	Local Government Units (municipalities and communes) in the Shkodra and Lezhe region, Northern Albania, Associations of Municipalities and Communes, Ministry of Interior
Duration phase	March 2010 – December 2013
Framework Agreement	Bilateral Government to Government framework agreement between Albania and Switzerland, Project agreement with the Albanian Ministry of Interior
Project contract	Mandate of SDC to Helvetas

Context

- Economy:* Recent economic indicators show that the Albanian economy is making progress in the process of shifting from the model of a developing economy, where the main sources of economic growth are first raw materials' extracting and export economic activities, to a more dynamic economy where the added value comes mostly from manufacturing and services' related economic activities. Amidst present turbulences of financial markets related to high public debt levels in the Euro area and troubles in the economy of Greece and Italy, the future path of Albanian economic growth is prone to contagion risks, because of the high exposure of Albanian Balance of Payment to these economies in terms of Trade Balance and Foreign Remittances of Albanian diaspora leaving and working in these countries. These risks seem to have materialized in 2013 where the GDP Growth rates have decreased below MoF expected levels. Public debt has been progressing and is expected to reach levels which, if left unattended, can threaten macroeconomic stability of the country. In order to cope with risks, the new GoA is in the process of enacting a new fiscal package, which will make the transition of Albania from flat to progressive tax system
- Politics:* The political situation during 2009-2013, which corresponds to dldp phase I and II project's duration, in spite of being stable, has been aggravated several times because of the political dispute between main political actors. The process of EU Accession has been progressing slowly; in December 2012 the European Council, decided that it will grant Albania the country candidate status once the necessary progress has been achieved in some remaining areas such as judicial, public administration and parliamentary procedures. The new general elections scheduled to be held in June 2013 were considered to be fair and in line with democratic standards. The transition of power to new winning coalition was done in a smooth way therefore increasing the hope of Albanians for getting EU country status. Yet, in December 2013, following a parliamentary vote from Netherland and also important votes in EU council of foreign ministers from other EU countries (Germany, France, UK and Denmark) it was decided that EU country candidate status for Albania may be postponed in June 2014, conditional to Albania remaining stable and committed to reforms in the next year.
- Decentralization:* In spite of being committed to the reform of decentralization, its pace of implementation remains slow. The law in local finances drafted since 2008 is not adopted yet. Its approval and enactment is crucial for any improvement of local PFM system especially as far as Fiscal decentralization is still at a initial stage and the only additional source of revenue passed from central to local government is Small Business Tax, whose yields are modest for providing sufficient revenue to LGUs. There is a growing consensus for allocating more resources to local government via the share of national taxes (both direct and indirect); yet, there are no definite adopted measures and procedures in this regard. Part of the reluctance is still ongoing responsibilities of providing primary social services to population that rely on central government. In addition, the typology of local government in Albania is characterized by the existence of many small LGUs whose ability to deliver public services efficiently and effectively remains limited, which seems to point to the need for a territorial reform. Finally with new Parliament there is a clear commitment to it; it's expected that new administrative and territorial reform comes to an end in the first half of 2014, which given high political stakes, sounds very optimistic. While local borrowing remains a practical impossibility because of the large size of public debt absorbed from central government, the major sources of revenues for LGUs are the intergovernmental transfers, whose size during dldp's duration has been decreasing.

Overall Programme Assessment and Findings

This report is the result of a thematic evaluation, therefore its impact assessment is in relation to evaluation done with regard to one component of programme support that is fiscal package. Programme impact assessment with regard to this component can be considered also in addition to SDP/MTBP programme support areas.

It remains obvious that the programme started in a period of economic expansion with high growth rates over the country which has influenced the design of the programme with activities focused in many realms of strategic management and local PFM system related to it. Yet the fact that the programme has found the way to introduce another component of support in the last year of its implementation shows that from Perspective of Programme/Project Cycle Management the ability to adapt to ever-changing situation even in hard time of budget constraints.

The good results of programme in SDP/MTBP area have been strengthened from the introduction of last component in the budget planning side activities. This positive impact is going to affect the quality of service in the future to constituencies in concerned LGUs as SDPs and MTBPs are strengthened further from methodological point of view and also in quality from the addition of Fiscal Package.

There is also a positive impact in the predictability dimension of Local Finances shows further improvement with the addition of Fiscal Package component. No doubt the introduction of Fiscal Package has given to local officials an instrument for working on both fronts: predictability and transparency. While in predictability the impact is positive, the impact in transparency has been positive only in less than half of LGUs assisted, which might justified because of only a year of experience in supporting Fiscal Package. However, dldp has the potential to improve performance i.e. impact by aligning procedures and practices of FP to other components of supports (MTBPs/SDPs) where transparent indicators score quite high.

There is also a large impact of the programme especially in the quantity and the quality of SDP produced and their alignment with MTBPs, via a standard Fiscal Package and a practical tool like FPT. Fiscal Packages are quite good in terms of quality of presentation, relevance and clarity of information

In a more detailed way we are listing below some of the findings:

Main Findings: Currently, in the context of economic slowdown, there is a challenging environment in Albania concerning the development of qualitative strategic approaches of PFM in local level. It has to do with lower financial resources for local government as result of lower transfers from central government.

The Fiscal Package are de facto approved with majority of votes although the law requires only simple majority. The existence of such a result has practically made FP binding for all kind political interests upon its approval.

It seems that there are tax records and registers in most of LGUs assisted which has to do with the fact of LGUs being the responsible for collecting small business tax since 2008. Yet there are not enough or used good enough to make good statistical forecast.

There is evidence of not exploiting the potential for good statistical analysis in LGUs where's availability of data- that points to lack of capacity or tools to do it. What's more important there is a general perception that this "way of doing things" is sufficient.

There is a tendency for increasing the number of charges rather than taxes which shows a trend towards service delivery of public local officials. The workload of tax officials remain highs and in order to cope with that most of LGUs have increased the number of public officials.

However there is evidence of other LGUs that have tried to increase the work efficiency of tax officials by investing in Softwares, trainings, increased change of information with regional tax offices..

There is a strong evidence of Horizontal Equity in all tax and charges. Vertical Equity is present though.

The information on taxes/charges with clear instruction deadlines and penalties and the participation rates in the process of preparation of FP are in non- satisfactory levels. The reason has to do with non-use of effective channels of communication.

FP are quite strong and in line with MTBP and general macroeconomic forecasts in local and regional level.

Dldp has maintained strategic/policy budgeting focus and even improved the performance in this dimension during hard times of 2013.

Predictability of the budgets has improved even further with deviations between MTBPs and Annual budgets being smaller during 2013.

Recommendations

Regarding the credibility of Fiscal Package there is an urgent need for identification, information sharing with regional and national authorities in order to migrate and populate databases with up-to-date data from national registers (civil register, land, roads and properties). Dldp can facilitate this role within its mandate using the process of new administrative and territorial reform raising awareness of public authorities in the process.

There is a need for awareness raising of public officials for the benefits through statistical analysis as a way to increase the realism of tax/revenue projections and dldp has the right experience and influence to be effective in this direction.

Regarding equity considerations dldp has clearly no mandate to enter in the political discussions of vertical vs horizontal equity in taxes and charges. However there is room for contribution with regard to practical and real data and arguments in order to avoid unnecessary political rhetoric. In this regard dldp need to continue with capacity building activities especially with regard to use of Financial Planning tool which together with Fiscal Packages can offer various scenarios under different assumptions including also vertical vs horizontal equity considerations in fiscal proposals.

Regarding Transparency/ Accountability and Participation and Motivation dldp should use the potential to align the incentives of LGUs to work in this direction through sharing of best practices developed under components especially with innovative channels of communication that have the potential of reaching out max number of citizens.

Dldp should continue to share its experience/expertise as pole of Excellency and best practice and use this opportunity to highlight its role/profile during the foreseen administrative/territorial reform.

Conclusions

This report concludes that introduction of Fiscal Package during 2013 is a good move and is fully justified in terms of general impact it has had on general package of dldp's support (SDPs/MTBPs) for improving the quality of service and enhancing the predictability of budget planning. It has the potential to bring about positive impact and substantial improvement also on the side of transparency if aligned with programme experience/procedures and best practice in this field.

1 CONTEXT OF DLDP AND PRESENT ASSIGNMENT

The following gives a short overview of Albania's economic and decentralization current and near future situation, emphasising those aspects, which are thought to be of highest relevance for the object of current assignment, namely thematic evaluation of dldp in Shkodra and Lezha.

1.1 Economic Background

In 1991, Albania was one of the least developed post-communist economies in Europe. Its GDP dropped by over 30 percent in the first two years of its transition to market economy (1991-1992); the economic growth then recovered strongly in the period up to 2009. Consequently the poverty decreased and recently the 2011 GNP per capital reached a level as high as US \$3,980¹.

In contrast to many other European Countries, initially Albania weathered the 2009 global financial crisis well and avoided an output contraction. Apparently, more resistant to economic shock than other economies in the region due to its relative state of insufficient integration with international financial markets, the Albanian economy has been affected though, from the world economic crisis with the direct impact a slowing pace of economic growth after 2009. The slowing trend became more accentuated during 2013 where quarterly GDP growth rates until Q3 seem to be below initial projections of 1.3% of². While in Q1 and Q2 the main drivers of economic growth have been sector of services and construction under an increased internal demand from public sector, the available data from MoF and CBA show that after the end of electoral period in June 2013 the only growing sector is the production and extracting sector. This new dynamic of growth in Albania is mainly related to the change in economic environment where external demand seems to recover due to positive growth rate in Euro areas (positive growth rates in France, Germany, signs of recovery in Italy, Spain and hopefully end of crisis in Greece).

As it's shown from a set of macroeconomic data from Central Bank of Albania, MoF and IMF (Annexe 4) Albanian economy is making progress in the shift from the model of a developing economy where the main sources of economic growth are first raw materials' extracting and export economic activities to a more dynamic economy where the added value mostly comes from manufacturing and services' economic activities. Yet, because of recent turbulences of financial markets related to high public debt levels in the Euro area and troubles in the economy of Greece and Italy, the Albanian economic growth has been always prone to contagion risks, because of the high exposure of Albanian Balance of Payment to these economies in terms of Trade Balance and Foreign Remittances of Albanian diaspora leaving and working in these countries.

In the past, the Albanian Government has reacted prudently to external shocks. As far as Government finances are concerned, the data show that in spite of a growing fiscal deficit before 2009 due to heavy capital expenditures (mainly in roads and other public infrastructure works), Albanian Government has been very quick with expenditure cuts in order to bring the overall fiscal balance to less risky levels. The major cuts have been in capital expenditures, which show a major reluctance of Albanian Government to touch the expenditures related to programmes and policies with a social impact. The deficit has been financed mainly from domestic sources, thus Albanian debt hasn't been that much exposed to ups/downs risks of world financial markets. However, the recourse to domestic sources of borrowing has had as a direct impact the decrease in the level of credit available to individuals and private sector for financing their growth opportunities, which is reflected mainly in lower construction and real estate contribution to Albanian growth after 2009³. In December 2012 Albanian Parliament decided to modify Organic Budget Law, which postulated a ban of 60% as the absolute limit of debt to GDP. Such a move was justified with country's need to create more room for counterbalancing movements on demand side in order to cope with the growing pressure on public finances from lower GDP growth rates in recent years. Such a move, although was judged to be realistic at the time because of economic fundamentals, paved the path to other moves in the same direction that came after general elections of June 2013. In October 2013, the new parliament decided to make an Annual Budget revision that resulted in lower planned budget revenues, thus *de jure* increasing the fiscal deficit and because of recourse to internal borrowing to meet public expenditure's needs, *de facto* increasing public debt, which is thought to pass beyond 70% of GDP at the

¹ "Albania at a glance", World Bank, Country Data, 17/03/2013

² Monetary Report, Central Bank of Albania, January 2014

³ "Albania at a glance", World Bank, Country Data, 17/03/2013

end of 2013. In November 2013, GoA declared that this public debt was actually even higher because of hidden arrears to private sector, whose amount up to date is assessed to be more than 200 ml €. Following a process of negotiation with IMF and WB, leading to an IMF concessionary loan and budget support from WB, GoA have committed itself to pay these arrears at a single tranche during 2014, yet with the price of increasing the public debt further, which under the most pessimistic scenarios can go over 80% until 2015¹. This level makes Albania one of the highest debted countries in the Central and East European region (except Hungary), which if not sustainable with higher growth rates, represents a significant risk to country sustainable economic/social development in the future.

Always in the realm of Government's finances, Tax Revenue in Albania in average have been of the order of more than 23% of GDP², which seemed to show an acceptable good performance considering the low flat tax rate of 10% at both corporate and personal income tax (CIT/PIT). The new developments in this area have to do with New Fiscal Package, which is going to be effective as from 1st of January. It prescribes the transition from flat to progressive tax level at both (CIT/PIT). Given the fact that the major source of revenues is VAT tax, such a move doesn't sound unexpected: Albania needs to build a fully fledged fiscal system that is balanced with regard to fiscal burden on capital and consumption. Yet, the actual modalities of such fiscal packages and its soundness with regard to classic criteria of fiscal system assessment (vertical/horizontal equity, efficiency, convenience, certainty etc) need to be seen.

Public expenditures, although with a pick in 2009 because of heavy public investments programme in 2009, have been cut in consecutive years in order to preserve a fiscal deficit that has been brought under control at the level of 3.5%-4% of GDP as a sign of economic prudence; expenditures for local government have been more or less stable during 2008-2012 within the range of 2-2.5% of GDP. On the site of public expenditures, what has been planned for 2013 it has been almost entirely executed in the first half of 2013. During 2014, Government has decided to remain prudent and continue to finance only open projects; such a move is judged to bring about an improvement in fiscal balances and give more room to private sector because of fiscal stimulus (payment of arrears and their multiplier effect).

For the next 3 years, prior Albanian macroeconomic forecasts were of the order of 5-6% GDP real growth rate which were overoptimistic given the recent negative development in Albania's trade main partners, namely Greece and Italy. However a new scenario was generated at the beginning of 2013, which is taking into accounts such developments, that is with downwards revisions of such forecasts. According to this new scenario GDP real growth rates for 2012-2013 would be around 1.5-3.5% that is still above IMF, EBRD and World Bank forecasts that abound to 0.5-1.3% for the same period. The available data so far show that IMF, EBRD and WB forecasts are more likely to be the case.

1.2 Political Situation

Political situation in Albania can be described at best by analysing country progress towards EU accession as the main vehicle of democratic, governance and economic reforms in the country.

Albania's application for membership to the European Union on 28 April 2009 was considered to be an important milestone in Albanian transition from a former communist rule to a country with consolidated democracy and market economy.

However the political situation during 2009-2012, which corresponds to dldp phase I and II project time span, has been aggravated at least twice due to the political dispute between main parties (Socialist Party (SP) and ruling Democratic Party (DP)) following the parliamentary elections in 2009 and local elections in 2011. Both were observed by the OSCE and ODIHR, which indicated that although the elections marked tangible progress and various improvements, still these improvements were overshadowed by the politicisation of technical aspects of the process..

The contestation of election results has lead to a political stalemate marked by parliamentary boycotts from opposition, which came to an end in September 2011 when SP decided to enter in Parliament in order to give a boost to Albania's efforts for meeting the criteria of EU accession. A political agreement between ruling and opposition party establishing a plan and timetable for carrying out electoral reform, for improving the parliament's rules of procedure and for adopting all pending laws requiring reinforced majority followed immediately after in November 2011.

¹ IMF and WB Country Statistics

² Data from MoF, Economic and Fiscal Report 2013

The results were impressive:

- Many of pending laws requiring a reinforced majority were adopted,
- A Ombudsman was appointed with a candidate and process supervised from opposition and agreed with ruling majority party
- Hearings and voting process were conducted successfully for the presidential nomination of a judge to the High Court.

On 11 June 2012, a new president was elected in line with Constitution amendments, though without the consent of opposition. Again, this contributed to a new political unnecessary tension and damage to reform efforts in core areas requiring political consensus that motivated European Commission to recommend on 10 October 2012 that Albania be granted a conditioned EU candidate status.

On 12 December 2012 the European Council although welcomed the overall progress made by Albania based on European Commission monitoring reports, decided that it will grant Albania the country candidate status once the necessary progress has been achieved in the areas of judicial, public administration reforms and revision of the parliamentary rules of procedure, which can be reached only on the basis of political consensus between ruling majority and opposition. In addition, it was spelled out that “The successful conduct of parliamentary elections in 2013 will be a crucial test for the smooth functioning of the country’s democratic institutions...”,

First months of 2013 have been marked from high political debates and disputes, which are always present in Albanian political milieu especially in electoral years as it’s the case with parliamentary elections that have been scheduled on 23 June 2013. Yet, the elections were held in a very calm environment and a very smooth power transition from DP to SP coalition (the winner) followed. This was judged from all international partners of Albania as a sign of maturity of democratic system and institution in Albania and it was expected that Albania will have finally EU country candidate status. EC commission highly recommended also that Albania be granted this status because of its achievements and because it has delivered, even beyond expectations, on agreed upon commitments. Yet, in December 2013, following a parliamentary vote from Netherland and also important votes in EU council of foreign ministers from other EU countries (Germany, France, UK and Denmark) it was decided that EU country candidate status for Albania may be postponed in June 2014, conditional to Albania remaining stable and committed to reforms in the next year. The reaction that followed in Albanian political and social milieu were a mix of deception, resentment and regret. As always, Albanian political parties, now with exchanged roles (in power/opposition) started and continue to blame each/other for EU decision, marking another area of political dispute for at least 1st half of 2014.

1.3 Decentralisation, current state of affaires

Emerging from almost 50 years of total centralized government practice, Albania entered in the path of decentralization only in late ‘90s. The country formally ratified the European Charter of Local Self-Government, incorporated its key principles into the new Constitution, and passed legal reforms for local self-governments after 1998. A National Strategy on Decentralization and the Organic Laws on Local Government were approved for the first time in 2000 and have been revised at least twice up-to-date. These new organic laws on the “Organization and Functioning of the Local Governments” (Law 8652) and on the “Administrative-Territorial Division” (Law 8653) ended the practice of old District Councils and established for the first time a legal framework that allowed for functional decentralized administrative and fiscal structures, which in Principe include the self-governing regions, municipalities, and communes.

Undoubtedly the decentralization process cannot be effective without being accompanied with fiscal decentralization process: local government levels (regions, municipalities and communes) need to have predictable sources of revenues at their discretion in order to exercise the autonomous governance functions and provide effective/efficient public services for their communities. In Albania the LGUs’ revenues are the lowest in all South East Europe countries with only 3.1% of GDP¹. Albania also doesn’t have any system of tax sharing at least with regard to CIT and PIT; it comes without saying that the majority of Local revenues come from intergovernmental transfers in both forms conditional and unconditional transfers. Considering the decreasing levels of growth rates in Albania, LGUs are de facto in budget constrain situation, therefore it’s imperative to consolidate PFM and fiscal practices especially in medium to long

¹ Fiscal Decentraliation Indicators for South East Europe, NALAS Network, 2012

term in order to smooth and accommodate short term shocks. The relevance of Dldp activities in Budget planning side here is therefore of highest level; so it's their completion with fiscal considerations in both short/medium to long term.

With respect to legal aspects, in spite of a reasonably functioning legal framework that regulates the work of Local Government Units (LGUs), it seems that there are some gaps especially related to clear and effective division of roles/responsibilities regarding various governance activities (for instance the preparation, execution and oversight of local and regional annual or medium term budget plans, degree of transparency etc). The Law on Local Finances, which could have provided a solid legal framework for grounding and regulating such roles/responsibilities, in spite of being drafted since 2008 is not enacted though. Any future extension of dldp especially with regard to budget's implementation in short/medium term is therefore subject to political agreement and approval of this law that has implications especially with important budget execution activities such as internal control and audit, procurement etc.

Concerning territorial/population distribution Albania has a local government system with too many small LGUs. Currently there are 373 LGUs out of which almost 41% have a population of less than 5000 inhabitants. This distribution makes the efficiency of delivering public services at local level very hard to achieve; hence it's understandable why there is too much reluctance at central level of government for delegating more power or autonomy to local level in provision of public services. However, the necessity of progress in this regard is already recognized from central authorities and political actors and recently there is a growing consensus that Albania needs to reform the administrative territorial structures in order to advance further the fiscal decentralization and improve service delivery. The last CENSUS data released from INSTAT in the end of 2012 are expected to provide a good basis for this reform of territorial distribution and consequently for expenditure/ revenue assignments for exercising exclusive, shared and delegated functions of LGUs. Finally with the new Parliament issued from general elections of June 2013 there is a strong move to start with this territorial and administrative reform and in large consultation with all relevant stakeholders. The objective of new government is to realize it in the first half of 2014. Yet the process of consultation with opposition is going to be hard because of high electoral stakes in new entities. Objectively speaking, it's going to be a challenge also for local actors other non political actors involved in the process with regard to criteria used, timing and current political situation.

Currently the legal framework allows all LGUs to exercise exclusive, shared and delegated functions on the basis of expenditure assignments with insufficient consideration of their financial, technical and human capacities for assuring an efficient service delivery. When it comes especially to shared functions regarding Pre-University Education, Primary Health services, Public Utilities, Social and Environment Protection, the incapability of local officials to provide timely and effective services seems to have given way to failures that are amplified at national scale via unnecessary political debates between political actors.¹ Although shared functions are justified from economic and social point of view in Albania², there is a need to ground expenditure assignments policy and practice also on the readiness and voluntary agreement of local government at all levels (communes, municipalities and regions) in order to assure the improvement of service delivery for local communities at short and long terms. As there are two associations of LGUs in Albania pertaining to major political affiliations, respectively majority and opposition, reaching out a workable and feasible agreement in this regard remains still a challenge.

A similar picture is evident also on the side of revenue assignments. In Albania LGUs have still a few sources of revenues at their own discretion. In a country where the responsibility of offering the majority of social services rely on central government at both central and local level (via conditional matching and not matching grants), the case for assigning more revenues to LGUs hasn't been compelling enough to give way to reforms in this direction³. Small Business Tax⁴, which was thought to be one of the drivers/and test for enhancing local revenues simply, has been not effective:

- as the cap on the top of their levels before June 2013 was marked from GoA flat tax rate of 10% policy; recently with new Fiscal Package it goes even below at 7.5%.
- as its tax base has been narrowed from several decision of Ministry of Finance (MoF) to lower the Value Added Tax (VAT) threshold that has consequently mixed the responsibilities of administrating Small Business Tax between local and central government.

¹ A good example on the point are the problems with timely services of public utilities (water and sewage) at local level because of arrears caused to Power Distribution Company (CEZ) in second half of 2012.

² "Albania Local Finance Policy Note", World Bank, September 2008

³ Ibid.

⁴ Small Business Tax subjects are not subject of Value Added Tax

Another potential revenue source, that is Property Tax, despite of its potential for providing important revenues to LGUs with highest number of inhabitants has still a narrow scope as the progress in the legalization of informal settlements and solution of disputes between old landlords and new comers is slow because of political and social tensions. In spite of promises for a fast solution in the process of legalization and formalization of such settlements during electoral campaigns, new political leaders in power come to realize that the solution of legalizing all these settlements with the market price paid to old landlords is not a feasible one; thus another solution need to be found and that's going to take time especially in Albanian reality where agreement and compromise are hard to achieve.



So far being said, it should be of no surprise then why the most important source of revenues for LGUs remain intergovernmental transfers in the form of conditional and unconditional transfers. Here, in spite of more or less a stable level for Local Government Assigned Expenditures of 2-2.5% of GDP, the transfers for both categories have been decreasing in the period 2009-2011 in absolute value because of consecutive cuts in national budgets due to lower economic national performance in both GDP growth and revenue collection rates. The practice of distributing the conditional transfers from the Regional Development Fund via competitive grants was thought to increase efficiency, better alignment with strategic plans and promote the competition between LGUs especially in the field of investments and capital expenditures. However, having a lower basket of money to distribute each year, unclear and questionable rules for selection of projects, and alignment with national rather than regional strategic plans seem to be some of related concerns on the side of LGUs. Currently, the level of unconditional grants transferred to each LGU is defined on the basis of an equalization formula, which is hardly intuitive and easy to grasp- this has given way to suggestions for simpler revenue sharing formula for major taxes PIT, CIT or VAT, always introducing controlling mechanism in order to guarantee the equity and efficiency of results.

As far as revenue sources through debt at local level is concerned, although established in the “Law for Local Government Borrowing” (2008), in practice the ability of LGUs to act during the last 3 years has been constrained from the “Organic Budget Law “ (2008) postulating a national maximum debt level of 60%, and the actual national debt levels which have been almost equal or as recently stated above to that.

1.4 Dldp, general overview

Overall the decentralisation and local development programme (dldp) is part of the Swiss cooperation strategy of SDC/SECO for supporting Albania in its efforts of enhancing democratisation and rule of law. In particular, the programme aims to support the ongoing decentralisation process in Albania in order to consolidate the democracy and to provide European standards of public services for citizens, as an important element of the National Strategy for Development and Integration. The project area covers 33 Local Government Units (LGUs) in Shkodra and 21 in Lezhe Qark. The total population of the region is around 554,000 persons, of which 40 % live in urban areas and approx. 30 % below the poverty line (2004).

In a summarized way the current phase 2 of DLDP, which was scheduled to be implemented in the time span of March 2010- March 2013, can be described as below

Programme goal: Capacities of municipalities and communes in Shkodra and Lezhe are strengthened contributing to improved regional development in Northern Albania and decentralization reform at national level		
Outcomes	1: Municipalities and Communes in Shkodra and Lezhe Qark have improved their governance structures, capacities and selected local public services	2: Good practices are shared at national level in cooperation with strengthened associations, thus impacting law and policy-making and their implementation at national level
		
Outputs	<ul style="list-style-type: none"> 1.1 Capacities of LGUs on strategic planning and budgeting are improved and selected LGUs apply strategic planning instruments and methods, linked to annual and midterm budget. 1.2 Capacities of LGUs on financial and fiscal management, including the midterm budgeting process are strengthened. 1.3 Selected local administrative and public services are improved ensuring equal access to 	<ul style="list-style-type: none"> 2.1 “Centres of competence” are identified, best practices are documented and disseminated/shared with other municipalities and communes in cooperation with the Associations of Municipalities (AAM) and Communes (AAC) 2.2. Strengthened Associations (AAM and AAC) are enabled to represent the interests of local governments: consultation processes in law and policy making and

	all citizens, including women, poor and marginalized groups.	capacity building for LGUs effectively impact the implementation of decentralisation process.
1.4	Innovative communication and information mechanisms are applied by LGUs enhancing transparency and easy access to quality information and services for all citizens.	2.3 Good practice and selected expertise contribute to the national policy dialogue.
1.5	Qark contributes to enhancing inter-LGU coordination and cooperation.	2.4 Liaising and exchange with other programmes and projects, in particular Council of Europe is ensured.

1.5 Overview of last Mid Term Review and Thematic Evaluation: findings and recommendations

The MTR was conducted by two external consultants (Lena Krylova and Ornela Shapo) in October 2011. Their findings, recommendations and lessons learned can be described as below:

Outcomes	1: Municipalities and Communes in Shkodra and Lezhe Qark have improved their governance structures, capacities and selected local public services	2: Good practices are shared at national level in cooperation with strengthened associations, thus impacting law and policy-making and their implementation at national level
Findings	<ul style="list-style-type: none"> ▪ Broadly consulted and high quality products are developed and disseminated (SDP/MTBP, SWM, PCM); ▪ Relevant capacity development is provided, responding to the particular needs of the LGUs; ▪ The dldp grant fund manual serves as learning for other similar funds in many respects; ▪ Successful support of a network of female politicians in the context of local elections was provided (May 2011). ▪ dldp has a high relevance (despite a lacking decentralisation policy framework) and significant outcomes, responding to the particular needs of the LGUs, who are the main programme partners. 	<ul style="list-style-type: none"> ▪ Dldp is a well recognized and broadly anchored project; ▪ Dldp addresses a broad range of relevant thematic issues; ▪ Dldp has successfully cooperated with the LGU associations to keep them as relevant actors in the decentralisation policy debate in spite of the difficult context; ▪ The coordination with the other SDC projects in the same domain (CoE and RDP) have not yet been fully materialised in spite of a pro-active approach of dldp (the RDP actually is only expected to start in late 2011) and that consultation and harmonisation with other programmes is conducted successfully where it is relevant
Recommendations	<ul style="list-style-type: none"> ▪ Narrow the thematic broadness to successful models (e.g. MTBP/FPT, SWM and interLGU cooperation), ▪ scale up for increased effectiveness and impact by better considering cost-effectiveness of tools and packages, ▪ clear definition of division of labour between RDP and dldp, ▪ suggested phasing out of the information and communication package (output 1.4) and ▪ improve the M&E system of dldp. 	<ul style="list-style-type: none"> ▪ Define clear channels for up-scaling dldp products, ▪ increase the ownership of products/packages by stakeholders at national level, to further facilitate the dissemination of products and best practices and ▪ continue working with the associations for product development their horizontal as well as vertical dissemination

In February- March 2013, the author of this assessment made a thematic evaluation of achievements and failures of dldp on both SDP/MTBP components, whose main findings and recommendations are presented below:

Outcomes	1: Municipalities and Communes in Shkodra and Lezhe Qark have improved their governance structures, capacities and selected local public service
	<ul style="list-style-type: none"> ▪ Currently, in the context of economic slowdown, there is a challenging environment in Albania concerning the development of qualitative strategic approaches of PFM in local level. It has to do with lower financial resources for local government as result of lower transfers from central government, that is hard budget constraints that oblige local administration to cope with the reality of daily choices rather than focus on the strategic

<p>Findings</p>	<p>processes and PFM related decision making.</p> <ul style="list-style-type: none"> ▪ In spite of hard times, the local government units in dldp programme area are moving towards standardised processes of strategic planning in the field of PFM, whose results seem to point to qualitative decision making for achievable programmes and activities. ▪ Nonetheless the deviations remain still large between MTBPs and annual budgets and, in spite of despite improvements, they are open to risk from uncertain revenue sources as result of unpredictable government transfers. ▪ Using standard tools of medium terms budget planning has increased the quality of producing qualitative MTBPs, therefore the output of developing FTP has been of great benefit for the outcomes of the programme. Nonetheless, there is a need to improve further such tools through introduction of national standards in programmatic classification of expenditures in order to improve the chances of replication in other areas and generate national support for dldp's outputs. ▪ Despite the minor progress in the predictability of budget, there remains much to be done in order to increase the soundness of MTBP especially as monitoring tools for budget planning. As there are new developments concerning public debt, the programme needs to consider the possibility of integrating considerations for debt in FTPs and MTBPs that go beyond simple statement of loan amounts. ▪ In spite of more or less available information to public in the process of budget preparation, the quality still needs improvement. The growth assumptions are still too simple and not argued for in MTBPs or in SDPs. ▪ The inclusion of regional authorities as stakeholders in the process of preparation of MTBPs and SDPs seem to be problematic. Also, the regional and national priorities/opportunities seem to be not entirely integrated in local SDPs through a systematic framework of assessment of such opportunities. ▪ The quality and the quantity of SDPs has been improved in time. Dldp programme seem to have played an important role here through the process of capacity building activities and the process of Inter LGUs experts consultations. Nonetheless, SDPs generally lack the expression according to an accepted standard for cost estimations of their activities in line with MTBPs developed, monitoring mechanisms, responsible entities for activity implementation, quantification of risks and actions triggered if these risks are materialised. Assessment of environment (SWOT) or similar is present in a few of developed SDPs. ▪ The capacity building activities have been implemented according to programme and generally have performed good in line with Log frame. The criteria of gender has been respected, which shows programme awareness and the significance of this criteria for Albanian context. ▪ Despite the improvement in the forme and quality of SDPs, there is still no reflection or decision making regarding the definite integration of duration of such strategies developed and revision process. ▪ The choice of coaching strategy has been very effective in the improvement of quality of MTBPs and SDPs developed.
<p>Recommendations</p>	<ul style="list-style-type: none"> ▪ As it regards the combination of SDP and MTBPs approaches in one, it's recommended that the programme follows the same design. Processes, tools and standards developed will make the cost of efforts lower and the benefit will be higher. However, any new programme design should pay attention to the alignment with national standards in order to promote and secure the sustainability of results in the future. ▪ The programme needs to capitalize in national and regional initiatives, regulations, standards in order to leverage its impact especially in the areas having a direct linkage to PFM (availability of budget information, channels of communication, time schedule of budget approvals, structure of budget reports and formats etc). ▪ It's needed more work to make MTBPs not only devices for serving SDP process but also tools for monitoring and revising SDPs. MTBPs need to be fully fledged programmes with indicators, risks associated, responsibilities and actions triggered if targets are not met. ▪ There is a need to align to national initiatives for increasing the scope of local revenues with other taxes or creating relatively "safe areas" of local revenues in order to guarantee the accuracy of fiscal forecasts for revenues and expenditures and consequently public service delivery. ▪ SDPs need to integrate a detailed assessment tools of regional and national opportunities and action plans with programmes activities as close as possible to reality through the device of MTBPs. ▪ Financial Planning Tool need to be rolled over in the remaining part of communes with the additional improvements due to evolution of national environment; as an example to the point the programme may think of the possibility of enlarging or adding a new module dedicated to debt. ▪ Dldp need to capitalize and promote some of the materials developed in this programme as best practice cases and support any national initiative for standard exercis-

es in the field of PFM (like local PEFA), which can increase the national and regional awareness for the programme and the support for its outcomes.

- The practice of inter LGUs consultation meetings and discussion should be part of the process and whenever possible including representatives from regional and national governments in order to increase their involvement in SDPs and MTBPs processes and facilitate the multiplier effects.

Methodology used and Indicators were inspired from PEFA Methodology although they were used only to capture the process of strategic planning and annual/medium term budget planning. A detailed list of indicators and their way of measurement is presented in the ANNEX 2.

2 OBJECT AND METHODOLOGY OF THEMATIC EVALUATION

2.1 Purpose of the Present Assignment

The following gives an overall frame for the present assignment , which has been done upon request of dldp programme in December 2013.

The objective of this assignment was to assess the quality of developed fiscal packages as part of whole areas of support, relevance of the used methodology, and provide recommendations for improving further their quality

More specifically, it should aim at a thematic assessment around following dimensions:

- used methodology for developing fiscal packages, recommend improvements,
- content of fiscal packages: accuracy and recommend improvement,
- consistency of fiscal package with FPT and MTBP, capture any positive change occurred thanks to the given support.

2.2 Overview of of evaluated project areas and indicators

2.2.1 General remarks about current state of affairs in the local government and Dldp

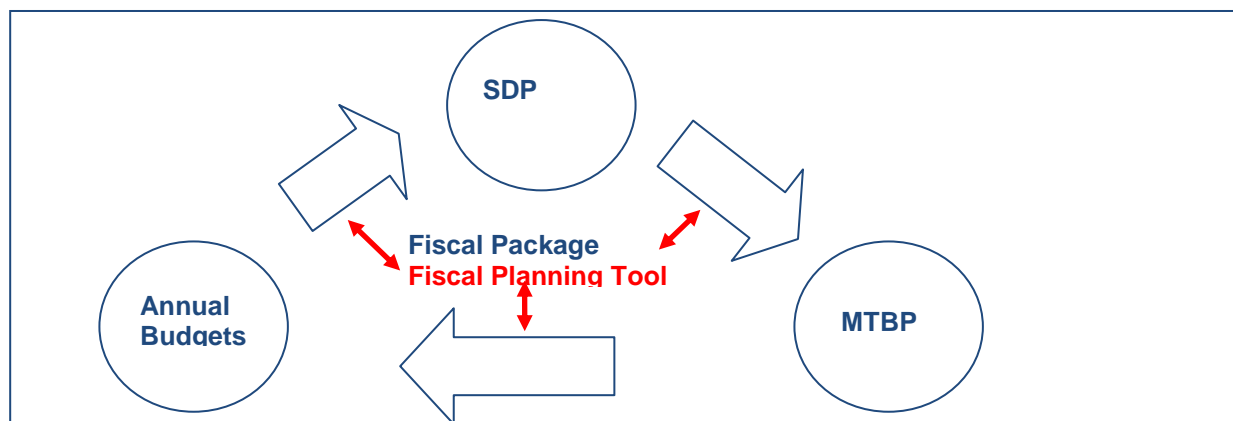
Strategically speaking, dldp approach is very ambitious and encompassing as it touches important PFM field dimensions and areas such as:

- strategy oriented budgeting,
- combination of financial and policy planning,
- detailed medium-term planning,
- comprehensive programming , and
- performance management.

In terms of concrete PFM and Strategic instruments, Dldp supported the development and application of three PFM instruments:

- strategic development plans (SDP),
- medium-term budgets using a program classification with performance orientation (MTBP), and
- a medium term oriented financial planning tool (FPT).
- In 2013, dldp decided to complete the list of above instruments with another product: Fiscal Package.

The introduction of last instrument was intended to complete and ground the strategic/annual planning budget process and make it consistent in line with best practices PFM at local level as it's shown in below schema. It should be said that introduction of such instrument is a very challenging one in the context of limited fiscal autonomy of LGUs as explained in the section of context of decentralization in Albania.



Schema of Interaction between Strategic Development, Medium and Annual Budget Planning

On the other hand it comes at the right moment as the tool for using it properly and effectively, Fiscal Planning Tool is already in place and local officials have already been trained to use it reasonably well.

2.2.2 List of Indicators, methodology of evaluation and its significance

In line with assignment's objective and consultant mandate, the attention has been focused in two areas:

- first assessing the methodology, quality of fiscal packages and
- assessing the consistency of such instrument with the rest of support package developed so far from dldp that is SDP/MTBP.

Regarding the first area, the assessment has been done in accordance with classic requirements of a modern and effective fiscal system, namely as below:

- *Conformity with legal Requirements*
- *Credibility*
- *Feasibility*
- *Equity*
- *Transparency and Accountability*
- *Participation and Motivation*

All these requirements have been translated in a set of indicators as explained in the table below.

Regarding the second area, the assessment have tried to assess the quality of fiscal package in accordance with requirement of *Synergy and Connectedness*, also resulting in a set of indicators explained below.

As part of the same assignment and in order to inform the process of monitoring of dldp in line with its mandate the expert provided *an assessment of three indicators that capture the significance of dldp instruments with regard to policy based budgeting and predictability*. As dldp core mandate and expertise to LGUs at question relies mostly with these PFM system requirements, these three indicators are seen as *outturn indicators* that is they give a measure of whole performance of dldp for the three instruments altogether, SDPs, MTBPs and FP.

Requirements	Indicators
Conformity with legal Requirements	I1- Existence of legal requirement in approving fiscal package and the type of voting
	I2- Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges
Credibility	I3- Existence of taxpayers databases
	I4- Use of Statistical Analysis in order to find trends in tax collection
Feasibility	I5- Is there a consideration of administrative capacity for introducing new or modifying the level of taxes and their collection?
Equity	I6-Is the horizontal and vertical equity requirement respected when establishing or modifying the level of taxes and charges?
Transparency and Accountability	I7- Is there an information available for taxpayers for taxes and charges? How effectively are used available and potential channels of communication ?
Participation and Motivation	I8-What has been the level of participation of Stakeholders in the process of preparation of Fiscal package?
	I9-Is there an effective communicating process to motivate and promote participation?
Synergy and Connectedness	I10- Is fiscal Package consistent with MTBP in terms of planned revenues and expenses?
	I11- Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges?
Policy-based budgets	OCI-1 Number of strategic projects in annual budget
	OCI-2 Relative share of annual budget for strategic projects
Predictable budgets	OCI-3 Overall deviation of annual budget from planned figures in previous year MTBP re. expenditure

The evaluation used a combined approach of desk study of materials and survey via questionnaire distributed to LGUs, object of the support in the region of Shkodra and Lezha. A copy of questionnaire is to be found in the Annexe 1.

The following sections gives a detailed account of assessment for each indicators at the level of LGUs subject of support from dldp based on the information available up-to-date.

3 DETAILED ASSESSMENT AND KEY FINDINGS

3.1 Assessment of methodology, quality of fiscal package in compatibility with modern fiscal system requirements

3.1.1 Conformity with legal requirements

The indicators falling under this heading are meant to focus on legal value of provisions and components of fiscal package. If such elements are in conformity with legal provisions they are more credible and likely to be implemented in the future. On the other hand if such legal foot is gained through a democratic process of voting, they are not only going to be freely accepted but also their enforcement is going to be more effective.

As it can be seen from assessment of Indicators below the fiscal packages in fact are approved through a qualified majority even though the law requires a simple majority. The results of dldp work in this respect have made the product of Fiscal Package binding for all kind political interests upon its approval. On the other hand this achievement increases fiscal packages' credibility and certainty in the future despite of changes of interests of various stakeholders involved in the process.

The same goes not only for the fiscal package as a whole but also for various particular taxes and charges foreseen in them.

It has been an excellent work of dldp programme to identify this legal requirement and use it at programme advantage by introducing a standard qualitative product like FP as part of its support package. Dldp may continue to improve and share the insights for it at national scale as pool of experience/expertise in various national/regional conferences/meetings or networks.

Table 11: Existence of Legal Requirement for FP

LGUs	Existence of legal requirement in approving fiscal package	Required Type of Voting	Actual Voting
Bushati	Yes	Simple Majority	Qualified Majority
Dajç Bregu i Bunes	Yes	Simple Majority	Qualified Majority
Kallmeti	Yes	Simple Majority	Qualified Majority
Lezha	Yes	Simple Majority	Qualified Majority
Puka	Yes	Simple Majority	Qualified Majority
Rubiku	Yes	Simple Majority	Qualified Majority
Vau i Dejes	Yes	Simple Majority	Qualified Majority
Velipoja	Yes	Simple Majority	Qualified Majority

Source: Answers of questionnaires from LGUs

Table 12: Legal requirements respected for Taxes and charges

LGUs	Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges
Bushati	Yes
Dajç Bregu i Bunes	Yes
Kallmeti	Yes
Lezha	Yes
Puka	Yes
Rubiku	n.a
Vau i Dejes	Yes
Velipoja	Yes

3.1.2 Credibility

The indicators under this heading are meant to capture the credibility of Fiscal Package provisions and levels of taxes and charges. In theory certain tax or charge is more credible when the information that informs the decision making process is realistic and its potential for raising revenues in the future is reasonably estimated. The availability of data in forms of registers of taxpayers, activities, properties etc upon which tax or charge is levied is therefore crucial. So it's the availability, skills and use of statistical methods to assess this potential. The indicators chosen below follow this logic in order to detect the availability of such information, how relevant is it for informing the process of preparation of fiscal package and also the use of statistical methods to estimate reasonable tax/charge levels that are most likely to increase the revenues.

It can be seen from indicator 3 that existence of registers of taxpayers and activities is confirmed in 7 out of 9 LGUs. The others hasn't confirmed it in the form of formal data that forms the concept of a "Database" per se, whereas simple records are present because of the fact that since 2008 all LGUs have been responsible for collecting small business tax. The existence of other tax records before that date has to do mostly with the records for other kind of taxes like those for properties and lands.

Table I3: Is there a taxpayers records database and how old is it?.

LGUs	Existence of taxpayers databases	Oldness in years
Bushati	Yes	4
Dajç Bregu i Bunes	Yes	7
Kallmeti	Yes	2
Lezha	Yes	8
Puka	Yes	7
Rubiku	na	na
Vau i Dejes	na	na
Velipoja	Yes	3

Source: Answers of questionnaires from LGUs

It can be seen that only three of them do have enough data that provide good basis for statistical methods; therefore creation and enrichment of tax registers with data necessary for calculation of effective tax rates on major sources of income except Small Business Tax is a priority. That means that there is an urgent need for identification, information sharing with regional and national authorities in order to migrate and populate databases with up-to-date data from national registers (civil register, land, roads and properties). Dldp can facilitate this role within its mandate using the process of new administrative and territorial reform raising awareness of public authorities in the process.

I4 is meant to capture the current level of use, modalities and degree of satisfaction of LGUs with these tax records.

Table I4: Do LGUs use tax/charge records databases? What's the level of satisfaction with it?

LGUs	Existence of taxpayers databases	Oldness in years	Use of Statistical Analysis in order to find trends in tax collection	Self Assessment of quality of records for statistical analysis
Bushati	Yes	4	No	n.a
Dajç Bregu i Bunes	Yes	7	Yes	Sufficient
Kallmeti	Yes	2	Yes	Sufficient
Lezha	Yes	8	No	Sufficient
Puka	Yes	7	No	n.a
Rubiku	na	na	na	n.a
Vau i Dejes	na	na	na	n.a
Velipoja	Yes	3	No	Good

Source: Answers of questionnaires from LGUs

It can be seen that in spite of the availability of data that allow to make statistical analysis for level of tax yields, they are used only in two of LGUs. There is another case where statistical analysis is done but with insufficient data. The general tendency is to simply extrapolate the current compliance rate/tax yields in the future with simple rather than statistically build assumptions for taxpayers behaviour. There is evidence of not exploiting the potential for good statistical analysis in LGUs where's availability of data that points to lack of capacity or tools to do it. What's more important there is a general perception that this "way of doing things" is sufficient.

There is a need for awareness raising of public officials for the benefits through statistical analysis as a way to increase the realism of tax/revenue projections and dldp has the right experience and influence to be effective in this direction. Dldp should keep an eye also in the way public officials use Financial Planning Tool; it might be the case that public officials prefer rather to set the level of taxes/charges in what's needed in terms of resources rather than what's feasible from the data on the ground.

3.1.3 Feasibility

The indicators falling under this heading capture the feasibility of fiscal packages in terms of resources, here accounted in terms of available public officials and the way LGUs coped with that during years of dldp's implementation.

Table 15: Is there a consideration of administrative capacity for introducing new or modifying the level of taxes and their collection? In what way did LGUs use the resources at their disposal?

LGUs	Workload of Tax Officials					Change in Workload/Efficiency				How administrative capacity was accounted for?
	2010	2011	2012	2013	2014	2011	2012	2013	2014	
Bushati	4.0	3.0	3.0	2.8	2.8	-25%	0%	-7%	0%	No consideration
Dajç Bregu i Bunes	11.0	11.0	11.0	11.0	11.0	0%	0%	0%	0%	Extensive Use of Ress
Kallmeti	3.0	3.0	4.7	5.0	4.0	0%	56%	7%	-20%	Efficient Use of Ress
Lezha	3.6	3.6	3.6	3.6	3.0	0%	0%	0%	-17%	Extensive Use of Ress
Puka	15.0	15.0	7.5	7.5	7.0	0%	-50%	0%	-7%	Extensive Use of Ress
Rubiku	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Vau i Dejes	4.5	3.4	3.4	3.8	3.8	-24%	0%	12%	0%	Efficient Use of Ress
Velipoja	1.5	2.2	2.0	2.4	2.6	44%	-8%	19%	11%	Efficient Use of Ress

Source: Answers of questionnaires from LGUs

During the collection of data for assessing this indicator it was observed that there is a tendency for increasing the number of charges rather than taxes which shows a trend towards service delivery of public local officials. The workload of tax officials remain high and in order to cope with that most of LGUs (60%) have increased the number of public officials. However there is evidence of LGUs (Kallmet, Vau i Dejes Velipoja) that have tried to increase the work efficiency of tax officials by investing in Softwares, trainings, increased change of information with regional tax offices. That being said it's not of surprise that such LGUs score high also in terms of deviation between MTBP and Annual Budget (**Outurn Indicator 3**). Dldp seems to have played an important role here with trainings and tools of financial planning that have made more visible the close connection between strategic planning, MTBP and Fiscal Package.

With above stated information in mind and in the context of a fragile economic growth and budget constraint LGUs should aim to increase the efficiency of work of tax officials rather than their number. In this context it's going to be a need for dldp support for providing training of tax officials in order to support the move towards greater efficiency of use of human resources and administrative capacities associated with them. It goes without saying that dldp need to continue to support the product of fiscal package and integrate them with SDP/MTBPs through fiscal planning tool. At the same time dldp can use this information to inform the process of new administrative and territorial reforme in order to judge on related costs/benefits and choice of best alternatives.

3.1.4 Equity

The indicators in this section are meant to capture whether there is a consideration for equity issues being that horizontal one that is all citizens are facing equal tax/charge rates and/or vertical one which is taxes/charges are levied on the basis of ability to pay principle. It's an indicator that tries to make justice to horizontal vs vertical equity which always have gone hand by hand in economic/political discussions.

Table I6: Is there an evidence of horizontal equity vs. Vertical Equity?

LGUs	Evidence of Horizontal Equity in Taxes	Evidence of Vertical Equity in Taxes and Charges	Vertical Equity in Totality of Planned Revenues
Bushati	Yes	Yes	11.70%
Dajç Bregu i Bunes	Yes	Yes	33.70%
Kallmeti	Yes	Yes	n.a
Lezha	Yes	Yes	21.10%
Puka	Yes	Yes	n.a
Rubiku	Yes	Yes	n.a
Vau i Dejes	Yes	Yes	n.a
Velipoja	Yes	Yes	18%

Source: Answers of questionnaires from LUGs

The data from indicators show a strong evidence of Horizontal Equity in all tax and charges. This might have to do also with the general fiscal policy of flat tax on direct taxes in the period 2008-2013. Vertical Equity is present though, yet only in less than 30% of total planned revenue. The categories of citizens benefiting from tax exemptions are mainly disable people, people being supported from public social safety need, elderly people and unemployed people. However there is no consideration whereas it's more beneficial to exempt the above mentioned categories with regard to taxes or charges.

With regard to this indicator that clearly there no mandate for Dldp to enter in the political discussions of vertical vs. horizontal equity in taxes and charges. However there is room for contribution with regard to practical and real data and arguments in order to avoid unnecessary political rhetoric. In this regard Dldp need to continue with capacity building activities especially with regard to use of Financial Planning tool which together with Fiscal Packages can offer various scenarios under different assumptions including also vertical vs. horizontal equity considerations in fiscal proposals

3.1.5 Transparency and Accountability

The below indicator tries to capture whether there is enough information for citizens on taxes/charges so allowing them to know and plan in advance for certain level of tax/change and which should remain changed during certain time in the future. This consideration is important because there are many business/individual decisions that depend on certainty of level of taxes/charges.

Table I7: Is there an information available for taxpayers for taxes and charges? How effectively are used available and potential channels of communication ?

LGUs	Availability of Information on Taxes				Availability of Information on Charges				Tools of Communication	Percentage	Rating
	2010	2011	2012	2013	2010	2011	2012	2013			
Bushati	100%	100%	100%	100%	40%	40%	40%	29%	3 out of 5	60%	B
Dajç Bregu i Bunes	14%	14%	14%	14%	0%	25%	25%	25%	2 out of 5	40.0%	C
Kallmeti	100%	100%	100%	100%	100%	100%	100%	100%	3 out of 5	60%	B
Lezha	100%	100%	100%	100%	100%	100%	100%	100%	3 out of 5	60%	B
Puka	30%	30%	30%	30%	40%	40%	40%	40%	n.a	n.a	n.a
Rubiku	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Vau i Dejes	33%	38%	38%	38%	33%	33%	33%	27%	2 out of 5	40.0%	C
Velipoja	100%	100%	100%	100%	100%	100%	100%	100%	4 out of 5	80%	A
Overall	60%	60%	60%	60%	52%	55%	55%	53%		49%	C

Source: Answers of questionnaires from LUGs

From the data it can be seen that the information on taxes/charges with clear instruction deadlines and penalties is available in less than 50% of LGUs interviewed which points to a non-satisfactory level of information to taxpayers. In spite of good use of channels of communication they are still not effective for

covering all taxes and charges. There is also a lower level of information on charges compared to Taxes, which might have a negative impact on the level of compliance and final revenues given the ascending trend towards charges in LGUs at question.

Since 2013 is the first year of dldp supports for this package, this information show clearly that there is room for improvement especially given the good programme performance in other programm package components. In the long run such a move will increase the transparency and predictability of taxes which as such will influence successful implementation of fiscal packages in supported LGUs. Dldp has the potential to align the incentives of LGUs to work in this direction through sharing of best practices developed under components especially with innovative channels of communication that have the potential of reaching out max number of citizens

3.1.6 Participation and Motivation

The indicators below are meant to capture the participation of various stakeholders in the process of preparation of fiscal package. A large participation is always the objective to attain because it means that fiscal preparation has the chances to meet the expectations of all stakeholders well in advance so increasing the chances to be implemented successfully i.e. increasing the collection rates /revenues.

Table 18: What has been the level of participation of Stakeholders in the process of preparation of Fiscal package?

LGUs	Participation of Stakeholders in Fiscal Package Preparation Process	Percentage	Rating according to Best Practice
Bushati	12 nga 15	80%	A
Dajç Bregu i Bunes	7 out of 15	53%	C
Kallmeti	3 out of 14	21%	D
Lezha	5 out of 14	36%	C
Puka	11 out of 15	73%	B
Rubiku	na	na	na
Vau i Dejes	5 out of 14	35%	D
Velipoja	10 out of 14	71%	A
Overall Assessment		53%	B

Source: Answers of questionnaires from LUGs

From the data it can be seen that there is a medium to good participation of Stakeholders in the process . It's an important element, which, in spite of process of preparation of fiscal packages being in early stage, need to be paid attention because it might have as direct consequence low compliance and tax yields. On the other hand this shows a very good insight of Dldp to bring out this element in support package to LGUs so it can support and improve the performance in years to come.

All above being said, there is a need for diagnostic and analysis of communicative process and channels of communication in order to identify the most effective ones in LGUs environment/context. Another suggestion that can be made here is the search for innovative ways of tailoring the activities of programmes and incentives to push LGUs for increasing the number of stakeholders in the process and synergy with other activities (SDP/MTBP) in order to guarantee the efficiency of efforts.

The other indicator below tries to measure the relevant information for one of the elements that is suggested to drive improvement namely: channels of communication. It captures the up-to-date existence of such channels and how effective they are for reaching out the maximum number of stakeholders.

Table 19: Is there an effective communication process to motivate and promote participation?

LGUs	Communication Process to Promote participation in the process	Channels of Communication	Effect in Stakeholder Participation Process
Bushati	Yes	5	A
Dajç Bregu i Bunes	Yes	3	C
Kallmeti	Yes	1	D
Lezha	Yes	2	C
Puka	Yes	4	B
Rubiku	na	na	na
Vau i Dejes	Yes	2	C
Velipoja	Yes	3	A
Overall Assessment		3	C

Source: Answers of questionnaires from LGUs

From the data it can be seen that there is evidence for channels of communication which is a good thing for dldp programme focusing its attention in this component for almost 1 year. However the channels of communication chosen in average seem not to be effective in terms of reaching out the maximum number of stakeholders. The programme needs to pay attention to such element as it's critical for assuring the quality of fiscal package and the compliance with it.

It's recommended then cost/benefit analysis for finding the most effective channel of communication in the context of LGUs. Another element is feeding the information in day to day process of communication/transactions with various type of stakeholders (payment of charges, user fees, licenses renewals, tax calculations) or using main social/economic gathering places of local communities (schools, shops, sport facilities, market) as focus for information campaign through leaflet, postings.

3.1.7 Synergy and Connectedness

The below indicators are meant to capture the degree of compatibility of taxes/charges and other provisions of fiscal package either with MTBP projections in expenditures and revenues or macroeconomic assumptions. If that's the case, that is going to generate mutual benefits for support package altogether. The evidence here it can be seen that is excellent, and it's recommended that dldp provide for sustainability of results and sharing of practices, procedures and tools developed in order to increase multiplier effect at national level.

Table of assessment of I10- Is fiscal Package consistent with MTBP in terms of planned revenues and expenses? and I11- Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges?

LGUs	Is fiscal Package consistent with MTBP in terms of planned revenues and expenses	Are Fiscal Package assumptions consistent with general Macroeconomic Assumptions at national level
Bushati	Yes	Yes
Dajç Bregu i Bunes	Yes	Yes
Kallmeti	Yes	Yes
Lezha	Yes	Yes
Puka	Yes	Yes
Rubiku	n.a	n.a
Vau i Dejes	Yes	Yes
Velipoja	Yes	Yes

Source: Answers of questionnaires from LGUs

3.1.8 Outturn Indicators

This section updates the assessment of three main indicators that were assessed last February- March 2013. They are meant to show the performance of programme in all its components MTBP/SDP/FP, that is they capture the degree of well functioning of schema depicted in part of methodology.

Table of OI-1: Assessment of number of strategic projects in annual budget plans

LGUs	2010	2011	2012	2013	2014	Deviation 2013-2010	Progress 1 No change 0	Deviation 2014-2010	Progress 1 No change 0		
Bushati	2	3	4	5	5	3	1	3		P	
Dajç Bregu	1	2	4	2	4	1	0	3		P	
Kallmeti	0	12	15	16	9	16	1	9		np	
Lezha	0	0	0	0	0	0	0	0		np	
Puka	0	0	7	11	4	11	1	4		np	
Rubiku	2	2	1	0	na	-2	0	na		P	
Vau i Dejes	8	4	3	5	0	-3	0	-8		np	
Velipoja	6	7	3	10	10	4	1	4		P	
Progress Scale								36%		50%	

Source: Answers of questionnaires from LGUs and deskwork study of documents from consultant

Table of OI-2: Assessment of relative share of annual budget for strategic projects

LGUs	2010	2011	2012	2013	2014	Deviation 2013-2010	Progress 1 No change 0	Deviation 2014-2010	Progress P No change n.a	
Bushati	55	51	21	30	64	-25	0	9	P	
Dajç Bregu i Bunes	0	15	6	0	25	0	0	25	P	
Kallmeti	15	16	14	10	10	-5	0	-5	np	
Lezha	25	27	30	30	30	5	1	5	P	
Puka	11	12	80	78	82	67	1	71	P	
Rubiku	0	0	0	0		0	0	0	np	
Vau i Dejes	16	11	0.6	0.6	0.6	-15.4	0	-15.4	np	
Velipoja	42	55	8	38	40	-4	0	-2	np	
Progress Scale								25%		50%

Source: Answers of questionnaires from LGUs and deskwork study of documents from consultant

It can be seen from both indicators that dldp has maintained strategic/policy budgeting focus and even increased the performance in last year. The number in % can be misleading but the conclusion can be seen by comparing LGUs on individual basis per consecutive period. The difficult and constraining budget situation has hampered further progress nevertheless LGUs supported from dldp has maintained the focus on strategic projects and hope for future results in 2014. That being said there is a need for focus and attention in order to preserve and secure the sustainability of results in the near future because of new administrative and territorial reforms. Dldp can use the experience, expertise and the strength of its holistic approach (MTBP/SDP/FP) to preserve and enhance its role

Table of OCI-3: Assessing the overall deviation of annual budget from planned figures in previous year MTBP regarding expenditure

LGUs	Expenditure 2011 MTBP	Expenditure 2011 Annual Bd	Expenditure 2013 MTBP	Expenditure 2013 Annual Bd	Deviation 2011	Deviation Percentage 2013	Deviation Percentage 2013	Deviation Percentage	Progress P No change np	
Bushati	65092	41518	78920	42770	-23574	36%	-36150	46%	np	
Dajç Bregu i Bunes	48390	29111	42770	40827	-19279	40%	-1943	5%	P	
Kallmeti	20842	20439	22454	22933	-403	2%	479	2%	p	
Puka	47309	45459	212357	212357	-1850	4%	0	0%	P	
Rubiku	17154	38649	16688	36226	21495	125%	19538	117%	np	
Vau i Dejes	96663	57455	61095	60992	-39208	41%	-103	0%	P	
Velipoja	95865	80921	152000	152000	-14944	16%	0	0%	p	
Average							38%		24%	
Progress Scale										71%

Source: Answers of questionnaires from LGUs and deskwork study of documents from consultant

From the data it can be seen that the deviation between MTBP and Annual Budget has been narrowed considerably during Programme life time. With the numbers updated in the end of 2013, the degree of

progress has been reaching 71% in LGUs assisted. FPT no doubt has played a role in it. The same results of course can be reached on the revenue side as it's clear that LGUs plan for the totality of all revenues.

All above being said it's necessary therefore that Dldp disseminate the results in terms of good practice and leverage its role as pole of excellence in terms of procedures, systems and tools. Thanks to introduction of Fiscal Package Dldp has all the potential right now to pass in the phase of assisting LGUs in terms of Budget implementation. In order to do that Dldp should be ahead of new developments in administrative and territorial new reform through intensive networking and interacting with all stakeholders in the process

3.2 Impact Assessment of the Programme

This evaluation is not an all encompassing one but as it was said in the beginning, it is rather a thematic evaluation, therefore its impact assessment is in relation to evaluation done with regard to one component of programme support that is fiscal package. Programme impact assessment with regard to this component can be considered also in addition to SDP/MTBP programme support areas as far as main outturn indicators are updated.

It remains obvious that the programme started in a period of economic expansion with high growth rates over the country which has influenced the design of the programme with activities focused in many realms of strategic management and local PFM system related to it. Yet the fact that the programme has found the way to introduce another component of support in the last year of its implementation shows that from Perspective of Programme/Project Cycle Management the ability to adapt to ever-changing situation even in hard time of budget constraints.

The good results of programme in SDP/MTBP area have been strengthened from the introduction of last component (OI1 and OI2). This of course in the planning side because dldp has not taken the role to assist in the implementation. However this positive impact is going to affect the quality of service in the future to constituencies in concerned LGUs as SDPs and MTBPs are strengthened further from methodological point of view and also in quality from the addition of Fiscal Package and its very strong compatibility with SDPs and MTPBs.

There is also a positive impact in the predictability dimension of Local Finances that can be seen from the indicator OI3 which shows further improvement with the addition of Fiscal Package component. No doubt the introduction of Fiscal Package has given to local officials an instrument for working on both fronts: predictability and transparency. In predictability the impact is positive, whereas the impact in transparency has been positive only in less than half of LGUs assisted. While this might be justified because of only a year of experience in supporting Fiscal Package, dldp has the potential to improve performance i.e. impact by aligning procedures and practices of FP to other components of supports (MTBPs/SDPs) where transparent indicators score quite high. This is critical because can undermine the good impact that programme has reached in the process of previous support to SDPs/MTBPs.

There is also a large impact of the programme especially in the quantity and the quality of SDP produced and their alignment with MTBPs, via a standard Fiscal Package and a practical tool like FPT. Fiscal Packages are quite good in terms of quality of presentation, relevance and clarity of information.

3.3 Overall Indicator Assessment – Summary of Findings

Finding 1-Currently, in the context of economic slowdown, there is a challenging environment in Albania concerning the development of qualitative strategic approaches of PFM in local level. It has to do with lower financial resources for local government as result of lower transfers from central government, that is hard budget constraints that oblige local administration to cope with the reality of daily choices rather than focus on the strategic processes and PFM related decision making.

Finding 2- The Fiscal Package are de facto approved with majority of votes although the law requires only simple majority. The existence of such a result has practically made FP binding for all kind political interests upon its approval. Yet this result is hardly stable if not backed with continuous efforts for preserving achievements as means to assure fiscal packages' credibility and certainty in the future despite of changes of interests of various stakeholders involved in the process.

Finding 3- It seems that there are tax records and registers in most of LGUs assisted which has to do with the fact of LGUs being the responsible for collecting small business tax since 2008. Yet there are not enough or used good enough to make good statistical forecast.

Finding 4- There is evidence of not exploiting the potential for good statistical analysis in LGUs where's availability of data- that points to lack of capacity or tools to do it. What's more important there is a general perception that this "way of doing things" is sufficient.

Finding 5- There is a tendency for increasing the number of charges rather than taxes which shows a trend towards service delivery of public local officials. The workload of tax officials remain high and in order to cope with that most of LGUs have increased the number of public officials.

Finding 6- However there is evidence of other LGUs that have tried to increase the work efficiency of tax officials by investing in Softwares, trainings, increased change of information with regional tax offices..

Finding 7- There is a strong evidence of Horizontal Equity in all tax and charges. Vertical Equity is present though. The categories of citizens benefiting from tax exemptions are mainly disable people, people being supported from public social safety need, elderly people and unemployed people..

Finding 8- The information on taxes/charges with clear instruction deadlines and penalties and the participation rates in the process of preparation of FP are in non- satisfactory levels. The reason has to do with non-use of effective channels of communication.

Finding 9- FP are quite strong and in line with MTBP and general macroeconomic forecasts in local and regional level.

Finding 10- Dldp has maintained strategic/policy budgeting focus and even improved the performance in this dimension during hard times of 2013.

Finding 11- Predictability of the budgets has improved even further with deviations between MTBPs and Annual budgets being smaller during 2013.

3.4 Overall Lessons Learned

Lesson 1- It's very easy to start strategic processes in the realm of PFM in economic expansion and is very hard to sustain the effort in the period of economic slowdown. Yet good practices of PCM can generate opportunities of complementing and designing products at the right time/context and at the benefit of all parties involved in project's implementation.

Lesson 2- Objective scientific methods of forecasts need solid data which are costly and need time and coordination to be gathered. Yet, these costs should be weighted to the benefit of objectivity and realism of fiscal projections/budgets and strategic plans of future and sustainable development

Lesson 3- The consideration of new products or set of activities need to be weighted always with against the costs or resources that make them feasible. Good programme management always needs to have pathed the way in advance so it can use the gains from increased efficiency to deal with increased workloads.

Lesson 4- The standardisation of tools, processes and classification increases the efficiency, accuracy and possibility of replication of results at regional or national level.

Lesson 6- The replication of results and the alignment with strategic national and regional opportunities, priorities have the potential to promote and secure the sustainability of results in the future.

Lesson 7- The improvements in performance can come from complementing the procedures/ instruments while alignment/connectedness and synergy have the potential to add further gains during the process.

4 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

This report concludes that introduction of Fiscal Package during 2013 is a good move and is fully justified in terms of general impact it has had on general package of dldp's support (SDPs/MTBPs) for improving the quality of service and enhancing the predictability of budget planning. It has the potential to bring about positive impact and substantial improvement also on the side of transparency if aligned with programme experience/procedures and best practice in this field.

As this programme comes to an end and a decision making needs to be made regarding its next phase in the future, this reports conclude that the programme may consider to continue with Fiscal Package as part of dldp support with the below recommendations:

4.2 Recommendations

Regarding the credibility of Fiscal Package there is an urgent need for identification, information sharing with regional and national authorities in order to migrate and populate databases with up-to-date data from national registers (civil register, land, roads and properties). Dldp can facilitate this role within its mandate using the process of new administrative and territorial reform raising awareness of public authorities in the process.

There is a need for awareness raising of public officials for the benefits thorough statistical analysis as a way to increase the realism of tax/revenue projections and dldp has the right experience and influence to be effective in this direction.

Regarding equity considerations dldp has clearly no mandate to enter in the political discussions of vertical vs. horizontal equity in taxes and charges. However there is room for contribution with regard to practical and real data and arguments in order to avoid unnecessary political rhetoric. In this regard dldp need to continue with capacity building activities especially with regard to use of Financial Planning tool which together with Fiscal Packages can offer various scenarios under different assumptions including also vertical vs. horizontal equity considerations in fiscal proposals.

Regarding Transparency/ Accountability and Participation and Motivation dldp should use the potential to align the incentives of LGUs to work in this direction through sharing of best practices developed under components especially with innovative channels of communication that have the potential of reaching out max number of citizens.

Dldp should continue to share its experience/expertise as pole of Excellency and best practice and use this opportunity to highlight its role/profile during the foreseen administrative/territorial reform.

5 ANNEXES

ANNEXE 1: INDICATORS /METHODOLOGY OF MEASUREMENT OF FISCAL PACKAGE THEMATIC EVALUATION/QUESTIONNAIRE

Significance	Indicators	Methodology of Measurement	Source of Verification
Conformity with legal Requirements	I1- Existence of legal requirement in approving fiscal package and the type of voting	Yes or Now	Answers from Questionnaires
	I2- Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges	Yes or Now	Answers from Questionnaires
Credibility	I3- Existence of taxpayers databases	Yes or Now and how many years old?	Answers from Questionnaires
	I4- Use of Statistical Analysis in order to find trends in tax collection	Yes or No and the level of satisfaction with their use in daily use	Answers from Questionnaires
Feasibility	I5- Is there a consideration of administrative capacity for introducing new or modifying the level of taxes and their collection?	Inference based on the calculation of workload of public officials. Identification of measures of enhancement of administrative capacity	Answers from Questionnaires
Equity	I6-Is the horizontal and vertical equity requirement respected when establishing or modifying the level of taxes and charges?	How many taxes and charges are proportional, regressive, progressive to tax base? What's their specific weight to general revenue?	Answers from Questionnaires
Transparency and Accountability	I7- Is there an information available for taxpayers for taxes and charges? How effectively are used available and potential channels of communication ?	Yes, No and for how many of taxes and charges Channels of Communication, Counting them > 5 elements: A > 4 elements: B > 2 elements: C < 2 elements: D	Answers from Questionnaires
Participation and Motivation	I8-What has been the level of participation of Stakeholders in the process of preparation of Fiscal package?	> 70% of relev. stakeholders: A > 50% of relev. stakeholders: B > 30% of relev. stakeholders: C < 30% of relev. stakeholders: D	Answers from Questionnaires
	I9-Is there an effective communication process to motivate and promote participation?	Channels of Communication, Counting them > 5 elements: A > 4 elements: B	Answers from Questionnaires

		> 2 elements: C < 2 elements: D	
Synergy and Connectedness	I10- Is fiscal Package consistent with MTBP in terms of planned revenues and expenses?	Yes or No, Check of Documents	Desk Study of Documents: MTBP, Fiscal Packages
	I11- Are Fiscal Package provisions in line with legal requirement in the field of local taxes and charges?	Yes or No, Check of Documents	Desk Study of Documents: Fiscal Packages and legal framework
Policy-based budgets	OCI-1 Number of strategic projects in annual budget	Counting of strategic projects	Answers from Questionnaires, SDP
	OCI-2 Relative share of annual budget for strategic projects	Evaluating planned expenditures of partner municipalities budgets past and present	Answers from Questionnaires, Annual Budgets and MTBP
Predictable budgets	OCI-3 Overall deviation of annual budget from planned figures in previous year MTBP re. expenditure	Difference between planned expenditure in accordance with last year's MTB for next year and the annual budget for next year - Deviation < 5%: A - Deviation < 10%: B - Deviation < 15%: C - Deviation > 15% : D	Annual budget and MTBPs

<ul style="list-style-type: none"> ○ Meetings/Conferences ○ Publicity, Advertising Spots in TV and Media ○ Articles and publications ○ Leaflet ○ Other (specify): <p><input type="checkbox"/> No</p> <p>3. What's the procedure of approving fiscal Package?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Approval with qualified majority of votes in LGUs Council ? <input type="checkbox"/> Approval with simple majority of votes in LGUs Council ? <input type="checkbox"/> Decision of LGUs' Head of Council? <p>4. What has been the number of local taxes/user charges and fees in years in the period 2010-2014?</p> <p>5. Is there any register database on taxpayers and the level of paid taxes/charges in years that's</p>	<p>Please tick one of the boxes responding to legal requirement and explain in written the current practice</p> <p>Local Taxes :</p> <p>2010 : 2011 : 2012 : 2013 : 2014 :</p> <p>User Fees and Charges :</p> <p>2010 : 2011 : 2012 : 2013 : 2014 :</p> <p>Please choose the appropriate box and fill in the information as required</p>
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<p>used in the process of setting/modifying the level of local taxes/user fees and charges?</p> <p><input type="checkbox"/> Yes Please specify the first year where this database has been established :</p> <p><input type="checkbox"/> No Please jump to Question 8</p> <p>6. Do you use any statistical method for forecast of tax collection/compliance rates or changes in number of taxpayers in years?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Please jump to Question 8</p> <p>7. How do you consider the quality of data in your database with respect to requirements/needs of statistical forecasts ?</p> <p><input type="checkbox"/> Good <input type="checkbox"/> Sufficient <input type="checkbox"/> Insufficient <input type="checkbox"/> Poor</p> <p>8. What's the number of public local officials in your LGUs with the responsibility of collection of taxes/user fees or charges ?</p> <p>9. How many of local taxes/Charges or user fees are accompanied with instructions, guidelines on the procedures for payment and associated penalties in case of voluntary/non voluntary nonpayment ?</p>	<p>Nr of Public Officials 2010 : 2011 : 2012 : 2013 :</p> <p>Local Taxes 2010 : 2011 : 2012 : 2013 : 2014 :</p> <p>User Fees, Charges 2010 : 2011 :</p>
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<p>10. Do you have considered the issue of increase of capacities in resources/tools in order to accommodated the introduction/modification of taxes/user fees and charges?</p> <p><input type="checkbox"/> Yes What are the measures/actions that you have undertaken ?</p> <ul style="list-style-type: none"> o Increase of nr of public officials? o Increase of resources/tools at their disposal in order to increase their work efficiency/effectiveness? If affirmative please specify the nature of these resources/tools - - - - <p><input type="checkbox"/> No</p> <p>11. Have the citizens been informed for current/modified system of local taxes/user fees and charges?</p> <p><input type="checkbox"/> Yes What of the following methods you have used in the process of information?</p> <ul style="list-style-type: none"> o Written Document o Online Document o Media Campaign o Presentations for Citizens o Public Hearings for citizens or specific stakeholders group <p><input type="checkbox"/> No</p>	<p>2012 : 2013 :</p> <p>Please choose the appropriate box and fill in the information as required for the period 2012-2013.</p> <p>Please choose the appropriate box and fill in the information as required for the period 2012-2013.</p> <p>Please choose the appropriate</p>
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ANNEXE 2: INDICATORS AND METHODOLOGY OF MEASUREMENT OF SDP/MTB THEMATIC EVALUATION

Outcome	Significance	Indicators	Methodology of measuring	Comparative bases	Source of verification
Outcome 1: Municipalities and Communes in Shkodra and Lezhe Qark have improved their governance structures, capacities and selected local public services	Policy-based budgets	OCI-1 Number of strategic projects in annual budget (strategic development plan)-Vertically integrated	Counting of strategic projects	Years before introduction of MTBP in partner municipalities 2010	Annual budget & SDP
		OCI-2 Relative share of annual budget for strategic projects	Evaluating planned expenditures of partner municipalities budgets past and present	Years before introduction of MTBP in partner municipalities 2010	Annual budget & SDP
	Predictable budgets	OCI-3 Overall deviation of annual budget from planned figures in previous year MTBP re. expenditure	Difference between planned expenditure in accordance with last year's MTB for next year and the annual budget for next year	- Deviation < 5%: A - Deviation < 10%: B - Deviation < 15%: C - Deviation > 15% : D	Annual budget and MTBPs
		OCI-4 Overall deviation of annual budget from planned figures in previous year MTBP re. revenue	Difference between planned revenue in accordance with last year's MTB for next year and the annual budget for next year	- Deviation < 5%: A - Deviation < 10%: B - Deviation < 15%: C - Deviation > 15% : D	Annual budget and MTBPs
		OCI-5 Program-wise deviation of annual budget from planned figures in previous year MTBP re. expenditure.	Variance in expenditure composition	Extent of the variance in expenditure composition during the last three years	Annual budget and MTBPs
	Transparent and participative policy planning and budgeting	OCI-6 Availability of budget information	Counting of relevant elements in budget documentation	Budget documentation should allow for a complete overview of fiscal forecasts, budget proposals and results of past fiscal years: No information missing A 1 Information missing B 2 Informations missing C >2 Informations missing D	Publicly available budget documents of partner LGUs
		OCI-7 Participative strategic development planning	Active involvement of key stakeholders in SDP elaboration	> 70% of relev. stakeholders: A > 50% of relev. stakeholders: B > 30% of relev. stakeholders: C < 30% of relev. stakeholders: D	SDP planning documents of partner LGUs
		OCI-8 Participative MTBP elaboration	Active involvement of line departments in MTBP elaboration in coached LGUs	100%: A > 60%: B > 35%: C < 35%: D	Documentation of process in coached LGUs
		OCI-9 Communication of budget information	Communication channels	> 5 elements: A > 4 elements: B > 2 elements: C < 2 elements: D (2010 baseline)	Evidence from partner LGU
	Vertically inte-	OCI-10 SDPs reflect opportunities	Check of LGU's SDP	- Systematic process with	LGU's SDPs

<p>Outcome 1:</p> <p>Municipalities and Communes in Shkodra and Lezhe Qark have improved their governance structures, capacities and selected local public services</p>	grated SDPs	and limitations of the regional development plan and of national sector strategies for the LGU		<ul style="list-style-type: none"> - measures planned: A - Ad hoc process with measures planned: B - Ad hoc reflections without measures planned: c - No reflection: D <p>(good practice)</p>	
	LGUs Enhanced SDP/eMTBP capacities of	OCI-12 Number of LGU officers or Council members trained in SDP/eMTBP workshops	Counting of participants in training workshops, also gender disaggregated.	Log frame survey fully employees of Departments of LGUs Gender	Workshop stat
		OCI-13 Number of LGUs trained in SDP/eMTBP workshops	Counting of involved LGUs	Log frame survey fully employees of Departments of LGUs Gender	Workshop stat
		OCI-14 Number of LGUs coached in SDP elaboration and involved percentage of LGU officers	Counting of involved LGUs and census of involved officers	Log frame survey fully employees of Departments of LGUs Gender	List of involved LGUs and officers (gender disaggregated) per LGU in project component
		OCI -15 Number of LGUs coached in MTBP elaboration and involved percentage of LGU officers	Counting of involved LGUs and census of involved officers	pilot approach targets (full number)!!-dissemination approach	List of involved LGUs and officers (gender disaggregated) per LGU in project component
		OCI-16 Number of LGUs coached in the application of FPT and involved percentage of LGU officers	Counting of involved LGUs and census of involved officers	pilot approach targets (full number)!!-dissemination approach	List of involved LGUs and officers (gender disaggregated) per LGU in project component
	Enhanced presence of SDP/eMTBPs in LGUs	OCI-17 New SDP developed	Counting	-yes or no how many	Samples (of draft) of new SDP, published in printed form or electronically
		OCI-18 SDPs updated	Counting	- yes or no how many	Samples (of draft) of updated SDP published in printed form or electronically
		OP-19 MTBP elaborated in LGUs of the Qark of Shkodra and Lezhe respecting the broad recommendations of dldp	Check of MTBP. Minimum requirements must be specified,	<ul style="list-style-type: none"> > 80% fulfilled: A > 60% fulfilled: B > 35% fulfilled: C < 35% fulfilled: D 	MTBP documents

Outcome 2: Good practices are shared at national level in co-operation with strengthened associations, thus impacting law and policy-making and their implementation at national level		OCI-20 FPT finalized version	Finalized version released including manual	-Yes/No, Log frame (End of January)	Functionality confirmed by service providers
		OCI-20 Medium-term financial plans elaborated by making use of the FPT	Availability check of medium term financial plans	-Yes and the number	Hard copy or electronic version of financial plans
	Influence at national level and knowledge transfer	OCI-21 Adopted practice recommendations of dldp / inter LGU expert group by national level in guidelines, regulations, by-laws, laws, etc. or in relevant national practices	Counting of relevant elements in national guidelines, regulations, by-laws, laws, etc	> 5 elements: A > 3 elements: B > 1 elements: C < 2 elements: D	Drafts or adopted national guidelines, regulations, by-laws, laws, etc.
		OCI-22 Adopted practices promoted by dldp in partner LGUs by neighbour municipalities of Shkodra and Lezhe Qark.	Identification of relevant practices adopted by neighbour LGUs	> 20 cases: A > 10 cases: B > 3 cases: C < 4 cases: D	Interview with prefecture or relevant documents of cases

ANNEXE 3: QUESTIONNAIRE FOR THEMATIC EVALUATION OF SDP/MTBP

Policy-based budgets

1. Which is the number of projects foreseen in strategic plan?
2. How many of these strategic projects have been planned in the annual budget during the years?
2010 2011 2012 2013
3. Which is the number of projects in capital investment plan?
4. How many of these strategic projects have been planned in the annual budget during the years?
2010 2011 2012 2013

Which is the share of the annual budget for strategic projects?

Capital investment projects expressed in %

2010 2011 2012 2013

Predictable budgets

1. What was the LGU budget for the following years? (specify from 2010-2013)
2. What is the budget expenditures for strategic projects and capital investments projects? Please specify from 2010 to 2013
3. Which is the difference between planned expenditure in accordance with last year's MTB for next year and the annual budget for next year?

Transparent and participative policy planning and budgeting

Does your budget documents include information accessible for the public regarding:

1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate. Yes
No
2. Financial Assets, including details at least for the beginning of the current year. Yes No
3. Prior year's budget outturn, presented in the same format as the budget proposal
Yes No
4. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal. Yes No
5. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year. Yes No
6. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs. Yes No

Which of these stakeholders have been included in the process elaboration and update of strategic plan?

- Citizens
- Neighboring communities (especially in the cases when SDP can have an impact in the neighboring LGU or in the cases when 2 or more LGU-s want to develop a joint SDP)
- Local council (municipal/communal)
- Head of municipal/communal commission
- Private and public service providers or agencies
- Consultants or consulting agencies
- Economic operators
- Non profit organizations
- Business organizations/groups or representatives
- Public institutions (including sports, health and culture)
- Local and national media
- Elderly people (representation of villages in a commune)
- Representatives from all religious communities in the area
- Universities (if present in the area)
- Political representatives for the area
- Regional Agency of Education
- Regional Agency of Health
- Regional Directory of Agriculture
- Regional Directory of Employment
- Regional Directory of Tariffs and Taxes
- Regional Council Representatives
- Representatives of women associations or organizations (if absent the establishment of such organizations may also be encouraged.)
- Representatives of minority groups (if existent)
- Representatives of youth organizations
- Other (e.g. emigrants association, farmers association etc.), if relevant to the planning and implementation

Please tick the box

Which of the line departments have been involved in MTBP elaboration?

- Finance
- Taxes
- Public services
- Economic development
- Social services

<ul style="list-style-type: none"><input type="checkbox"/> Education, culture, sport and health<input type="checkbox"/> Agriculture<input type="checkbox"/> Forestry management<input type="checkbox"/> Municipal Police<input type="checkbox"/> -<input type="checkbox"/> -<input type="checkbox"/> - <p>Please tick the box</p>

Vertically integrated SDPs

<p>Which strategic document has been consulted during the process of strategic plan elaboration?</p> <ul style="list-style-type: none"><input type="checkbox"/> NSDI<input type="checkbox"/> Sectorial strategies (specify which one)<input type="checkbox"/> Cross cutting strategies<input type="checkbox"/> Regional strategies, plans and documents (specify which one) <p>Is your strategy harmonised at the level of:</p> <ul style="list-style-type: none"><input type="checkbox"/> Objective<input type="checkbox"/> Projects<input type="checkbox"/> Indicators<input type="checkbox"/> Other (please specify)

Influence at national level and knowledge transfer

<p>Have you used the experience gained through DLDP to collaborate with other actors? (if yes please specify)</p>
<p>Have you used the experienced gained through DLDP to collaborate with other LGUs? (please specify)</p>

ANNEXE 4: ECONOMIC SITUATION

Albania: Basic Indicators and Macroeconomic Framework, 2009-17

	2009	2010	2011Est.	2012	2013	2014	2015	2016	2017
GDP (Growth rate in percent)									
Real GDP 1/	3.3	3.5	3.0	0.5	1.3	2.5	2.5	2.5	2.5
Consumer Price Index (avg.)	2.2	3.6	3.4	2.2	3.2	3.0	3.0	3.0	3.0
Consumer Price Index (eop)	3.7	3.4	1.7	3.4	3.0	3.0	3.0	3.0	3.0
GDP deflator	2.3	3.8	3.5	2.4	3.1	2.8	2.8	2.8	2.9
Saving-investment balance (Percent of GDP)									
Foreign savings	14.0	11.4	11.9	10.1	9.4	8.8	8.3	7.1	5.8
National savings	16.2	15.4	13.7	13.9	13.0	12.7	12.4	12.9	13.4
Public	1.0	1.2	1.6	1.1	0.9	0.7	0.4	0.2	0.1
Private	15.2	14.2	12.1	12.8	12.1	12.1	12.0	12.7	13.3
Investment	30.3	26.8	25.6	24.0	22.3	21.5	20.7	19.9	19.1
Public	10.1	6.7	6.0	4.9	4.0	4.0	4.0	4.0	4.0
Private	20.2	20.1	19.6	19.1	18.3	17.5	16.7	15.9	15.1
Fiscal sector									
Revenues and grants	26.0	25.8	25.1	24.8	24.9	24.8	24.8	24.7	24.6
Tax revenue	23.5	23.3	23.0	22.7	22.7	22.7	22.6	22.5	22.4
Expenditures	33.4	29.6	28.5	27.9	27.1	27.3	27.5	27.6	27.6
Primary	30.2	26.2	25.4	24.7	23.7	23.7	23.7	23.7	23.7
Interest	3.2	3.4	3.1	3.2	3.4	3.5	3.8	3.8	3.9
Overall balance (including grants)	-7.4	-3.7	-3.5	-3.1	-2.2	-2.4	-2.7	-2.9	-3.0
Primary balance (including grants)	-4.3	-0.4	-0.3	0.2	1.1	1.1	1.0	0.9	0.8
Net domestic borrowing	0.9	0.9	2.0	1.8	0.7	1.9	2.5	3.0	3.9
Privatization receipts	2.4	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Foreign financing	3.7	2.1	1.6	1.4	1.5	0.6	0.3	-0.1	-0.9
Public Debt	59.3	57.8	58.6	60.9	60.8	60.5	60.4	60.4	60.5
Domestic	36.1	32.9	33.3	34.1	33.4	33.5	34.3	35.5	37.6
External (including publicly guaranteed)	23.2	24.9	25.3	26.8	27.4	27.0	26.1	24.9	22.8
Monetary indicators									
Broad money growth	6.8	12.5	9.1	6.1	4.4	5.3	5.4	5.4	5.4
Private credit growth	10.3	10.1	10.4	2.1	4.5	5.8	4.7	3.8	0.4
Velocity	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Interest rate (3-mth T-bills, end-period)	6.3	5.3	5.3	...	...	...	...	...	...
External sector (Percent of GDP unless otherwise indicated)									
Trade balance (goods and services)	-24.6	-20.7	-22.4	-18.8	-17.6	-17.3	-16.9	-16.2	-15.2
Current account balance (including official transfers)	-14.0	-11.4	-11.9	-10.1	-9.4	-8.8	-8.3	-7.1	-5.8
Current account balance (excluding official transfers)	-14.7	-11.9	-12.2	-10.8	-10.1	-9.5	-9.0	-7.8	-6.5
Official transfers	0.7	0.5	0.2	0.7	0.7	0.7	0.7	0.7	0.7
Gross international reserves (in millions of Euros)	1,621	1,926	1,879	1,976	2,065	2,101	2,160	2,296	2,495
(In months of imports of goods and services)	4.1	4.4	4.4	4.5	4.5	4.4	4.4	4.5	4.5
(Relative to external debt service)	10.9	5.0	8.8	8.2	6.5	5.3	2.8	5.0	5.5
(In percent of broad money)	26.0	27.0	24.9	24.4	24.6	24.0	23.6	24.0	24.8
Change in real exchange rate (eop, in percent)	-7.8	-2.6	0.7	...	...	...	...	...	...
Memorandum items									
Nominal GDP (in billions of lek)	1,151	1,237	1,319	1,357	1,417	1,493	1,574	1,659	1,749

Source: IMF, "Albania, Country Report No: 13/7" January 2013. Sources of Data are from Albanian authorities; and IMF staff estimates and projections. 1/ GDP data for 2008-09 are from the official national accounts.