

## **GOVERNMENT OF ALBANIA**

### **Threshold Program Executive Summary**

#### **Background**

The newly elected administration in Albania was voted into office in July 2005 on a strong anti-corruption platform. The Albania Threshold Program, initially developed by the prior government and since slightly revised and enhanced by the current government, addresses issues that are universally embraced as being in need of significant reform. The government of Albania recognizes that both the reality and public perception of corruption continue to be major impediments to the country's transition to a stable democracy with a market-driven economy.

#### **Summary of Program**

The principal objective of the Albania Threshold Program is to reduce corruption. This is an appropriate focus as Albania scored in the 23<sup>rd</sup> percentile on MCC's Control of Corruption indicator.

The Government of Albania has requested assistance from MCC to fund three program components aimed at reforming tax administration, public procurement and business administration over 24 months:

#### **Description of Program:**

##### *Reduce Corruption in Tax Policy and Administration*

The tax reform component aims to significantly reduce opportunities for corruption and increase efficiency in tax assessment and collection. Proposed component activities include:

- Improvement in the administration of value added tax (VAT), corporate income tax and personal income tax, including updated procedures, regulations and rulings;
- Information technology (IT) support and training;
- Promotion of taxpayer rights and responsibilities;
- Improvements to the audit, appeal and tax court processes; and
- Amendments to tax legislation and regulations to achieve consistency.

##### *Attain Transparency and Reduce Corruption in Government Procurements*

Proposed component activities include:

- Establishment of the Ombudsman of Procurement (will be established by and report to Parliament);
- Organizational improvements to the procurement entities as well as restructuring and redefining roles within the Public Procurement Agency;
- IT solutions and training programs;
- Elaboration and use of a contract administration manual;
- Development of a system to measure the Public Procurement Law compliance and reform impact; and
- Public awareness program of procurement reform efforts.

*Combating Corruption in Business Entry and Registration- Establishment of National Business Center (NBC)*

Proposed component activities include:

- Creation of a unified registration form and simplified registration procedures;
- Establishment of a single office (the NBC) where businesses can file electronically all documents needed to set up a new enterprise or renew an existing business;
- Financing of IT and communications infrastructure to establish the NBC; and
- Revision of administrative rules to allow for statutory response times, for posting fee schedules and for silent-consent rules, in which approval is automatically granted if a relevant agency does not respond within a given.

**Highlights of Expected Program Results:**

- An increase in the total tax collected by the Large Taxpayers Office from 30.4 percent to 50 percent;
- Establishment of an automatic VAT refund system which is operational within six months
- A reduction in the cost of governmental procurements by 20 percent (adjusted by volume, currency and inflation);
- An increase in the percentage of procurements completed electronically from zero to 2.5 percent;
- A reduction in the number of days it takes to start a business from 47 to 1; and
- An increase in the number of new businesses registered monthly from 625 to 1,000.

**Budget:** \$13.85 million

**Implementation:** USAID will oversee implementation of the Albania Threshold Program on behalf of MCC. Implementers within the Government of Albania include the General Directorate of Taxation, the Office of the Prime Minister, Parliament, and the Ministry of Finance.