

1. Basic information

- 1.1 CRIS Number:** 2010/022-264
- 1.2 Title:** Improving of the Public Revenue Office (PRO) taxpayers services
- 1.3 ELARG Statistical code:** 03.16
- 1.4 Location:** PRO, General Directorate in Skopje and Service Counters across the country

Implementing arrangements:

1.5 Implementing Agency:

The Central Financing and Contracting Department (CFCD) will be the contracting authority and will be responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities. The Head of CFCD will act as the Programme Authorizing Officer (PAO) of the project.

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1.6 Beneficiary (including details of SPO):

Public Revenue Office within the Ministry of Finance, Sector of Taxpayers Services.

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1.7 Overall cost (VAT Excluded)¹: EUR 1 560 000

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

1.8 EU contribution:

EUR 1 330 000

1.9 Final date for contracting:

The final date for contracting is two years after the signature of the Financing Agreement.

1.10 Final date for execution of contracts:

The final date for the execution of the contract is two years from the final date for contracting.

1.11 Final date for disbursements:

The final date for disbursements is one year from the final date for execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

This Project will improve the performance of the Public Revenue Office (PRO) with regards to providing better services to taxpayers with the aim of increase voluntary compliance.

2.2 Project purpose:

The purpose of the project is to strengthen the quality of services towards the taxpayers by establishing effective information methods and communication tools towards better services to taxpayers and to ensure strengthening of the partnership between the taxpayers and tax servants through Contact Centre/Call centre and Service Counters in most municipalities. In addition, the purpose of the project is to ensure an equal interpretation of the tax laws throughout the country, as well as to build a user friendly environment by upgrading the already established Contact Centre with a Call Centre and improving services provided the Service Counters.

2.3 Link with AP/NPAA/ EP/SAA

The **Accession Partnership** in Chapter 16 – Taxation identifies the need for increased administrative capacity of the PRO to implement tax legislation and to fight fiscal evasion.

Following the priorities of the Accession Partnership, within the scope of this project, the PRO will develop efficient methodologies through the Contact Centres, which will aid the fight against fiscal evasion. The development of new IT methodologies foreseen in this project is crucial for achieving of the above mentioned priority and will result in increase of the administrative capacity of the Public Revenue Office.

The **NPAA** stipulates the implementation of the Programme for Development of a Contact Centre, as a priority.

Article 89 of **SAA** stipulates that “The Parties will establish cooperation in the field of taxation including measures aiming at the further reform of the fiscal system, the modernisation of the tax services with a view to ensuring effectiveness of tax collection and the fight against fiscal fraud”.

2.4 Link with MIPD

In the area of fiscal policy, the 2009-2011 MIPD foresees, continuous assistance aimed at further improving the administrative capacity, on both central and local levels, (e.g. tax collection, expenditure control, etc.).

2.5 Link with national/ sectoral investment plans

The project is directly linked to the Strategic priorities of the Public Revenue Office 2009-2011 to continue the policy of providing improved services to the taxpayers, to strengthen the taxpayer's confidence towards PRO which is ready to assist professionally in resolving tax issues and to facilitate better voluntarily compliance of their obligations.

3. Description of project

3.1 Background and justification:

One of the main functions of the PRO is to provide services to taxpayers in order to help the taxpayers to fulfil their obligations and to continuously support the improvement of the voluntary compliance. This function is carried out by the Taxpayer Services Department, which, as a beneficiary department, is situated in the premises of the General Directorate of the PRO. There are two types of organizational units across the country under this department, which are linked with this Project. In this regard, the Project will support the extension and improvement of the Contact Centre capacities, as well as the improvement of the functioning of the Service Counters throughout the country.

The strengthening of the administrative capacity of the PRO is a strategic objective. With this project, the PRO will develop efficient methodologies through the Contact Centre, which will help to fight against fiscal evasion. The implementation of this Project will aim for the improvement of the PRO performance with regard to an increase of voluntary compliance.

In this regard, the upgrade of the Contact Centre capacities, along with the modernization of the Service Counters, has been a recognized priority for the PRO in the past years. To this aim, the PRO opened the new Contact Centre, which has been functional since 1st of January 2009. There are currently 11 employees working at the Contact Centre premises. The scope of the work includes: processing of tax returns, providing assistance, education and information to taxpayers. The facility also includes the PRO 198 call number where taxpayers can report tax evasion, corruption and comment on PRO service levels.

Yet, despite the implementation of the Contact Centre and other initiatives implemented during the reform, the tax administration requires further strengthening, especially in terms of improving the quality of services and technical platform, in order to improve compliance. Further to the successful integration of Social Insurance Contributions and Personal Income Tax into the PRO, which has placed additional responsibilities on the PRO, the PRO needs additional strengthening of its administration, through the introduction of a Call Centre environment. The current growth in the tax base further requires the PRO to implement a more suitable environment to facilitate improved taxpayer contact, aspirations which are meant to be facilitated with the assistance of this project.

Hence, to aid the goal and need for further administrative and institutional strengthening, in the framework of the Component I, assistance will be provided to improve the operation of the Contact Centre by implementation of best practices of a Member State administration.

This will cover the operation of the Call Centre for inbound and outbound communication. It will be used by both taxpayers and PRO to contact one another for information. In addition,

the PRO will further extend the capacity of the Call Centre as a part of Contact Centre in the process of providing tax warnings, which means to contact the taxpayers who have not paid their taxes or have other obligations. This will also include outbound calling for the collection of Social Insurance Contributions and Personal Income Tax. The Call centre will be a part of and contribute to the PRO compliance improvement strategy. In order to strengthen the capacity of the employee's knowledge, this project will upgrade the operational capacity which is currently on a basic level.

Component 1 also will cover advice and assistance by a Member State administration towards improved functioning of Service Counters to provide better services.

The network of Service Counters will decentralize the taxpayer's services and it will decrease the proximity to the taxpayers in the process of paying the taxes and using of the PRO services, with their availability near by the residence of the citizens or the residence of the legal entities.

The Service Counters will provide several services for the taxpayers which relate to:

- Providing or obtaining of accurate, precise, and timely information and help in the process of application of the tax regulations and tax procedures;
- Providing advice for the needed documentation for achieving particular rights and obligations in the tax area;
- Providing explanation how to submit particular tax returns;
- Admission of the tax returns which are admitted by the taxpayers;
- Providing of information for payment deadlines, etc.

The PRO until now has opened 24 Service Counters and intends to open a total of 72 by the start of the project. However, in order to become an effective and efficient tool for servicing taxpayers, their operational capacity will need assistance. In the areas where Service Counters are yet not established, the PRO has currently introduced mobile teams to fulfil the delegated tasks. Given that they are not intended as formal substitutes for the institutional Service Counters, they will assume their functions until the opening of the Service Counters. 6 employees are envisaged for each Service Counter. The new organizational structure of 1 January 2009 supports the decentralization of one of the main functions of Public Revenue Office "taxpayer services", which will operate through the Regional Directorates, Tax Departments and Service Counters network.

For Component 1, the Project Fiche will requires a Twinning contract in order to provide the best practices from one of the tax administrations of an EU member state in the area of taxpayer services, particularly in establishing a call centre, improve the operation of the call centre and contact centre for enhancing compliance and improving the functioning of the Service Counters throughout the country. A Communication plan in compliance with EU visibility and awareness guideline will be prepared and delivered by the experts from the twinning partner.

Component II of the project will improve the technical and functional office environment of the call centre/Contact centre as well as the Service Counters. This will entail the introduction of improved communication, physical and operational facilities to ensure more efficient services in a modern taxpayer friendly environment.

A supply contract will cover the application of an up-to-date and efficient hardware, software and knowledge base for the Call Centre to ensure the development of a user friendly environment. The improvement of the physical environment of the Contact Centre/Call Centre will be covered by a works contract.

The supply contract will also support improving the functioning of up to 72 Service Counters, by the introduction of modern hardware and software solutions, which will be procured and adapted according to the requirements. By the start of the project the all 72 Service Counters are foreseen to be opened and refurbished with resources provided by the national budget for the PRO.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The successful implementation of this project will not only aid the administrative build-up of the PRO, but will likewise benefit the taxpayers as a result of the generated improved services. It is expected that the number of processed tax returns will be increased, especially with extension of the Contact Centre capacity by the Call Centre, Service Counters employees training programme, introduction of new IT equipment and new working methodologies.

The new IT equipment and software will also ensure a connection with the PRO database in order to provide timely and accurate information for taxpayers and the employees and will provide technical support to taxpayers in order to avoid breaches of the tax laws.

The improved services towards the taxpayers aim to contribute the increased voluntary compliance and improved collection of taxes.

The Contact Centre and within it the Call Centre is intended to serve all the taxpayers across the country. Regarding the Service Counters they will directly serve all taxpayers which are located in the same municipalities, as the respective Service Counter.

One of the results of the project will be to trigger an altered perception of the taxpayers; as the PRO will no longer be seen as an imposing institution, but as a modern customer oriented organisation.

The sustainability of this project following the implementation's end will be achieved through targeted and dedicated budget support of the PRO. The employees in the Contact Centre and Service Counters will be recruited from the Sector for taxpayer services and their respective Departments that are situated in the Regional Directorates. The remaining part of the needed personnel will be employed in line with the NPAA employment programme.

3.3 Results and measurable indicators:

Results and measurable indicators under Component 1: Quality service and improved efficiency for Contact Centre/Call Centre and Service Counters

Results for Activity 1: Contact Centre/Call Centre:

- Performance model (blueprint) of Contact Centre/Call Centre developed;
- New working rules and procedures developed, adopted and delivered;
- Trainings for the software applications and new working rules and procedures of the PRO Contact Centre/Call Centre staff provided;

- Proposals for further improving the capacity and operations of the Contact Centre/Call Centre developed;
- Job descriptions prepared for the staff of the Contact Centre/Call Centre;
- Training programme developed and provided for the Contact Centre/Call Centre staff, including training of the trainers to ensure the sustainability of house training;
- A model of a taxpayer consultation process control (monitoring) system allowing to monitor time, form and content of consultations, as well as precision and politeness when providing responses to taxpayers developed;
- Communication plan developed, information materials about the Contact Centre/Call Centre prepared.

Measurable indicators for Activity 1:

- Number of processed tax returns increased;
- Number of conducted telephone calls increased;
- Number of satisfied taxpayers of the phone line services increased;
- Number of taxpayers using the services of the Contact Centre/Call Centre increased.
- Increased awareness and compliance of the taxpayers;
- New working rules and procedures fully operational and in use by the staff;
- Software applications are in use by the staff;
- Number of trainings, presentations workshops provided for the PRO staff on the software applications, new working rules and procedures, implementation of communication methods of the PRO Contact Centre/Call Centre staff;
- Trainers guide and trainees' guide set of practical activities for trainers and trainees delivered;
- Proposals for the further improvement of the Contact Centre/Call Centre are prepared;
- Number of job descriptions, operational guidelines prepared and implemented;
- Number of information materials prepared and delivered.

Results for Activity 2: Service Counters

- Operational guidelines, rules and procedures for the functioning of the Service Counters developed and delivered;
- Trainings for the Service Counters staff provided;
- Training manuals, training programme including train the trainer module developed;
- Communication plan developed, information packages, booklets, brochures prepared for the taxpayers informing them about the activities, services, working style and hours of the Service Counters, and training package;
- Provisional Acceptance of supplies completed.

Measurable indicators for Activity 2:

- Operational guidelines, rules and procedures for the Service Counters fully operational and in use by the staff;
- Number of Service Counters staff trained;
- Training manuals, trainers guide and trainees' guide set of practical activities for trainers and trainees delivered;
- Number of materials concerning the communication plan and information packages printed and delivered;
- Number of taxpayers which are using the services of the Service Counters increased.

Results and measurable indicators under Component 2 – Modern office environment for improved services by Call Centre/Contact Centre and Service Counters throughout country

Results:

- Access to the PRO database established at the Contact Centre/Call Centre, Service Counters;
- Functional office environment of the Contact Centre/Call Centre established, handling inbound and outbound calls;
- The functional office environment at the Service Counters is established supporting quality and efficient services to taxpayers;

Measurable indicators:

- Software application installed, handling increased number of inbound and outbound calls at the Call centre;
- Hardware equipment installed, accessing increased number of databases used by the Contact Centre/Call Centre;
- Hardware equipment installed, accessing increased number of databases used by the Service Counters to improve the quality of services,
- Improved office environment of the Contact Centre/Call Centre, Service Counters served increased number of clients.

3.4 Activities:

Activities under Component 1: Quality service and improved efficiency:

Activity 1: Call centre/Contact centre:

- Development of taxpayer Contact Centre's performance model (blueprint) covering its statute, structure and functional links, principles of staff control to improve the efficiency of the operation of the Contact Centre;
- Evaluation of the Contact Centre capacity in terms of human resources;
- Assistance in drawing up job descriptions for the Contact Centre staff;
- Development of new working rules and procedures;
- Organisation of a study tour for the PRO Contact Centre staff to better understand the new services of the Contact Centre;
- Organisation of trainings for the software applications and new working rules and procedures of the PRO Contact Centre staff;
- Training programme including train the trainer module prepared concerning the provision of consultations by telephone;
- Development of operational rules and methods for the staff of the Contact Centre on the provision on consultations by telephone;
- Development and implementation of communication strategy, information materials for taxpayers and tax officials regarding the Contact Centre and its operations.

Activity 2: Service Counters:

- Preparation of operational guidelines, rules and procedures for the Service Counters;
- Preparation of training manuals, training programmes, train the trainers modules;
- Organising training sessions for the staff;
- Develop communication plan and information packages for taxpayers and tax officials concerning the Service Counters.

Activities under Component 2: Modern office environment for improved services by Call centre/Contact centre and Service Counters throughout country:

- Installation of software application for knowledge base and software application for in and outbound calls for the Call Centre/Contact Centre;
- Installation of hardware and office equipment for the Call Centre/Contact Centre;
- Installation of hardware and office equipment for the PRO Service Counters;
- Refurbishment of the Call Centre/Contact Centre premises.

Under Component 2 the improved functionality of the Contact Centre/Call Centre and the Service Counters will be implemented by 1 Works contract and 1 Supply contract.

Management and contracting arrangement

The overall coordination of the activities of the project will be carried out by the Public Revenue Office and the respective SPO will have the responsibility for project execution and overall monitoring during its implementation.

The project activities would be implemented with several different contracts, including a one Twinning arrangement. For this particular contract, a steering committee will be established to oversee the implementation process of the project activities, while it is expected that the MS twinning partner will bring in expertise in the area required. The twinning arrangement will also allow for administrative capacity building, training, integrity, legal development and addressing the cross-cutting issues. The project leaders will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting to the Contracting Authority. The contact persons and details for this contract would be developed in the process of preparation of the actual Twinning Fiche, prior to the submission to the MSs.

The improved functionality of the Contact Centre/Call Centre and the Service Counters will be done through 1 Works contract and 1 Supply contract. Preparation of the tender dossiers for the Works and Supply contract will be covered by PPF.

The contracting arrangements are as follows:

- **One Twining contract** will be concluded. The duration of the contract will be for a period of 18 to 24 months. The contract value will be approximately EUR 800 000. This amount includes a co-financing from the beneficiary of (5%) EUR 40 000 and IPA allocation of EUR 760 000;
- **One Supply contract** will be concluded for the value of approximately EUR 600 000. This amount includes a co-financing from the beneficiary of (25%) EUR 150 000 and IPA allocation of EUR 450 000. The duration of the contract will be for a period of 18 months (delivery of 6 months and 12 months for the warranty period). Of the overall amount approximately EUR 330 000 will cover the supply for the Contact Centre/Call Centre and the rest of EUR 270 000 will cover the supply for the Service Counters;
- **One Works contract** will be concluded for the value of EUR 160 000. This amount includes IPA funds EUR 120 000 and national co-financing (25%) EUR 40 000, which will cover the Works for the Contact Centre/Call Centre. The expected duration is 24 months (12 for construction of works and 12 months defect liability period).

3.5 Conditionality and sequencing:

The project includes the following conditionalities:

- Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- Appointment of counterpart personnel by the beneficiary before the launch of the tender process;
- Allocation of working space and facilities by the beneficiary for twinning before the launch of the tender process;
- Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits, urban plan amendments), refurbishment activities before the launch of the tender process;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- Staff and operation of the Contact Centre/Call Centre and Service Counters will be ensured by the beneficiary before launching of the Project.

If the conditions are not met, suspension or cancellation of the project will be considered.

3.6 Linked activities

The Country has received EU assistance in the area of taxation through the following projects:

CAFAO MAK project

A scoping study of the Public Revenue Office was prepared in 2006 to identify the needs as required in the EU Fiscal Blueprints. The project undertook reviews of the work of Internal Audit and Enforced Collection, along with activities covering the areas of risk assessment, voluntary compliance and communications (in the course of 2007).

IPA 2007

The IPA 2007 project for Support to Tax Reform is currently implemented, which will help in further modernisation of certain functions within the PRO. The overall objective of the project is to improve the performance of the PRO and the Ministry of Finance with regards to revenues collection, services to taxpayers and fight against corruption through further harmonising of the legal framework with the EU acquis and reinforcing the institutional capacity to collect taxes. The project will assist the MoF in the drafting the laws and implementing of the legislation in the area of taxation. Also, it will support the efficient management of the PRO and its operational activities by targeting key sectors of the institution related to tax collection, fight against tax evasion and corruption. It will also help to strengthen the quality of the services towards the business sector, in particular small and medium-sized businesses.

IMF and the Government of the Netherlands

The IMF has introduced a comprehensive Technical Assistance program over a three year period aimed at improving the tax administration and integrating social funds collections into the PRO. This project is being executed in cooperation with the Netherlands Ministry of Finance and the Netherlands Ministry of Foreign Affairs and covers reorganisation of the PRO, introduction of a performance management system, establishing a Large Taxpayer Office, a Small and Medium Taxpayer environment, strengthening of enforcement programs

including audit, debt and returns management, new computer systems and harmonisation of the Personal Income Tax and Social Insurance Contributions.

UNDP

The UNDP is assisting the PRO in the introduction of a new computer system which has been financed by the Italian government.

USAID

USAID has supported the PRO in strengthening the administrative capacity, introducing structural measures and creating an IT strategy. Furthermore, it has developed an e-filing system in the PRO for the Large Taxpayer Office environment and will assist in introducing this concept into the Small and Medium Taxpayer environment.

The PRO has established a Steering Committee, represented by members of the senior management team, responsible for co-ordination of the decision-making process. A donor co-ordination unit has also been established to ensure successful project implementation and alignment of the activities of the different projects.

TIKA

The TIKa (Turkish International Cooperation & Development Agency) has assisted the PRO with the donation for the interior of the current Contact Centre.

3.7 Lessons learned

Implementation of other projects highlighted a number of common difficulties, including insufficient administrative capacities and availability of national staff, insufficient budget, insufficient coordination between stakeholders, insufficient implementation infrastructure and programmes, etc.

During the preparation of this project the experiences of the programming and implementation of the previous projects in the field were taken into account, in particular to avoid the mistakes being observed. These lessons learned have been translated into the pre-conditions noted above, i.e. ensuring efficient co-ordination of the project by strengthening the partnership between institutions and bodies involved in process of programming, implementation and evaluation; ensuring and preserving the quality of the administrative capacity of the implementation structure, improving the quality of the implementation programs enhancing competitiveness drivers; ensuring a legal framework for the introduction of changes resulting from the project; ensuring access to indispensable information and documents; providing training sessions and on job training that will be held under the project for all stakeholders; initiating and ensuring closer cooperation between public and private sector.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Twining Contract	X		800 000	800 000	760 000	95	40 000	5	40 000				
Supply Contract		X	600 000	600 000	450 000	75	150 000	25	150 000				-
Works Contract		X	160 000	160 000	120 000	75	40 000	25	40 000				-
TOTAL IB			800 000	800 000	760 000	95	40 000	5	40 000				
TOTAL INV			760 000	760 000	570 000	75	190 000	25	190 000				
TOTAL PROJECT			1 560 000	1 560 000	1 330 000	85	230 000	15	230 000				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Public** Expenditure (column (b))

(3) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Twining Contract	Q2 2011	Q2 2012	Q2 2014
Supply Contract	Q4 2011	Q2 2012	Q4 2013
Works Contract	Q4 2011	Q2 2012	Q2 2014

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA.

6. Cross cutting issues

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the service contract for tender support supervision and training may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

The mainstreaming of the cross cutting issues is regarded on two different levels: (a) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below and (b) ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

6.1 Equal Opportunity and non-discrimination

The principle of Equal Opportunity and non-discrimination will be taken into account.

6.2 Environmental considerations

The European Community has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Key references include art. 6 of the Treaty and also the Cardiff process which foresees the systematic consideration of environmental aspects into EC development cooperation AND in other policies (hence very important for the acquis).

The works contract for the Contact Centre and Service Counters will take into consideration the environmental standards and best practices.

6.3 Support to minorities and vulnerable groups

Where the main reference in the Country in relation to minority groups is the Ohrid Framework Agreement, in an EU context, reference is made to the “Race directive” of 2000 (2000/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

The training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming minority and vulnerable groups in programme and project development as well as monitoring the implementation.

The beneficiary will be assisted to implement an ‘internal minority and vulnerable group assessment’ to identify areas where it could improve its internal performance vis-à-vis minorities or other vulnerable groups.

6.4 Civil Society development and dialogue

N/A

6.5 Good governance, with particular attention to fight against corruption

The training activities will include a specific component to address a fight against corruption, especially for the employees in the Contact Centre.

ANNEX I - Log frame in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche: Improving of the PRO taxpayers services	Programme name and number: National Programme for the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for 2010 CRIS number :		
	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.
	Total budget : EUR 1 560 000		IPA budget: EUR 1 330 000

Overall objective	Objectively verifiable indicators	Sources of Verification	
This Project will improve the performance of the Public Revenue Office (PRO) with regards to an increase of voluntary compliance.	Increased revenues in the PRO budget	<ul style="list-style-type: none"> - Commission's Progress Reports; - Monthly monitoring progress report from SPO to CFCD. 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The purpose of the project is to strengthen the quality of services towards the taxpayers by establishing of effective information methods and tools for better taxpayer service and to ensure strengthening of the partnership between the taxpayers and tax servants. In addition, the Project's purpose is to ensure an equal interpretation of the tax laws throughout the country, as well as to build a user friendly environment by upgrading the already established	Increased satisfaction of the taxpayers from the PRO services.	<ul style="list-style-type: none"> - Commission monitoring and evaluation tools; - Commission documents; - Government documents; - PRO reports; - Survey. 	Strong support from top managers of PRO.

Contact Centre and by improving the Service Counters.			
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component 1: Quality service and improved efficiency</p> <p><u>Results for Activity1: Contact Centre/Call Centre:</u></p> <ul style="list-style-type: none"> - Performance model (blueprint) of Contact Centre/Call Centre developed; - New working rules and procedures developed, adopted and delivered; - Trainings for the software applications and new working rules and procedures of the PRO Contact Centre/Call Centre staff provided; - Proposals for further improving the capacity and operations of the Contact Centre/Call Centre developed; - Job descriptions prepared for the staff of the Contact Centre/Call Centre; - Training programme developed and provided for the Contact Centre/Call Centre staff, including training of the trainers to ensure the sustainability of house training; - A model of a taxpayer consultation process control (monitoring) system allowing to monitor time, form and content of consultations, as well as precision and politeness when providing responses to taxpayers developed; - Communication plan developed, 	<p><u>Indicators for Sub- component 1: Contact Centre/Call Centre:</u></p> <ul style="list-style-type: none"> - Number of processed tax returns increased; - Number of conducted telephone calls increased; - Number of satisfied taxpayers of the phone line services increased; - Number of taxpayers using the services of the Contact Centre/Call Centre increased. - Increased awareness and compliance of the taxpayers; - New working rules and procedures fully operational and in use by the staff; - Software applications are in use by the staff; - Number of trainings, presentations workshops provided for the PRO staff on the software applications, new working rules and procedures, implementation of communication methods of the PRO Contact Centre/Call Centre staff; - Trainers guide and trainees' guide set of practical activities for trainers and trainees 		<ul style="list-style-type: none"> - Acceptance of recommendations by the PRO; - Availability of resources and sufficient absorption capacity; - Availability of resources to operate the effectively; - Sufficient absorption capacity of PRO administrative staff.

<p>information materials about the Contact Centre/Call Centre prepared;</p>	<p>delivered;</p> <ul style="list-style-type: none"> - Proposals for the further improvement of the Contact Centre/Call Centre are prepared; - Number of job descriptions, operational guidelines prepared and implemented; - Number of information materials prepared and delivered; 		
<p><u>Results for Activity 2: Service Counters:</u></p> <ul style="list-style-type: none"> - Operational guidelines, rules and procedures for the functioning of the Service Counters developed and delivered; - Trainings for the Service Counters staff provided; - Training manuals, training programme including train the trainer module developed; - Communication plan developed, information packages, booklets, brochures prepared for the taxpayers informing them about the activities, services, working style and hours of the Service Counters, and training package; - Provisional Acceptance of supplies completed. 	<p><u>Indicators for Activity2 Service Counters:</u></p> <ul style="list-style-type: none"> - Operational guidelines, rules and procedures for the Service Counters fully operational and in use by the staff; - Number of Service Counters staff trained; - Training manuals, trainers guide and trainees' guide set of practical activities for trainers and trainees delivered; - Number of materials concerning the communication plan and information packages printed and delivered; - Number of taxpayers which are using the services of the Service Counters increased. 		
<p>Component 2: Modern office</p>			

<p>environment for improved services by Call Centre/Contact Centre and Service Counters throughout country</p> <p><u>Results under Component 2: Modern office environment for improved services by Call Centre/Contact Centre and Service Counters throughout country:</u></p> <p>Access to the PRO database established at the Contact Centre/Call Centre, Service Counters;</p> <p>- Functional office environment of the Contact Centre/Call Centre established handling inbound and outbound calls</p> <p>- The functional office environment at the Service Counters is established supporting quality and efficient services to taxpayers;</p>	<p><u>Indicators under Component 2: Modern office environment for improved services by Call Centre/Contact Centre and Service Counters throughout country:</u></p> <p>- Software application installed, handling increased number of inbound and outbound calls at the Call centre;</p> <p>- Hardware equipment installed, accessing increased number of databases used by the Contact Centre/Call Centre;</p> <p>- Hardware equipment installed, accessing increased number of databases used by the Service Counters to improve the quality of services, increased;</p> <p>- Improved office environment of the Contact Centre/Call Centre, Service Counters, served increased number of clients.</p>		
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Component 1: Quality service and improved efficiency Activity 1: Call centre/Contact centre:</p> <ul style="list-style-type: none"> - Development of taxpayer Contact Centre's performance model (blueprint) covering its statute, structure and functional links, principles of 	<p>Twining Contract</p>	<p>Total EUR 800 000 (EUR 760 000 from IPA and EUR 40 000 national contribution)</p>	<p>Activities are supported by PRO staff.</p>

<p>staff control to improve the efficiency of the operation of the Contact Centre;</p> <ul style="list-style-type: none"> - Evaluation of the Contact Centre capacity in terms of human resources; - Assistance in drawing up job descriptions for the Contact Centre staff; - Development of new working rules and procedures; - Organisation of a study tour for the PRO Contact Centre staff to better understand the new services of the Contact Centre; - Organisation of trainings for the software applications and new working rules and procedures of the PRO Contact Centre staff; - Training programme including train the trainer module prepared concerning the provision of consultations by telephone; - Development of operational rules and methods for the staff of the Contact Centre on the provision on consultations by telephone; - Development and implementation of communication strategy, information materials for taxpayers and tax officials regarding the Contact Centre and its operations 			
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<p>Activity 2: Service Counters:</p> <ul style="list-style-type: none"> - Preparation of operational guidelines, rules and procedures for the Service Counters; - Preparation of training manuals, training programmes, train the trainers modules; - Organising training sessions for the staff; - Develop communication plan and information packages for taxpayers and tax officials concerning the Service Counters. <p>Component 2 – Modern office environment for Call centre/Contact centre and Service Counters throughout country:</p> <ul style="list-style-type: none"> - Installation of software application for knowledge base and software application for in and outbound calls for the Call Centre/Contact Centre; - Installation of hardware and office equipment for the Call Centre/Contact Centre; - Installation of hardware and office equipment for the PRO Service Counters; - Refurbishment of the Call Centre/Contact Centre premises. 	<p>Supply Contract</p> <p>Works Contract</p>	<p>Total EUR 600 000 (EUR 450 000 from IPA and EUR 150 000 national contribution)</p> <p>Total EUR 160 000 (EUR 120 000 from IPA and 40 000 national contribution)</p> <p>TOTAL EUR 1 560 000 (EUR 1 330 000 from IPA and EUR 230 000 national contribution)</p>	
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ANNEX II - Amounts (in EUR) contracted and disbursed per Quarter for the duration of Programme

	2012				2013				2014			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Twining Contract		800 000										
Supply Contract		600 000										
Works Contract		110 000										
Cumulated		1 560 000										
Disbursed												
Twining Contract		400 000				320 000				80 000		
Supply Contract		360 000			240 000							
Works Contract		96 000				64 000						
Cumulated		856 000			1 096 000	1 480 000				1 560 000		

ANNEX III - Description of Institutional Framework

The taxation system is based on three categories of taxes: direct taxes (profit tax, income tax and surtax), indirect taxes (value added tax (VAT) and excise duties) and other taxes (a real estate transactions tax local taxes, customs duties and social security contributions)..

The PRO bases its organisation and scope of work on the Law on Public Revenue Office. It is the operational body that implements the tax policy and does collection of taxes and other public duties on the basis of the Law on Tax Procedure and special tax laws and international agreements in the area of taxes; it provides assistance to the taxpayers in their compliance efforts; monitors and analyzes the functioning of the tax system and also provides proposals for its improvement in order to increase the efficiency and effectiveness in the collection of taxes; cooperates with the tax authorities from other countries and provides international legal aid in tax matters.

The Public Revenue Office (PRO) is the administrative organisation within the Ministry of Finance. It consists of: the Head office (Tax Directorate) located in Skopje, Large Taxpayers Office (LTO) 5 Regional Tax Offices and 8 Tax Departments with Service Counters, which represents the constituent part of regional offices.

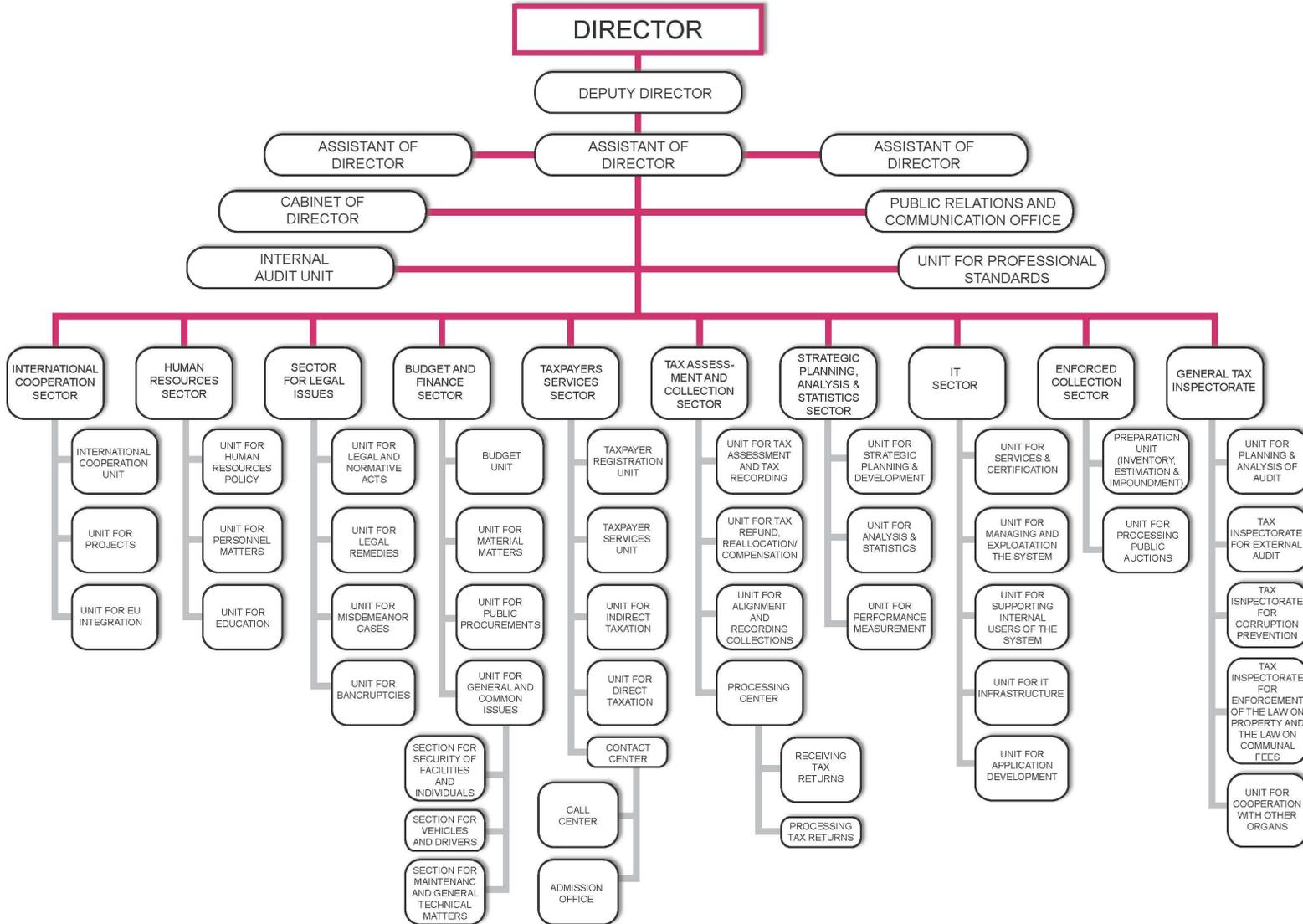
The PRO intends to open 72 Service Counters by the start of the project. Until now 24 Service Counters were opened and are now fully functional. In each Service Counter, 6 employees work.

There are currently 11 employees working at the Contact Centre premises. The Act for systematization and organization of the work places in the PRO foresees 51 employees within the Contact Centre/Call Centre.

The Public Revenue Office has approximately 1250 employees in total. The Head Office is responsible for execution of tax policy, determination of standards and organisation of the implementation of regulations. The Regional offices have to organise immediate implementation of the determination, monitoring and collection of taxes. They are also responsible for direct implementation of regulation regarding external audit, offence procedure and enforced collection of taxes. The Tax Departments are responsible for immediate implementation of determination, monitoring and collection of taxes. The main goal of the Service Counters across the country is to provide improved services to the tax base and for the PRO to maintain a presence in all municipal areas thus encouraging and supporting compliance. The Service Counters are responsible in front of Regional Directorates and the Regional Directorates are reporting to the Sector of Taxpayers Services within the General Directorate. Also, this Sector is responsible for the Contact Centre.

NPAA dynamic for employment (2009-2011) foresees overall 360 employees.

PRO HEAD OFFICE



DYNAMIC OF EMPLOYMENTS BY NPAA (2009-2011)

Chapter	Budget no.	Institution	Internal Structure	Code	2009	2010	2011	Overall: 2009-2011
3.16	9005	Public Revenue Office	PRO: Public Revenue Office	09005-00-000	50	150	160	360

<u>General Directorate</u>	<u>Large Taxpayers Office</u>		
	<u>Regional Directorate Skopje</u>	<u>Opened</u> <i>Service Counter Gazi Baba</i>	<u>To be opened</u> SC Centar, SC Aerodrom, SC Kisela Voda, SC Suto Orizari, SC Butel, SC Cair, SC Karpos, SC Gjorce Petrov, SC Saraj, SC Cucer Sandevo, SC Aracinovo, SC Ilinden, SC Petrovec, SC Zelenikovo, SC Studenicani and SC Sopiste.
	<u>Regional Directorate Bitola</u>	<i>Tax Department Ohrid; Tax Department Prilep; Service Counter Struga; Service Counter Demir Hisar; Service Counter Resen; Service Counter Krusevo; Service Counter Vevcani; Service Counter Novaci; Service Counter Mogila.</i>	SC Debarca, SC Krivogastani and SC Dolneni
	<u>Regional Directorate Kavadarci</u>	<i>Tax Department Veles; Tax Department Gevgelija; Service Counter Negotino; Service Counter Valandovo.</i>	SC Caska, SC Gradsko, SC Rosoman, SC Demir Kapija, SC Bogdanci and SC Nov Dojran
	<u>Regional Directorate Tetovo</u>	<i>Tax Department Gostivar; Tax Department Kicevo; Service Counter Debar; Service Counter</i>	SC Centar Zupa, SC Plastnica, SC Vranestica, SC Drugovo, SC Oslomej, SC Zejce, SC Zelino

			Bogovinje, SC Brvenica, SC Tearce.
	<u>Regional Directorate Stip</u>	<i>Tax Department Kumanovo; Tax Department Strumica; Service Counter Kriva Palanka; Service Counter Kocani; Service Counter Vinica; Service Counter Delcevo; Service Counter Kratovo; Service Counter Probistip Service Counter Sveti Nikole; Service Counter Radovis; Service Counter Berovo; Service Counter Bosilevo; Service Counter Vasilevo; Service Counter Novo Selo.</i>	SC Lipkovo, SC Staro Nagoricane, SC Rankvce, SC Makedonska Kamenica, SC Pehcevo, SC Konce, SC Karbinci, SC Zrnovci, SC Cesinovo- Oblesevo and SC Lozovo.

ANNEX IV - Reference lists of relevant laws and regulations

Reference list of relevant laws and regulations on taxation:

- Constitution of the former Yugoslav Republic of Macedonia;
- Law on Public Revenue Office;
- Law on Tax Procedures;
- Law on Value Added Tax;
- Law on Personal Income Tax;
- Law on Corporate Income tax (Profit Tax);
- Law on Excise Tax.

Reference to AP /NPAA / EP / SAA

Reference to AP

The Accession Partnership in Chapter 16 – Taxation identifies the need for increased administrative capacity of the PRO to implement tax legislation and to fight fiscal evasion.

Following the priorities of the Accession Partnership, with this project, PRO will develop efficient methodologies through the Contact Centre, which will help to fight against fiscal evasion. The development of new IT methodologies foreseen in this project is crucial for achieving of the above mentioned priority. This will result in inevitable increase of the administrative capacity of the Public Revenue Office.

Reference to NPAA

The NPAA stipulates the implementation of the Programme for Development of a Contact Centre, as a priority.

Reference to EP

The Accession Partnership in Chapter 16 – Taxation identifies the need for increased administrative capacity of the PRO to implement tax legislation and to fight fiscal evasion.

Following the priorities of the Accession Partnership, with this project, PRO will develop efficient methodologies through the Contact Centre, which will help to fight against fiscal evasion. The development of new IT methodologies foreseen in this project is crucial for achieving of the above mentioned priority. This will result in inevitable increase of the administrative capacity of the Public Revenue Office.

Reference to SAA

Article 89 of SAA stipulates that “The Parties will establish cooperation in the field of taxation including measures aiming at the further reform of the fiscal system, the modernisation of the tax services with a view to ensuring effectiveness of tax collection and the fight against fiscal fraud.”

Reference to Progress Report 2009

The Progress Report 2009 concludes: “Good progress was made on taxation. The level of legislative alignment in indirect taxation is well advanced. Further efforts are required as regards direct taxation. The operational capacity of the Public Revenue Office has been strengthened and tax collection has improved.”

Reference to MIPD

Chapter 3.3.6 Customs and Taxation states:

Objectives:

Ensure that systems and documentation in the area of customs and taxation are planned and developed in accordance with the interconnectivity requirements of the EU.

Strategic choices:

In particular a coordinated and horizontal specialised support managed by DG Taxation and the Customs Union is needed to ensure that the technical and functional solutions adopted by the Beneficiaries are in line with EU requirements.

Reference to national / sector investment plans

The project is directly linked to the Strategic plan of the Public Revenue Office 2009-2011:

Improving taxpayers services

The purpose is to continue the policy of providing services to the taxpayers, to strengthen the taxpayer's confidence towards PRO which is ready to help them professionally to resolve tax issues and to motivate them in compliance of their obligations voluntarily.

Training the taxpayers to comply their tax obligations voluntarily and legally without PRO intervention

In order to raise the level of voluntary and legal compliance of the tax obligations by the taxpayers it will be organized Contact Centre for providing services to the taxpayers and it will be refurbished and equipped the premises for it; providing staff and their education; supplying software to use the knowledge base; carrying out a poll for checking taxpayers satisfaction of the PRO operation; carrying out a Project "Industrial Partnership" with the taxpayers by specific industries, for that purpose it will be organized advisory meetings with the representatives of the chosen industries and with their associations, making realization about the taxation conditions in the industry, undertaking external audit activities for the industry members, summarizing results, making statistics base and realizing media activity for the results.

ANNEX V - Details per EU funded contract

Management and contracting arrangement

The overall coordination of the activities of the project will be carried out by the Public Revenue Office and the respective SPO will have the responsibility for project execution and overall monitoring during its implementation.

The project activities would be implemented with several different contracts, including a one Twinning arrangement. For this particular contract, a steering committee will be established to oversee the implementation process of the project activities, while it is expected that the MS twinning partner will bring in expertise in the area required. The twinning arrangement will also allow for administrative capacity building, training, integrity, legal development and addressing the cross-cutting issues. The project leaders will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting to the Contracting Authority. The contact persons and details for this contract would be developed in the process of preparation of the actual Twinning Fiche, prior to the submission to the MSs.

The improved functionality of the Contact Centre/Call Centre and the Service Counters will be done through 1 Works contract and 1 Supply contract. Preparation of the tender dossiers for the Works and Supply contract will be covered by PPF.

The contracting arrangements are as follows:

- **One Twinning contract** will be concluded. The duration of the contract will be for a period of 18 to 24 months. The contract value will be approximately EUR 800 000. This amount includes a co-financing from the beneficiary of (5%) EUR 40 000 and IPA allocation of EUR 760 000;
- **One Supply contract** will be concluded for the value of approximately EUR 600 000. This amount includes a co-financing from the beneficiary of (25%) EUR 150 000 and IPA allocation of EUR 450 000. The duration of the contract will be for a period of 18 months (delivery of 6 months and 12 months for the warranty period). Of the overall amount approximately EUR 330 000 will cover the supply for the Contact Centre/Call Centre and the rest of EUR 270 000 will cover the supply for the Service Counters;
- **One Works contract** will be concluded for the value of EUR 160 000. This amount includes IPA funds EUR 120 000 and national co-financing (25%) EUR 40 000, which will cover the Works for the Contact Centre/Call Centre. The expected duration is 24 months (12 for construction of works and 12 months defect liability period).