

# Public Finance Resource Centre

## Terms of Reference: ‘Unlocking Change: Strengthening Albania’s Tax Administration’

Intervention title: <b>Unlocking Change: Strengthening Albania’s Tax Administration</b>	
<b>Country:</b>	Albania
<b>FCDO client (i.e. relevant post):</b>	British Embassy, Tirana
<b>FCDO point of contact:</b>	Enxhi Terihati
<b>Beneficiary:</b>	The Ministry of Finance, Albania
<b>Expected end date:</b>	March 2026
<b>Budget ceiling:</b>	£912,000
<b>Funding source:</b>	British Embassy Tirana (BET)
<b>Risk rating:</b>	Moderate
<b>Version:</b>	3 <sup>rd</sup> September 2024 (FINAL)

## Definitions

### Acronyms

**AML:** Anti-Money Laundering

**BET:** British Embassy Tirana

**BTI:** Bertelsmann Transformation Index

**CTTCA:** Centre for Training Tax and Customs Administration

**EU:** European Union

**FAD:** Fiscal Affairs Department

**FCDO:** Foreign, Commonwealth & Development Office

**GESI:** Gender Equality and Social Inclusion

**GDT:** General Directorate of Taxation

**GoA:** Government of Albania

**HMG:** His Majesty's Government

**IMF:** International Monetary Fund

**IPA:** Instrument for Pre-Accession Assistance

**KPI:** Key Performance Indicator

**MA:** Management Agent

**MERL:** Monitoring Evaluation Reporting and Learning

**MTRS:** Medium-Term Revenue Strategy

**NEET:** Not in Employment, Education, or Training

**ODA:** Official Development Assistance

**PEA:** Political Economy Analysis

**PECA:** Political Economy and Conflict Analysis

**PFM:** Public Financial Management

**PFR:** Public Finance Resource Centre

**SIDA:** Swedish International Development Cooperation Agency

**SPAK:** Special Anti-Corruption Structure

**TA:** Technical Assistance

**ToR:** Terms of Reference

**UC-SATA:** Unlocking Change: Strengthening Albania's Tax Administration

**VfM:** Value for Money

## Expressions

**Unlocking Change: Strengthening Albania's Tax Administration (UC-SATA):** A project aimed at strengthening the capacity of key Albanian public institutions, particularly the General Directorate of Taxation within the Ministry of Finance, to optimize sustainable and equitable revenue generation.

**Gender Equality and Social Inclusion (GESI):** A framework ensuring that gender and social inclusion considerations are integrated into all aspects of the programme.

**Political Economy and Conflict Analysis (PECA):** An approach to understanding how political and economic factors impact the project and informing decision-making.

**Monitoring Evaluation Reporting and Learning (MERL):** A system for tracking project progress, evaluating outcomes, and integrating learning into future activities.

**Medium-Term Revenue Strategy (MTRS):** A strategic plan for revenue collection and tax policy reforms in Albania.

**Management Agent (MA):** The entity responsible for overseeing the implementation of the project.

**Technical Assistance (TA):** Support provided to improve the capabilities and performance of the GDT.

**Official Development Assistance (ODA):** Government aid aimed at promoting economic development and welfare in developing countries.

**Anti-Money Laundering (AML):** Efforts and regulations to prevent the laundering of money obtained from illegal activities.

**Special Anti-Corruption Structure (SPAK):** An institution in Albania tasked with combating corruption and organized crime.

**Instrument for Pre-Accession Assistance (IPA):** EU financial assistance for candidate countries preparing for membership.

## Contents

Acronyms .....	2
Expressions .....	3
<b>Contents .....</b>	<b>4</b>
<b>1. Introduction .....</b>	<b>5</b>
<b>2. Background .....</b>	<b>5</b>
<b>3. Objectives .....</b>	<b>10</b>
<b>4. Delivery Location .....</b>	<b>10</b>
<b>5. Delivery Principles .....</b>	<b>11</b>
<b>6. Contract Management .....</b>	<b>11</b>
<b>7. Inception Phase Requirements .....</b>	<b>12</b>
<b>8. Implementation Phase Requirements .....</b>	<b>13</b>
<b>9. Exit Phase Requirements .....</b>	<b>14</b>
<b>10. Expected TA activities .....</b>	<b>15</b>
<b>11. Team Requirements .....</b>	<b>17</b>
<b>12. Gender Equality and Social Inclusion (GESI) .....</b>	<b>18</b>
<b>14. Monitoring, Evaluation, Reporting and Learning (MERL) .....</b>	<b>20</b>
Theory of Change .....	20
MERL Approach .....	21
<b>15. Value for Money and Social Value .....</b>	<b>22</b>
<b>16. Risk Management .....</b>	<b>23</b>
Duty of Care .....	23
Safeguarding .....	24
Information Security .....	24
Cyber Security .....	25
Legal and Compliance .....	25
Counter-Terrorism and Anti-Money Laundering Compliance .....	26
<b>17. Financial Management .....</b>	<b>26</b>
Payment .....	27
Audit .....	27

## 1. Introduction

This Terms of Reference (ToR) sets out the requirements for the project 'Unlocking Change: Strengthening Albania's Tax Administration' (UC-SATA), which will be delivered through the Public Finance Resource Centre (PFRC). The project is funded by the British Embassy Tirana (BET) and will form part of their "Unlocking Change: Supporting Reform in Key Albanian Institutions" programme, which aims to promote economic development and fiscal transparency in Albania.

The Supplier is expected to deliver the contract in line with the requirements set out in this ToR. The scope of work may be adjusted in negotiation with the Supplier and will be finalized during the Inception Phase. The contract term will end on 31<sup>st</sup> March 2026.

The primary beneficiary of this contract will be the Government of Albania (GoA), specifically the General Directorate of Taxation (GDT) within the Ministry of Finance. Its objectives align with the Government of Albania's (GoA) priority of increasing state revenue by reducing economic informality, enhancing public financial management, and promoting economic reforms.

The project aims to provide technical assistance to build the capacity of the GDT to strengthen informed decision-making on tax policy and procedure. This includes the effective use of data to understand the tax landscape, assess the economic impact of existing and potential future taxes, manage compliance risks, and enhance the GoA's ability to promote public understanding of the benefits of taxation to foster stronger commitment to tax compliance.

The project will deploy a combination of local, regional, and international experts, who may be embedded in counterpart institutions for the long-term or conduct shorter focused missions. These advisers will provide technical advice to the development of locally-appropriate solutions to priority problems and build the capacity of beneficiary institutions through coaching, mentoring and training activity.

## 2. Background

### Performance of the Albanian Economy

Albania has demonstrated notable economic performance, driven by robust private consumption, a booming tourism sector, and increased construction activities. In 2023, the economy expanded by nearly 5%, supported by fiscal consolidation, higher incomes, and the appreciation of the lek. The IMF's 2023 Article IV consultation highlighted Albania's economic resilience amid consecutive shocks, including the 2019 earthquake and the COVID-19 pandemic, noting that growth recently has exceeded expectations due to a strong rebound in tourism and improved external positions.

The economy is primarily composed of services, accounting for approximately 48% of GDP, with significant contributions from tourism, financial services, trade, transport, and communications. Tourism alone represents about 8.5% of GDP, reflecting the sector's rapid growth. The industrial sector, contributing around 22% of GDP, includes mining, manufacturing, and construction, with key industries such as textiles, footwear, and food processing, alongside significant hydropower energy production. Agriculture constitutes roughly 18% of GDP, employing about 36% of the workforce (39.81% of female and 31.05% of male employment), with major products including olives, fruits, vegetables, and dairy.

However, these sectors face vulnerabilities. Tourism's reliance on favourable external conditions makes it susceptible to global economic fluctuations and geopolitical tensions. Industrial growth is hindered by infrastructure gaps, outdated technology, and regulatory challenges. Agriculture is vulnerable to climate change impacts, such as extreme weather events and shifting growing seasons, which threaten crop yields. The

energy sector, predominantly reliant on hydropower, is exposed to risks from changing precipitation patterns and droughts. Additionally, widespread informality, governance issues, and high emigration rates pose challenges across all sectors, potentially stalling reforms and economic progress.

Albania's employment landscape also faces significant challenges. The unemployment rate stands at around 10.5%, with youth unemployment notably high. Between 2010 and 2019, the unemployment rate for youth aged 15–24 decreased from 30% to 27%, while for those aged 25–29, it increased from 13% to 17%. Many Albanian youths are neither in employment, education nor training (NEET), with the NEET rate reaching almost 28% in 2020 (30% for women and 25.8% for men). Informality is widespread, leading to job insecurity and limited social protection. Nearly 57% of Albanian workers were in informal employment in 2019. Among these, 51% are own-account workers, and women represent 49% of contributing family workers. The sectors most exposed to informality are agriculture, wholesale and retail trade, and construction, with informal employment shares above 84%. Hindrances to the formalisation of work are largely due to the limited implementation of decent work legislation. Furthermore, there is a pronounced skill mismatch between education and labour market needs, causing graduates to struggle with employment. High emigration rates, especially among young and skilled workers, result in a brain drain that hampers economic growth. Gender disparities in employment persist, with lower female participation and wage gaps.

While the public investment needs are large, Albania has made significant strides in fiscal consolidation. However, further efforts are required to ensure long-term sustainability and reduce public debt. The budget deficit is targeted to converge to approximately 2% of GDP by 2026. Encouragingly, fiscal revenues exceeded expectations in 2023, highlighting strong fiscal performance. The IMF's 2023 Article IV Consultation Report noted that Albania's public debt has been well-managed and is on a declining path, reaching pre-pandemic levels of around 60% of GDP by the end of 2023. Continued fiscal discipline and revenue-based consolidation from 2024 are essential to maintain this trend and achieve medium-term debt sustainability. The government aims to reduce public debt further towards a target of 45% of GDP and maintain a non-negative primary balance, excluding interest payments on debt. This strategy includes revenue-based fiscal consolidation measures and improving spending efficiency, particularly in public investments, education, and climate adaptation.

Over the past five years, Albania has experienced significant inflation fluctuations. Inflation peaked at 8% in 2022 due to global supply chain disruptions and the war in Ukraine impacting energy and food prices. The Bank of Albania responded with monetary tightening, increasing the policy rate to 2.25% by late 2023 to manage inflationary pressures. This led to a gradual decline in inflation, which averaged around 4% in 2023, and is expected to revert to the target of 3% by early 2025. High inflation has had widespread impacts, eroding household purchasing power and increasing business operational costs, while the government focused on fiscal consolidation and improved tax collection to create fiscal space. Despite these challenges, Albania's robust growth in tourism and strategic reforms have supported economic resilience, and the medium-term economic outlook is positive.

### *High Degree of Informality*

Albania's economic development is significantly hindered by a high degree of informality, estimated at 30–35% of GDP by the World Bank. Tackling this is a challenge, particularly because Albania is still a cash-based society. According to a study from the Association of Banks, EUR 3.8 billion circulated in the economy outside the banks in 2023, nearly 60% of the annual Albanian state budget (EUR 6 billion) in 2023. This level of cash circulation poses risks such as corruption and money laundering. The country was ranked 98 out of 180 countries in the 2023 Transparency International Corruption Perceptions Index. Moreover, the substantial informal economy leads to significant forgone tax revenues, contributing to rural underdevelopment and outward migration due to poverty.

Several factors contribute to the persistence of informality, including complex regulatory environments, high taxation, and administrative burdens that discourage formalization. Limited access to credit and business support services for small enterprises also drives individuals into the informal sector, while social norms and the legacy of past economic practices perpetuate informal economic activities.

The extent of informality in Albania's economy also affects women disproportionately. Women working in the informal sector often lack crucial protections afforded by labour laws. They frequently do not receive social benefits such as pensions, health insurance, or paid sick leave, which are either minimal or completely absent. Women in informal employment typically face lower wages and work in unsafe conditions, exposing them to risks such as mobbing or sexual harassment.

Efforts to reduce informality have been ongoing, with the government implementing various reforms aimed at improving the business environment and incentivizing formalization. The Medium-Term Revenue Strategy (MTRS) for 2022-2026 outlines comprehensive reforms in tax policy, revenue administration, and legal frameworks to support these goals. The digitalization of tax and business registration processes is a significant step towards reducing informality. Informal economic activities are widespread across various sectors, including agriculture, construction, and retail. Rural areas, in particular, exhibit higher levels of informality due to lower regulatory oversight and economic opportunities. Addressing this requires targeted interventions that consider regional disparities and sector-specific challenges.

### **Political Situation and EU Accession**

Albania's political landscape is characterized by a blend of stability and ongoing challenges. The government's efforts to mitigate the economic and social consequences of recent shocks, including the 2019 earthquake, the COVID-19 pandemic, and geopolitical tensions such as Russia's invasion of Ukraine, have been noteworthy. Economic recovery has been robust, yet inflation and external economic pressures remain significant concerns. The political landscape in Albania continues to be influenced by these economic factors and the overarching goal of EU accession.

Moreover, political stability and progress are impacted by governance and public trust issues. Although issues persist, the Albanian government has made strides in combating corruption and has undertaken efforts to reform the judiciary. The Special Anti-Corruption Structure (SPAK) has been active in prosecuting high-level corruption cases, demonstrating a commitment to transparency and accountability.

The current government, led by Prime Minister Edi Rama, has prioritized European integration as a strategic goal. Albania was granted candidate status in 2014, the EU formally opened accession negotiations with Albania in March 2020, and the screening process commenced in July 2022. These developments gave new impetus to reforms aligned with EU norms. By July 2023, the European Commission had submitted the screening report on Cluster 1, which includes critical issues such as the judiciary, public administration reform, and anti-corruption measures. Despite these challenges, Albania's commitment to EU accession has been reinforced by its government, with ongoing efforts to address these areas and align with EU standards.

### **Public Financial Management Reforms**

Albania's economy has shown resilience and growth potential but continues to face challenges that necessitate comprehensive reforms in public financial management (PFM) and revenue mobilization. Effective PFM is essential for achieving fiscal sustainability, attracting inward investment, and supporting private sector development. Albania's progress in PFM and political reforms should be coupled with efforts to build trust among its citizens. By addressing corruption, improving governance, and ensuring that economic benefits are widely shared, Albania can create a more stable and prosperous future aligned with its goal of EU accession.

The Albanian government's Public Financial Management Strategy aims to enhance economic development through better services to citizens, increased fiscal discipline, and improved transparency and accountability in public finance. This strategy is crucial as Albania progresses towards EU accession, which



requires alignment with European standards. The strategy focuses on establishing robust financial governance structures, improving expenditure management, and enhancing revenue collection mechanisms.<sup>1</sup>

Albania has a highly centralized fiscal governance structure, with the central government retaining most of the authority over tax policies, revenue collection and budgetary allocations. The Ministry of Finance and Economy plays the key role in managing the country's fiscal policies, ensuring uniform application across all regions. Local governments in Albania have limited fiscal autonomy, primarily managing local taxes such as property taxes and business licenses. Local revenues constitute a small portion of the overall fiscal resources, making local governments heavily dependent on transfers from the central government. These intergovernmental transfers aim to equalize fiscal capacities and ensure the provision of essential public services across the country. Overall, the central government's role remains predominant in Albania's fiscal governance.

Albania is finalizing its Medium-Term Revenue Strategy (MTRS) for 2022-2026, which outlines comprehensive reforms in tax policy, revenue administration, and legal frameworks to achieve revenue goals. The MTRS serves as a roadmap for tax system reform necessary to finance the government's strategic objectives. According to the World Bank, these reforms are expected to increase tax revenue, reduce the informal economy, and support economic growth by improving the efficiency and effectiveness of tax administration.

However, the path to formalization of Albania's economy requires not just anti-informality campaigns but also strengthening the business environment. The World Bank's 2019 Albania Enterprise Survey found that 43% of firms identified corruption and 40% identified the court system as major constraints for their business. Strong incentives exist for firms to remain informal, and increasing tax collection without reducing the costs—both formal and informal—of doing business may actually serve to increase informality.

Albania's tax system also exacerbates poverty. Like other Western Balkans countries, Albania has limited progressive personal income taxation, with a top marginal rate of 23%. Most revenue comes from indirect taxes, which, coupled with VAT, have limited redistributive effects and a small poverty-increasing impact not sufficiently offset by social transfers. Building the social contract in Albania requires improving public investment efficiency, service delivery, and the business environment. The state must make credible commitments to these improvements funded through taxation, ensuring that the benefits of formalization outweigh its costs.

International agencies must address Albania's political economy, recognizing the patronage system that can influence reforms. The Bertelsmann Transformation Index (BTI) 2024 report on Albania highlights that international actors have focused on rapid institutional change, sometimes ignoring the patronage system that politicizes new institutions. Effective reforms should aim to enforce changes among local actors, including the government, political parties, civil society, and the administration. Despite political stability since 2013, where the current government has maintained a majority without needing coalitions since 2017, Albania's governance indicators present areas for improvement. According to the World Bank's World Governance Indicators, performance in Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, and Control of Corruption has declined since 2017. Only the Rule of Law has shown improvement. Addressing these governance issues is important, particularly in the light of concerns about poverty trust in political institutions, as highlighted by the EIU's latest report.

#### *PFM Reform Support of Donors and other Partners*

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<sup>1</sup> According to the 2022 PEFA assessment, Albania has made notable progress in areas such as budget reliability and financial transparency, scoring particularly well in aspects related to budgetary control and reporting. However, the assessment also points out weaknesses in managing fiscal risks and public investment, areas that require further reform. Complementing this, the TADAT assessment underscores Albania's advancements in tax administration, particularly in taxpayer registration and payment processes. Yet, it also highlights the need for stronger compliance risk management and more effective audit procedures to fully realize the potential of its tax administration system.



Over the past three years, Albania has received substantial support from the International Monetary Fund (IMF), World Bank, European authorities and the UK to bolster its economic stability and development. The IMF has been pivotal in Albania's economic management, particularly through its emergency support during the COVID-19 pandemic. In 2022, the IMF provided emergency financial assistance under the Rapid Financing Instrument (RFI) to help Albania address urgent balance of payments needs and mitigate the pandemic's economic impact. Additionally, the IMF's technical assistance and policy advice have focused on fiscal consolidation, inflation control, and structural reforms to support sustainable growth.

The World Bank has been equally instrumental, with an active portfolio that includes seven major projects totaling \$490 million as of 2024. These projects span key sectors such as infrastructure, agriculture, climate resilience, and public financial management. Noteworthy initiatives include the \$80 million Fiscal Sustainability and Growth Development Policy Financing, which aims to enhance the transparency and sustainability of public finances. The World Bank's support has also been crucial in improving Albania's social protection systems and boosting private sector development, particularly in the tourism sector. The Bank's focus on structural reforms and regional connectivity aims to foster equitable growth and enhance Albania's competitiveness.

European authorities, including the European Union and individual member states, have significantly supported Albania's EU accession aspirations. The EU's Instrument for Pre-Accession Assistance (IPA III) for 2021-2027 allocates over €14 billion to Western Balkans countries, with Albania benefiting from substantial funding. This support targets reforms in justice, energy, environment, agriculture, and social inclusion. Additionally, the EU has provided nearly €600 million in non-repayable funds under the new Financial Framework Partnership Agreement ratified in 2022. Germany, Italy, Sweden, and France have also contributed through bilateral programs focusing on education, healthcare, environmental protection, and public administration reforms. These coordinated efforts aim to align Albania with EU standards, promote sustainable economic growth, and improve the quality of life for its citizens.

Particularly relevant for this project, is the technical assistance programme of the Swedish Tax Agency (STA) and the Swedish International Development Cooperation Agency (Sida). They have supported Albania's General Directorate of Taxation (GDT) in enhancing its public financial management. From November 2022 to October 2025, this capacity development project aims to improve good governance, strengthen voluntary tax compliance, and develop business processes within the GDT. Key objectives include promoting efficiency and accountability, addressing gender issues, building a strong integrity culture, enhancing risk management, and improving taxpayer services.

## **UK support**

The UK has also been a longstanding partner of Albania, playing a crucial role in supporting change and reform to overcome the legacy of communism and the conflicts of the 1990s. This partnership focuses on increasing Albania's capacity to address new challenges and promote stability in the Western Balkans, a region central to UK and European security. In Albania, UK programmes address the drivers and enablers of illegal migration, foster direct engagement between citizens and politicians, reform political party financing, and facilitate a transparent election system. Additionally, the UK supports media freedom and collaborates with Albanian law enforcement to enhance their ability to reduce crime, secure borders, and build resilience to cyber-attacks.

In December 2022, the UK Government and the Government of Albania signed a Joint Communiqué to enhance cooperation in three key areas: security and home affairs, economic growth and investment, and innovation, youth, and education. Over the following year, these discussions led to the identification of critical areas for intervention by the BET, in collaboration with the General Directorate of Taxation (GDT) of the Albanian Ministry of Finance. These interventions aim to support the GDT through targeted technical assistance and capacity building, ultimately mobilizing additional revenue for the government. This increased revenue can then be reinvested into the economy, thereby contributing to broader economic growth and development.

### 3. Objectives

UC-SATA aims to support the Government of Albania (GoA) in optimizing sustainable and equitable revenue generation by strengthening the capacity of key public institutions, particularly the General Directorate of Taxation (GDT) within the Ministry of Finance. This initiative contributes to key priorities outlined in the UK's Integrated Review, such as building resilience overseas, tackling serious and organised crime, promoting sustainable development through fair taxation, and addressing economic vulnerabilities. Through these efforts, the UK strengthens its partnership with Albania, supporting its journey towards stability, prosperity, and integration into the European framework.

The project's primary outcome-level objectives are:

- Enhance the GDT's ability to collect taxes more efficiently, thereby increasing state revenue and supporting fiscal sustainability;
- Provide support to GDT to decrease the prevalence of informal economic activities by creating a conducive environment for formalization, ensuring that the benefits of formalization outweigh its costs;
- Strengthen the operational efficiency and effectiveness of the GDT, enabling it to implement best practices in data management, tax risk management, and overall tax administration;
- Support GDT in developing a more transparent and accountable tax administration system to enhance public trust and foster stronger tax compliance; and
- Contribute to Albania's broader economic reform agenda by aligning with European standards and promoting institutional transparency, and inclusive financial practices, thereby supporting the EU accession process.

The project aims to achieve these goals specifically through increasing capabilities and skills within the GDT to utilize data effectively, identify and manage tax risks, and implement best practices in data management. Additionally, the project will support the GoA in planning and executing targeted public campaigns designed to increase voluntary compliance, with all communication and outreach being led by the GoA.

Aligned with the UK-Albania Joint Communiqué and supported by the Western Balkans Department and the BET, this project contributes to Albania's EU accession process by promoting economic governance, institutional transparency, and inclusive financial practices. This initiative integrates various reforms, including justice, environment, and social inclusion, reflecting the EU's commitment to supporting Albania's development and alignment with EU standards.

### 4. Delivery Location

The relevant FCDO Programme Team for the project is based in the BET. The successful Supplier will be expected to have key staff deployed in Albania and maintain a strong network of local contacts to ensure contextual awareness, sensitivity, and the ability to deliver requirements responsively. The Supplier should clearly articulate which positions and functions will be based in-country.

The expectation is that the majority of work will be delivered in Tirana. However, some assignments may involve outreach to other regions within Albania or remote delivery. The Supplier should be prepared to utilize a range of different technical assistance and capacity-building delivery modalities, including:

- **Embedded Advisory Support:** Long-term advisors embedded within the General Directorate of Taxation (GDT) and other relevant institutions to provide continuous support and capacity building.
- **Short-term, In-person Advisory Missions:** Specific tasks such as capability assessments, technical solutions implementation, and providing targeted advice to Albanian institutions.
- **Short-term, In-person Training Missions:** Conducting training sessions and workshops to enhance the skills and knowledge of tax administration staff and other stakeholders.
- **Remote Training and Support:** Providing technical assistance, coaching and training remotely to ensure uninterrupted project progress.

## 5. Delivery Principles

The project should operate in line with the following principles:

1. **Ensure local ownership:** Engage local stakeholders to ensure that the interventions are demand-led and that there is strong local ownership and commitment to the reforms.
2. **Flexibility and adaptability:** Design interventions that are flexible and adaptable to the changing political and economic context in Albania, particularly considering the potential impact of upcoming elections on project implementation.
3. **Think and work politically:** Recognize and navigate the complex political economy context in which the PFM project operates. Use Political Economy Analysis (PEA) to inform the overall approach and day-to-day decision-making, ensuring that interventions are politically feasible and sustainable.
4. **Context-appropriate solutions:** Focus on context-appropriate, politically feasible solutions to specific, locally-defined problems. Develop 'best-fit' solutions that are informed by best practice but are tailored to ensure that they are suitable given the operating context and counterpart capacity. Ensure technical assistance is demand-led, contextually and politically informed, effective and efficient.
5. **Build sustainable capacity:** Enhance the capabilities of local institutions, particularly the General Directorate of Taxation (GDT), through training, technical assistance, and developing robust systems and processes. Ensure that the reforms and capacity-building efforts are sustainable in the long term, continuing beyond the project's conclusion.
6. **Coordination and avoidance of duplication:** Coordinate closely with other donors and existing programmes (including the International Monetary Fund (IMF) Fiscal Affairs Department (FAD) missions and Swedish programmes) to complement ongoing efforts and avoid duplication, thereby leveraging synergies and maximizing the impact of interventions. This collaborative approach will ensure that the project complements existing initiatives and maximizes its effectiveness.
7. **Transparency and accountability:** Promote transparency and accountability in public financial management to build trust in government institutions and ensure the effective use of public resources.
8. **Inclusivity:** Ensure that reforms are inclusive, addressing the needs of marginalized and vulnerable groups, and promoting gender equality and social inclusion (GESI) in public financial management. Integrate GESI considerations into all aspects of the programme design and implementation, ensuring women, youth, people with disabilities, and other marginalized groups benefit from the project.
9. **Evidence-based approach:** Use data and evidence to inform decision-making and measure the impact of interventions, ensuring that strategies are effective and adjustments can be made as needed.
10. **Risk management:** Identify and mitigate risks associated with project implementation, including political, economic, and operational risks, to ensure successful delivery of project objectives.

## 6. Contract Management

### Oversight and Support Structure

The intervention will be overseen by a Senior Responsible Owner (SRO) based within the BET Programme Team, with additional support from the FCDO's Regional Adviser.

The FCDO's Public Finance and Tax Department (PFTD) has overall responsibility for the PFRC programme. The Supplier will be contracted by the PFRC MA to deliver UC-SATA in accordance with this ToR. The PFRC MA will be responsible for overseeing the performance of the Supplier, ensuring that it delivers in accordance with the contract.

The PFRC MA will play a key role in the verification, quality assurance and monitoring and evaluation of the Supplier's work, as set out throughout these ToR, and in the ToR for the PFRC overall. The MA will manage the performance of the Supplier and hold them to account for KPI performance, and will review key documents, provide expert advice to the BET programme team on demand, provide critical challenge to the Supplier, and make suggestions on design and delivery approaches where appropriate.

The Supplier will work closely with the BET and PFRC MA throughout the assignment. Monthly progress meetings with the BET and PFRC MA contract management team are anticipated throughout the duration of the project.

The Supplier will be required to establish robust quality assurance processes to ensure the quality and effectiveness of the services delivered.

### Steering Committee

A Steering Committee will provide a forum for counterpart involvement in oversight and decision-making, meeting quarterly to review progress and guide strategic decisions. The Steering Committee will include representatives from the BET Programme Team, the Supplier, the MA, and Government of Albania (likely the Deputy Minister of Finance and the Director General of Tax).

### Performance Management

Supplier performance shall be measured against delivery of the requirements set out in Section 9 and against Key Performance Indicators (KPIs). A draft set of KPIs for the inception phase are included in Annex 1, and these are expected also to form the basis of delivery phase KPIs, but amendments may be agreed during the inception phase.

Quarterly Supplier Review Meetings will take place to review the Supplier's performance against contract KPIs. The Supplier will submit quarterly Performance Monitoring Reports to the MA in advance of these meetings in order to inform the MA's assessment of their performance against intervention KPIs. Where the Supplier fails to meet the required standards in delivering the contract, the PFRC MA will be empowered to take appropriate and proportionate performance management measures up to and including suspension or termination of the Supplier's contract.

### Contract Phases and Potential Extension

The contract delivery will be in three phases:

- Inception
- Implementation
- Exit

The contract term will expire on 31<sup>st</sup> March 2026.

## 7. Inception Phase Requirements

The project will commence with a two-month inception phase to ensure a comprehensive understanding of the local context, systems, capabilities, and skills, as well as to avoid duplication with other projects. During this phase, technical assistance activities will already begin where possible. Initial political, economic and stakeholder mapping, as well as needs and gap assessments will be conducted in close collaboration with the GDT and other relevant government departments, making these assessments also serve as capacity-building exercises. The inception phase will begin immediately following the completion of the procurement process and final agreement on contracts. The key output of this phase will be a detailed work plan and budget covering the period up to March 2025.

Area	Supplier Responsibility	MA Responsibility	BET Responsibility	Deadline(s)
PECA	Produce an initial Political Economy and Conflict Analysis (PECA) focused on revenue reform in Albania, including a stakeholder map.	Review and comment; advise BET as requested.	Final approval.	Submitted as draft: end of Month 1.

<b>Approach Paper</b>	Produce a concise Approach Paper that will: (1) detail the Delivery Strategy the Supplier will adopt to achieve the project's objectives, including identifying reform areas and stakeholders to focus on initially; (2) set out the Supplier's approach to achieving GESI goals; (3) outline how the Supplier will keep the PECA up to date.	(1) Provide written guidance in advance to inform the Supplier's thinking on GESI; (2) review and comment on the draft Approach Paper.	Final approval of the Approach Paper.	Submitted as draft: end of Month 1.
<b>Work Plan</b>	Produce a work plan for the period to the end of FY2024/25.	Review and comment.	Final approval.	Submitted as draft: end of Month 2.
<b>Milestone Payment Schedule</b>	Propose a schedule of output-based milestone payments for the same period.	(1) Provide written guidance in advance to inform the Supplier's work on the milestone and output-based payment schedule proposal; (2) initial approval of the proposal to be submitted to BET for final approval.	Final approval.	Submitted as draft: end of Month 1.
<b>MERL</b>	Provide inputs to the project's MERL Plan produced by the MA.	Produce the MERL Plan and Results Framework for project.	Final approval.	Submitted as draft: end of Month 2.
<b>Risk Management</b>	Produce the project's risk register.	Review and comment.	Final approval.	Submitted as draft: end of Month 1.

## 8. Implementation Phase Requirements

The implementation phase will commence immediately following the end of the inception phase and continue until one month prior to the end of the Supplier's contract.

TA activities to be conducted between the end of the inception period and the end of March 2025 will be included in a work plan developed during the inception period. Activities to be conducted between April 2025 and March 2026 will be included in a work plan covering this period, which will be agreed in March 2025.

However, the Supplier will need to retain flexibility to respond to counterpart demands for support, particularly where windows of opportunity for reform arise during a given intervention year. If new interventions are approved during the project year, they will be formally added to the work plan, ensuring that all activities are documented and tracked systematically.

The below table sets out key responsibilities for the Supplier, MA and BET Programme Team during the implementation phase:

Area	Supplier Responsibility	MA Responsibility	BET Programme Team Responsibility	Deadline(s)
<b>TA and Capacity Building</b>	Delivery of technical assistance and capacity building activity in line with the agreed project work plan.	(1) Review and comment on key technical products; (2) Initial approval of technical deliverable payment milestones.	Final approval.	Ongoing
<b>PECA</b>	Ongoing monitoring of the political economy environment,	Review and comment on PECA updates.	Engagement with the Supplier on PECA issues.	Ongoing



	including provision of quarterly light-touch updates to the programme PECA.			
<b>Governance</b>	Engagement with the BET Programme Team and MA Contract Management Team to enable effective oversight and strategic decision-making, including attending regular progress meetings and fulfilling reporting requirements.	(1) Participation in progress meetings; (2) Review and initial approval of regular narrative reports; (3) Participation in programme governance bodies (e.g., Steering Committee meetings) as agreed with the BET Programme Team.	(1) Participation in progress meetings; (2) Final approval of regular narrative reports; (3) Leadership of programme governance bodies (e.g., Steering Committee meetings).	Ongoing
<b>Stakeholder Management</b>	Day-to-day management of relationships with key programme counterparts.	N/A	Ownership of the relationship with the most senior priority stakeholders (e.g., ministers); engagement with other stakeholders as appropriate.	Ongoing
<b>MERL</b>	Submission of quarterly progress reports.  Gather monitoring data. Regularly reflect on progress and challenges. Include reflections in progress reports. Cooperation with the activities of the MA's MERL Team.	Review and initial approval of progress reports.  Monitoring, evaluation, and learning activity in line with the programme's MERL plan.	Final approval of progress reports.  Conduct a review of the intervention using a template aligned with the standard FCDO annual review of the project (which will feed into the overarching PFRC annual review).	Ongoing
<b>Exit Plan</b>	Produce an Exit Plan for the programme.	Review and initial approval of the Exit Plan.	Final approval of the Exit Plan.	End of implementation phase

## 9. Exit Phase Requirements

The Exit Phase will take place during the final month of the Supplier's contract. During the Exit Phase, the Supplier will collaborate closely with the Managing Authority and the British Embassy Tirana Programme Team to execute the approved Exit Plan for the programme. Key responsibilities during this phase include:

- Sustain ongoing implementation activities where appropriate, whilst ensuring they are all concluded (or handed over to a successor project) sensitively and thoroughly prior to the Contract End Date;
- Develop and implement a comprehensive handover plan for all programme materials and documents, ensuring they are transferred to the appropriate counterparts, a successor programme, or the MA. This plan should include detailed instructions and timelines for the handover process;
- Prepare and execute a plan for the disposal or transfer of assets acquired during the project. This plan should comply with all relevant regulations and contractual obligations;
- Draft a Project Completion Report that captures the project's achievements, challenges, and overall impact, and lessons learnt throughout the programme. This report should provide insights and recommendations for future projects; and
- Cooperate with the MA's MERL Team on the final lessons learnt report.



These responsibilities are crucial for ensuring that the programme's closure is handled effectively, leaving a lasting positive impact and facilitating the continuation of efforts by future initiatives or counterparts.

## 10. Expected TA activities

The UC-SATA project is expected primarily to involve technical assistance activities focused on advising and building the capacity of the General Directorate of Taxation (GDT) within the Ministry of Finance. These activities are designed to enable the GDT to manage and implement tax administration reforms sustainably, thereby optimizing sustainable and equitable revenue generation. The project aims to increase revenue mobilization by strengthening the social contract between the Government of Albania and taxpayers, which is expected to reduce informality and enhance compliance.

The project's TA activities should encompass various interactions, including training, workshops, consultations, and hands-on assistance, to facilitate the development and implementation of effective tax policies and procedures. The activities listed below are designed to support the implementation of the MTRS and other PFM reform plans, with key focus areas and activities developed through discussions between the BET and Albanian Government officials, including GDT staff members. The listed TA activities may be adjusted during the inception phase as the Supplier develops the work plan, adapting to evolving political or economic circumstances or reassessing needs based on initial findings.

The project is expected to focus on three main areas of intervention, designed to align with the project's primary objectives and provide targeted technical assistance to the GDT.

### 1. Improve tax-related data security and management

**Background/Needs Assessment:** The GDT faces challenges in setting up robust data security and management systems, which are critical for protecting sensitive tax data and maintaining public trust.

**Objective:** Enhance the data security and management capabilities of the Directorate in the Tax Administration to ensure robust protection and effective utilization of tax data. This includes addressing the staffing and skill needs of the Directorate through capacity building of current staff and targeted recruitment, particularly in the fields of IT, statistics, and economic informatics.

#### **Key TA activities include:**

- Conduct needs assessments to determine the specific skills and expertise required in data security and management for the Directorate;
- Support the design of a recruitment plan and onboarding program, focusing on data security, management, and analysis techniques;
- Offer expertise and frameworks to help the Directorate review and assess their internal data security controls against best practices in revenue authority roles, identify gaps, and recommend improvements, in order to increase resilience to cyber-attacks and data leaks, and support in interpreting data exchanged with foreign tax authorities;
- Evaluate current capabilities for acquiring, maintaining, and analysing administrative and third-party data, and conduct a gap analysis to highlight areas needing improvement;
- Share international best practice in data security and management through training sessions and resource materials to inform decision-making processes; and
- Advise on the development and implementation of improved reporting and data access controls for key roles within the GDT, ensuring the Directorate can effectively carry out these improvements.

**Intended outcome:** Improved data security and management capabilities, ensuring the integrity and confidentiality of tax data.

### 2. Enhance data utilization in decision-making and risk management

**Background/Needs Assessment:** According to the Albanian counterparts, the GDT's current risk management and data analysis capabilities are insufficient to address complex and evolving tax risks, particularly in high-risk sectors. Enhancing these capabilities is crucial for improving compliance and revenue collection.

**Objective:** Equip the GDT with advanced data analysis capabilities to use tax data for effective decision-making and monitoring. This includes identifying and managing tax risks, developing and evaluating tax policies, improving compliance strategies, assessing macro-economic impacts and effects on the business environment, and understanding the economic impact of tax policies on various groups.

**Key TA activities include:**

- Provide training and offer support, advice, coaching, and mentoring to the tax team on sector analysis, focusing on key sectors such as tourism, construction, high-net-worth individuals, e-commerce, and e-platforms for freelancers. Develop tailored training materials and conduct hands-on workshops. Aim to achieve at least one success story in each of these areas in terms of enhancing compliance, disrupting evasion, and implementing best practice;
- Enhance data processes within risk management and compliance functions by supporting staff to standardize data formats, integrate disparate data systems, and implement advanced data analysis tools;
- Organize workshops to redesign workflows for handling tax risk data, incorporating automated processes where possible to improve efficiency;
- Build capacity to strengthen risk assessment skills, improve data processes for tax risk audit analysis, and design targeted compliance responses; and
- Support the Centre for Training Tax and Customs Administration (CTTCA) in developing courses that incorporate enhanced data analysis and sector-based compliance techniques for GDT auditors and analysts. This includes creating curricula, training materials, and conducting train-the-trainer sessions.

**Intended outcome:** More effective identification and management of tax risks, leading to increased compliance and revenue collection.

### 3. Strengthen tax understanding through public campaigns

**Background/Needs Assessment:** Albania has high levels of economic informality, causing low tax compliance. Public understanding and compliance with tax laws are critical for reducing informality and improving revenue collection. Effective public outreach campaigns are needed to educate taxpayers, promote compliance, and support the implementation of new tax regimes. Targeted communications are a key part of a well-functioning tax system, intended to improve voluntary compliance. The Government of Albania will remain fully responsible for the selection and drafting of the appropriate messages and delivering them in public forums.

**Objective:** Provide the GoA with support to develop and implement targeted public outreach and education campaigns that enhance public understanding and increase taxpayer compliance. This includes offering guidance on compliance-focused communication strategies for priority non-compliance areas and new tax regimes, and collaborating with the Centre for Training Tax and Customs Administration (CTTCA) to design and implement effective compliance-focused communications, while ensuring that the GoA fully controls all messaging and outreach activities.

**Key TA activities include:**

- Support and provide guidance for the development of a strategy for public outreach focused on areas of non-compliance. This includes conducting assessments to identify priority areas and barriers to compliance, segmenting the taxpayer population to tailor messages and interventions, and crafting messages that highlight the benefits of compliance and address specific areas of non-

compliance. Also, supporting the GoA to choose effective communication channels and develop a media plan for outreach;

- Assist in the development and implementation of the outreach strategy on new tax policies and common areas of non-compliance. This could include support to the development of educational materials explaining the new tax regimes in accessible language and using appropriate methods, assisting in the organization of public seminars, webinars, and meetings to educate taxpayers, and help to the GoA to set up dedicated helpdesks to assist with questions and issues; and
- Work closely with the CTTCA to create a training module on designing and implementing compliance-focused communications. This could include developing a curriculum with experts in the field, writing learning materials and templates, organizing train-the-trainer sessions, and rolling out training for GDT staff.

**Intended outcome:** Increased public awareness and compliance with tax laws, reducing informality and enhancing revenue collection. Additionally, strengthened capacity of the GoA to independently design and deliver their own well-targeted outreach campaigns in the future, thereby fostering greater voluntary compliance and contributing to a more predictable business environment.

## 11. Team Requirements

The Supplier's team will need individuals with strong communication and interpersonal skills, relevant experience, and some individuals who speak fluent Albanian. Team competences should include strategic and change management skills, networking, relationship management and process facilitation skills. We encourage Suppliers to propose a team structure that is appropriate to the scale and requirements of the programme, providing Value for Money.

The Supplier's proposed team should include at least the following:

Role	Responsibilities	Requirements
<b>Project Director</b>	A senior staff member with ultimate accountability for the performance of the Supplier on the contract.	An appropriately senior and experienced employee of the Supplier's organization. Part-time role.
<b>Project Management Unit</b>	Ensure the team is resourced for effective financial management, human resource management (recruitment, contracting, mobilization, and HR support for team members), programme risk management, client relationship management, and quality assurance of deliverables.	Strong project management and financial management experience.
<b>Team Leader</b>	Leadership of the delivery team; overall responsibility for technical delivery; lead the team's engagement with the BET programme team; own key senior counterpart relationships and lead on project learning.	Demonstrable understanding of PFM and revenue reform issues; strong relationship management skills; strong leadership skills (experience leading substantial, long-term technical assistance programmes highly desirable); experience in Albania is essential. The Team Leader will be a full time role and will be expected to spend a substantial proportion of their time in Albania.
<b>PECA Lead</b>	Lead the development of the programme Political Economy and Conflict Analysis (PECA) and ensure it is updated appropriately on a quarterly basis.	Strong understanding of PECA best practices; must have a deep understanding of the Albanian context (or the Supplier must demonstrate how they will work in partnership with other advisors who do). Part-time role.

<b>GESI Advisor</b>	Lead the development of a GESI approach during the inception phase; identify opportunities to organically integrate gender and inclusion considerations into all technical assistance activities.	Strong understanding of GESI issues in the context of international development programming; experience working in the Balkans region; an understanding of issues related to vulnerability and exclusion in Albania. Part-time role.
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In addition, the Supplier should propose additional team members required to deliver technical assistance against the three key intervention areas for TA set out in Section 10.

## 12. Gender Equality and Social Inclusion (GESI)

Gender Equality and Social Inclusion (GESI) considerations are a critical component of the project's primary objective to enhance the GDT's capacity to increase revenue collection and reduce informality. To this end, a supplier must undertake an analysis of the broader implications of gender and social disparities in employment and entrepreneurship in Albania for revenue collection. This should include an evaluation of the potential loss of jobs among women and socially excluded groups in the informal sector, as well as barriers to their entrepreneurship, impact on tax revenues, and overall economic sustainability. The experiences of minority groups – specifically, the Roma and Egyptians – should be further examined given their low employment rates, high level of participation in informal employment and difficulties in accessing social protection services. Additionally, the supplier should aim to review best practices for integrating care economy discourse into PFM reform efforts, particularly emphasising the economic value of housework. This would contribute to addressing the lack of compensation for the significant number of housewives in Albania whose work is not at all recognised and compensated.<sup>2</sup>

To achieve GESI objectives, including ensuring compliance with the UK's International Development (Gender Equality) Act 2014, the Supplier should aim to maximise the benefits of the PFM project for women, youth, and the most vulnerable and marginalised groups. This involves integrating GESI considerations into all aspects of the programme design and implementation, rather than treating GESI as a separate component. The Supplier should integrate GESI strategies across all project phases:

- Utilise results of GESI analysis implemented in the inception phase to understand how Albania's revenue and public financial management systems impact diverse groups of population
- Integrate GESI in the design and implement project interventions with careful consideration of the specific needs of women, girls, people with disabilities, and protected characteristics, ensuring that all activities reflect GESI principles.

<sup>2</sup> In the context of the care economy, recognizing and compensating housework performed predominantly by women in Albania requires a multifaceted approach based on practices from countries such as the UK, Finland, Germany, and the Czech Republic:

- Implement time-use surveys to quantify unpaid care work performed by housewives. This data can inform policies and demonstrate the economic value of housework.
- Develop legislation that recognizes unpaid care work as a form of labor, entitling housewives to social protections such as pensions and healthcare benefits.
- Allocate investments to expand public childcare, elder care, and disability support services to reduce the burden of unpaid care work on housewives.
- Introduce caregiver allowances or tax credits for those primarily engaged in unpaid care work within the household.
- Develop programs that allow housewives to transition into paid care work roles, leveraging their experience in home-based caregiving.
- Ensure that national and local budgets allocate resources to support unpaid caregivers and promote gender equality in care work.

- Continuously reassess GESI dynamics during implementation, adjusting strategies based on emerging insights, and utilise GESI analysis to inform the approach and implementation of technical assistance activities, ensuring their relevance to the project's context and objectives.
- Collaborate closely with the Monitoring, Evaluation, Research, and Learning (MERL) and GESI MA leads to effectively assess the project's impact and use findings from GESI monitoring to continuously enhance and adapt project interventions and strategies.
- Include a GESI-Revenue expert in the core team to ensure examination of the implications for other protected groups and ensure that the strategies and outcomes are equitable and inclusive.

The Supplier should aim to design and implement the interventions that foster a more inclusive and equitable tax system in Albania, ensuring that GESI considerations permeate the project's three core areas by:

- Adopting international best practice in data security to protect sensitive GESI-related information: This includes establishing protocols that safeguard personal data while enabling data analysis to address gender and social disparities.
- Enhancing the GDT's ability to manage tax risks through advanced data analysis which should focus on mitigating negative impacts on vulnerable groups affected by tax reforms.
- Supporting DTA in implementing compliance-focused public outreach and education campaigns, in particular around increasing awareness and understanding of tax obligations among women and socially excluded groups, supporting their transition from informal to formal employment.

### 13. Political Economy and Conflict Analysis (PECA)

Thinking politically is a crucial delivery principle identified in Section 5. The political economy context in Albania, while generally stable, includes complexities such as institutional dynamics, vested interests, and periodic political changes, such as the upcoming elections. For the project to be an effective catalyst for positive change, the PFM team must understand how Albanian politics influence the scope for reform and identify key stakeholder institutions for the project. It is essential that the project adopts a Political Economy and Conflict Analysis (PECA) approach to inform its overall strategy and day-to-day decision-making.

#### Key Actions:

- Ensure the project team includes specialists in PECA and individuals with a deep understanding of the political and institutional dynamics of PFM reform in Albania.
- Conduct a comprehensive PECA during the inception phase to map the political landscape, identify key stakeholders, and understand the political economy factors that may impact PFM reforms.
- Implement light-touch reviews of the programme's understanding of the political economy context on a quarterly basis. Gather insights from all members of the delivery team to continuously inform programme decision-making.
- Ensure the selection and design of the technical assistance activities are based on a systematic assessment of relevant political economy factors. This approach ensures that only politically feasible activities are selected and that they are designed and conducted in a manner that maximizes their chances of success, given the political economy context.
- Adopt a robust approach to conflict sensitivity throughout the delivery of the PFM project. This includes adhering to 'do no harm' principles and actively seeking to maximize positive effects on conflict prevention and peacebuilding, such as through supporting good governance initiatives.
- Regularly engage with key stakeholders, including government officials, civil society, and international partners, to ensure their perspectives and insights are incorporated into the project. This engagement helps to build trust, foster collaboration, and ensure that the project aligns with the broader political and social context.
- Use PECA findings to inform an adaptive management approach, allowing the project to remain flexible and responsive to changing political and economic conditions. This includes adjusting strategies and activities based on new insights and developments in the political landscape.



The political and media team at BET will provide updates on the political and economic situation, allowing the project's team to stay informed about relevant developments that may impact the project's progress. This access to information and insights from BET facilitates an adaptive and responsive approach to project management.

## 14. Monitoring, Evaluation, Reporting and Learning (MERL)

### Theory of Change

To optimize sustainable and equitable revenue generation for the Government of Albania, the project will strengthen the capacity of key Albanian public institutions, particularly the General Directorate of Taxation within the Ministry of Finance, through targeted interventions aimed at:

1. Improving the quality and quantity of tax-related data that informs decision-making on tax policy and procedure. This encompasses the implementation of efficient data management systems, enhanced data sharing, advanced tools, statistical methodologies, collaborative platforms, and robust data security measures.
2. Enhancing the effective utilization of tax data in decision-making processes to understand the tax landscape, provide insights into the economic impact of existing taxes, support the evaluation of potential new taxes, reduce non-compliance, and identify, manage, and mitigate risks. This will involve building analytical capacity, integrating data insights into strategic and operational tax management, and using data to understand the implications of tax policies on various groups (e.g., men, women, high and low income, urban and rural, and excluded groups).
3. Strengthening the GoA's capacity to enhance public understanding of the benefits of taxation and fostering a stronger commitment to tax compliance. This includes supporting the GoA in developing targeted communication and outreach strategies to build public trust and support for the tax system.

For these capacity-building efforts to achieve the desired impact, the following assumptions must hold true:

- Public institutions must be open to change and supportive of reform initiatives.
- There is sufficient political will and institutional stability to carry out the necessary reforms.
- The upcoming elections in first-half of 2025 do not significantly disrupt the progress of the reforms or the stability of key institutions. Particularly, the Ministry of Finance and the General Directorate of Taxation (GDT) continue to support and engage with the project.
- Organizational structures and reward schemes must be aligned to encourage new behaviours and practices.
- Consistency in government priorities to maintain focus and resources on the reform agenda.
- Government agencies and departments must collaborate and communicate effectively to achieve integrated management of tax data and enforcement.
- Adequate human and technical resources must be available to support the implementation of the project activities. In case the project involves the hiring of new staff members to conduct some of the work, the labor market must include individuals with the necessary skills and qualifications to support data management, analysis, and other technical requirements.
- Other international donors and partners must coordinate their efforts with the project to avoid duplication and ensure complementary actions.

The project will deliver a combination of short- and long-term technical assistance, adapting responsively to the demands of relevant institutions and the evolving political and economic landscape in Albania (see Section 10 for further detail on expected TA activities).



## MERL Approach

In line with the PFRC programme-level terms of reference, the PFRC MA's MERL team will have overarching responsibility for the monitoring, evaluation, and learning (MERL) of the project. The Supplier must closely cooperate with the MA's MERL team to facilitate this process while retaining specific MERL responsibilities. The following outlines these responsibilities, with further details to be provided in the MERL Plan developed by the PFRC MA MERL Team during the inception phase.

### MERL System Design

The PFRC MA is responsible for establishing MERL arrangements on behalf of the FCDO for the project. The PFRC Core Team MERL Advisor will be actively involved in the inception phase to ensure that appropriate MERL systems are integrated into the supplier's project systems and reporting arrangements from the outset.

Specifically, the PFRC MA MERL Team will lead the finalization and periodic updating of the project's theory of change, logical framework, and MERL Plan. The Supplier must cooperate with the MERL Team by collecting monitoring data, providing timely access to relevant documentation, facilitating meetings with counterparts as required, and engaging in constructive dialogue, including providing inputs and feedback throughout the process.

Activities will be regularly reviewed to ensure the intervention is working appropriately to maximise outcome-level results taking into account the evolving operating and political economy context. The Supplier will therefore operate within a flexible results framework. This results framework will, where practicable, use indicators from the PFRC indicator menu to enable effective nesting within the broader PFRC results framework.

The logframe will be updated at least annually by the Management Agent (MA), in consultation with the Supplier, once the work plan for the relevant financial year has been approved, in order to reflect any changes in the focus of work. This includes adjustments based on changes in the operating context that materially impact expected results. The revised logframe will be presented to the BET SRO for approval.

### Progress Monitoring

The Supplier has primary responsibility for collecting data and evidence required to monitor the project's output and outcome-level progress, in line with the MERL Plan produced by the MA's MERL Team. The MA's MERL Team will hold the Supplier accountable for this and will conduct additional verification and monitoring as necessary, in accordance with the MERL Plan and direction from the SRO.

Given that the project approach is focused on TA, this will include conducting capacity assessments (at baseline and after interventions), counterpart feedback (to assess what working practices have changed) and other data on outputs and achievements. As part of this, templates will be agreed on data to be gathered on trainees and counterparts disaggregated in line with the GESI approach.

### Reporting

The Supplier is responsible for producing regular progress reports, which will be reviewed by both the PFRC MA contract management team and the BET programme team. Required reports include:

- **Monthly Progress Update:** To be submitted by the end of the fifth working day of each month, providing a light-touch update on progress, political economy developments, and emerging risks and issues.
- **Monthly Risk Register Update:** An updated risk register and accompanying change log to be submitted by the end of the fifth working day of each month.

- **Quarterly Progress Report:** To be submitted by the end of the tenth working day of the first month of the following quarter, including a detailed update on progress against the work plan, reflections on progress and challenges, and an update on the political economy context.
- **Value for Money Reporting:** As detailed in Section 16.
- **Financial Reporting:** As detailed in Section 18.

### Progress Meetings

The Supplier is required to attend regular progress meetings with the SRO, the PFRC MA's Contract Responsible Officer, and other relevant team members. These meetings are expected to be held monthly, with hybrid attendance (in-person where feasible, online otherwise). The Supplier's Team Leader and relevant PMU members should attend routinely. Additionally, the Supplier must ensure that relevant personnel are available for ad hoc meetings with teams from other FCDO programmes or those of other donors as required, including at short notice.

### Evaluation

The BET will review the intervention's performance at intervention close (March 2026) using a template based on the FCDO's standard annual review template. This review will feed into the annual review of the PFRC at programme level. The Supplier will be required to cooperate fully with this review.

The MA will have primary responsibility for evaluative activities related to the project, conducting any evaluations as required by the intervention MERL Plan, the BET SRO and PFRC SRO.

### Learning

In a dynamic context, the programme requires strong systems for reflection on progress, identifying successful approaches and areas needing action, and capturing programmatic decisions and their rationale. Regular opportunities for reflection should be created to enable Supplier staff and consultants to share experiences and take a strategic view of progress, challenges, and opportunities. This includes debriefing with short-term consultants and gathering counterpart feedback. The MA will support this learning process and collaborate with the Supplier to detail the approach during the inception phase.

The Supplier must implement effective knowledge management measures, ensuring that all programme documentation, deliverables, and outputs are securely stored and easily accessible by the PFRC MA contract management team.

## 15. Value for Money and Social Value

Suppliers must ensure that Value for Money (VfM) is integral to all aspects of their project delivery. The programme will adopt a VfM approach within the broader PFRC VfM Framework, based on the FCDO's guidance note on VfM for Service Providers (FCDO, 2020) and the 5 'E's model. The Supplier must deliver the project by focusing on:

1. **Economy:** Controlling costs through effective fee rate negotiations during recruitment and a systematic approach to procurement to minimize costs (e.g., flight and accommodation expenses).
2. **Efficiency:** Converting inputs into outputs effectively, utilizing high-quality consultants, maintaining an optimal team mix, and implementing rigorous project management systems.
3. **Effectiveness:** Achieving outcomes and demonstrating impact, ensuring coherence of outputs, targeting the appropriate beneficiaries, and ensuring scalability and sustainability of outcomes.
4. **Cost-Effectiveness:** Achieving desired outcomes at the lowest possible cost.
5. **Equity:** Ensuring that the project benefits disadvantaged groups and promotes inclusion.

The Supplier must submit a Value for Money report at the end of the implementation phase, reflecting guidance from the PFRC MA's VfM Advisor. The Supplier is also required to fully cooperate with the MA

Contract Management Team for any reasonable requests related to monitoring and evaluating VfM performance in delivering the project.

PFRC is committed to delivering social value through diversity and inclusion in its supply chain, workforce, and the workforce of its supplier network. Bid evaluation criteria for each PFRC procurement will include a social value component. The Supplier should design and operate the project in a manner which embraces PFRC's commitment to delivering social value and contributes to delivery against that commitment, including through identifying opportunities to include women and people with disabilities in their delivery team and supply chains

## 16. Risk Management

### Duty of Care

The Supplier will be fully responsible for the Duty of Care of their delivery team. Specifically, but not exhaustively, the Supplier will implement standing operational procedures suitable for a **low-risk country** like Albania. This includes:

- The **safety and well-being** of their personnel and any parties sub-contracted by them in the course of delivering the project are prioritized at all times.
- The provision of appropriate **security arrangements and necessary documentation** required for in-country personnel is ensured.
- The provision of suitable security arrangements for their **domestic and business property** is maintained.
- Appropriate **safety and security briefings** are provided for all of their personnel working under this contract prior to their deployment and at appropriate junctures thereafter.
- All personnel deployed to Albania or who will spend more than five days there in the course of their duties have received relevant **training** tailored to the operational environment in Albania. This includes standard precautions against petty theft and street crime, avoidance of protests, and awareness of local conditions.
- Appropriate **insurance cover** for their personnel and project assets is maintained throughout the duration of the project.
- All team members have access to **International SOS support** for injury, illness, or incidents where assistance can be sought promptly.

In line with our Duty of Care framework, the following **Standing Operational Procedures** (SOPs) apply to personnel operating in low-risk countries, such as Albania. These procedures are designed to mitigate risks and ensure the safety and security of all team members:

- All personnel should take **standard precautions**, such as keeping personal belongings secure, being vigilant in crowded areas, and avoiding displaying valuable items openly.
- Personnel should **avoid any form of protest** or demonstration due to the potential risk of localized clashes between protesters and police.
- When **selecting accommodation**, personnel should consider the proximity to known **flashpoint** areas.
- Personnel are advised **not to use public transport**. Instead, use official taxis or private vehicles to ensure safe and reliable transportation.
- Personnel should **not self-drive** unless they are very familiar with local conditions, as driving standards and road conditions can be poor. If self-driving is necessary, ensure full awareness of local traffic laws and conditions.
- Ensure the **vehicle is in good condition** as breakdown assistance services are limited, especially outside urban centres.

- Plan overland road travel during **daylight hours** only to avoid the additional risks associated with night travel, such as poor visibility and increased likelihood of encountering hazards.
- While the threat of attack by **Islamist extremists** in Albania is limited, it cannot be entirely ruled out. Therefore, personnel should remain alert to their surroundings at all times, report any suspicious activity or suspect packages to the authorities immediately, and follow any additional security guidance provided by local authorities or the project security team.

The Supplier will develop and maintain a proportionate Security Management Plan detailing all aspects of managing security threats associated with the provision of these services. The Security Management Plan will be delivered to the Contract Management Team within 20 days of the Start Date, and the Supplier will report progress towards its implementation in monthly meetings with the Contract Management Team.

If a Bidder is unwilling or unable to accept responsibility for Duty of Care as detailed above, their Tender will be viewed as non-compliant and excluded from further evaluation.

## Safeguarding

Aligned with FCDO standards, the Supplier must lead the integration of robust environmental and social safeguards into their operations. This commitment ensures that the intervention meets the highest standards of safeguarding and protection, fostering sustainable development that respects the rights and well-being of all Albanians.

To support fair and responsible project outcomes, project delivery must prioritize adherence to the FCDO's core principles of preventing harm. This includes ensuring that project interventions do not perpetuate unequal power dynamics, reinforce social exclusion or predatory institutions, escalate conflict, pose human rights risks, or exacerbate issues like resource scarcity, climate change, and environmental degradation.

### Core Principles for Safeguarding

- The Supplier must implement proactive measures to **prevent harm or abuse**, prioritizing the well-being of individuals and communities, especially vulnerable groups such as women, persons with disabilities, children, and other marginalized populations.
- **Project responses to safeguarding** concerns must be **balanced and proportionate** to the level of risk of harm involved. Interventions should neither be excessive nor insufficient, particularly when addressing the needs of marginalized and vulnerable populations.
- The Supplier must **hold individuals and organizations accountable** for their safeguarding actions and decisions. This includes timely reporting and appropriate responses to concerns, with special attention to protecting the rights of women, persons with disabilities, and the well-being of vulnerable populations.
- Safeguarding concerns, especially those involving vulnerable groups, must be managed with **confidentiality and privacy** wherever possible. This ensures concerns are appropriately addressed while upholding the safety and dignity of all individuals.
- The Supplier must strive to **prevent the creation or exacerbation of resource scarcity** while reducing vulnerabilities to shocks and trends within communities. Sustainable resource management should be a key focus of project implementation.
- The Supplier must ensure that **local capacity is not displaced or weakened**, nor should unnecessary financial burdens be imposed on partner governments. Projects should aim to empower local communities and institutions, enhancing their ability to sustain positive outcomes.

By adhering to these principles, the intervention will be more likely to contribute to sustainable and equitable development in Albania.

## Information Security

This project will be conducted at the OFFICIAL level. There are no current requirements to receive or produce material classified as SECRET or above. However, there is a possibility that information generated

by the programme could be considered highly sensitive. Such cases will be discussed individually with the FCDO to determine if the information should be classified above OFFICIAL and to apply the appropriate handling level.

The Supplier must ensure that it can appropriately manage and protect information at the required level, in accordance with HMG policy. For more details, refer to the Government Security Classifications guidelines available on gov.uk.

**The Supplier's responsibilities include:**

- Proactively **assess the sensitivity of information** generated by the programme and engage with the FCDO to classify it appropriately.
- Implement robust **information security measures** to protect sensitive data, ensuring compliance with HMG security policies and protocols.
- Ensure all **personnel are trained** in handling information at various classification levels and are aware of the relevant security protocols.
- Establish a clear process for **reporting security incidents** or breaches promptly and managing them effectively to mitigate risks.

## Cyber Security

Given the likelihood of cyber-attacks during the project, the Supplier must adhere to stringent cyber security measures to protect all project-related information and operations. The Supplier is required to report all cyber-attacks, both successful and unsuccessful, at the earliest opportunity and within 24 hours of discovery at a maximum.

To ensure robust cyber security, the Supplier must adhere to the following:

- All IT systems must have **encryption software** in place and active. The specific make and type of encryption should be detailed in the proposal.
- **Report** all cyber-attacks **within the defined timeframes**, ensuring prompt action is taken to mitigate any potential damage.
- Provide **secure electronic communication methods** (e.g., end-to-end encrypted email or file transfer systems) to share sensitive information securely. Files must not be shared by email.
- Work with the **Management Agent's IT team** to ensure that the selected communication method can be securely accessed by all parties involved.
- Hold and maintain at least a valid **Cyber Essentials Plus certification** throughout the contract duration.
- Demonstrate adequate **insurance** and liability coverage, including:
  - i. Financial Protection
  - ii. Risk Transfer
  - iii. Legal Compliance
  - iv. Business Continuity
  - v. Reputation Management
  - vi. Third-Party Liability
  - vii. Cyber Extortion and Ransomware
  - viii. Cyber Forensics and Investigation

## Legal and Compliance

The Supplier is required to comply with its legal obligations under both UK law and the laws of the jurisdictions in which it operates to deliver the contract effectively. Specifically, the Supplier must:

- Ensure adherence to all relevant UK laws and the laws of Albania, as well as any other applicable jurisdictions.



- Possess, or include in its proposal a viable plan to establish, a platform and obtain the necessary licenses to operate in Albania by the proposed contract commencement date. It is highly recommended that organizations begin the registration and licensing process as early as possible to meet this deadline.

## Counter-Terrorism and Anti-Money Laundering Compliance

Terrorism and money laundering are serious threats, and there is an increasing risk that resources could be diverted for use by terrorist organizations or for money laundering activities. The FCDO is responsible for protecting its funds from such diversions and must comply with both domestic and international law.

Under the Terrorism Act 2000, it is illegal to provide material assistance and support to individuals or groups knowing or having reasonable cause to suspect that it will or may be used for terrorist purposes. This includes activities such as fundraising, use and possession of money or other property, and funding arrangements. Similarly, the UK's Anti-Money Laundering (AML) regulations, primarily outlined in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, require stringent measures to prevent funds from being used to launder money or finance illegal activities.

The FCDO takes its responsibility for protecting its funds from diversion to proscribed organizations and for preventing money laundering seriously and expects its partners to do the same. In line with UK legislation, the Management Agent (MA) is accountable to the FCDO for ensuring that it is not inadvertently funding or providing humanitarian goods to terrorist organizations or enabling money laundering through PFRC. The MA will hold the Supplier accountable for ensuring that this does not occur under the project.

The Supplier must therefore:

- Show an **understanding of the risks** of terrorist financing and money laundering, and the importance of compliance with relevant legislation.
- Have **robust policies and procedures** in place to ensure compliance with UK counter-terrorism and AML legislation, preventing any resources from being diverted to terrorist organizations or used for money laundering.
- Establish **clear protocols for reporting** any suspected cases of terrorism financing or money laundering to the appropriate authorities.
- Be **held accountable** by the MA for ensuring that no funds or resources are inadvertently diverted to terrorist organizations or used for money laundering

## 17. Financial Management

The maximum budget for the project is £912,000 for the period through to March 2026. This funding will be 100% Official Development Assistance (ODA).

Any in-year changes to the annual budget will be agreed upon in writing with the Supplier and will be accompanied by an updated annual work plan, delivery schedule, and payment schedule. Where funds allocated are not fully spent, any unspent budget will not be automatically transferred to the next financial year.

This approach ensures flexibility in the allocation and utilization of resources, allowing the programme to adapt to changing circumstances and priorities while maintaining a focus on achieving the desired outcomes in Albania's public financial management and revenue reform.

The Supplier will submit a monthly forecast to the PFRC MA Contract Management Team by the fifth working day of the month in a format specified by the MA. The Supplier will be expected to ensure a high level of forecast accuracy and will be assessed against this as part of the KPI assessment process.



## Payment

The Supplier will be expected to adhere to guidance provided by the MA in relation to the invoicing process. This guidance will be shared once the contract has been awarded.

Payments for the project will be made on a quarterly basis and linked to the timely achievement of specified milestones. A portion of these payments will depend on the Supplier's performance against Key Performance Indicators (KPIs). Payments will not be made in advance.

Payments will be made in GBP, and the Supplier must report in GBP. Managing exchange rate fluctuations is solely the responsibility of the Supplier. Payments will adhere to the PFRC Subcontractor Terms and Conditions. All daily rates must be based on an eight-hour working day. It is prohibited to invoice for more than 8 hours of work per worker per day. Fees shall be paid according to the rate card in the Commercial Pricing Schedule.

Payments will be made in arrears, triggered by a combination of output milestones and the assessment of the Supplier's KPI performance. Payments may be delayed partially or wholly if milestones are not met or if KPI performance is below the acceptable standard. Payments may be withheld entirely in the event of a Critical Service Level Failure (see Annex 1).

The project will utilise a hybrid payment system, involving:

- Quarterly invoicing in arrears for **Supplier's fees**, excluding the gross margin on daily staff fees, and **reimbursement of actual expenses** incurred by the Supplier in a given quarter will be made in arrears based on the achievement of quarterly output-payment milestones. For the inception phase, milestones consist of the high-standard delivery of inception phase milestones identified in Section 8. For the implementation and exit phases, milestones will be identified for the financial year by the MA, in consultation with the Supplier, following the approval of the relevant annual work plan and will then be approved by the BET SRO.
- The **Supplier's gross margin on fees** incurred in a given quarter will be paid in arrears following a quarterly assessment of KPIs (see Annex 1).

Supplier invoices must include a detailed breakdown of the fees and/or expenses contributing to the invoice total. The specific nature and level of detail required will be agreed upon by the MA Contract Management Team and the Supplier.

Upon request, the Supplier shall provide relevant supporting documentation, including but not limited to timesheets, receipts (if applicable), a list of services to which the invoice relates, and a reference to the Contract and Commercial Pricing Schedule, along with any other information reasonably requested by the MA.

As part of the procurement process a maximum permissible gross margin for the contract will be determined.

On completion of each Contract Year (or on a six-monthly basis if requested by the PFRC MA giving reasonable written notice), the Supplier is required to send a written Actual Profit Margin report, using a format to be specified by the PFRC MA. Where the Actual Profit Margin Report identifies that the Supplier's gross margin over the relevant period has exceeded the maximum permissible gross margin for the contract, the Supplier will be required to repay the difference between the maximum permissible gross margin and the actual gross margin achieved in the period.

## Audit

The Supplier is required to provide an annual externally audited financial report of the project, aligned with the UK financial year. The specific requirements are as follows:

- The Supplier shall submit an **annual externally audited financial report** within three (3) months following the end of each UK financial year.
- The Supplier shall submit a **final audited financial report** within three (3) months after the conclusion of the project.

These reports must provide a comprehensive and accurate account of the project's financial activities, ensuring transparency and accountability throughout the project's duration. The MA's internal audit team will periodically conduct audits of the Supplier's delivery of the project focused on compliance with contractual and legal obligations and good practice management.

## Annex 1. Key Performance Indicators (KPIs)

KPI	Sub-criteria	Measured by	Weighting
Financial management	Forecasts submitted on time.	MA logs submission date.	10%
	Forecast variance at or below 5%.	Supplier states variance from forecast when submitting invoice (MA validates).	10%
Economy (Value for Money)	Robust cost control in line with contract.	MA assessment based on Supplier invoices and evidence submitted in quarterly reports.	20%
Quarterly Reporting	Reports submitted to schedule and are of a high quality.	MA logs submission date; MA assesses report quality and compliance with agreed requirements.	20%
Risk Management	Updated risk register submitted to schedule. Risks are quickly identified and are managed appropriately.	MA logs submission date; MA assessment based on review of risk register, reports, and discussions with Supplier and FCDO programme team.	10%
Resourcing	Team is fully resourced, with an appropriate mix of high quality personnel.  Timely identification and deployment of appropriate, high quality personnel to meet requirements.	MA assessment based on Supplier reporting on any core team gaps and assessment of CVs proposed to meet identified requirements; assessment of core team performance based on reports, meetings, progress against the work plan, and feedback from counterparts and the FCDO programme team.	20%
Effective co-operation with PFRC MA	Working satisfactorily and collaboratively with: (1) PFRC contract management team; (2) PFRC MERL Team; and (3) ASI internal audit team.	Feedback from these teams.	10%

**KPI scoring**

KPI sub-criteria will be scored on a six-point scale, as follows:

Score	Definition	Impact on payment of at risk funds
6	Responsibilities met with performance at a very high standard	Full payment of portion at risk.
5	Responsibilities met with performance at a good standard	Full payment of portion at risk.
4	Responsibilities largely met, but with some minor issues or omissions.	80% of funds at risk paid.
3	Responsibilities partly met, but with significant issues or omissions.	50% of funds at risk paid.
2	Responsibilities largely not met, with very significant issues or omissions.	0% of funds at risk paid.
1	Responsibilities not met, serious under-performance.	0% of funds at risk paid.

Suppliers will never be scored below a 5 on a sub-criterion where they cannot reasonably be considered to bear some responsibility for under-performance in relation to that sub-criterion.

Funds at risk that are not paid will normally be held back and added to the funds at risk during the next assessment of that tier of KPIs. However, where a Critical Service Level Failure occurs the funds at risk may, at the discretion of the MA, not be paid at all. A Critical Service Level Failure will be considered to have occurred where the Supplier:

- Score 1 against any KPI sub-criteria during a KPI assessment;
- Score 2 against more than one sub-criteria during a KPI assessment;
- Scores 3 against the same sub-criteria on at least three occasions during the contract term, and there is not evidence of consistent improvement.