Improving the quality of operation of Tax Administration units

1. Basic Information

1.1 CRIS Number: 2005/017-488.01.03

Twinning No: PL2005/IB/F1/01

1.2 Title: Improving the quality of operation of Tax Administration units
1.3 Sector: tax administration
1.4 Location: Poland

2. Objectives

2.1 Overall Objective(s):
Improving quality of operation of units of the Polish Tax Administration.

2.2 Project purpose:
To standardize operational procedures for units of the tax administration by describing them in the manuals.

2.3 Justification
Need to improve efficiency of the tax administration and providing good quality of services to the compliant taxpayer has been underlined in the “Comprehensive monitoring report on Poland’s preparations for membership” from 5th November 2003 (Chapter 10: Taxes). Trainings and organizational changes stimulated by the central level of the administration are in line with priorities set out in the “Transition facility programming” (Priority no. 4)

3. Description

3.1 Background and justification:
The Polish Tax Administration, which has joined the European Public Administration in May of this year, searches for solutions which would address the current social, political and civilisation-related transformations. The society is increasingly better informed, and its expectations and requirements of the Administration’s activity and transparency of the administrative procedures also grow. Both the general public and business environment require to have a broader share in the decision making process of the Administration at the local, regional, national and even European level. At the same time, the countries operating on the European market develop modern and flexible management methods and tools, which nowadays allow the public institutions to address these requirements. The administration processes undergo internationalisation – the process of the EU integration has transformed the Polish Administration in the natural way: by taking part in the international congresses on the administration-related sciences, its representatives have realised that the quality of work conducted by officials is an extremely important element of the work delivered within the tax administration and a sensitive issue that impacts development of the society and states. As it is known, the results of the economic activity delivered in a state, and ultimately those of the state as a whole, also depend on the quality of the Administration’s activity.

The structure of the public administration divided into segments means that the approaches to the capacity of strategic planning and policy development adopted by individual institutions vary. No standard of the Polish Tax Administration Sector’s
functioning has been imposed and made binding so far. Since November last year, there have been several tax offices which implemented the Quality Management System, and many tax offices declare their willingness to get prepared in order to follow this direction. It is known however that the effect of the Quality Management System’s functioning is undoubtedly greater than the one achieved by the functioning of individual elements by themselves. That is why selective and uncoordinated activities at the local level which do not constitute a cohesive entirety (a system) will not achieve envisaged effects, and they are insufficient to assess which complex changes should be introduced in order to improve Tax Administration’s effectiveness and efficiency. Due to the different solutions used, in practice the quality of the individual tax offices’ systems and resulting operating standards is difficult to control and evaluate at the central level. Therefore, as a result of this project all units that undergo the procedure of implementing quality standards should be more efficient in their operation as well as should be comparable in terms of structure, procedures and operation, which in turn will make it easier to exchange knowledge and transfer best practices.

The Project proposed is a follow-up of the activities concerning the models and structures developed under PHARE 2001 PL0101.04 „Modernization of Polish Tax Administration”, which with an aid of implementing the “Strategy of Modernization of the Polish Tax Administration by 2004” adopted by the Council of Ministers on 6 August 2002 and the resulting “Strategy of the Relations with Taxpayers”, which was developed last year, aimed at disseminating a new philosophy of the Polish Tax Administration Sector’s functioning. This philosophy has also covered the EU strategies and guidelines developed for the Tax Administration.

The activities conducted under the present Project will aim at compliance and effective implementation of the principles laid down and resulting from the European Code of Good Practice adopted by the European Parliament on 6 September 2001 applicable for the contacts among EU citizens and businesses and public offices. These activities shall also comply with Article 41 of the European Union Basic Rights Chart published during the Summit in Nice on 8 December 2000, which enacts the right to good administration.

The currently binding Strategy of the Relations with Taxpayers enacts the principle stating that the services offered by the tax administration should be of the quality as high as possible. Enhancing the quality of the public services is one of the main goals that result from the Strategy. The education concerning the Quality Management System and its implementation will allow to expand the Strategies and get to a higher level of detail, and the quality-related assumptions and priorities will be reflected in the new “Strategy of Modernization of the Polish Tax Administration for 2005 and 2007”, which is currently developed at the central level.

The education concerning the Quality Management System and its implementation will undoubtedly contribute to increased control of the Administration’s activities and prevention from corruption, which will be achieved by such mechanisms as documenting operational procedures. The Project goals are in line with the guidelines covered in the Complex Monitoring Report on Poland’s Preparations to the Membership of 5 November 2003, in which a need for improving efficiency and harmonized activities have been clearly indicated. Implemented standards will also support anti-corruption actions undertaken in the tax administration – which were also indicated as necessary in the report.

Activities foreseen in the project should result in improvement of the services offered to the taxpayers, especially in the clear division of responsibilities among
employees and clear flow of documents within the tax administration units. According to the system requirements access to the know-how knowledge database will be also available to all employees this way will support them in everyday tasks. For example in ISO detailed process for e.g. taxpayers services are described in the standardized instructions, information cards and Process Management Book.

Implementation of the system should also result in preparation and use of standard-layout for internal documents which are used with the unit e.g. internal instructions, letters to the taxpayers. Such a solution has many advantages: changes made to the widely used documents will be announced to all employees, in case of documents which are prepared it is easy to identify the subject and the author of the document (very important for internal and external communication), it will ensure that the procedures followed by employees of the tax administration are always up-to-date.

3.2 Linked activities:

In 2002-2004 Ministry of Finance has implemented a project Phare 2001 “Modernization of the Polish Tax Administration”. The main aim of the project was to prepare and implement strategies for developing certain standards of the taxpayers’ service and risk analysis. In the framework of this project, the following actions have been completed:

Taxpayer service strategy. The main objectives included: providing better service for taxpayers respecting the system, more efficient combating fraudsters, better fulfilling clients’ needs, facilitate development of new technologies and communication, adjusting organization and simplification of administrative procedures, uniform application of law, providing training for employees who will provide professional and properly adjusted to the taxpayers’ needs services;

Internal communication policy.

External communication policy.

Risk management strategy. The main objective was to limit general number of tax errors by efficient use of available resources available to the Polish Tax Administration.

Overall, the Phare 2001 project laid down a very good foundation for introducing comprehensive system of Quality Management in the tax administration.

From October 2004 Polish Tax Administration implements Phare 2003 project “Assistance to the Polish Tax Administration” which aims at reviewing and improving organization of the special tax offices for large taxpayers, establishing call centres and finding non-compliant taxpayers who conduct economic activity over the Internet.

3.3 Results:

- Tasks and responsibilities described and divided among employees.
- Decision-making process will be shorter and, thus faster.
- Training programmes for the tax administration elaborated
- Employees of the tax administration trained in the field of; quality management, internal audit management
- Standard and up-to-date layout for documents elaborated.

3.4 Activities:

The project should be implemented in the form of twinning contract. There should be only one Contract. The twinning partner(s) should ensure that the following activities will be performed:

- Analysis of the present situation in scope of present legal basis for operation of tax offices and tax chambers. The stage for analysis should also take into account achievements of the previous projects – e.g. Phare 2001 “Modernization of the
Polish tax administration. During the analysis phase it should be stated what areas of operations have already given a legal frame and which still need to be described.

- Training for the staff of the units involved in the project. The preliminary training should give basis for introduction of the quality management for all involved staff – that is explain the idea behind it and prepared the ground for necessary changes and improvements.
- Developing the training programme in the field of the Quality Management in the Public Administration for the top and medium level management, and in the field of the principles resulting from the Quality Management for the other staff.
- Training in the field of the internal audit management for the selected internal auditors from the selected units of the tax administration.
- Training of a group of trainers from the selected units of the tax administration in scope of quality management.
- Training in the field of the principles of documenting according to the quality standards and process management in organisations as an instrument of the system implementation for the team dealing with documentation.
- Training for the Quality Officer in the field of the Leading Auditor. The two persons should be responsible for proper implementation of the Quality standards in tax offices and tax chambers.
- Developing the Quality Management System that will include: standards, procedures and documentation for the tax administration at the regional level. Verification of the prepared documentation and procedures. All the EU requirements in the quality management field should also be taken into account.
- Conducting the pre-certification audit in scope of receiving ISO certificate and providing assistance in preparing how to apply for certification.

Actions taken in scope of project implementation require hiring Resident Twinning Advisor (RTA). The RTA will work in the framework of the project for 15 months. RTA will coordinate work of other experts on implementation of tasks listed under “Twinning”. The RTA should be fluent in English, open-minded and have social skills enabling such person to work efficiently in a team with Polish partners. The RTA should have the university degree, at least ten years of experience with tax administration of a Member State. Ideally the RTA would also have four years experience in implementing quality management systems. Alternatively the team would have to include a separate long term expert in QMS with several years of experience of implementing QMS in the context of large administrative entities, preferably in the tax and fiscal sector. The RTA should have at least general understanding of Polish tax administration.

Experts provided by the twinning partner(s) should:
At least half of experts have at least 2 year experience in implementing ISO quality management standards in the public administration.
The short-term experts should be able to advise and provide necessary training in scope the preparation of necessary documentation and implementing requirements set by ISO standards.
Short-term experts should provide expertise in implementing specific ISO requirements in the units of the tax administration.

3.5 Lessons learned:
Establishing trust and confidence in the tax system, with the aim of improving compliance, will take considerable time. Within the timeframe of the programme it is
unlikely that all of the desired reforms will be completed but the basis and models for policy making and prioritization to increase the efficiency of tax administration should be established.

In the conclusions from Phare 2001 “Modernization of the Polish Tax Administration” (PL 01010.04) there have been underlined two aspects of the Polish tax administration:

- there is a strong need for standardization between units of the tax administration;
- there is a urgent need to improve internal communication between units of the tax administration.

Within the Phare 2001 project the Polish administration has been given an overall to be taxpayer oriented. However in the long-term operation it is not possible without changing internal organization of the tax units. The present project should serve as a development of the achievements of the Phare 2001 project.

4 Institutional Framework
The beneficiary of the project is the Ministry of Finance Department of Tax Administration, tax chambers and tax offices.

Tax Administration Department is responsible for supervision over tax chambers (TCH) and tax offices (TO). Therefore the Tax Administration Department will coordinate and pilot implementation of the project on the local and regional level.

5 Detailed Budget

<table>
<thead>
<tr>
<th>Transition Facility</th>
<th>Support</th>
<th>Total TF(=I+IB)</th>
<th>National Public Funds *</th>
<th>Other Sources *</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Support</td>
<td>Institution Building</td>
<td>1.600.000</td>
<td>1.600.000</td>
<td>160.000</td>
<td>1.760.000</td>
</tr>
<tr>
<td>Contract 1</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1.600.000</td>
<td>1.600.000</td>
<td>160.000</td>
<td>1.760.000</td>
</tr>
</tbody>
</table>

(*) contributions form National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(**) private funds, FIs loans to private entities

The Polish authorities assure that the co-financing IB part of the project is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose or through the budget of the relevant Ministry.

The amount for co-financing for this project is entirely parallel co-financing. All costs for study visits outside Poland as part of the Twinning will be borne by the beneficiary country.

Calculation of budget:

The project should cover tax offices (local level) and tax chambers (regional level) of the tax administration in scope of preparation necessary materials and assistance in implementation of the prepared procedures.

In the case of Joint Co-financing, where the final overall cost is lower than foreseen in the project fiche, the National Public and Transition Facility Co-financing

Improving the quality of operation of Tax Administration units
are reduced proportionally so as to maintain the agreed rate of co-financing. In the case of Parallel Co-financing, where the final cost is lower than foreseen in the project fiche, it must be shown that the overall objectives of the project have been fully achieved.

6 Implementation Arrangements

6.1 Implementing Agency
PAO: Tadeusz Kozek, Under-secretary of State at the Office of the European Integration Committee, Al. Ujazdowskie 9, 00-918 Warsaw, phone: (+4822) 4555241, fax: (+4822) 455 52 43.
CFCU: Fundusz Współpracy, Co-operation Fund, Central Financing and Contracting Unit, Górnosłaska Street 4a, 00-444 Warsaw, Poland, phone: (+4822) 4509923, e-mail: cofund@cofund.org.pl
The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Finance.

6.2 Twinning
The project will be implemented in the form of one twinning contract.
Contact persons:
Contract 1: Jarosław Wyszyński Ministry of Finance - Tax Administration Department ul. Świętokrzyska 12, 00-916 Warsaw, phone (+4822) 6945546; fax: (+4822) 6944324, email: Jaroslaw.Wysynski@mofnet.gov.pl.

6.3 Non-standard aspects

6.4 Contracts
One contract is envisaged:
- Twinning contract. Contract value: 1.600.000€ - gross value (1.600.000 Euro Transition facility + 160 000 Euro Polish co-financing) joint co-financing.
Due to the large number of the units and employees to be trained, the twinning partner(s) should be able to provide sufficient number of experts/trainers. The twinning partner(s) should be able to give expertise about necessary changes in the processes, procedures and documentation.

7 Implementation Schedule

7.1. Start of tendering/call for proposals Q1 2006
7.2. Start of project activity Q4 2006/Q1 2007
7.3. Project Completion Q4 2008

8. Sustainability
In the Ministry of Finance there will be special unit responsible for implementation and coordination of the project. Besides, each unit involved in the project implementation will have appointed special person responsible for implementation of the project. Project implementation will not interfere with day-to-day activities of the involved units. It is planned that the results of the project – worked out procedures and documentation will allow tax chambers and tax offices to apply for Quality Management System certificates.

9. Conditionality and sequencing
Conditionality: n/a
Sequencing:
procedure for selecting a Twinning partner;
analysis of the present situation in units of the Polish tax administration;
training for staff;
preparation of procedures and documentation;
pre-certifying audit.
**Annex 1: LOGFRAME PLANNING MATRIX**

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: Improving the quality of operation of Tax Administration units</td>
<td>Contracting period expires Q4 2007</td>
</tr>
<tr>
<td></td>
<td>Disbursement period expires Q4 2008</td>
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<tr>
<td></td>
<td>Total budget 1760 000</td>
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<td>Transition Facility Budget 1 600 000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving quality of operation of units of the Polish Tax Administration.</td>
<td>All units of the tax administration will be prepared to implement quality management system or will have the system implemented.</td>
<td>Reports, statistics, survey results Evaluation reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose (Immediate Objectives)</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve efficiency of the selected units of the tax administration by increasing the knowledge of the tax administration staff</td>
<td>Developed and established benchmarks on the basis of which the efficiency will be measured Training programmes elaborated</td>
<td>Organizational charts of each unit. Procedures prepared on the basis of the „Quality books” Monitoring Reports</td>
<td>Due to introduction of new procedures and changes made to the existing ones it may be necessary to make some changes in the statutory documents of the tax offices and tax chambers.</td>
</tr>
<tr>
<td>To improve operating standards of the tax administration by increasing the knowledge of the tax administration staff</td>
<td>Procedures for each process prepared. Structure adjusted to the tasks assigned to each unit.</td>
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<tr>
<td>To improve flow of information within and between units of the tax administration.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</table>
Tasks and responsibilities described and divided between employees. Decision-making process will be shorter and, thus faster.

Training programmes for the tax administration elaborated
Employees of the tax administration trained in the field of: quality management, internal audit management
Standard and up-to-date layout for documents elaborated.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardized documents prepared in the units of the tax administration.</td>
<td>Internal statistics. Reports. Surveys. Reports prepared by the twinning partner(s)</td>
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<tr>
<td></td>
<td>Uniform objectives with regard to taxpayer services implemented in all units of the tax administration.</td>
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<tr>
<td></td>
<td>Number of the mission reports prepared by the twinning partner(s)</td>
<td>Allocation of sufficient funds for the implementation of the project.</td>
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<td></td>
<td>Number of employees trained in the tax offices and tax chambers</td>
<td>Successful implementation of the project.</td>
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<td></td>
<td>Number of training sessions led for the employees of the tax offices</td>
<td>Reluctance on the part of employees to change their working methods.</td>
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<td></td>
<td>Number of manuals of procedures concerning the management in the tax administration prepared.</td>
<td>Establishment of effective co-operation between beneficiary and a twinning partner(s).</td>
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<tr>
<td></td>
<td>Number of positively passed internal audits conducted by the twinning partner(s)</td>
<td>Conditions of the premises may not allow for implementing all necessary changes.</td>
</tr>
<tr>
<td>Twinning partner(s).</td>
<td>Reports from trainings.</td>
<td>Commitment on the part of employees.</td>
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<tr>
<td>Evaluation of the present situation in scope of legal grounds for operation of the tax offices and tax chambers.</td>
<td>Number of employees trained.</td>
<td>Twinning partner(s) interested in good co-operation.</td>
</tr>
<tr>
<td>Training for the staff of the units involved in the project.</td>
<td>Number of changes in the organizational structures.</td>
<td>Ensuring high class experts.</td>
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<tr>
<td>Developing the training programme in the field of the Quality Management in the Public Administration for the top and medium level management, and in the field of the principles resulting from the Quality Management for the other staff.</td>
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### Implementation, contracting and disbursement schedules

<table>
<thead>
<tr>
<th></th>
<th>PLANOWANE (PLANNED)</th>
<th>(Budget Allocation Cost Estimate)</th>
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<tbody>
<tr>
<td></td>
<td>II'05</td>
<td>III'05</td>
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<tr>
<td></td>
<td>I</td>
<td>II</td>
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<tr>
<td><strong>Implementation schedule</strong></td>
<td>D</td>
<td>D/C</td>
</tr>
<tr>
<td><strong>Contracting schedule</strong></td>
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<tr>
<td><strong>Disbursement schedule</strong></td>
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</tbody>
</table>

**Legenda:**
- D = (design of sub-projects)
- C = (tendering and contracting)
- I = (contract implementation and payment)