

## TWINNING PROJECT FICHE

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### 1 Basic information

**1.1 Programme:** ENPI-Annual Action Programme 2012 for the Republic of Azerbaijan

**1.2 Twinning number:** **AZ/15/ENP/FI/39**

**1.3 Title:** Support to the Ministry of Taxes of the Republic of Azerbaijan in optimal use of resources and quality service to taxpayers

**1.4 Sector:** Finance

**1.5 Beneficiary country:** Republic of Azerbaijan

### 2 Objectives

#### 2.1 Overall objective:

To increase efficiency of taxpayers-focused and in general citizen-focused service delivery by the Ministry of Taxes of the Republic of Azerbaijan.

#### 2.2 Project purpose:

To embed leading European Union practices with a view to support the identification and management of service demand and the implementation of continuous improvement

#### 2.3 Contribution to National Development Plan/Partnership and Co-operation agreement/Association agreement/Action plan

##### 2.3.1 EU-Azerbaijan agenda

The European Union (EU), its Member States and the Republic of Azerbaijan concluded a **Partnership and Co-operation Agreement** (PCA) that came into force on 1 July 1999. Under Article 43 of PCA, Azerbaijan shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community. The legal and regulatory harmonisation should help the Azerbaijani economy to reach higher levels of competitiveness.

After its enlargement in May 2004, the EU faced a new geopolitical situation and adopted the **European Neighbourhood Policy (ENP)**<sup>1</sup>, which is a new framework for the relations with its neighbours. The ENP aims to go beyond the existing Partnership and Co-operation Agreements to offer neighbouring countries the prospect of an increasingly closer relationship with the EU with the overall goal of fostering the political and economic reform processes, promoting closer economic integration as well as legal and technical approximation and sustainable development.

The central element of the ENP is a bilateral **Action Plan (AP)**<sup>2</sup> which clearly sets out policy targets and benchmarks through which progress with an individual neighbouring country can be assessed over several years.

With regard to **Taxation**, the PCA states under Article 43 that Azerbaijan shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community. Article 43.2 of the PCA specifically refers to tax legislation.

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<sup>1</sup> [http://eeas.europa.eu/enp/index\\_en.htm](http://eeas.europa.eu/enp/index_en.htm)

<sup>2</sup> <http://pao.az/en/newsfeeds/list-all-news-feed-categories/digital-library/other-related-eu-documents/74-euazerbaijan-action-plan/file>

The EU-Azerbaijan ENP Action Plan sets out a list of priorities to be pursued (Priority N°4 of the AP):

- Continue the modernization, simplification and the use of information and communication technologies by the tax administration.
- Ensure the smooth and transparent enforcement of the Tax Code also by defining all necessary administrative structures, procedures and policies, including the co-operation with the taxpayers and tax compliance, ethics policy, a fiscal control strategy, audit and investigation methods.

In particular, section 4.5.5 of the AP contains specific reference on **co-operation between Azerbaijan and the EU in the field of Taxation**, as follows:

- Continue efforts to complete the network of bilateral agreements between Azerbaijan and EU Member States on avoidance of double taxation including the improvement of transparency and the exchange of information in accordance with international standards;
- Initiate a dialogue on the principles of the EU Code of Conduct for Business Taxation with a view to ensuring fair conditions for Azerbaijan in its future process of integration into the EU internal market;
- Develop and implement a detailed strategy plan for tax management and broaden opportunities for the use of information and communication technologies;
- Develop the tax system of the Republic of Azerbaijan in compliance with general EU and international principles.

Also, **the European Commission Country Report<sup>3</sup>** assessing progress made in implementing the EU-Azerbaijan ENP Action Plan in 2013, states the followings:

- The amended Tax Code, developed with the support of an EU project, introduced measures to stimulate the increased use of cashless payment operations and new requirements for electronic reporting.
- Further efforts are needed to diversify the economy, including the development of human capital and the establishment of a business-friendly environment.

The EU-Azerbaijan ENP Action Plan also indicated co-operation tools, like Twinning, the Technical Assistance and Information Exchange Instrument (TAIEX) and the Support for Improvement in Governance and Management (SIGMA) initiative, which play an essential role in the achievement of the Action Plan priorities. In particular, the Twinning instrument, which provides for direct co-operation between EU and Azerbaijani public bodies to support institution building activities, has proved to be particularly efficient in policy areas where the expertise required by the beneficiary country exists mainly in the public sector.

### **2.3.2 Governmental policy and strategy**

#### **2.3.2.1 Legislation and strategic documents related to the project**

The main relevant documents are:

##### **2.3.2.1.1 The Tax Code of the Republic of Azerbaijan**

The **Tax Code of the Republic of Azerbaijan<sup>4</sup>** (approved by the Law No.905-IQ of the Azerbaijan Republic from 11 July, 2000) establishes the tax system of the Republic of Azerbaijan, general principles of taxation, rules for determining, payment and collection of taxes, the rights and responsibilities of taxpayers and State tax authorities, as well as other parties to taxation procedures, tax control forms and methods, liability for tax law violations and the procedures for lodging complaints against unlawful actions (failure to take actions) committed by tax agencies and officials thereof.

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<sup>3</sup> <http://www.enpi-info.eu/library/content/azerbaijan-enp-progress-report-2013>

<sup>4</sup> [http://www.taxes.gov.az/uploads/qanun/2015/vergi\\_mecellesi\\_eng.pdf](http://www.taxes.gov.az/uploads/qanun/2015/vergi_mecellesi_eng.pdf)

**Responsibilities of the tax authorities in terms of service provision to taxpayer community** are stipulated under the Article 24 (Responsibilities of State Tax Authorities):

- provide the taxpayers with free information either via mass media or individually on tax legislation and amendments to it, to explain the procedure for fulfilment of report applications, to give explanations on calculation and payment of taxes, to explain to taxpayers their rights and responsibilities;
- register taxpayers, their affiliates, representations, or other subdivisions (objects), as well as cash registers;
- perform state registration and maintain state register of commercial legal entities and provide to relevant executive authorities the related information (except for the data on the founders (participants) of legal entities and their shares in the share capital) within procedures and terms stipulated under legislation.
- in accordance with provisions of this Code and legislation, preserve the confidentiality of information concerning taxpayers, including the tax and commercial confidentiality.

#### 2.3.2.1.2 Common Standards of the Services to the Taxpayers

The tax authorities have aligned their customer service delivery processes with the **Common Standards of the Services to the Taxpayers**<sup>5</sup> which cover all services provided to taxpayers by the Ministry of Taxes and its subordinate structures (tax authorities), their registry and criteria for their provision, common norms and requirements on the areas where those services provided.

#### 2.3.2.1.3 Regulations of reception and organisation of services to taxpayers in the service centres

**The regulations of reception and organisation of services to taxpayers in the service centres** define the requirements to the taxpayers service centres, service organisation procedures, delivered services, training of the service centres representatives and requirements for them, analysis and evaluation criteria, assessment of the taxpayers service centres overall performance, delivered services and representatives as well as the reception and service delivery process to taxpayers (all applied citizens).

#### 2.3.2.1.4 Regulations of Call Centre performance in state agencies

**The regulations of Call Centre performance in state agencies (approved by the Decision of the Cabinet of Ministers №50 of 25<sup>th</sup> of February 2015)** seek to establish a whole-of-government approach to call centres and set out the common requirements to the operations of call centres, telephone inquiry services, hot lines, trust lines and other telephone services currently offered by governmental bodies in order to increase the performance efficiency of their call centres and provide quality service to citizens.

#### 2.3.2.1.5 Regulations for using service channels in the taxpayers service structures (Draft)

**The regulations for using service channels in taxpayers service structures** seek to regulate the procedures used for the service channels in the taxpayers service structures (excluding the service centres), their analysis and evaluation criteria. The regulations aim at effective organisation of the public awareness campaign for the taxpayers (and the population in general) on tax legislation (administration) as well as efficient use of the resources allocated for these purposes.

#### 2.3.2.1.6 State Programmes

The reforms in the field of the proposed project are stated in:

- Development concept “Azerbaijan - 2020: Outlook for the Future”,
- “Tax System Development Strategy for 2013-2020” adopted by Order of the Minister of Taxes on 19 March 2013,

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<sup>5</sup> <http://www.taxes.gov.az/modul.php?name=qanun&news=68>

- “Conception on Improvement of Services Rendered to Taxpayers by Tax Authorities (2011-2015)” approved by Order of the Minister of Taxes on 6 January 2011.

**a) Azerbaijan - 2020: Outlook for the Future**

Improvement of the taxation in general is foreseen under the Article 4 (Towards an economy with high competitive power) of the Development concept “Azerbaijan - 2020: Outlook for the Future”.

It is stated, inter-alia:

*“...In order to increase the competitiveness of the economic system even further, the passive taxation policy will gradually transform into an active taxation policy, while the measures to be carried out to improve tax rates will help create a favourable environment for business activity.*

*Along with that, the measures that will be taken to optimize the structure of tax rates and mandatory state social insurance fees (the parts paid by employers and insured parties) will help create favourable conditions for business activity...”*

With reference to the implementation and expansion of information technologies in taxpayer service area, Article 6 (The development of information and communication technologies and ensuring transition to an information society) of the Concept 2020 includes the following main objectives:

*“...The ensuring of transition to an information society, the establishment of an economy based on knowledge with the development of ICT, the expansion of the use of ICT in state and local government bodies, the development of electronic services, the development of the activities of the National Centre for Electronic Security, fully meeting society’s demand for information products and services and the strengthening of competitive and export-oriented ICT potential are priority tasks within the framework of the Concept....”*

**b) Tax System Development Strategy for 2013-2020**

The “Tax System Development Strategy for 2013-2020” was adopted by Order of the Minister of Taxes No. 1317040100175800 on 19 March 2013.

The key priorities of the Strategy are:

- Formation of a modern and perfect tax system which meets international standards in order to achieve the goals of economic development of Azerbaijan;
- Formation of tax policies that encourage the development of non-oil sector, the growth of tax revenues, the development of an innovation-oriented economy and strength of the export capacity of the non-oil sector;
- Creation of qualitatively new principles of cooperation based on the principles of partnership between the tax authorities and taxpayers;
- Achievement of enhancement of the tax culture of the people and habits of paying taxes as the norm in society.

The Strategy consists of 22 objectives and 86 measures including improvement of efficiency of tax administration, compliance with the tax legislation to the European Union laws and the requirements of the World Trade Organization, creation of institutions of tax ombudsman and private tax consultants, expansion of co-operation with public organizations of employers, etc. The Tax System Development Strategy has a particular focus on improving the system of services rendered to taxpayers, improving tax culture, implementing measures of awareness-raising among different groups of taxpayers through analysis of their tax compliance level.

**c) Conception on Improvement of Services Rendered to Taxpayers by Tax Authorities (2011-2015)**

“The Conception on Improvement of Services Rendered to Taxpayers by Tax Authorities (2011-2015)” was approved by Order of the Minister of Taxes No. 1117040100006900 on 6 January 2011. The Conception focuses on developing voluntary tax compliance by means of enhanced partnership and co-operation with taxpayers, expanding the coverage area of services and increasing the quality and application of modern information technologies. The improvement of service delivery to taxpayers aims at the following:

- Enlargement of application of electronic services, giving mass character the use of e-services;
- Improvement of tax declarations, simplification of their compilation;
- Simplification of tax payment process, application of electronic payments;
- Organization of periodic measures for timely payment of taxes and preventing the increase of tax debts;
- Improvement of tax appeal system;
- Improvement of forms and methods of taxpayer service;
- Improvement of professional level of employees working in the sphere of taxpayer service.

The Ministry of Taxes has been committed to addressing the above mentioned service development priorities of the Conception through a range of targeted activities designed under the Action Plan on Development of Taxpayer Service Sphere for 2011-2015 to make it easier for taxpayers to understand and comply with their tax obligations.

### 2.3.2.2 International Conventions and Agreements

The Ministry of Taxes has been working hard to create an expansive network of treaties and tax information exchange agreements. As of 1 January 2015, the Republic of Azerbaijan was party to **43 international agreements for the avoidance of double taxation**<sup>6</sup>. By expanding information sharing and international co-operation, the Ministry of Taxes is significantly improving its ability to identify, address and stop aggressive international tax avoidance and evasion. The Ministry of Taxes has also adopted **Regulations for Administration of International Agreements for the Avoidance of Double Taxation concluded between the Republic of Azerbaijan and other States**<sup>7</sup> which determine the rules of implementation of the international agreements of the Republic of Azerbaijan for the avoidance of double taxation with respect to taxes on income and on capital.

The Ministry of Taxes also plays an important and contributing role in many international and regional organisations (International Finance Corporation, Intra-European Organisation of Tax Administrations, Co-ordinating Council of the Heads of Tax Services of CIS States, Co-ordinating Council of Heads of Tax – financial - Investigation Bodies of the CIS States as well as in various forums, including the European Commerce Registers' Forum).

The Ministry of Taxes continues to work closely with the World Bank, International Monetary Fund and OECD to improve the efficiency of the tax administration and to enhance technical capabilities for the improvement of the tax system, ensuring the competitiveness of the tax system and administration and, to increase the voluntary tax compliance and promote a tax-paying culture in the Republic of Azerbaijan.

## 3 Description of the project

### 3.1 Background and justification

#### 3.1.1 Current situation in the tax system of Azerbaijan

The way the Ministry of Taxes serves citizen in Azerbaijan is changing. The main focus of the reforms implemented in the tax system during the recent years has been modernization of tax administration processes,

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<sup>6</sup> <http://www.taxes.gov.az/modul.php?name=beynelxalq&cat=54>

<sup>7</sup> <http://www.taxes.gov.az/modul.php?name=beynelxalq&cat=12>

optimisation of tax burden and tax rates to build the adequate and flexible taxation system compliant with the changing and rapidly growing volume of economy in the country.

The Ministry of Taxes continues to adapt business processes and strengthen its services to keep pace with rapid advances in information and communication technologies so taxpayers are provided with easier access to clear, accurate information and receive a prompt support they need to meet their tax obligations.

As a result of its constant focus on improvement of service level and of ensuring services are available through many different channels allowing taxpayers to comply with their tax obligations, the Ministry of Taxes has implemented a number of significant measures, including the following:

- After the establishment of the Main Department of Taxpayer Services and its territorial tax departments in 2002, the network of taxpayer service centres and their functions (co-ordination, information, registration, SMS service on CCM's, debts, payments, etc.) has been expanding to increase the quality of services and make sure that the population has full access to all tax-related services. Each taxpayer service centre has been equipped with standard modern technologies for queue management, customer registration, voice recording, video monitoring and conducting customer surveys, allowing the service centre agents to deliver accurate and timely taxpayer and business assistance. A unified taxpayer service centre has been opened in the Baku city. In addition to the 54 existing taxpayer service centres, 10 new taxpayer service centres are going to be set up in Azerbaijan, of which 2 are already constructed. Furthermore, the Ministry of Taxes has adopted Rules on receiving customers and organisation of service in taxpayer service centres.
- The "195" call centre of the Ministry of Taxes was launched in December 2003, covering Baku city and, from May 2006 the whole territory of Azerbaijan, enables users from all over the country, including clients of mobile operators, to receive information and/or to clarify any questionable issues regarding the implementation of tax legislation. It also accepts appeals about violations of tax legislation or illegal actions (inaction) of tax authority employees. In September 2011 the Call Centre was awarded "EN-15838 Quality Standards" by the "Austrian Standards Plus".
- As a first step towards building a Customer Relationship Management System, a Taxpayer relationship registration and management module has been created within the Automated Tax Information System (AVIS), making it possible for the representatives of the Call Centre and the Taxpayer Service Centres to get detailed information about all the customer applications made with a Taxpayer Identification Number or a Personal Identification Number.
- Given the functions and experience of the Call Centre Service "195" of the Ministry of Taxes, a whole-of-government call centre of 7 state agencies (the Ministry of Taxes, the Ministry of Economy and Industry, the Ministry of Finance, the Ministry of Justice, the Ministry of Labour and Social Protection of Population, the State Customs Committee and the State Social Protection Fund) integrating the analogous call centres, was established for the purpose of providing to entrepreneurs and citizens information from one sole source, without time loss, on business registration, licensing, accounting, taxes, dues, customs registration, social and other obligatory payments, labour legislation, social protection, pension provision, etc.
- The official website of the Ministry of Taxes<sup>8</sup> was created in 2002. In 2013 the number of visitors on the website was over 3.4 million (21 times since 2004). Over the same period the number of enquiries to the Question-Answer section jumped up to 1572.
- After the launch of the Automated Tax Information System (AVIS) in 2006, the Ministry of Taxes successfully started provision of electronic services to the taxpayers through the official website. Currently, there are 58 types of e-services.
- The Internet Tax Department portal, launched by the Ministry of Taxes in 2007, has become one of the largest governmental portals currently receiving on average 90 percent of the declarations submitted by

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<sup>8</sup> [www.taxes.gov.az](http://www.taxes.gov.az)



the taxpayers in electronic format. Along with the application of e-declaration, the VAT deposit account and the e-exchange with banks, the application of electronic invoices are also carried out since 2010 via the Internet Tax Department. A personal electronic mail box was created for every registered taxpayer to obtain any document of informational nature related to the taxation system. In addition, a personalised tax calendar has been recently created; a pilot testing currently undergoes for the Internet Tax Department portal notifying the taxpayers, who use the electronic services, about deadlines of outstanding and future liabilities, deadlines of operations and other relevant information.

- Since 2013, *Asan Imza* (mobile ID) is the service provided by the Ministry of Taxes, the ASAN service centres and the mobile operators for the authentication of electronic services users, e-signing of documents and identification of signer. This service, supporting all existing computer operating systems and mobile devices, is tightly integrated into the AVIS and gives the possibility of online tax registration for physical persons and legal entity, of VAT registration, etc. The representatives of the Call Centre also provide assistance to the customers in conducting transactions under ASAN signature.
- The outreach efforts of the Ministry of Taxes has been continued with a focus on educating and assisting taxpayers located in the villages and towns, where there are no regional tax offices and taxpayer service centres, so they can meet their tax obligations and be informed about the application of tax laws and the tax administration. Uniform service standards have been adopted for outreach activities to increase the quality of such services to taxpayers.

### **3.1.2 Challenges (direct and indirect) to be addressed**

The Ministry of Taxes communicates tax information and offers multiple services to taxpayers through various service channels (call centres, service centres, registration of business activity, website, electronic services, etc.) allowing taxpayers to choose how and where to get the information they need.

Despite having implemented a large number of channels to make the services more available to the taxpayer community, the tax authorities continue to receive many calls through other channels. This is costly, time-consuming and labour intensive.

The provision of tax services by different structures causes duplication of services and even a dual attitude and approach. This leads to an incorrect perception among the taxpayers, increases the administrative burdens and challenges the allocation of limited resources to meet the service objectives as well as to meet the citizen or business expectations for good service delivery and reduced compliance costs.

#### ***Need for a holistic focus on improvement of work processes***

Some consolidation of functions and processes in the taxpayer service delivery is desirable, particularly where the current service management arrangements make it harder to gain efficiency on the results and to deliver better performance. Opportunities to rationalise allocation or to consolidate functions (such as managing e-services, outbound calls for tax debtors, etc.) across structural units at central and local levels should be considered and should avoid major disestablishment of existing entities or wholesale restructuring.

Practical difficulties of the kind outlined create a demand for the Ministry's services in an environment where there are community expectations that good standards of service will be provided whenever and wherever they are needed. For its part, the Ministry of Taxes is challenged to allocate its limited resources across all of its tax administration responsibilities in order to optimise its performance in an overall sense.

The Tax authorities have made substantial attempts with the application of single taxpayer service standards for the activities of the call centre and the service centres. However, improvement of working processes, smart and effective working processes, collective demands regarding quality of service delivery across all service channels need to be further addressed through the support of the EU Twinning to ensure that the service improvement aligns with the Ministry's strategic direction, principles and service standards.

A strive to enhance customer service leading to sustained organizational success requires a supporting organizational culture. The current approaches in performance improvement and change management differ somewhat, leading some to question their compatibility. But by understanding the fundamental principles of continuous improvement, a tailored methodology, process and governance structure as well as build-in knowledge and skills of staff, can be powerful means to enhance the customer satisfaction while managing the costs. Continuous process improvement will provide the Ministry of Taxes with a structured approach for analysing how they are currently doing work and how they can improve their processes to do the job more efficiently and effectively on an ongoing basis. Adoption of a continuous improvement programme in taxpayer services will ensure a holistic focus on both the improvement of the work processes, of strengthening the managers' ability to implement improvements and of managing the services as well as ensuring a culture where employees are heavily involved in improvement efforts.

The Ministry of Taxes would also need to develop a new strategy for enhancing the taxpayer service delivery that explains how its ongoing and new efforts fit together. While the Ministry's efforts to date have already benefited the taxpayers and hold the promise of additional benefits in the future, a Taxpayer Service Development Strategy (2017-2020) and an Activity Plan could help senior management to have a common understanding of the Ministry's plans, and better assist the government in understanding what is being asked to fund and what is holding the Ministry of Taxes accountable for progress. The Action Plan should describe what is needed to carry out the Taxpayer Service Development Strategy including resource needs and milestones over the long term. It should include information on benefits and costs of customer service improvement investments in their strategic plans to ensure the senior managers of the Ministry to have the most relevant available information on which to base critical investment decisions. Linking service development investments to the strategic plan should help to align activities, core processes, and resources to support the Ministry's mission.

### ***Framework for managing service demand***

Historically and traditionally, the interactions between the taxpayers and the tax authorities in Azerbaijan have been made mostly face-to-face and supported by a growing network of service centres (54 service centres) to facilitate personal inquiries. Particularly over the last decade or so, significant efforts and investments have also been made to develop a dedicated modern call centre supported by sophisticated telephony equipment and available for delivering services to taxpayers 24/7 with a volume of calls handled since 2004 increasing 4 times and reaching 190 823 in 2014. A major technological advances and ICT developments have led to the emergence of electronic channels - the Internet. There are nearly sixty different static and interactive online services made available for users to fulfil their tax obligations on the official website of the Ministry of Taxes. Along with the official website, the Ministry of Taxes has a Facebook page (since 2011), a Twitter (since 2012) and a YouTube channel (since 2012), by means of which some awareness-raising work is done. Currently, the Ministry's Facebook page has over 33088 subscribers, its Twitter has 584 followers and its YouTube channel has over 83 944 views.

While generally showing a great commitment and efforts to increasing the range of services across all channels, the Ministry of Taxes in most cases collects limited data to understand the reasons why the taxpayers contact them using different service channels, i.e. types of services sought through different channels. Obviously, lack of service demand management processes makes the service delivery costly, less effective and has a negative impact on the level of voluntary compliance.

Adoption of a methodology for measuring the service demand will significantly assist the Ministry of Taxes in systematically measuring and analysing the service demand, determining the root causes of the taxpayer service demand and introducing changes to business processes to reduce, shift and better manage this demand. An organisational approach to responding to demand pressures is also considered necessary because the root



cause or drivers of the demand for services is often created by a different area of the Ministry than the one responding to the demand. As a consequence it is important to have a „whole of Ministry“ approach to reduce or eliminate the demand and to prioritise changes to services.

### ***Creating an integral taxpayer service performance measurement system***

One of the main objectives of the Ministry of Taxes is the optimal allocation of resources, particularly human resources by a comparative evaluation of the service channels and the service outcomes. Within the last 3 years, the Ministry of Taxes has started to track additional performance metrics mostly with regard to the level of service provided by the call centre and the service centres. Currently it applies a minimum baseline set of performance and customer satisfaction measures for the call centre and the service centres. The main targets of the call centre are the following: 1) The “Service level” has to be over 80%, which means the percentage of calls answered within 30 seconds must be over 80%; 2) The percentage of answered calls must be over than 90%, which means that 90% of all incoming calls must be answered; 3) The Abandoned calls, which waited over 10 seconds, should make up less than 5%, i.e. the share of all incoming calls waiting for over 10 seconds and being abandoned must be under 5%; 4) The First Call Resolution must be over 75%, i.e. 75% of all questions addressed must be sorted out at the first contact; 5) The Level of service satisfaction must be over 85%. The target for face-to-face service is to serve 60% of visitors in maximum 10 minutes.

Because the official website of the Ministry of Taxes is highly used and being continuously enhanced with additional online services to improve the taxpayer service and compliance, it is important to develop a full set of performance metrics measuring performance of all services, including electronic and online ones. Without an integral taxpayer service measurement system in place, the senior management of the Ministry will not have a complete picture of the extent to which the taxpayers’ needs are being met and will lack information useful for making decisions about improvements needed in the service delivery.

The new integrated performance measurement system would provide the capability to the Ministry of Taxes to obtain a more comprehensive view of how well services and information are delivered through different channels and to prioritize improvements.

### ***Building data analytics support tools for enhanced service provision***

An important element in monitoring and developing an understanding of service demand is proper data and information management, which is necessary to build a comprehensive view of the taxpayer. Collection of data about services sought by the taxpayers via different service channels and putting that data in use can support initiatives to increase the use of self-service and target service demand.

The Tax authorities appear to have some, albeit limited, evidence-based knowledge of the type of services that taxpayers seek via different service channels, or to collect data to support informed understanding of what shapes their taxpayers’ channel preferences, particularly in relation to the online channel.

Data analytics tools can assist in joining up insight across all channels to develop a taxpayer view that in turn can help the Ministry to build a comprehensive understanding about why and how taxpayers use and interact with them using different channels. By using these tools, the Ministry can evolve its service offers to meet their service demand more effectively. The development of the data analytics capabilities of the Ministry of Taxes would ensure achievement of higher efficiency gained from opportunities presented by the increased volume of digital data available and its potential to inform and enhance the services provided to the taxpayers across all channels.

In the course of the Twinning project, the Ministry of Taxes should learn what is working in the tax administrations of the European Union member states and apply these leading practices to deliver services better, faster, and cheaper, including improvements to the existing customer service tools. Learning from the

EU tax administrations' experiences about their strategy for implementing continuous improvement and service demand management and performance measurement should help the Ministry of Taxes to improve its own services as well as to prioritize its future projects by identifying which tools are providing the taxpayers with the most benefit.

## 3.2 Linked activities

### 3.2.1 Other related EU activities

- The Ministry of Taxes was the beneficiary of a TACIS project “**Modernization of the Tax System**” which was carried out in 2004-2005. The project with a budget of € 1.5m was aimed at developing information support for taxpayers (existing Tax Code and its explanatory notes in English and Azerbaijani). It included a training component and the purchase of optic fiber communication equipment for tax offices in Baku (€ 100 000).
- As regards developing efficiency of tax audit techniques and reducing tax evasions risks, an assistance was provided by the Dutch Tax and Customs Administration under the two-year EU Twinning project “**Support to the Ministry of Taxes of the Republic of Azerbaijan in the field of Computer Assisted Audit system**”. The project was successfully completed in May 2013 resulting in the development of a legal basis for e-audit, in building an e-audit system, which meets the EU best practice standards, with the establishment of an e-audit database, the elaboration of an e-audit methodology and a methodological documentation with training of auditors on the application of the e-audit methodology, etc.
- In March 2014, a four-day expert mission on **Development of a Performance Measurement System** was carried out by the Ministry of Finance of Austria in the framework of TAIEX. The mission offered an insight into the performance measurement system in Austria, including its main elements and management approach, as well as prepared proposals on further improvements in the field of performance measurement at the Ministry of Taxes of Azerbaijan.
- Starting from September 2014, the EU Twinning project “**Support to the Ministry of Taxes of the Republic of Azerbaijan in Human Resources Development**” is being implemented by the Spanish Institute for Fiscal Studies/IEF in consortium with the French Public Finance General Directorate. In the period of 2 years the Project will draft the Human Resources Development Strategy and Development Plan along with the set of normative guidelines and procedures manuals which will play a regulatory role to ensure development and effective management of human resources at the Ministry of Taxes. In addition, a sustainable education and multi-stage training system will be designed in accordance with the EU experience and latest information technologies in order to increase the level of professionalism of the staff.

### 3.2.2 Related international initiatives

- From 2003 to 2008 the Ministry of Taxes hosted a resident technical assistance mission from the US Treasury which provided support in the field of internal audit, strategy planning and management, HR training and audit methodology improvement.
- The Ministry of Taxes was also the beneficiary of short term missions from IMF experts. In 2005 the IMF missions provided assistance in strengthening the system of VAT administration. In 2008 an expert of the IMF on tax compliance carried out two short-term missions, preparing recommendations for the Tax Administration Reform Strategy for 2009-2012 as well as proposals for the introduction of a computerised audit system.

## 3.3 Results

The Twinning aims at increasing the efficiency of services provided to the taxpayer community opening up new opportunities for the Ministry of Taxes to deliver services better, faster and cheaper by drawing on European leading practices and experiences.

The project is designed with an emphasis on implementing continuous improvement approach and adopting a framework for the service demand management (methodology, techniques, governance mechanisms and structures) to streamline the taxpayer service processes, optimise the use of the resources and achieve the highest levels of efficiency and performance for the tax authorities. It will improve their ability to consistently monitor, measure, analyse and report on the effectiveness of the service centres, Call Centre, web, mobile, social media and other service channels, as well as to evaluate the usage of the service channels. It will also contribute to elaborating a Taxpayer Service Development Strategy and Activity Plan.

The project will have **four main components**:

**I. Continuous Improvement Programme in Taxpayer Service Processes**

**II. Identification and Management of Service Demand**

**III. Identification of KPI's of Taxpayer Service and improvement of existing**

**IV. Setting up the Data Analytics Support Tools for Enhanced Service Provision across all Channels based on the best methodologies**

**Five mandatory results** have been identified for the Twinning project, as follows:

**Component I: Continuous Improvement Programme in Taxpayer Service Processes**

**Result 1: Continuous improvement programme covering the methodological approach, relevant tools, techniques and appropriate governance arrangements developed for streamlining taxpayer service processes**

The concepts, methods and tools of a continuous improvement will be introduced to the staff responsible for the organisation and delivery of the taxpayer services at different levels (central and local) of the Ministry of Taxes. The continuous improvement methodology will be developed for the taxpayer service processes and tailored for its use within the Ministry of Taxes using tried and tested continuous improvement tools and techniques as a basis and taking into account its organisation, its culture and its ways of working. Governance arrangements (structure, procedures and responsibilities) will be put in place to enable the Ministry of Taxes to organise and manage taxpayer service process improvement events and continuous improvement projects in a consistent way throughout its organisation. The staff skills & competencies required for a practical application of the adopted continuous improvement methodology and techniques will be substantially improved. The Taxpayer Service Development Strategy (2017-2020) and the Activity Plan will be developed and include information on the goals, deliverables, benefits and costs of the customer service improvements by the Ministry of Taxes.

**Key output indicators:**

**Methodology**

- Preferably 2 different continuous improvement methods and tools presented
- Workshops and/or consultations organised with the Beneficiary to select the most suitable continuous improvement methodology and tools for streamlining the taxpayer service processes
- Continuous improvement methodology tailored for business processes in the taxpayer service area developed and accepted by beneficiary
- Study visits organised to EU Member States on the practical application of continuous improvement methods and tools in the taxpayer service processes

#### Governance

- Draft description of roles and responsibilities, accountability and working relation principles of proposed governance structures, including Business Process Improvement Steering Committee, Continuous Improvement Programme Administrator, Business Process Improvement Managers, Team Leaders, Business Improvement Teams, etc. to be incorporated into the continuous improvement programme for the taxpayer services, accepted by beneficiary

#### Training

- At least 10 staff members from different levels of the taxpayer service area of the Ministry of Taxes completed the training prepared by the project and qualified to apply the continuous improvement methodology and tools for the taxpayer service processes

#### Strategy

- Workshops organised for formulating goals, deliverables, terms, benefits and costs of customer service improvements
- The Taxpayer Service Development Strategy (2017-2020) and the Activity Plan for enhancing the taxpayer service delivery developed and accepted by beneficiary

### **Result 2: Pilot project is conducted in accordance with the adopted continuous improvement methodology and appropriate tools**

A pilot project based on the identified real problem that is relevant to the taxpayer service process will be carried out according to the adopted continuous improvement methodology and appropriate tools. The pilot with the business improvement team will be an 'enabling' assignment to try and test the adopted continuous improvement methodology and techniques as a basis for underpinning changes to the working practices of the taxpayer service area to ensure consistent ways of working throughout the Ministry of Taxes. During this pilot the consultants of the Twinning Partner will act as coaches, mentors and trainers to up-skill the business improvement team with the adapted continuous improvement methodology and techniques. The results of the pilot project will be described in a Quality Report. As a result of this pilot project, the business improvement team will be equipped to operate as an effective internal business improvement consultancy within the Ministry of Taxes.

#### **Key output indicators:**

##### Preparation for testing

- Business Improvement Team created: team of about 6 to 12 members consisting of an experienced facilitator, at least one representative from each unit/division of taxpayer service department, representatives of service centres who understand how the taxpayer service process currently operates, one or more managers who understand the context within which the service operates, including organisational, financial, legal, environmental and political contexts

##### Testing

- Improvement plan which includes performance review measures, schedule for execution, means requested, kind of support needed from top management, consequences of introducing the improvement process, etc., formulated and executed
- Proposed potential solutions for the problematic taxpayer service process area tested and experiments conducted by the business improvement team using the adopted continuous improvement methods and techniques
- Quality of the results of the pilot project assessed, particularly performance of each member of the Business Improvement Team against the adopted continuous improvement methodology and supporting tools

##### Evaluation of testing

- Quality Report produced evaluating the results of the improvement actions undertaken in the course of the pilot project, the extent to which the improvement objectives have been realised applying relevant continuous improvement methodology and tools as well as the lessons learnt from the pilot project run
- Practical Guide developed for the business improvement teams (process owners/navigators, coaches/mentors, managers) on how the adopted methodology and techniques can be effectively used to conduct systematic process improvement events and continuous improvement projects at the Ministry of Taxes

## **Component II: Identification and Management of Service Demand**

### **Result 3: Framework for managing taxpayer service demand developed to optimise resource allocation, meet taxpayers' expectations of good service delivery and reduce compliance costs**

Gaps in the existing taxpayer service channel management approach will be analysed and impact of introducing a service demand management framework to the current planning, organising and evaluating service delivery practices will be assessed. The development of an end-to-end service demand management process will improve the capacity of the Ministry of Taxes to identify the reasons why taxpayers contact the tax authorities, to determine and implement actions to mitigate or reduce the service demand as well as continually monitor and evaluate the change made in the taxpayer service delivery. Adoption of a methodology for measuring the service demand will significantly assist the Ministry of Taxes in systematically measuring and analysing the service demand, determining the root causes of the taxpayer service demand and introducing changes to business processes to reduce, shift and better manage this demand. Suitable, workable governance arrangements, including structure, roles and responsibilities of the decision making and decisions implementing bodies, organisational accountabilities, required to manage the process findings and evaluate the results of demand mitigation action plans will be developed and presented for acceptance to the Beneficiary. Customer segmentation principles and a set of criteria for classifying contacts will be elaborated in order to define and size the customer segments and the reasons for their engagement with the tax authorities, to assign appropriate channels for each segment, to distinguish customer „needs“ from „wants“ and to ultimately manage the demand for services.

#### **Key output indicators:**

##### Review

- Requirements for establishing a service demand management framework at the level of processes, structures, personnel competencies and information systems' support, defined

##### Performance measurement

- Two examples of EU Member States leading demand management processes and governance structures that would guide the Ministry of Taxes to the adoption of a service demand management framework, presented
- Methodology for measuring service demand developed
- Study visits organised to EU Member States with a view of understanding and considering service demand management approaches that can be applied in the Ministry of Taxes

##### Governance

- A specific governance structure consisting of a Strategic Taxpayer Services Committee and an Operational Taxpayer Services Committee proposed and accepted by the beneficiary
- End-to-end service demand management process developed outlining concrete phases and steps that tax authorities may need to take for measuring, managing and eliminating unnecessary service demand
- Service Demand Management Guide for the staff responsible for an end-to-end organisation and management of the taxpayer service processes developed



### Modelling

- Models for a customer segmentation and contact classification including the criteria to be used for specifying the customer groupings and defining the reasons for their engagement with the tax authorities accepted by the beneficiary

## **Component III: Identification of KPI's of Taxpayer Service and improvement of existing**

### **Result 4: An integrated set of taxpayer service performance measures developed to consistently monitor measure, analyse and report on the effectiveness of all service channels (service centres, call centre, web, mobile, social media and other service channels), as well as to evaluate the usage of the service channels**

The integrated set of the taxpayer service performance measures will provide the Ministry of Taxes with the capability to obtain a more comprehensive view of how well services and information are delivered through the different service channels and to prioritize improvements. Performance targets and key performance indicators applied in the existing services (service level, service quality, service compatibility, percentage of service users, percentage of full benefit from the first-time applying, accuracy of forecasts and etc.) rendered to taxpayers will be reviewed to identify whether their performance metrics accurately reflect the benefits. Performance targets and key performance indicators on the use of the electronic services will be defined and integrated into a full set of taxpayer service performance measurements. A detailed Methodology for measuring performance of online services will be developed, including formulas, templates and questionnaires to ensure that the right information about effectiveness and efficiency of the electronic service delivery is collected and reported. The capabilities, skills and knowledge of the staff responsible for the taxpayer service measures at operational level as well as those aligning operational measures with the strategic measures will be significantly improved through training and guidance, making sure that they understand the embed changes and that they apply these measures to their work. A cross-channel performance measurement pilot testing the integrated set of the taxpayer service performance measurements will be completed. The results will be described in a Quality Report.

### **Key output indicators:**

#### Review

- Report with recommendations proposing changes in/amendments to the existing performance targets, metrics and indicators
- Report with recommendations on how to achieve the above proposed goals: which existing measures could be included in the complete final set of taxpayer service performance measurements

#### Performance measurement

- Two examples of EU Member States leading practices in measuring the taxpayer service delivery and outcomes, with particular focus on performance measures and indicators for electronic services, presented
- Methodology for measuring performance of online services, including formulas, templates and questionnaires, developed and accepted by the beneficiary
- Study visits organised to EU Member States with a view of understanding and considering online service measurements that can be embedded into the integrated set of the taxpayer service performance measures
- New integrated set of taxpayer service performance measurements for the service centres, Call Centre, web, mobile, social media and other service channels developed and accepted by beneficiary

#### Training

- At least 10 officials from the Ministry of Taxes trained in applying the integrated set of taxpayer service performance measurements

#### Testing

- Reliability of data and efficient data collection according to the established set of taxpayer service performance measurements tested

#### Evaluation of testing

- Quality Report of the cross-channel performance measurement pilot, including the quality of the data collected according to the new integrated set of taxpayer service performance measurements, finalised

### **Component IV: Setting up the Data Analytics Support Tools for Enhanced Service Provision across all Channels based on the best methodologies**

#### **Result 5: Technical requirements prepared for developing data analytics support tools that will use the existing databases and information systems to monitor the direct effects of the service actions on the taxpayers' compliance behaviour**

In general, the taxpayer behaviour across all service channels can provide valuable insights and data about why and how taxpayers use each channel. Data analytics can assist in joining up this insight across all channels to develop a taxpayer view that in turn can help the Ministry of Taxes to build a comprehensive understanding about why and how the taxpayers use and interact with them using different channels. Using these insights, the Ministry can evolve its service offers to meet the taxpayer service demand more effectively.

#### **Key output indicators:**

##### Knowledge transfer

- Workshops organised for presenting examples of EU Member States leading practices in applying data analytics tools to analyse information about interactions between the taxpayers and the tax authorities using different service channels
- Study visits organised to EU Member States with a view of understanding and considering practical application data analytics that can provide a better understanding of customer behaviour and analyse service content automatically to provide insight into why the customers interacted with the tax administration.

##### Technical requirements

- Guideline prepared for further development and improvement of data collection and analysis tools across all service channels that could be used for identification of the root cause and drivers of the service demand
- Technical requirements for developing data analytics support tools on the basis of the existing databases and information systems in order to monitor the direct effects of the service actions on the taxpayers' compliance behaviour accepted by beneficiary

While drafting the work plan for this project, the twinning partners (Ministry of Taxes and the selected Member State(s)) will set up measurable indicators, and benchmarks on the basis of those given above and in the logical framework (Annexe 1) and the commonly agreed activities and outputs. They will also identify assumptions and risks.

### **3.4 Activities**

The activities listed below are indicative.

The Twinning partner may propose and agree with the beneficiary on alternative or complementary activities and outputs to those identified in this section in order to meet the specific mandatory results of this project.

### **Component 0: Visibility actions**

#### ***Project kick-off event***

A meeting aiming at presenting the Twinning project to the main involved stakeholders shall take place at the beginning of the project implementation.

### ***Project Steering Committee meetings***

Meetings of the Project Steering Committee shall be held at least every three months to follow the achievement of the project results and the timely implementation of the project activities as well as to identify and rectify any problems that may arise in the course of the project implementation.

### ***Project closing event***

A conference shall present the main results achieved during the project implementation and shall be organised before the conclusion of the project.

## **Component I: Continuous Improvement Programme in Taxpayer Service Processes**

### **Activities related to Result 1:**

- Activity 1.1: Introduce a continuous improvement methodology and relevant tools into the taxpayer service processes
- Activity 1.2: Establish clear governance arrangements for effective management of the continuous improvement processes, events and projects in taxpayer service area
- Activity 1.3: Enhance knowledge transfer and skills
- Activity 1.4: Develop a Taxpayer Service Development Strategy (2017-2020) and Activity Plan

### **Activities related to Result 2:**

The pilot project will be conducted during the first year of the Twinning Project.

- Activity 2.1: Prepare for a continuous improvement pilot project, including training and definition of roles and responsibilities of the Business Improvement Team members
- Activity 2.2: Conduct continuous improvement pilot project
- Activity 2.3: Evaluate continuous improvement pilot project

## **Component II: Identification and Management of Service Demand**

### **Activities related to Result 3:**

- Activity 3.1: Review of channel management approach and define requirements for the service demand management
- Activity 3.2: Enhance knowledge transfer and skills
- Activity 3.3: Develop a service demand management process and governance structure, including, for the Strategic Taxpayer Services Committee and the Operational Taxpayer Services Committee members, definition of their roles and responsibilities, of their organisational accountabilities to oversee the development and implementation of plans aiming to effectively respond to service demand pressures
- Activity 3.4: Develop a methodology for measuring service demand
- Activity 3.5: Develop models for customer segmentation and contact classification

## **Component III: Identification of KPI's of Taxpayer Service and improvement of existing**

### **Activities related to Result 4:**

- Activity 4.1: Review existing performance measurements applied to services provided by the call centre, taxpayer service centres, website and electronic services

Activity 4.2: Develop a set of taxpayer service performance measurements

Activity 4.3: Enhance knowledge transfer and skills

Activity 4.4: Conduct cross-channel performance measurement pilot

**Component IV:        Setting up the Data Analytics Support Tools for Enhanced Service Provision across all Channels based on the best methodologies**

**Activities related to Result 5:**

Activity 5.1: Knowledge transfer and skills enhancement

Activity 5.2: Technical requirements for developing data analytics support tools

*Activities associated with each Component and its associated results are also defined in outline within the Logical Framework Matrix in Annexe 1.*

*It should be noted that the various activities, benchmarks, schedules and means of verification may be subject to revision during the preparation of the contract between the Twinning Institutions.*

### **3.5 Means/ Input from the MS Partner Administration**

The MS partner administration is expected to provide the Project Leader (MS PL) and Resident Twinning Advisor (RTA) as well as a team of short term experts to support them in implementation of the project activities.

The MS PL is the key link between the partners, acting at an overall operational and strategic level. The RTA resides in the BC and co-operates day-to-day with the BC partners and the MS short-term experts (STEs). STEs will work in Azerbaijan on the basis of specific Terms of Reference (ToR) which will be designed by the RTA for each mission and approved by the Beneficiary.

It has proved to be an advantage for the project implementation in previous Twinning projects when the MS has designated a senior STE to be responsible for each mandatory result/component of the project (i.e. a component leader) and to liaise with the respective component leader to be nominated by the BA. The BA will nominate counterparts to these key roles (see section 6.3).

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorised mandated bodies. All experts must comply with the requirements set in the Twinning Manual.

The nature of work for technical assistance abroad requests strong initiative, good analytical, interpersonal and language skills. All experts shall possess these qualities.

To arrange logistics for the RTA and fix local arrangements such as hotel booking, administrative support etc. for the short-term experts, the RTA will be supported by a permanent RTA Assistant. In collaboration with the BA, the RTA assistant will handle administrative arrangements for conferences, training, seminars, etc. including provision of interpreters and the ensuring the translations. One assistant will be selected during the Twinning contract preparation period.

A full-time interpreter/translator will also be recruited in Azerbaijan and funded by the project. (S)he will perform most of the required interpretation/translation services. Whenever required and needed on a clear justified request, e.g. for simultaneous interpretation during seminars and workshops, additional interpretation may be procured and funded by the project. (S)he will provide day-to-day interpretation/translation to the RTA and project experts during meetings.

### **3.5.1 Profile and tasks of the Project Leader (PL)**

The Project Leader (PL) from the MS should be a high-ranking civil servant or an equivalent senior manager in a MS national tax body with sufficient work experience in the field relevant to the project.

The PL will supervise and coordinate the overall thrust of the project. (S)he will direct the project and will ensure that all the required strategic support and operational input from management and staff of the MS side are available. Together with the Beneficiary PL, he will organise the Project Steering Committee (PSC) meetings. **The MS PL would continue to work in her/his MS administration but should devote a minimum of three working days per month to the project in Azerbaijan with an on-site visit to Azerbaijan at least every three months to participate in the project SC meetings.**

#### **Profile:**

##### Qualification and skills

- A University degree in economics, finance, business administration or another relevant discipline and experience in the national implementation of international instruments
- Well-developed interpersonal skills
- Good command of written and spoken English

##### General professional experience

- Preferably at least 7 years of professional experience at senior management position level in her/his MS public service in the tax sector
- Experience in project management

##### Specific professional experience

- Broad knowledge of current customer service or channel migration strategies, policies, existing structures and methods in tax administration
- Experience in taxpayer communication and guidance would be an asset
- Specific experience in the management of the implementation of international instruments would be an asset
- Experience in EU funded projects would be an asset

#### **Tasks:**

- Liaising with the BC Administration at the political level
- Overall co-ordination, guidance and monitoring
- Ensuring the direction of the project work
- Ensuring the achievement on time of the mandatory project results
- Ensuring the availability on time of MS-Short Term Experts and other MS resources
- Executing other administrative tasks

### **3.5.2 Profile and tasks of the Resident Twinning Advisor (RTA)**

The Resident Twinning Advisor (RTA) seconded from the EU MS should have at **least five years' work experience as a staff member in a MS tax administration**, working directly in the field of taxpayer service.



A network of functional contacts with related EU and Member State institutions will also be an asset. The RTA will be in charge of the day-to-day implementation of the Twinning project in Azerbaijan. (S)he should co-ordinate the implementation of activities according to a predetermined work plan and liaise with the RTA counterpart in Azerbaijan. **(S)he will reside for the entire implementation period of 27 consecutive months in Azerbaijan and work full-time for the project.** The RTA is expected to be actively involved in the implementation of all activities. (S)he should co-ordinate the project and have a certain level of understanding of all components.

#### **Profile:**

##### *Qualification and skills*

- A University degree in economics, finance or business administration or another relevant discipline
- Good command of written and spoken English
- Working knowledge of Azerbaijani, Turkish or Russian would be an asset

##### *General Professional Experience*

- At least 5 years' experience in the taxpayer service channel policy or taxpayer service performance management
- Experience in managing teams of experts
- Experience in developing, co-coordinating and conducting training programmes

##### *Specific Professional experience:*

- Experience in customer service or channel migration strategies, policies, existing structures and methods in tax administration
- Experience in conducting business process reviews within tax administration would be an asset
- Experience in working in a different cultural environment would be an asset
- Experience in previous, current accession and neighbourhood countries or with similar projects would be an asset

#### **Tasks:**

- Day-to-day coordination and implementation of the project activities in Azerbaijan
- Preparation of Terms of Reference (ToR) for STEs' missions
- Managing recruitment and input of short-term experts
- Arranging study tours to MS countries for the staff of the Ministry of Taxes of Azerbaijan and other involved administrations
- Substantial provision of own expertise
- Ensuring the coherence and the continuity of the inputs and the on-going progress
- Assessing continuously the Twinning-project at all stages and comparing actual progress with the specified benchmarks and time-frame
- Guaranteeing smooth implementation of the different activities;
- Liaising with the BC Project Leader and RTA Counterpart on regular basis
- Liaising with the EU Delegation and the PAO of Azerbaijan
- Preparing interim, quarterly and final reports
- Reporting to the MS-Project Leader

#### **3.5.3 Profile and tasks of the short term experts (STEs)**

All required EU institutional and technical expertise will be covered by the short-term experts. The short-term experts should have good experience in the relevant subject matter. The STEs should be civil servants or staff

members of the selected MS institution(s). They should have worked in the required fields for not less than 3 years and have appropriate qualifications and necessary skills to implement the above mentioned activities. The Terms of Reference for the short-term experts will be elaborated by the RTA. The exact number of STEs per activity should be agreed upon during the contract negotiations. There should be a pool of short-term experts to ensure smooth implementation of the project. The STEs should be identified by the Project Leader/RTA and will be agreed with the Beneficiary Administration in the course of design and implementation of the project.

**Indicative fields of experience for the short-term experts by Components:**

<b>Expert needed</b>	<b>Experience</b>
Continuous Improvement experts	Experience in implementation of continuous improvement in tax administration (continuous improvement methodologies, tools and techniques, management of continuous improvement projects or events)
Service demand management experts	Experience in developing service demand management processes and governance structures in tax administration, including methodology for measuring the service demand
Customer segmentation experts	Experience in developing customer segmentation model, defining principles for segmenting the customers, indicators at the services level, customer characteristics and behaviours level, etc.
Contact classification experts	Experience in classifying customer interactions based the value from compliance or tax administration perspective
Taxpayer service performance management experts	Experience in measuring performance of call centres, taxpayer service centres, and in particular performance of electronic/online services
Taxpayer service strategy experts	Experience in drafting taxpayer service development strategies
Data analytics experts	Experience in use of data analytics within taxpayer service area or for specific service channel(s)
Training experts	Experience in developing training models for continuous improvement programs; delivery of training on continuous improvement, measuring service demand, customer service performance measurement, use of data analytics tools in customer service area

**Indicative profile of the short-term experts:**

Qualification and skills

- A University degree in economics, finance or business administration
- Good command of written and spoken English
- Working knowledge of Azerbaijani, Turkish or Russian would be an asset

General Professional Experience

- At least 5 years' proven experience in improvement and/or optimisation taxpayer service processes
- Working experience in foreign countries would be an asset

Specific professional experience

- Up-to-date knowledge and current experience in the respective field of project activity
- Project and training experience would be an asset

In addition to their missions in Azerbaijan, the STEs are expected to contribute actively in developing programmes for the study visits proposed in the project.

**STEs' main tasks:**

- Provision of their specific expertise
- Know-how transfer according to the ToR prepared by the RTA and BA
- Reporting on their missions

### **3.6 Reporting and monitoring**

The MS Project Leader must draw up Interim Quarterly Reports and a Final Report. (S)he will be responsible for submitting them to the relevant authority.

For templates and requirements to reporting and monitoring, see the Twinning Manual.

#### ***Project Steering Committee (PSC)***

The PSC will be convened at least every three months. The PSC will be chaired jointly by the MS PL and the BC PL. The PSC composition will be defined in the Working Plan according to requirements set in the Common Twinning Manual. Representatives from the PAO of the Republic of Azerbaijan and the EU Delegation, the RTA counterpart and BC PL as well as the RTA, MS PL and BC component leaders will participate in the PSC meetings. Observers from other institutions may be involved from time to time in cross-cutting issues. Representatives from other administrations or short term experts, may also be invited if necessary. The PSC will follow the achievement of the project results and the timely implementation of the project activities in order to identify and rectify any problems that may arise in the course of the implementation of the project.

The secretarial support of the PSC will be provided by the RTA and RTA Assistant, who will prepare the agenda of the meetings, the documents to be discussed as well as the minutes of the meetings.

The working language of the Project implementation will be English. Translation and interpretation will be provided where necessary and where permitted in the provisions of the Twinning Manual.

## **4 Institutional framework**

### **4.1 Ministry of Taxes of the Republic of Azerbaijan**

The Ministry of Taxes of the Republic Azerbaijan was set up by the Decree of the President of the Republic of Azerbaijan No 281 on 11 February 2000.

The activity of the Ministry is based on the Constitution of the Republic of Azerbaijan, the Tax Code of the Republic of Azerbaijan and other laws, decrees and orders of the President of the Republic of Azerbaijan, the decisions and the orders of the Cabinet of Ministers of the Republic of Azerbaijan, and also on these regulations.

The Ministry of Taxes is the authority of central power which realizes the state tax policy within the limits of the united financial and budgetary policy, providing timely and full receipt in the state budget of taxes and other deductions and carrying out the state control in this sphere.

The main functions of the Ministry of Taxes, as determined by the Regulations of the Ministry of Taxes of the Republic of Azerbaijan, are the following:

- take part in the preparation of legislative acts regulating tax relations; prepare proposals on improvement of tax policy of the Republic of Azerbaijan;
- organise the work of state tax authorities on correct calculation of the state taxes and other budget entries charged to it, their full and timely transfer to the budget;
- take part in the preparation of the forecast of tax revenues to the state budget of the Republic of Azerbaijan;
- take part in preparation and realisation of programs on development of the state tax organs of the Republic of Azerbaijan;

- keep record of calculated and paid taxes according to the purpose and gives information on it to the President of the Republic of Azerbaijan, the Cabinet of Ministers of the Republic of Azerbaijan, and the Ministry of Finance of the Republic of Azerbaijan;
- collect, analyse and assess information on the violation of tax legislation, and takes measures and, if necessary, submits proposals to appropriate state bodies, for eliminating causes and circumstances contributing to tax violation
- register taxpayers
- preserve the confidentiality of information concerning taxpayers, including the tax and commercial confidentiality, in accordance with provisions of legislation
- provide taxpayers with acts on the results of tax inspections, and, in cases established by legislation, copies of decisions of tax authorities;
- take measures established by legislation on crediting or return of overpaid amounts to the taxpayer, as well as return of taxes, financial sanctions, interests and administrative penalties erroneously levied from the taxpayers;
- prosecute inquires, investigations, investigation activity on criminal cases in accordance with legislation;
- arrange forms of reports, declarations, and other documents on calculation and payment of taxes and other entrances in concordance with the Ministry of Finance of the Republic of Azerbaijan;
- determine forms and methods of tax control in accordance with legislation;
- provide opportunities for and objective examination of complaints and applications, and take measures for eliminating causes and circumstances contributing to violation of the rights and statutory interests of taxpayers
- control the activities of subordinate tax authorities;

To carry out its functions, the Ministry of Taxes is currently structured in a Central Administration, 3 Main Departments under the Ministry of Taxes, territorial tax departments and rayon tax sectors, a Training Centre and includes the Ministry of Nakhchivan Autonomous Republic.

See the organisational structure of the Ministry of Taxes and the Central Administration of the Ministry of Taxes in Annexe 3.

The staff working within the Ministry of Taxes is composed by 3015 staff members of whom approx. 400 are managers of senior and middle levels.

*A senior level Working Group, consisting from representatives of key beneficiary structural units of the Ministry of Taxes of the Republic of Azerbaijan and relevant stakeholders will be created for the Twinning Project purpose.*

The Main Department of the Taxpayer Services of the Ministry of Taxes is the main department that will benefit from the EU assistance.

#### **4.2 Main Department of Taxpayer Services**

The Main Department of Taxpayer Services is a structural unit of the Ministry of Taxes responsible for carrying out the organizational and control functions, inter alia, applying the leverage pertaining to its direct functions in the area of providing. The Main Department has the following duties:

- Arranging for a voluntary tax compliance as per the tax laws by means of informing the general population and particularly the taxpayers about the tax laws and the tax administration, including but not limited to tax education and outreach activities with the help of such available tools as taxpayer service offices of the tax authorities, the service centres, methodological departments, taxpayers' friends, mass media;
- Providing services through the Taxpayer Service Centre and the Call Centre of the Ministry of Taxes, its official website and pages on social media, and ensuring the processing of contacts of legal entities and individuals;

- Organising the work of the Main Department and its subordinate offices, controlling their functions, carrying out the assessment and monitoring in accordance with the established rules;
- Coordinating activities of other structural units and divisions of the Ministry of Taxes in the taxpayer service area;
- Conducting analyses in the taxpayer service, research of the international experience and offering recommendations to the management of the Ministry of Taxes on how to improve the taxpayer service;
- Ensuring the legal protection of the internal data and the data containing the business (tax) secrecy;
- Reporting the results of the activities according to the templates provided by the Ministry of Taxes and timely submission to the management, including the Advisor to Minister on international relations and taxpayers' service.

Under the new structure approved in February 2014, the Main Department of the Taxpayers' Service (82 employees including 16 non-staff members and assigned staff) consists of the *Call Centre Department* (42 employees), the *Service Centre Department* (14 employees) and the *Service Organisation Unit* (22 employees). There are also over 50 service centres under the local tax authorities all over the country, which are supervised by the Service Centre Section of the Main Department of Taxpayer Services.

*The Call Centre Department* is composed of 2 divisions, i.e. Contact Handling Division (30 employees) and Service Organisation Division (11 employees) and 5 units: 1<sup>st</sup> Direct Contact Handling Unit (11 employees), 2<sup>nd</sup> Direct Contact Handling Unit (12 employees), Registered Contact Handling Unit (5 employees), KPI Analysis and Organisation Unit (5 employees) and Quality Control and Improvement Unit (5 employees).

*The Service Organisation Department* has the following composition: Quality Control Division (11 employees) and Service Organisation Division (10 employees), 1<sup>st</sup> Control Unit (5 employees), 2<sup>nd</sup> Control Unit (6 employees), Analysis Unit (4 employees), Organisation Unit (5 employees) and Website Organisation Unit (3 employees).

See the organisational chart of the Main Department of Taxpayer Services in Annexe 3.

The main targets of Call Centre are the following:

- 1) "Service level" has to be over 80%, which means the percentage of calls answered in 30 seconds must be 80%.
- 2) The percentage of answered calls must be over than 90%, which means 90% of all incoming calls must be answered.
- 3) Abandoned calls, which waited over 10 seconds, should make up less than 5%, i.e. the share of all incoming calls waiting for over 10 seconds and being abandoned must be under 5%.
- 4) FCR over 75%, i.e. 75% of all questions addressed must be sorted out at the first contact.
- 5) Level of service satisfaction must be over 85%.

The other departments of the Beneficiary Institution which might be in-direct beneficiaries in the Twinning project are:

- [Tax Policy and Strategic Research Main Department](#)
- [Main Department of Economic Analysis and State Registration of Entrepreneurial Subjects](#)
- [Information Analysis Department](#)
- [Department for Organisation of Work on Tax Debts Collection](#)
- [Information Technologies and Software Department](#)
- [Human Resources Department](#)
- [Training Centre of Ministry of Taxes](#)

The other Departments of the Ministry of Taxes will, to varying degrees, contribute to and benefit from the project. Opportunities for inter-departmental co-operation should be secured in the implementation of the Twinning project activities. This would include also the deeper involvement of Taxpayer Service Divisions from the local tax authorities, for example on a continuous improvement programme for the taxpayer services.



A cross-Ministry representation could be considered in the selection of the personnel to attend the training sessions.

## **5 Budget**

The maximum budget allocated to this Twinning project is **€ 1,300,000**.

The Azerbaijani beneficiary administration will provide the RTA and other MS experts with office space in its main building in Baku, equipment and other provisions as stated in the Common Twinning Manual.

## **6 Implementing arrangements**

### **6.1 Implementing Agency responsible for tendering, contracting and accounting**

The Implementing Agency responsible for tendering, contracting and accounting is the European Commission represented by **the Delegation of the European Union to the Republic of Azerbaijan**.

The persons in charge of this project at the Delegation of the European Union to the Republic of Azerbaijan are:

#### **Mr Jeroen WILLEMS**

Head of Cooperation

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami str.

AZ 1010 Baku, Republic of Azerbaijan

Tel. +994 12 497 20 63 (ext. 853)

Fax +994 12 497 20 69

E-mail: [Jeroen.Willems@eeas.europa.eu](mailto:Jeroen.Willems@eeas.europa.eu)

Website: <http://eeas.europa.eu/delegations/azerbaijan>

#### **Mr Olaf HEIDELBACH**

Programme Manager

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami str.

AZ1010 Baku, Republic of Azerbaijan

Tel. +994 12 497 20 63 (ext. 846)

Fax +994 12 497 20 69

E-mail: [Olaf.HEIDELBACH@eeas.europa.eu](mailto:Olaf.HEIDELBACH@eeas.europa.eu)

Website: <http://eeas.europa.eu/delegations/azerbaijan>

### **6.2 Main counterparts in the Beneficiary country**

#### ***Programme Administration Office in Azerbaijan (PAO)***

The persons in charge of this project at the PAO are:

**Mr. Ruslan Rustamli**, Director of PAO

Head of the Department on Cooperation with International organizations

Ministry of Economy and Industry of the Republic of Azerbaijan

6th floor, Government House,

84 Uzeyir Hajibayli str.

Baku, AZ 1000  
Republic of Azerbaijan  
Tel.: (+994 12) 493 88 67 (ext. 2115)  
Fax: (+994 12) 598 85 19  
E-mail: [ruslan.rustamli@economy.gov.az](mailto:ruslan.rustamli@economy.gov.az)  
Website: <http://pao.az>

**Ms Aytekin Guluzade**, PAO Manager  
Department on Cooperation with International organizations  
Ministry of Economy and Industry of the Republic of Azerbaijan  
6th floor, Government House,  
84 Uzeyir Hajibayli str.  
Baku, AZ 1000  
Republic of Azerbaijan  
Tel.: (+994 12) 493 88 67 (ext. 2302)  
Fax: (+994 12) 598 85 19  
E-mail: [aytekin.guluzade@economy.gov.az](mailto:aytekin.guluzade@economy.gov.az)  
Website: <http://pao.az>

***Beneficiary Administration – Ministry of Taxes of the Republic of Azerbaijan***

The Beneficiary Administration has nominated its main counterparts to the MS PL and RTA:

**Project Leader – Mr Elchin F. Mammedov**  
Chief of Main Department of Taxpayer Services  
16 L. Landau str.  
Baku, AZ 1073 Azerbaijan  
Tel.: (+994 12) 439 53 65  
Fax: (+994 12) 439 53 65  
E-mail: [e.mammadov@taxes.gov.az](mailto:e.mammadov@taxes.gov.az)

**RTA counterpart – Mr Mahammad Yunusov**  
Deputy Chief of Main Department of Taxpayer Services  
16 L. Landau str.  
Baku, AZ 1073 Azerbaijan  
Tel.: (+994 12) 403 80 70, (+994 50) 205 09 06  
E-mail: [yunusovmahammad@yahoo.com](mailto:yunusovmahammad@yahoo.com), [mahammad.yunusov@taxes.gov.az](mailto:mahammad.yunusov@taxes.gov.az)

During the contracting phase of the project, the beneficiary administration will nominate leaders for each of the four components and set up working groups for each component during the inception period. These working groups should meet regularly in order to identify bottlenecks and set revised milestones on the trajectory towards the achievement of the mandatory results. Minutes should be produced by the project.

### **6.3 Contracts**

Only one Twinning contract is foreseen for this project.

A new Financial Regulation applicable to the general budget of the European Union entered into force on 1st January 2013<sup>9</sup>. This implies several changes to the Twinning contract templates. An updated version of the Twinning Manual and of its Annexes, incorporating these changes, is in preparation and shall be published soon on EuropeAid website<sup>10</sup>. The Twinning contract, which shall be signed as a result of the present procedure shall follow the templates of the updated Twinning Manual and Annexes.

## **7 Implementation schedule (indicative)**

- |   |                   |
|---|-------------------|
| <b>7.1 Launching of the call for proposals:</b> | <b>June 2015</b>  |
| <b>7.2 Start of project activities:</b>         | <b>March 2016</b> |
| <b>7.3 Work plan duration:</b>                  | <b>27 months</b>  |

## **8 Sustainability**

The Twinning project will have to seek sustainable solutions and approaches based on the adoption of best practices and thus prepare the grounds for Azerbaijani enhanced compliance with the selected EU Acquis and specifically best European practices in the field of maritime transportation.

Sustainability issues will be further elaborated in the course of the preparation of the project contract as a joint responsibility of the MS partner and the Beneficiary Administration. Besides, in the final report, twinning partners will include specific recommendations and strategies for consolidating and safeguarding the achievement of mandatory results in the beneficiary administration.

To ensure sustainability, Beneficiary Administrations should be provided with the training materials (all handovers) in both languages, English and Azerbaijani. That means that a budget for the translation of Guidelines, Handbooks, Glossaries, Methodology Manuals, etc. developed within the project should be foreseen.

## **9 Cross-cutting issues**

### **9.1 Equal opportunity**

The proposed project will comply with EU equal opportunity policies. Equal treatment of women and men in project implementation at all levels will be one of the most important principles in the project management and implementation. The beneficiaries are already equal opportunity employers. In particular, great attention will be given to the equality principle in the training of personnel and the recruitment of the STEs. Of course, appropriate professional qualifications and experience will be the main decisive factors in personnel recruitment and evaluation but, subject to that, both women and men will have identical prospects.

### **9.2 Environment**

The principle of implementation of this Twinning project is based on a paperless work environment. This means, in particular, minimising paper use during project implementation by the maximum feasible use of e-mails and, if available, project web-site and/or project electronic data base for co-operation between partners. Documents are automatically saved in electronic format.

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<sup>9</sup> Financial Regulation: Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:298:0001:0096:EN:PDF>

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:362:FULL:EN:PDF>

<sup>10</sup> Rules of Application: Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

[http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning_en.htm)

## **10 Conditionality and sequencing**

In terms of sequencing, while conceptually what happens in Component IV is seen to be a practical corollary of the changes that should be set in motion by Component II, much of the activity can be carried out in parallel. The activities listed for Component II follow a logical pattern of sequencing. Introduction of demand management process, Methodology for measuring service demand, Models for customer segmentation and contact classification in Component II obviously will help to begin paving the way for preparation of technical requirements for development and improvement of data collection and analysis tools across all service channels that could be used for identification of the root cause and drivers of service demand. It will also yield extremely important useful information and knowledge for the contracting Member State partner which will be directly relevant to all other aspects of its role in the partnership.

## **11 ANNEXES**

1. Logical framework matrix in standard format
2. List of relevant Laws and Regulations
3. Structure of the Ministry of Taxes of the Republic of Azerbaijan  
and Structure of the main Department of Taxpayer Services



***List of the abbreviations***

AP	Action Plan
ASAN	State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan
AVIS	Automated Tax Information System
BA	Beneficiary Administration
BC	Beneficiary Country
CIS	Commonwealth of Independent States
CoM	Cabinet of Ministers
ECD	European Commission Delegation
ENP	European Neighbourhood Policy
ENP AP	European Neighbourhood Policy Action Plan
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
HR	Human Resources
ICT	Information and Communication Technologies
ID	Identity Document
IMF	International Monetary Fund
MS	Member State
MS PL	Member State Project Leader
NIP	National Indicative Programme
OECD	Organisation for Economic Co-operation and Development
PAO	Programme Administration Office
PCA	Partnership and Cooperation Agreement
PSC	Project Steering Committee
RTA	Resident Twinning Adviser
SIGMA	Support for Improvement in Governance and Management
SMS	Short Message Service
STE	Short Term Expert
TAIEX	Technical Assistance and Information Exchange Instrument
TACIS	Technical Assistance to the Commonwealth of Independent States
ToR	Terms of Reference
VAT	Value-added tax

## ANNEXE 1: Logical Framework Matrix\*

<b>Support to the Ministry of Taxes of the Republic of Azerbaijan in optimal use of resources and quality service to taxpayers</b>		Programme name and number: <b>AZ/15/ENP/FI/39</b> <b>ENPI AAP 2012</b>	
<b>Ministry of Taxes of the Republic of Azerbaijan</b>		Contracting period expires:	Disbursement period expires:
		<b>Total budget: 1.3 million EUR</b>	
	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<b>Overall objective:</b>			
To increase efficiency of taxpayers-focused and in general citizen-focused service delivery by the Ministry of Taxes of the Republic of Azerbaijan	<ul style="list-style-type: none"> <li>Assessment results of customer surveys<sup>11</sup> showing increased satisfaction with the quality of services delivered</li> </ul>	<ul style="list-style-type: none"> <li>Annual Reports of the Ministry of Taxes</li> </ul>	
<b>Project purpose:</b>			
To embed leading European Union practices with a view to support the identification and management of service demand and the implementation of continuous improvement	<ul style="list-style-type: none"> <li>A new system on the improvement of service processes, of strengthening managers' ability to implement improvements and increasing productivity across all service channels designed and accepted by beneficiary</li> <li>An integral taxpayer service measurement system for measuring taxpayer service across all channels and for making decisions about improvements needed in service delivery designed, developed and accepted by beneficiary.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation report (if any)</li> <li>Final report</li> <li>Reports of the Republic of Azerbaijan on ENP AP implementation</li> </ul>	<ul style="list-style-type: none"> <li>The Government of Azerbaijan maintains its commitments regarding adoption of methodologies, tools, techniques and governance structures for continuous improvement and demand management in accordance with best European practices and models</li> </ul>
<b>Mandatory Results:</b>			
1. Continuous improvement programme covering the methodological approach, relevant tools, techniques and appropriate governance arrangements developed for streamlining taxpayer service processes	<ul style="list-style-type: none"> <li>2 different continuous improvement methods and tools presented</li> <li>Workshops and/or consultations with the Beneficiary to select the most suitable continuous improvement methodology and tools for streamlining the taxpayer service processes organised</li> <li>Continuous improvement methodology</li> </ul>	<ul style="list-style-type: none"> <li>Assessment reports with recommendations for introduction of continuous improvement methodology and relevant tools</li> <li>Assessment reports</li> </ul>	<ul style="list-style-type: none"> <li>External partners will be able to attend the meetings</li> <li>Collaboration and cooperation among the stakeholders are good</li> <li>Possible institutional changes do not affect the existing roles and responsibilities of related institutions and departments</li> </ul>

<sup>11</sup> As described in paragraph "Creating an integral taxpayer service performance measurement system" of the section 3.1.2

	<p>tailored for business processes in the taxpayer service area developed and accepted by beneficiary</p> <ul style="list-style-type: none"> <li>• Study visits to EU Member States on the practical application of continuous improvement methods and tools in the taxpayer service processes implemented</li> <li>• Description of roles and responsibilities, accountability and working relation principles of proposed governance structures, including Business Process Improvement Steering Committee, Continuous Improvement Programme Administrator, Business Process Improvement Managers, Team Leaders, Business Improvement Teams, etc. to be incorporated into the continuous improvement programme for the taxpayer services drafted and accepted by beneficiary</li> <li>• At least 10 staff members from different levels of the taxpayer service area of the Ministry of Taxes completed the above prepared training and qualified to apply the continuous improvement methodology and tools for the taxpayer service processes</li> <li>• Workshops for formulating goals, deliverables, terms, benefits and costs of customer service improvements organised</li> <li>• The Taxpayer Service Development Strategy (2017-2020) and the Activity Plan for enhancing the taxpayer service delivery developed and accepted by beneficiary</li> </ul>	<p>with recommendations on governance arrangements for managing effectively the continuous improvement processes, events and projects</p> <ul style="list-style-type: none"> <li>• Assessment report with identified training and competence requirements to successfully implement continuous improvement programme</li> <li>• Continuous improvement methodology</li> <li>• Training modules on application of the adopted continuous improvement methodology and tools</li> <li>• Quarterly progress reports</li> <li>• Taxpayer Service Development Strategy (2017-2020) and Activity Plan</li> <li>• Reports on the delivered trainings and workshop</li> <li>• Reports on the study visits</li> <li>• Workshops' materials</li> </ul>	<ul style="list-style-type: none"> <li>• Required data are available</li> </ul>
2. Pilot project is conducted in accordance with the adopted continuous improvement methodology and appropriate tools	<ul style="list-style-type: none"> <li>• A Business Improvement Team of about 6 to 12 members created</li> <li>• Improvement plan which includes</li> </ul>	<ul style="list-style-type: none"> <li>• Scoping documents for the pilot project</li> <li>• Improvement plan</li> </ul>	<ul style="list-style-type: none"> <li>• External partners will be able to attend the meetings</li> <li>• Collaboration and cooperation among</li> </ul>

	<p>performance review measures, schedule for execution, means requested, kind of support needed from top management, consequences of introducing the improvement process, etc. formulated and executed</p> <ul style="list-style-type: none"> <li>Proposed potential solutions for the problematic taxpayer service process area tested and experiments conducted by the business improvement team using the adopted continuous improvement methods and techniques</li> <li>Quality of the results of the pilot project, particularly performance of each member of the Business Improvement Team against the adopted continuous improvement methodology and supporting tools with the help of experts assessed</li> <li>Quality Report produced evaluating the results of the improvement actions undertaken in the course of the pilot project, the extent to which the improvement objectives have been realised applying relevant continuous improvement methodology and tools as well as the lessons learnt from the pilot project run.</li> <li>Practical Guide developed for the business improvement teams (process owners/navigators, coaches/mentors, managers) on how the adopted methodology and techniques can be effectively used to conduct systematic process improvement events and continuous improvement projects at the Ministry of Taxes</li> </ul>	<ul style="list-style-type: none"> <li>Quality Report on the results of the pilot project</li> <li>Practical Guide for business improvement teams</li> </ul>	<p>the stakeholders are good</p> <ul style="list-style-type: none"> <li>Possible institutional changes do not affect the existing roles and responsibilities of related institutions and departments</li> <li>Required data are available</li> </ul>
3. Framework for managing taxpayer service demand developed to optimise resource allocation, meet taxpayers' expectations of good service delivery and reduce compliance costs	<ul style="list-style-type: none"> <li>Requirements for establishing a service demand management framework at the level of processes, structures, personnel competencies and information systems'</li> </ul>	<ul style="list-style-type: none"> <li>Assessment reports with recommendations describing requirements for introduction of</li> </ul>	<ul style="list-style-type: none"> <li>External partners will be able to attend the meetings</li> <li>Collaboration and cooperation among the stakeholders are good</li> </ul>

	<p>support developed</p> <ul style="list-style-type: none"> <li>• 2 examples of EU Member States leading demand management processes and governance structures that would guide the Ministry of Taxes to the adoption of a service demand management framework presented</li> <li>• Methodology for measuring service demand developed</li> <li>• Study visits to EU Member States with a view of understanding and considering service demand management approaches that can be applied in the Ministry of Taxes implemented</li> <li>• A specific governance structure consisting of a Strategic Taxpayer Services Committee and an Operational Taxpayer Services Committee designed and approved by the beneficiary</li> <li>• End-to-end service demand management process developed outlining concrete phases and steps that tax authorities may need to take for measuring, managing and eliminating unnecessary service demand</li> <li>• Service Demand Management Guide for the staff responsible for an end-to-end organisation and management of the taxpayer service processes developed</li> <li>• Models for a customer segmentation and contact classification including the criteria to be used for specifying the customer groupings and defining the reasons for their engagement with the tax authorities developed and accepted by the beneficiary</li> </ul>	<p>service demand management framework</p> <ul style="list-style-type: none"> <li>• Workshop materials</li> <li>• Quarterly progress reports</li> <li>• End-to-end service demand management process document</li> <li>• Methodology for measuring service demand</li> <li>• Minister's Order approving a specific governance structure for service demand management</li> <li>• Service Demand Management Guide</li> <li>• Model for customer segmentation</li> <li>• Catalogue of customer interactions</li> <li>• Reports on the study visits with involvement of relevant MoT staff</li> </ul>	<ul style="list-style-type: none"> <li>• Possible institutional changes do not affect the existing roles and responsibilities of related institutions and departments</li> <li>• Required data are available</li> </ul>
4. An integrated set of taxpayer service performance measures developed to consistently monitor measure, analyse and report on the effectiveness of all service channels (service centres, call centre, web, mobile, social media and other service channels), as well as to evaluate the usage of the service channels	<ul style="list-style-type: none"> <li>• Report with recommendations proposing changes in/amendments to the existing performance targets, metrics and indicators</li> <li>• Report with recommendations on how to achieve the above mentioned goals: which measures from the existing services could be included in the complete final set of taxpayer</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment reports with identified gaps and limitations in the existing performance measures and recommendations for changes /amendments</li> </ul>	<ul style="list-style-type: none"> <li>• External partners will be able to attend the meetings</li> <li>• Collaboration and cooperation among the stakeholders are good</li> <li>• Possible institutional changes do not affect the existing roles and responsibilities of related institutions</li> </ul>

	<p>service performance measurements</p> <ul style="list-style-type: none"> <li>• 2 examples of EU Member States leading practices in measuring the taxpayer service delivery and outcomes, with particular focus on performance measures and indicators for electronic services presented</li> <li>• Methodology for measuring performance of online services, including formulas, templates and questionnaires, developed and accepted by beneficiary</li> <li>• Study visits to EU Member States with a view of understanding and considering online service measurements that can be embedded into the integrated set of the taxpayer service performance measures implemented</li> <li>• New integrated set of taxpayer service performance measurements for the service centres, phone, web, mobile, social media and other service channels developed and accepted by beneficiary</li> <li>• At least 10 officials from the Ministry of Taxes trained in applying the integrated set of taxpayer service performance measurements</li> <li>• Reliability of data and efficient data collection according to the established set of taxpayer service performance measurements tested</li> <li>• Quality Report of the cross-channel performance measurement pilot, including the quality of the data collected according to the new integrated set of taxpayer service performance measurements, finalised</li> </ul>	<ul style="list-style-type: none"> <li>• Report with recommendations on how to achieve the above mentioned goals</li> <li>• Quarterly progress reports</li> <li>• Methodology for measuring performance of online services</li> <li>• New integrated set of taxpayer service performance measurements</li> <li>• Training programme in applying the integrated set of taxpayer service performance measurements</li> <li>• Reports on the delivered trainings and workshop</li> <li>• Quality Report of the cross-channel performance measurement pilot</li> </ul>	<p>and departments</p> <ul style="list-style-type: none"> <li>• Required data are available</li> </ul>
5. Technical requirements prepared for developing data analytics support tools that will use the existing databases and information systems to monitor the direct effects of the service actions on the taxpayers' compliance behaviour	<ul style="list-style-type: none"> <li>• Workshops for presenting examples of EU Member States leading practices in applying data analytics tools to analyse information about interactions between the taxpayers and the tax authorities using different service channels organised</li> <li>• Study visits to EU Member States with a view</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment reports with identified gaps and impact assessment of availability and usability of data about taxpayers' compliance behaviours in the</li> </ul>	<ul style="list-style-type: none"> <li>• External partners will be able to attend the meetings</li> <li>• Collaboration and cooperation among the stakeholders are good</li> <li>• Possible institutional changes do not affect the existing roles and responsibilities of related institutions</li> </ul>



	<p>of understanding and considering practical application data analytics that can provide a better understanding of customer behaviour and analyse service content automatically to provide insight into why the customers interacted with the tax administration implemented</p> <ul style="list-style-type: none"> <li>Guideline for further development and improvement of data collection and analysis tools across all service channels that could be used for identification of the root cause and drivers of the service demand drafted</li> <li>Technical requirements for developing data analytics support tools on the basis of the existing databases and information systems in order to monitor the direct effects of the service actions on the taxpayers' compliance behaviour developed and accepted by beneficiary</li> </ul>	<p>existing information systems (including AVIS) across all service channels</p> <ul style="list-style-type: none"> <li>Quarterly progress reports</li> <li>Technical requirements for developing data analytics support tools</li> <li>Reports on the study visits with involvement of relevant MoT staff</li> <li>Workshop materials</li> </ul>	<p>and departments</p> <ul style="list-style-type: none"> <li>Required data are available</li> </ul>
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	Means	Costs	
<b>Component 0: Visibility actions</b>			
0.1. Kick-off meeting			
0.2. Quarterly meetings of the Steering Committee			
0.3. Final conference			
<b>Component I: Continuous Improvement Programme in Taxpayer Service Processes</b>			
1.1. Introduce continuous improvement methodology and relevant tools into taxpayer service processes	RTA, STEs		
1.2. Establish clear governance arrangements for effective management of the continuous improvement processes, events and projects in taxpayer service area	RTA, STEs		
1.3. Knowledge transfer and skills enhancement	RTA, STEs		

1.4. Develop Taxpayer Service Development Strategy (2017-2020) and Activity Plan	RTA, STEs		
2.1. Prepare for continuous improvement pilot project	RTA, STEs		
2.2. Conduct continuous improvement pilot project	RTA, STEs		
2.3. Evaluate continuous improvement pilot project	RTA, STEs		
<b>Component II: Identification and Management of Service Demand</b>			
3.1. Review of channel management approach and define requirements for service demand management	RTA, STEs		
3.2. Knowledge transfer and skills enhancement	RTA, STEs		
3.3. Develop service demand management process and governance structure	RTA, STEs		
3.4. Methodology for measuring service demand	RTA, STEs		
3.5. Models for customer segmentation and contact classification	RTA, STEs		
<b>Component III: Identification of KPI's of Taxpayer Service and improvement of existing</b>			
4.1. Review of existing performance measurements applied to services provided by call centre, taxpayer service centres, website and electronic services	RTA, STEs		
4.2. Develop a set of taxpayer service performance measurements	RTA, STEs		
4.3. Knowledge transfer and skills enhancement	RTA, STEs		
4.4. Conduct cross-channel performance measurement pilot	RTA, STEs		
<b>Component IV: Setting up the Data Analytics Support Tools for Enhanced Service Provision across all Channels based on the best methodologies</b>			
5.1. Knowledge transfer and skills enhancement	RTA, STEs		
5.2. Technical requirements for developing data analytics support tools	RTA, STEs		

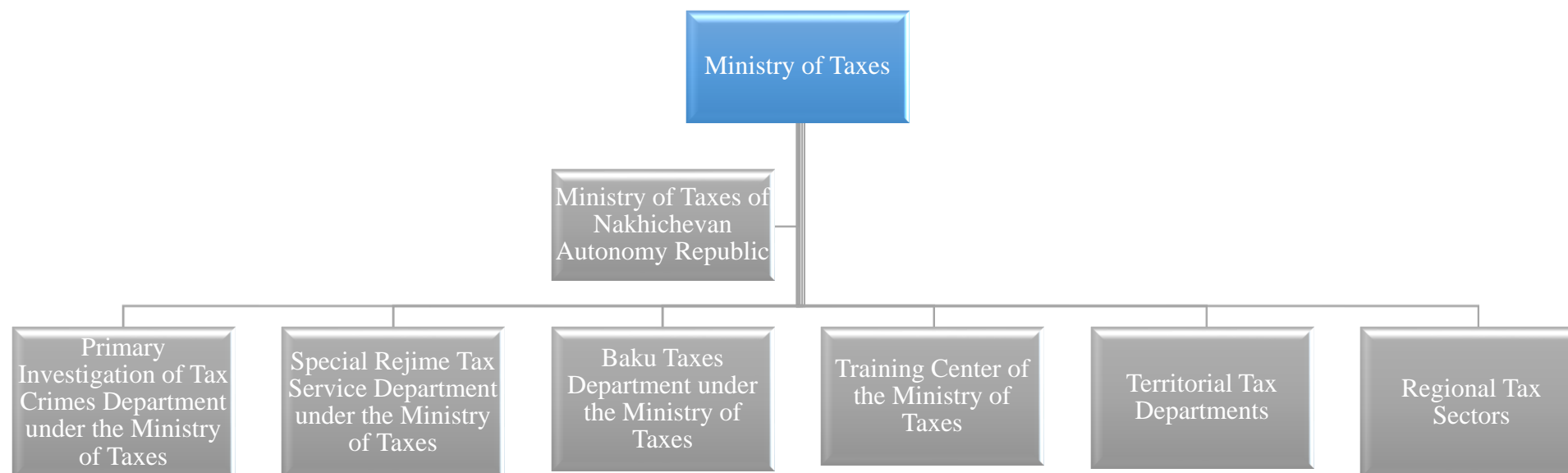
\* - This Logical Framework Matrix is tentative. The Twinning partners shall revise the content of the Logical Framework Matrix, mainly measurable indicators / benchmarks basis of commonly agreed activities and outputs during the drafting of the work plan for this project

## **ANNEXE 2: List of relevant Laws and Regulations**

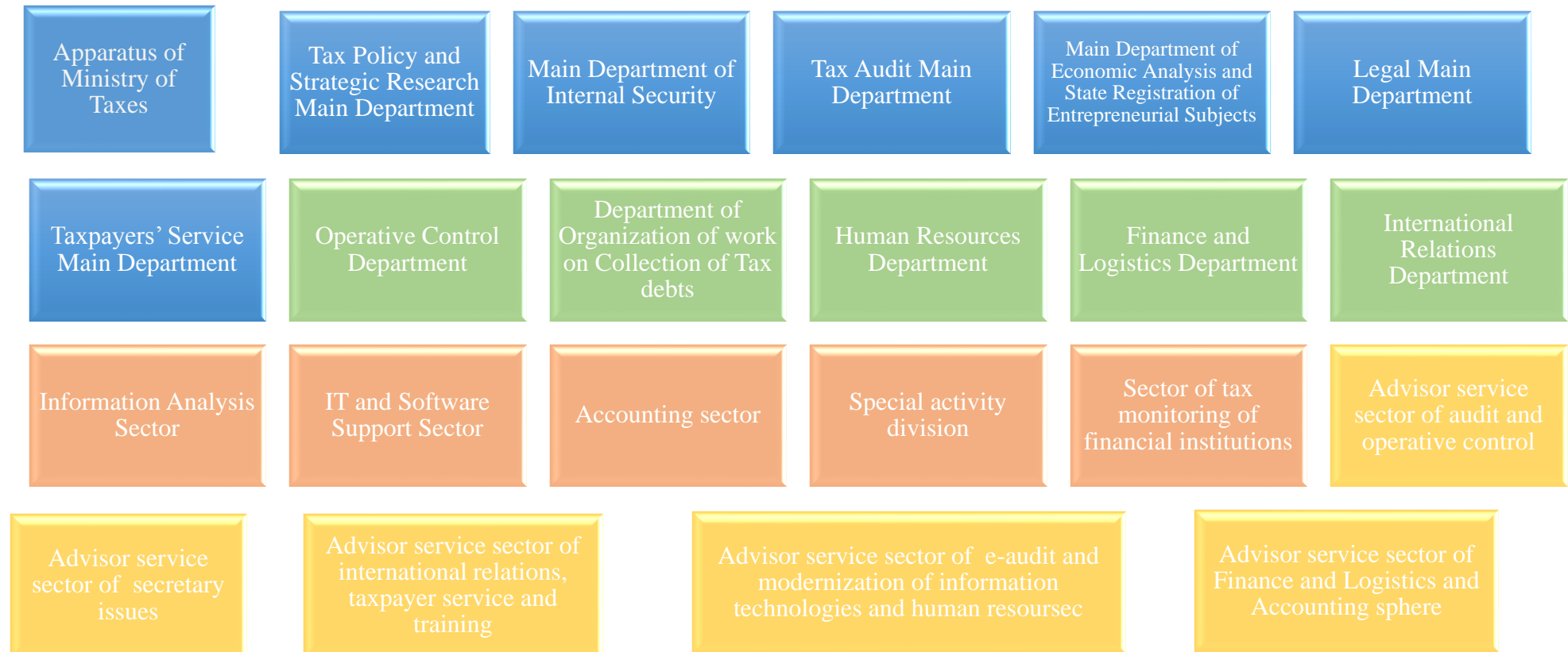
- Decree by President of the Republic of Azerbaijan on Establishment of Ministry of Taxes (11 Feb, 2000, No 281)
- Decree by President of the Republic of Azerbaijan on Approval of Statutes of Ministry of Taxes of the Republic of Azerbaijan (29 March 2001, No 454)
- Decree by President of the Republic of Azerbaijan on Application of Law of the Republic of Azerbaijan On Approval of National Tax Service Statutes (19 July 2001)
- Regulations of the Ministry of Taxes of the Republic of Azerbaijan (Confirmed by the decree No 454 of the President of the Republic of Azerbaijan, 29 March 2001)
- Regulations of the Territorial Tax Departments of the Ministry of Taxes (Ratified by the order of the minister of taxes of the Republic of Azerbaijan № 0816040100271600 of 3 April 2008)
- Regulations for the Main Department of Taxpayer Services under the Ministry of Taxes of the Republic of Azerbaijan (Approved by Order 1417040100093100 the Minister of Taxes on 7 August 2014)
- Decree of the President of the Republic of Azerbaijan On Improvement of Regulations of Granting Special Permissions (Licenses) for Some Types of Activities (2 September 2002, No 782)
- Decree of the President of the Republic of Azerbaijan On Prevention of Interferences Impeding the Development of Entrepreneurship (28 September 2002, No 790)
- The Tax Code of the Republic of Azerbaijan (Approved by the Law No. 905 of the Republic of Azerbaijan on 11 July 2000)
- The Law of Azerbaijan Republic on Budget system (2 July 2002, No 358)
- Law of the Azerbaijan Republic On state registration and state registry of legal entities (12 December 2003, No 560)
- Law of the Azerbaijan Republic On the order for considering citizens` appeals (10 June 1997, No 314)
- The common Standards of the Services to the Taxpayers (Approved by Order No 1317040100708200 of the Minister of Taxes of the Republic of Azerbaijan on 11 July 2013)

*For more information see <http://taxes.gov.az/modul.php?name=qanun>*

**ANNEXE 3: Structure of the Ministry of Taxes of the Republic of Azerbaijan**



### Structure of the Central Administration (Apparatus) of Ministry of Taxes



### Structure of the main Department of Taxpayer Services

