



SIGMA

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Creating Change Together

PRIORITIES

ALBANIA

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2014-2020 SIGMA COUNTRY PRIORITIES FOR PUBLIC ADMINISTRATION REFORM – EXPLANATORY NOTE

Aim and structure of proposals

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 and 2014 SIGMA assessments and part of a longer-term programme of work. Priorities cover the overall PAR needs of the country, including areas which were not covered by the assessments. Priorities in areas outside the scope of SIGMA assessments are based on other analytical sources and SIGMA's practical experience of working with the country. SIGMA proposes priority 2020 targets for the countries, sub-targets when needed, and sequenced priority activities in 1-2, 3-5 and 5+ year time perspectives.

2014-2020 SIGMA COUNTRY PRIORITIES

The following priority targets are proposed for Albania for 2020:

1. The development of policy making and legislative drafting capacities is at the point where the Albanian Government is capable of drafting good quality legislation and making proper use of better regulation tools, such as impact assessment and public consultation, so as to effectively formulate and implement government policies and successfully implement the EU *acquis*.
2. A strategic and management framework of public administration reform (PAR) is in place covering all areas relevant to the development of capable public administration, ensuring a prioritised approach to reforms aligned with available financial and human resources, and equipped with a performance monitoring mechanism.
3. The public administration in Albania consists of effective and efficient institutions, served by a professional civil service that ensures the legality and predictability of the administration, acts in an independent and impartial manner, and contributes to the adoption and implementation of the EU *acquis*. An adequate procedure for the application of administrative law has been established, and appropriate structures to ensure the administrative and political accountability of the public administration are in place.
4. Internationally agreed and EU-compliant principles, standards and methods for public internal financial control (PIFC) apply to the internal control systems of the entire public sector, including systems to manage the spending of EU funds. The Medium-Term Expenditure Framework (MTEF) is being implemented in full accordance with the requirements of the 2011 EU Decree on Budgetary Frameworks in the Member States, and it encompasses expenditure programmes that are implemented within a clear managerial accountability framework that includes adequate control and audit mechanisms. The supreme audit institution (High State Control) is functionally, operationally, and financially independent, reporting to Parliament on the basis of the International Standards for Supreme Audit Institutions (ISSAIs).
5. The public procurement system, including public-private partnerships (PPPs)/concessions, is in place and fully operational, in accordance with EU rules and good international practice. The system provides value for money and is considered to be fair by most economic operators and civil society organisations.

POLICY MAKING

STATE OF PLAY

Since September 2013 the new Government has introduced changes to the number of ministries and redistributed policy responsibilities. The Office of the Prime Minister (OPM) has been re-organised, the number of planned staff has been increased by 30% and the planned staff allocation for implementing key OPM functions has grown significantly. Further, the OPM has created new units for delivery, research and policy development, legislation and programme monitoring, and support for strategic business investments. Delivery units or positions responsible for delivery have also been created in line ministries.

The new Government has started developing new planning documents. Six priority sectors and 55 ministerial priorities were developed. Under co-ordination of the Ministry of European Integration (MEI), the roadmap (RM) for meeting the five priorities in the European integration process was developed and, after consultation with civil society, submitted to the European Commission within the framework of the high-level dialogue. The OPM has strengthened interministerial co-ordination and conflict resolution mechanisms by launching weekly meetings of the Secretary Generals aiming to prepare Government sessions and solve other interministerial disputes. The Government has initiated changes to address shortcomings in the planning and monitoring process and further engage with civil society. Institutional changes in the Office of the Prime Minister (OPM), the Ministry of European Integration (MEI) and line ministries have created the basis for reforming key processes.

The basic legislative and institutional framework for policy making, including the European integration process, is in place. After extensive reshuffling of functions and staff under the new Government, the Administration has not yet achieved its full capacity. In 2013, there was no functioning annual and mid-term planning system, the medium term plan for European integration was outdated and the Medium-term Budget Program (MTBP) was not in force. Also, monitoring of Government performance was not conducted. The Government's decision making and policy development process is well established, functions routinely, and ensures legal conformity and a basic level of interministerial and stakeholder consultation. However, an evidence based approach is still in the early stages of development. In practice, procedures for discussing and adopting Government proposals are not always followed.

**Target
2020**

The development of policy making and legislative drafting capacities is at the point where the Albanian Government is capable of drafting good quality legislation and making proper use of better regulation tools, such as impact assessment and public consultation, so as to effectively formulate and implement government policies and successfully implement the EU *acquis*.

POLICY MAKING

1-2 Years	<ol style="list-style-type: none"> 1. Office of the Prime Minister (OPM) to ensure functional capacity of the new organisational structure through the development and adoption of functional descriptions of new departments and units, and recruitment of staff fulfilling new functions. 2. OPM to resume monitoring of the work of the Government. 3. OPM to adopt the work plan which is to ensure implementation of Government objectives. 4. The Ministry of European Integration (MEI) to develop a new medium term strategic planning document for European Integration. 5. OPM to carry out a thorough, evidence-based review of policy making and legislative drafting processes at the centre of government and in line ministries, including the way in which legislation is reviewed before it reaches the Council of Ministers, providing a baseline assessment of current approaches and areas for improvement. 6. OPM, the Ministry of Justice (MoJ) and the Ministry of European Integration (MEI) to develop a framework and guidelines for policy development and implementation by line ministries, including the EU <i>acquis</i>, and the relevant co-ordination functions required by the centre of government, based on the outcomes of the review and international good practices. 7. OPM and MoJ to introduce a programme for line ministries to improving policy making capacities, including the development of skills to produce good-quality explanatory notes, and adopt and implement appropriate policies to make full use of tools such as impact assessment (RIA). 8. The Government to adopt a law on Public Consultations and OPM and MoJ to make preparations for its implementation, including development of guidelines and manuals for ministries. 9. Department of Public Administration (DoPA) to provide training for relevant officials in ministries to improve legislative drafting capacities based on the manual on legislative drafting, which has already been developed, and policy development capacities, in particular impact assessment and consultation.
3-5 Years	<ol style="list-style-type: none"> 10. OPM to develop a medium-term policy planning system, which enables prioritisation, is in line with the financial circumstances of the Government and is equipped with a performance monitoring mechanism. 11. OPM working with the MoJ to establish a network across line ministries to encourage them to adopt the guidelines for policy making and legislative drafting, with ongoing training for line ministries responsible for implementation. 12. The centre of government institutions to increase their capacity to co-ordinate and scrutinise regulation produced by line ministries, with an emphasis on the development and use of an evidence base, public consultation, implementation plans and consistently good quality legislative drafting. 13. MEI to start with systemic transposition of the <i>acquis</i>, which is based on gap analysis (initial screening) and on a proper medium term plan.

STRATEGY AND REFORM

STATE OF PLAY

The previous PAR strategy expired in 2013. The development of the new strategy has been delayed but is in progress, and is planned to be finalised by the State Minister of Public Administration and Innovation (MIPA) together with the Department of Public Administration (DoPA) in 2014. The new draft PAR strategy covers a limited number of areas relevant for improving the functioning of public administration, namely civil service, administrative law and some aspects of the organisation of public administration.

The new Government introduced changes in institutional responsibilities for PAR. The position of the State Minister responsible for Public Administration and Innovation was created; DoPA was moved from the Ministry of Interior to the Council of Ministers (CoM). The Strategic Planning Committee has approved innovative governance as one of six priorities for the Government. A ministerial committee for public administration reforms has been created. However, the capacity of MIPA to deal with PAR issues is very limited, there are no administrative level interministerial co-ordination structures, and reforms are not monitored. As a reflection of these institutional weaknesses, implementation of several reforms has been delayed.

**Target
2020**

A strategic and management framework of public administration reform (PAR) is in place covering all areas relevant to the development of capable public administration, ensuring a prioritised approach to reforms aligned with available financial and human resources, and equipped with a performance monitoring mechanism.

STRATEGY AND REFORM

1-2 Years	<ol style="list-style-type: none"> 1. MIPA, in co-operation with DoPA, to enhance the scope of PAR and develop a new PAR strategy 2015-2020, including all responsible institutions in the development process. The developed strategy should directly support implementation of the Government's innovative governance priority and ensure prioritised implementation of horizontal PA reforms needed for European integration. 2. MIPA and DoPA to review the current management and co-ordination system, including creation of an interministerial co-ordination body responsible for the development and implementation of PAR and starting development of a PAR monitoring system. 3. MIPA to staff the position responsible for PA. 4. DoPA to staff the unit responsible for PAR strategy and donor co-ordination. 5. MoF to finalise and the Government to adopt the PFM strategy, MIPA to ensure that the strategy is in line with overall PAR objectives.
3-5 Years	<ol style="list-style-type: none"> 6. DoPA to develop a comprehensive performance monitoring system, including constant data gathering, for public administration reform using the best available international experience. 7. MIPA and DoPA to carry out first mid-term evaluation of the newly adopted strategic planning document. 8. MIPA and DoPA to monitor implementation of the newly adopted PAR Strategy and promote achieved outcomes throughout public administrations at all administrative levels, and also communication with non-governmental stakeholders and citizens in general.

LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

STATE OF PLAY

Progress has been made in developing the civil service and administrative legal framework. Following the adoption of the Law on the Organisation and Functioning of Administrative Courts in May 2012, the administrative courts began functioning on 4 November 2013. The new 'Law on the Civil Servant' was approved on 30 May 2013 and entered fully into force with the adoption of its secondary legislation on 1 April 2014. A draft Code on Administrative Procedures was finalised by the Ministry of Justice in January 2014 and introduced in a public consultation process in February 2014. Considerable work needs to be done, however, with regard to the proper implementation of the new civil service primary and secondary legislation, and implementation of the Code of Administrative Procedures when adopted by the Assembly.

Target 2020

The public administration consists of effective and efficient institutions, served by a professional civil service that ensures the legality and predictability of the administration, acts in an independent and impartial manner, and contributes to the adoption and implementation of the EU *acquis*.

An adequate procedure for the application of administrative law has been established, and appropriate structures to ensure the administrative and political accountability of the public administration are in place.

LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

1-2 Years	<ol style="list-style-type: none"> 1. DoPA to ensure that the new Law on the Civil Servant and its secondary legislation is consistently implemented across the new scope of the civil service. 2. Assembly to adopt the Code of Administrative Procedures; Department of Public Administration (DoPA), together with the Ministry of Justice (MoJ) and Albanian School of Public Administration (ASPA, to develop an implementation plan which should include: <ul style="list-style-type: none"> • Identification and review of all existing special administrative procedures, with a view to their abrogation where possible; • Preparation of manuals for training and support for implementation; • Training of staff, especially public managers and other critical target groups; • An information campaign to inform citizens of the law; • Development of monitoring mechanisms (with clear allocation of responsibilities) for ensuring consistent implementation and coherent standards across the public administration. 3. DoPA, working with other centre of government institutions, to clarify and implement the structure for co-ordinating and ensuring the effective implementation of the PAR Strategy Action Plan in relation to the civil service. 4. Government to strengthen the capacity of DoPA to effectively promote the implementation of a merit-based and coherent civil service system, to monitor and support HRM units in ministries, subordinate institutions, independent institutions and local government units, and to effectively assist the Minister of State for Innovation and Public Administration in the design and monitoring of civil service and HRM policies, including putting in place a modern human resource management information system (HRMIS).
3-5 Years	<ol style="list-style-type: none"> 5. DoPA to monitor and evaluate progress in the implementation of the new civil service legislation across line ministries, subordinate institutions, independent institutions and local government units and take any necessary steps to achieve the effective implementation of this legislation. 6. DoPA to assess the implementation and effective impact of the new Code of Administrative Procedures; provide ongoing training, together with ASPA, to line ministries to ensure that all public servants are fully familiar with the application of these laws. 7. DoPA to monitor and review the implementation of the PAR Strategy (civil service and related matters) and to develop suggestions for further changes. 8. MoJ to monitor and evaluate the effectiveness of the reform of administrative justice and carry out further improvements if necessary.

PUBLIC FINANCE MANAGEMENT

STATE OF PLAY

The Albanian budget cycle process is centred on the development of a programme oriented Medium-Term Budget Programme (MTBP). The systems and procedures for both budget formulation and budget execution are mostly sound, although not all elements have been fully implemented. A more analytical approach to expenditure programmes and investment decisions needs to be developed throughout the Albanian administration. This analytical approach would apply to the way in which the budget is formulated as well as monitored. Improved budget formulation and monitoring would subsequently help to better manage expenditure programmes.

While the legal basis is in place for a functioning financial management and control (FMC) system that supports managerial accountability, the actual implementation of FMC at the level of budget users is weak, despite the efforts of the Central Harmonisation Unit (CHU). Many budget users see public internal financial control (PIFC) as a bureaucratic procedure that the Ministry of Finance (MoF) is trying to impose rather than a system that can improve the delivery of services.

Internal audit (IA) in Albania has a solid legal foundation, in line with international standards. Secondary legislation has been developed, but the implementation of IA is lagging behind. The driver of the implementation, the CHU/IA, has been re-organised, is not fully staffed and lacks practical IA experience. The profile of the CHU/IA needs to be raised within the MoF and in other ministries. To improve the quality of IA, the programme for certification of internal auditors should be completely revised.

The legal basis of the High State Control (HSC), which is the supreme audit institution (SAI) in Albania, is sufficient to guarantee its functional and operational independence, although the HSC law can be improved. Up until 2012 HSC development was slow. A new chairman, upon taking office in 2012, started to make radical changes in the institution. He introduced organisational modifications and new procedures to improve audit efficiency, increased training activities, intensified public relations, and sought co-operation at national and international levels. Further development of the HSC will depend on the implementation of its Strategic Development Plan (SDP) for 2013-2017, which among others contains amendments to the HSC law.

Target 2020	<p>Internationally agreed and EU-compliant principles, standards and methods for PIFC, which apply to the internal control systems of the entire public sector, including controls of the spending of EU funds, are in place.</p> <p>The Medium-Term Expenditure Framework (MTEF) is being fully implemented, in accordance with the requirements of the EU 2011 Decree on Budgetary Frameworks in the Member States. It encompasses expenditure programmes that are implemented within a clear managerial accountability framework, with adequate control and audit mechanisms.</p> <p>The supreme audit institution (the HSC) is functionally, operationally, and financially independent, and it reports to Parliament on the basis of the International Standards for Supreme Audit Institutions.</p>
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PUBLIC FINANCE MANAGEMENT

<p>The basis for more accurate planning and execution of the budget has been established, and steps have been taken to place greater emphasis on obtaining value for money from expenditures.</p>	
1-2 Years	<ol style="list-style-type: none"> 1. MoF to instruct budget users on the use of an agreed policy change baseline for three-year expenditure forecasts in order to strengthen the accuracy and reliability of the MoF's economic and fiscal forecasting. 2. MoF to develop for Government approval training to key staff in all budget users on how to better plan and budget for expenditure programmes, using performance indicators and cost-benefit analysis, in order to develop throughout the public sector a more analytical approach to expenditure programmes and investment decisions. 3. MoF to work with budget users through regular communication and workshops, placing stronger emphasis on monitoring actual expenditure against the budget and actual outputs against targets. 4. MoF to finalise the development of a system for better commitment controls, whereby spending units are required to register all commitments in the Treasury system before a contract is actually signed so that it can only be signed if the relevant revenue is available. 5. Assembly to strengthen fiscal analytical capacity of individual MPs through the appointment of technically qualified support staff.
3-5 Years	<ol style="list-style-type: none"> 6. MoF to review and monitor the priorities set in the past two years to ensure that they are working well in practice. 7. Budget users to begin to implement the system of programme budgeting by delegating responsibility and accountability for budget management to managers of spending units. 8. Budget users to ensure that strategic plans are more closely aligned with the Government's overall programme strategy objectives and are formulated within the context of the MTEF.
5 + Years	<ol style="list-style-type: none"> 9. MoF to review and monitor alignment of budget users' strategic plans with Government objectives and with the MTEF and make recommendations where better alignment is required 10. MoF to monitor actual performance of budget users compared to targets and report annually to the Government with recommendations where necessary.

PUBLIC FINANCE MANAGEMENT

The conditions for managerial accountability have been created in the public sector, thereby further improving the PIFC environment.

1-2 Years	<ol style="list-style-type: none">1. MoF to endorse the efforts of the CHU/FMC in raising the level of understanding throughout the administration of the actual meaning of FMC and managerial accountability.2. Budget users to train managers in the use of the Treasury system and the MTBP as tools for internal management and control so that they can assume more responsibility for the execution of their own budgets.3. Budget users to develop their capacities for strategic financial planning, which is an essential complementary activity to the 'pre-commitment' reform in the Treasury system.4. CHU to prepare instructions for executing officers indicating how their current responsibilities should be technically executed.5. CHU to provide training on FMC principles for all line and senior managers so that they understand their role in supporting and assisting the executing officer.6. Certifying Authorising Officer to improve the decentralised management of IPA and build the necessary capacities in the national administration and especially in the Audit Authority.7. CHU to raise profile and professionalism of CHU/IA staff by establishing regular meetings of the CHU/IA General Director with the MoF and improve knowledge and skills of CHU/IA staff in carrying out systems audit (quality assurance sector) and in giving guidance to IA units (quality assurance and methodology sector).8. CHU to increase the impact of IA training by developing and implementing a strategy for the certification of internal auditors with different levels of professional experience (professional development sector) and by developing annual continuous training programmes, with specific attention to strategic and annual planning and systems audit.9. CHU to revise the Internal Audit Law, specifically to clarify the roles and responsibilities of the Qualification Committee and of the CHU/IA in relation to the new certification and continuous training programme; allow the recruitment of internal auditors as 'trainee auditors'; restrict the participants in the IA training programme to staff currently employed in IA; define additional criteria for the establishment of IA units.
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PUBLIC FINANCE MANAGEMENT

3-5 Years	<p>10. CHU/FMC and CHU/IA to review and monitor the priorities set in the past two years to ensure that they are working well in practice.</p> <p>11. Budget users to strengthen managerial capacities through greater emphasis on performance measurement with regard to achieving strategic objectives within budget limits.</p> <p>12. Budget users to strengthen internal control processes so that the MoF can begin shifting the emphasis from centralised control to decentralised management of resources.</p> <p>13. CHU/IA to set up and put into operation a network of heads of IA units.</p>
5 + Years	<p>14. Develop a substantive managerial accountability culture that involves the delegation of substantive authority to line managers so that they have an influence over decisions regarding the use of resources.</p> <p>15. Carry out an external review of IA in terms of its compliance with international IA standards and quality of work.</p>

PUBLIC FINANCE MANAGEMENT

<p>The High State Control (HSC) is functionally, operationally and financially independent, and it reports to Parliament on the basis of the International Standards for Supreme Audit Institutions (ISSAIs).</p>	
1-2 Years	<ol style="list-style-type: none"> 1. HSC to implement the approved draft Strategic Development Plan (SDP) 2013-2017. 2. Parliament to approve the pending amendments to the HSC Law. 3. HSC to develop an audit strategy, based on the SDP, which translates the strategic choices in the SDP into strategic orientations for multi-annual audit programming. 4. HSC to assess whether the HSC complies with the ISSAIs, in accordance with the agreement of the HSC with the International Development Initiative (IDI) of INTOSAI of 13 March 2013. 5. HSC to introduce certification audit, strengthen performance audit, and revise the audit approach of compliance audit; approve new methodologies and guidelines for these three types of audit. 6. HSC to redefine the precise role of HSC in the fight against fraud and corruption, and clarify this role to staff and external stakeholders; 7. HSC to develop a training strategy for its staff that includes the requirements for the certification of audit staff, the need for preparations for certification audit, and the importance of moving in the direction of a more systems-oriented approach in compliance audit. 8. HSC to reorganise the HSC structure in line with new audit approaches, and strengthen methodology and training activities.
3-5 Years	<ol style="list-style-type: none"> 9. HCS to introduce IT auditing and auditing of EU funds management. 10. HCS to certify the annual Government report on the budget execution, in accordance with ISSAIs 1000-2999. 11. HCS to publish opinions on compliance audit, in accordance with ISSAIs 4000-4200. 12. HCS to draft a new SDP for the period 2017-2021.
5 + Years	<ol style="list-style-type: none"> 13. HCS to review and monitor the steps taken in accordance with the new SDP 2017-2021 to ensure that the Plan is working well in practice.

PUBLIC PROCUREMENT

STATE OF PLAY

The political and economic situation in 2013 in Albania impacted the public procurement system. As of July 2013 a standstill situation occurred, with limited procurement activities being undertaken. Procurement orders needed prior approval by the Council of Ministers (CoM) before any procedures could be launched.

The regulatory framework, including operational guidelines and standard documentation, is of a good quality. It is generally compatible - but not compliant - with the *acquis*. The policy and regulatory framework prioritises the “integrity dimension” of the procurement operations, which generates detailed regulations, control and sanctions. The further development of the e-procurement system has increased access and transparency, has simplified the tender proceedings and, importantly, has improved the monitoring and auditing functions within the public procurement system. There is, however, insufficient integration between the budget and public expenditure system and the public procurement system making it generally very difficult to award multi-year contracts.

The institutional set-up of the procurement and concession system is well defined, but operates largely vertically without considering the horizontal needs of co-ordination, almost in a competitive manner. There is insufficient co-operation and consultation, with few formal co-ordination mechanisms in place between the key institutional bodies.

Target 2020	The public procurement system, including public-private partnerships (PPPs)/concessions, is in place and fully operational in accordance with EU rules and good international practice. The system provides value for money and is considered to be fair by most economic operators and civil society organisations.
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PUBLIC PROCUREMENT

1-2 Years	<ol style="list-style-type: none"> 1. PPA to develop a training action plan for all PPP/concession stakeholders – PPA, Public Procurement Commission (PPC), ATRAKO, and Ministry of Finance (MoF) – and contracting authorities/line ministries, as well as the private sector. 2. PPA to co-ordinate the reinforcement of co-operation between the PPA, Ministry of Economy and Trade (METE) and ATRAKO through the establishment of a formal co-ordination working group so as to ensure the sustainability of reforms in the concessions area. 3. MoF to set up a Concessions Registry within its structures, enabling the monitoring of long-term fiscal exposure. 4. Government to prepare and adopt a legislative framework to regulate defence and security procurement (to transpose EU Directive 2009/81). 5. PPA to implement the Public Procurement and Concessions/PPP Strategy. 6. Ministry of Interior Affairs (Moi) and PPA to review the system for centralised procurement, identify the scope of reform, and prepare an action plan for future development.
3-5 Years	<ol style="list-style-type: none"> 7. Parliament to strengthen the independence and capacity of the Public Procurement Commission (PPC) by legislating the PPCs subordination out of the executive. 8. PPA to implement the Action Plan for the Development of Centralised Procurement by drafting and adopting any legislation required, introducing new procedures, guidelines and tools (including elements of e-procurement), and setting up and (re-)staffing the institutions concerned (MoF, others to be determined). 9. PPA to further facilitate the access of small and medium-sized enterprises (SMEs) to the public procurement market as well as to research and development (R&D) opportunities through the establishment of a PP Advisory Board to the PPA.
5 + Years	<ol style="list-style-type: none"> 10. PPA to conduct an <i>ex post</i> analysis of reforms implemented and actions undertaken. 11. PPA to introduce changes to the legislative and institutional settings as well as to procurement methods and practices, if needed.