



## **SIGMA**

**Support for Improvement in Governance and Management**

A joint initiative of the OECD and the European Union, principally financed by the EU

## **ALBANIA**

### **POLICY-MAKING AND CO-ORDINATION**

**ASSESSMENT JUNE 2006**

## **1. Present Situation**

### **1.1 Changes since 2003**

The system for policy-making and co-ordination in Albania continues to undergo frequent changes in overall architecture and procedures. Since the last report was prepared in 2003, there have been a number of significant modifications in the central structure and functions of the policy-making and planning machinery. It remains to be seen whether the present arrangements will be allowed to take root and to become more fully institutionalised in the coming years.

The main changes since the last report are:

- A unified planning system, called “Integrated Planning System” (IPS), was agreed by the Government (November 2005), and a unit was established in the Office of the Prime Minister (OPM) to manage this planning system;
- A new Regulation on the Council of Ministers (Regulation No. 584, 2003) sets out the working rules for the development of documents and their approval by the Council of Ministers;
- The Department for Public Administration and the Department of European Integration are no longer within the OPM. The Department of European Integration now forms part of a new Ministry of European Integration, and the Department for Public Administration was integrated into the Ministry of Internal Affairs;
- The Department for Policy Development and Co-ordination in the OPM was abolished;
- As of December 2005, the OPM was formally reorganised. The overall size of the OPM was cut in half, from 212 to 112 positions; and
- The number of political cabinets in the Office of the Prime Minister (OPM) was reduced from five to two (Cabinet of the Prime Minister and Cabinet of the Deputy Prime Minister for Relations with Parliament).

These changes will be elaborated in the relevant sections of this report.

### **1.2 The legal framework for government decision-making**

The legal framework for the work of the Council of Ministers is set by Law no. 9000 “On the Organisation and Functioning of the Council of Ministers”, which was approved by parliament on 30 January 2003. This law covers the general aspects of setting up the competencies and rules of conduct of the Prime Minister and other members of the Council of Ministers (CoM), the procedures for preparation and submission of proposals for decision by the CoM, the agenda and voting procedures for the weekly meetings, the role of inter-ministerial committees, and the support organs for the Prime Minister and the Council of Ministers.

Pursuant to Law no. 9000, the Council of Ministers approved in August 2003 the “Regulation for the Council of Ministers (No. 584). The regulation establishes reasonably clear rules for the preparation of bills for examination and decision by the Council of Ministers, with a number of good features:

- There is an annual planning process for bills to be prepared. The items presented by ministries for inclusion in the annual plan have to include policy justification and other details with respect to each proposed item.
- A good process is established in the regulation for the preparation of material within ministries, including a definition of the respective roles of line and legal departments, internal approval procedures, and a requirement for policy analysis that should be approved by the minister prior to legal drafting.
- There is a requirement for fiscal impact assessments.
- There are reasonable procedures for inter-ministerial consultations, including the Ministries of Justice, Finance, Economy, and other interested ministries. The opinion of the Ministry of European Integration concerning conformity with the *acquis communautaire* was made compulsory by a recent amendment to Regulation no.584.
- Procedures are specified for resolving conflicts between ministries prior to scheduling items for sessions of the Council of Ministers.
- The requirements specified for timing and deadlines for inter-ministerial consultations and for submission of items to the Secretary General for scheduling are reasonable.

There are also some weaknesses in the regulation, notably:

- The procedures specified for conflict resolution tend to rely excessively on direct involvement of the Prime Minister.
- The annual planning process, while useful, is based strictly on a “bottom-up” process whereby plans from ministries are added together without the possibility of central co-ordination to ensure that individual ministry plans respond to the priorities of the government.
- Regulation no. 584 was not amended to take account of the requirements introduced by the Integrated Planning System (IPS), so at present the annual planning process of the work of the CoM is not linked to the IPS.
- Inter-ministerial committees are mentioned, but their composition, roles and responsibilities are not specified, and they are not established as a regular feature of the system.
- The process for policy preparation in ministries is not sufficiently defined, and in practice inter-ministerial consultations appear to be overly formalistic, relying heavily on written communications.
- The authority of the Secretary General (and the CoM administration) to review and return items to proposers is limited to technical grounds. There is no empowerment of the Secretary General to consider policy grounds and thus perform the policy-co-ordination function.
- In general, the role foreseen for the Secretary General and the CoM administration is purely technical and legalistic. The regulation does not establish sufficient competency and capacity for the OPM to serve the collective needs of the Prime Minister and the Council of Ministers within the policy system.

In addition, the rules are only partly implemented in practice. The annual plan provides only a partial guide for the work of the CoM. It is estimated that about 40% of the bills reaching the CoM for decision are not included in the plan. The inter-ministerial committees are generally not operative. As a result, many issues related to bills have to be resolved through meetings involving the Prime Minister personally. The rules related to deadlines are also often breached, and many items arrive late, leaving insufficient time for the process of legal review and for resolution of outstanding issues prior to the meeting of the CoM.

### **1.3 The organisational structure of the centre of government (CoG)**

The main body forming the centre of government (CoG) in Albania is the Office of the Prime Minister (OPM), which was established by Law no. 9000 (article 3) to support the Prime Minister, Deputy Prime Minister and Council of Ministers. Article 4 specifies that the “Office of the Prime Minister includes: the apparatus of the Council of Ministers, the Cabinet of the Prime Minister, the Cabinet of the Deputy Prime Minister and the Cabinet of the Minister of State [now vacant].” The OPM has an official staff allotment of 112, although not all positions are currently filled. For administrative purposes, all staff in the OPM are under the Secretary General. However, functional reporting and work assignments are divided between the Prime Minister, the Deputy Prime Minister, and the Secretary General.

The following units comprise the CoG in Albania:

#### **1.3.1 Under the Prime Minister:**

**Political Cabinet of the PM:** The PM Cabinet has about nine advisers, each covering an area of policy, such as economy, commerce, diplomatic relations, EI and public relations. There is a Chief of Cabinet, but there is no internal structure and each adviser deals personally with the Prime Minister.

**Department of Strategy and Donor Co-ordination:** This department was established very recently (January 2006) to handle issues related to the Integrated Planning System (IPS). It has a total staff allotment of seven, and currently three posts are filled.

**Anti-Corruption Unit:** The unit has a staff allotment of 11. It does not play a role in the policy process.

**Information and Public Relations Unit:** This unit has a staff of seven.

#### **1.3.2 Under the Deputy Prime Minister:**

**Cabinet of the Deputy Prime Minister (DPM):** The DPM Cabinet has three staff, who assist the DPM in managing relations with parliament. This function is officially assigned to the DPM, and includes defending government bills in parliament and ensuring that ministers are assigned to explain and defend bills according to the needs of parliament.

### 1.3.3 Under the Secretary General:

**Legal Department:** The Legal Department has a staff of four and is responsible for reviewing normative documents before they reach the CoM to ensure their constitutional and legal conformity and to assess the compliance of the proposer with opinions expressed during inter-ministerial consultations. The department provides opinions to the Secretary General as input for his decision to schedule items for the CoM session. This opinion is in addition to the compulsory opinion by the Ministry of Justice and the review of *acquis* conformity conducted by the Ministry of European Integration.

**Sector for Documentation and Preparation of CoM Meetings:** This sector has a staff of 11 and is responsible for the technical and logistical organisation of CoM meetings and for preparation of follow-up documentation.

**Support units:** Support is provided by an Administration, Human Resources and Finance Department (40 staff, including drivers and building maintenance) and an IT unit (three staff).

In recent years, the Albanian OPM has had an unstable structure, subject to continuous reorganisation. The current structure is highly fragmented, reducing greatly its capacity to provide the CoM and the Prime Minister with coherent and co-ordinated planning and policy advice. The division of units and responsibilities between those coming under the Prime Minister and those coming under the Secretary General does not appear logical or justified on substantive grounds, and there appear to be no linkages between the PM Cabinet and the rest of the structure. The position of the Secretary General, by law the “highest civil servant of the Council of Ministers”, is limited and weak. While he is responsible for preparing the meetings of the CoM, this responsibility is almost purely technical, with the exception of his responsibility for the juridical aspects of proposals. However, this too is primarily technical (focus on constitutional and legal conformity of texts) and does not address the substantive policy aspects of legal acts.

In this respect, the closing of the Department of Policy Development and Co-ordination is unfortunate. Although this department did not exist long enough to develop significant capacity to perform policy co-ordination, its existence provided an opportunity for such a function to grow and to become a significant tool for increasing policy support for the Council of Ministers.

The recent establishment of a Department of Strategy and Donor Co-ordination does add a substantive element to the OPM. However, the functions of this department appear to be “stand-alone” and are not linked to the ongoing policy-making process of the CoM. Moreover, its placement under the Prime Minister suggests that Albania is not yet proceeding to place substantive responsibilities with the Secretary General.

The fragmented subordination structure of the OPM and the lack of empowerment of the Secretary General and the units under his supervision to provide substantive advice reduce the capacity of the Secretary General to conduct a meaningful process of co-ordination and conflict resolution with the secretaries general of ministries and to ensure the quality of documents reaching the CoM for decision. On balance, it can be concluded that the Albanian CoG remains quite far from being able to play an important policy management role within the system.

#### **The Ministry of European Integration:**

In addition to the OPM, the Ministry of European Integration can also be seen as performing some CoG functions. The ministry is very new (since September 2005) and is still in the process of defining its structure, functions, and procedures. According to current plans, the ministry will include the Cabinet of the Minister and four sectors reporting to the Secretary General of the Ministry: Justice and Home Affairs (four staff), Internal Market (14 staff), Institutional Support and Integration Process (16 staff), and Internal Services (19 staff).

Collective political direction for the European integration (EI) process is provided by the full CoM, where the Minister of EI presents weekly information. There is an Inter-ministerial Committee on EI (chaired by the PM), but it is not yet operational. The Minister of EI is the National Aid Co-ordinator, and it is expected that this ministry will be responsible for Community assistance, although “strategic aid co-ordination” is the responsibility of the OPM (Department for Strategy and Donor Co-ordination).

The Ministry of EI is presently in the process of filling staff positions, and it is receiving technical assistance for the development of its structure and methods of work. The ministry has an ambitious plan to develop a national integration strategy and to develop and implement a comprehensive monitoring system for Albania’s obligations under the SAA, the European Partnership, and the NPAA.

#### **1.4 Integrated Planning System (IPS)**

The main innovation in Albania in the past few years in relation to the policy system is the Integrated Planning System (IPS). The IPS is designed to link in a comprehensive manner two processes:

- The preparation of a National Strategy for Development and Integration (NSDI) for the years 2007-2013, which will establish the government's medium to long-term goals and strategies for all sectors based on a national vision; and
- Medium-Term Budget Programme (MTBP), which requires each ministry to develop a three-year plan for the delivery of programme outputs to achieve its policy objectives and goals, within the ministry's expenditure ceiling as set out in the government's fiscal plan.

The IPS was originally approved by the previous government in May 2005, and this decision was confirmed by the new government in November 2005. In January 2006, a Department for Strategy and Donor Co-ordination was established in the OPM to co-ordinate IPS activities. The department is heavily supported by donors and recently prepared a draft implementation plan for the IPS (dated April 2006, but not yet approved). The department is currently focusing strictly on the preparation of the NSDI and is not really handling any other activities related to the IPS.

The plan for developing the NSDI is very ambitious. The plan calls for the development of 22 sector strategies by ministries, with individual ministries being responsible for between one and three such strategies. In addition, 10 cross-cutting strategies are to be developed by inter-ministerial working groups to be appointed by the Prime Minister. These 32 strategies are expected to be ready by October. Based on these strategies the department will then develop a preliminary draft of the NSDI, expected to be ready for approval by February 2007.

The process for developing and agreeing the MTBP is the responsibility of the Ministry of Finance and is proceeding in parallel with that of the NSDI. At present, the links between the NSDI and the MTBP (if any) are not entirely clear. The Department for Strategy and Donor Co-ordination indicated that the NSDI was planned as a vision document and that it would not have an action plan attached to it. Instead, it will have high-level development indicators to assess progress. On the other hand, the intention is to cost the 22 sector strategies (although not the 10 cross-cutting strategies). All of this suggests that the links between the NSDI and the MTBP processes may be more theoretical than real.

In addition, the place of EI planning within this overall system remains to be sorted out. The EI process will have its own implementation plan and reporting system, and apparently there is no possibility of integrating this into the IPS. The intention is that ministries will reflect EI priorities in their MTBP submissions so that at least there will be only one set of activities linked to the budget allocation. However, our impression was that there was not full agreement on this point within the Albanian system.

The IPS is very new. It is in its early stages of implementation and has not yet gone through one complete planning cycle. It is premature to assess it at this time. Instead, it is possible to make a few general comments, and to leave the assessment of the IPS for a later date, perhaps in two years.

#### **Advantages of the IPS:**

- In the last Sigma report, we noted the multiplicity of strategies and plans in Albania and the confusion that this caused for ministries. The IPS is at least an attempt to unify the planning system and to ensure that budgeting and reporting are unified.
- The IPS embodies the principle that policy priorities should be linked to the budget process. The fact that this is recognised and supported by the Albanian authorities is in itself an achievement.
- The IPS enjoys high-level political support through the Government Strategic Planning Committee, chaired by the Prime Minister, and the Government Modernisation Committee, chaired by the Deputy Prime Minister. These committees have the power to ensure that ministries respond to the tasks assigned to them within the IPS.
- The IPS enjoys the support of all of the main donors in Albania, who appear to be able to co-operate in assisting its implementation.

#### **Risks of the IPS:**

- The IPS is a very complex system, attempting to link sectoral and cross-cutting strategies to a national strategy and to create links between all of these strategies and the budget process. It is not clear whether the Albanian administration has the capacity to implement such a system. Donor

assistance might solve some of the problems, but the question of sustainability remains unanswered.

- It is actually not clear if there is a great deal of value in the NSDI and if the efforts involved in producing it are justified. The NSDI is planned as a one-time seven-year plan, but it is not expected to be fully ready until 2009, at which time much of it may be outdated. Since there are no plans to link the NSDI to operational plans (either budget planning or ongoing policy planning), there is a risk that the NSDI will have limited concrete impact on the development of Albania.
- The IPS does not establish a monitoring system. Instead, ministries are expected to be “accountable” for their plans, but so far no central capacity has been established (or envisaged) to monitor implementation of the resulting plans.
- The links between the IPS and European integration activities in Albania remain under-defined. The new Department of Strategy and Donor Co-ordination in the OPM and the Ministry of European Integration appear to hold conflicting views on how EI is to be integrated into the system. In this connection, it is worth noting that the decision to place responsibilities for donor co-ordination in both of these institutions will also require clarification and co-operation if it is to prove viable.

## 2. External Assistance

As indicated above, there is significant donor support for the IPS, including an immediate US\$1 million from UNDP to make the system operational and a multi-donor fund managed by the World Bank to support all aspects of the IPS over the next few years.

The World Bank is also attempting to provide support for the development of the CoM administration into a fully functioning CoG. However, so far there is no willingness on the part of the Albanian political leadership to develop policy co-ordination competencies and capacities within the administration, and it is therefore not clear whether this attempt will be successful. The closing of the Policy Co-ordination Unit in the CoM is a case in point.

There is work underway within the Cabinet of the Prime Minister to develop a management structure for the office and a more rational distribution of responsibilities among advisers.

The EU is providing the necessary support to the Ministry of European Integration for developing its structure as well as its monitoring and co-ordination systems.

## 3. Assessment

**Overly legalistic approach:** The focus of ministerial policy preparation is overly legalistic, with insufficient concern for policy development, including consultations with civil society. Ministries’ capacities to respond to the demands of the IPS (both NSDI and MTBP) are not sufficient.

**Functions of the CoG:** The OPM does not have a sufficient mandate and capacity to operate as an effective and sustainable CoG. It lacks capacity for policy co-ordination, for ensuring that the CoM work plan corresponds to government priorities, and for ensuring the quality of documents reaching the CoM for decision. Even its capacity for legal review is insufficient.

**Structural fragmentation of OPM:** The OPM is highly fragmented organisationally, and the division of responsibilities between the political cabinet and the administrative units under the Secretary General does not conform to good practices and cannot ensure a coherent approach to supporting the collective work of the CoM.

**Integrated Planning System:** Important issues related to the IPS are listed separately in section 1.4 above.

## 4. Recommendations and Priorities

- It would be important to give the present planning system (IPS) a chance to develop and take root. Despite its potential shortcomings, Albania will not benefit from another restructuring of the system at the present time. The system should be evaluated in two to three years, at which point it will become more obvious which elements of the system are useful and which elements might need to be revised or removed altogether.
- A special effort should be made as soon as possible to clarify the linkages between the IPS and Albania’s procedures to manage its commitments with respect to European integration. Such

clarification would be critical for the establishment of complementary and co-operative working arrangements between the OPM and the Ministry of European Integration.

- The functions and personnel of the Department for Strategic Planning and Donor Co-ordination in the OPM should be brought in line with the Department's responsibilities for managing the IPS. The Department's monitoring function in relation to the IPS should be strengthened.
- There is an urgent need to begin a process of reforming the CoG and establishing the necessary policy planning and co-ordination functions within the OPM, ideally under the Secretary General.