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MONITORING REPORT **EXECUTIVE SUMMARY**

The **Principles** of **Public** **Administration**

ALBANIA

**November
2021**

Monitoring Report- Executive Summary

The Principles of Public Administration

ALBANIA

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Introduction

The Principles of Public Administration and the EU integration path – measuring the fundamentals

The *Principles of Public Administration*¹ set out what good public governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”².

A regional series, with a long-term perspective

This monitoring report assesses the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, SIGMA (Support for Improvement in Governance and Management) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in this 2021 report, which compares performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period is from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its highest, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

Structured to provide key insights and recommendations to decision makers and detailed performance data to practitioners

The structure of the report mirrors that of the Principles. Each Principle has a dedicated section for its associated indicator(s). A country executive summary and summaries for each of the six thematic areas have been introduced to the 2021 report. The analytical findings and the short- to medium-term recommendations are developed to guide reform efforts and inform the policy dialogue and discussions between the EC and the Government.

SIGMA wishes to thank the Government for its collaboration in providing the necessary administrative data and documentation, as well as for its active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member countries who contributed to the report. Finally, the support of the EC is, as always, appreciated.

¹ OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

² European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans_en.pdf](https://ec.europa.eu/euipo/sites/default/files/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu).

Methodology

Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment

The *Methodological Framework for the Principles of Public Administration*³ contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

Data sources and validation

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations, reports (most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually March-May 2021 with 100+ interviewees per administration, including civil society)
- Review of cases and samples of government documentation (most recent are analysed)
- Observations of practice and on-site verification (conducted virtually March-May 2021 with national expert support)
- Analysis of administrative data from public registries and national statistics (most recent when possible, otherwise from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)⁴
- Surveys of 950 contracting authorities across the region (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports only show the overall indicator values, but the detailed criteria-level analysis will be accessible in 2022 through a public portal.

Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU.

The point allocation is constructed so that a country can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the country needs to show a consistent achievement of relevant outcomes. The value of 5 is reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

³ OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

⁴ Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

In 2021, averages of the indicator values have also been calculated for each of the six thematic areas of the Principles of Public Administration. This enables comparison of overall trends across the whole administration, over time, and across the region, as shown in the indicator comparison charts:

- 1) Strategic framework of public administration reform
- 2) Policy development and co-ordination
- 3) Public service and human resource management
- 4) Accountability
- 5) Service delivery
- 6) Public financial management.

Understanding how the indicator values are calculated

Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework. A three-digit reference number precedes the titles of the indicators: the first number refers to the area, the second to the Principle and the third shows whether this is the first or second indicator belonging to that Principle.

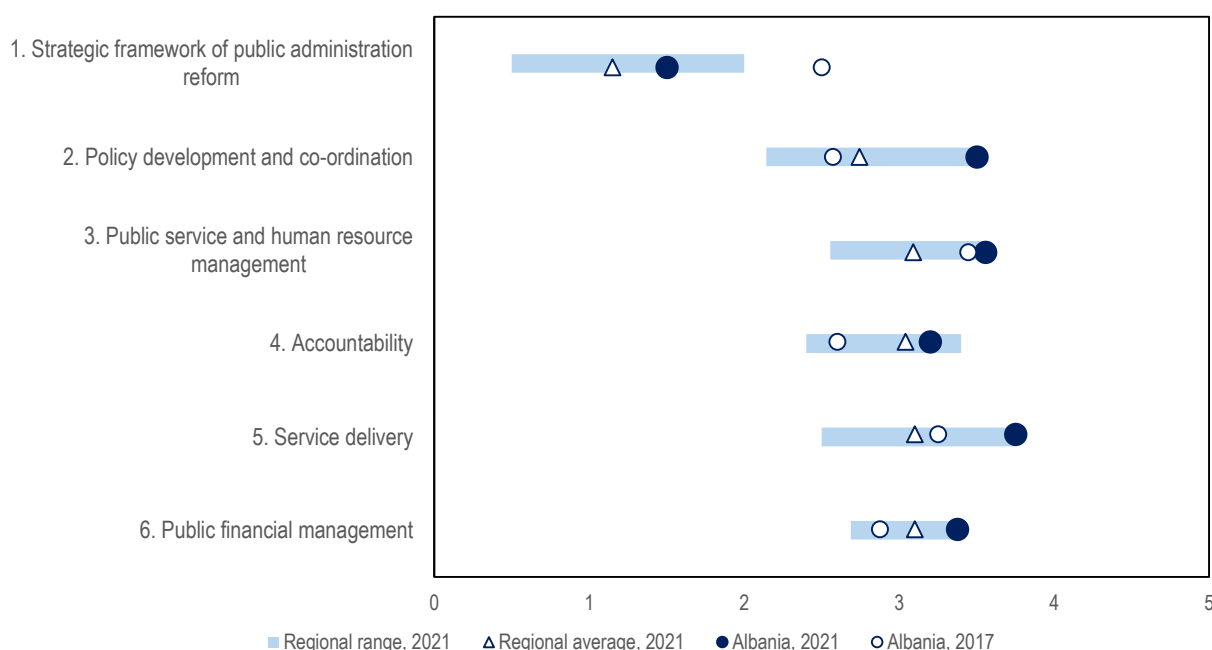
If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration and SIGMA does not estimate performance in the absence of credible evidence.

Executive Summary

Despite many challenges that the 2019 earthquake and COVID-19 pandemic created, over the past years Albania has made slow but steady progress in implementing important reforms in different areas of public administration. Compared to 2017, the values of five out of six key area indicators have increased. In 2021, Albania has performed the strongest compared to its neighbours in the Western Balkans region, recording higher than the regional average values for the six key area indicators. Notwithstanding this relatively strong performance and progress, weaknesses and challenges remain which call for a more co-ordinated and purposeful planning and implementation of reforms to fill in the gaps in the regulatory and methodological frameworks, strengthen capacities and ensure better and more consistent application of existing tools and procedures.

The new EU Enlargement methodology (May 2021) puts a stronger focus on fundamental reforms, including the rule of law, functioning of democratic institutions and public administration reform (PAR). Further progress in key PAR areas, including European integration (EI) planning and co-ordination, can help Albania be ready for the next, more challenging phase of the EU integration process.

Compared to 2017, Albania has made solid progress in most areas, positioning itself as the lead performer in the Western Balkans region across all key areas



Extension of the strategic framework of PAR ensured continuity of reforms

Albania has extended the validity periods of all five strategies included in its PAR strategic framework, providing clarity, direction and continuity of reforms in all key areas until 2022-2023. However, the process of extension of the relevant action plans was not used to review, and potentially revise, the levels of ambition and targets of the reform objectives to achieve better and stronger results. Furthermore, the weaknesses and gaps in the monitoring and co-ordination mechanisms of the selected strategies have negatively affected the overall co-ordination and pace of reforms. A monitoring and co-ordination mechanism for PAR exists formally, but it is somewhat fragmented and does not function effectively for all strategies. It also lacks adequate political-level leadership and does not ensure systematic involvement of external stakeholders in monitoring the reform implementation.

Improvements in evidence-based policy making and the launch of a digital planning tool

Some tangible progress in selected areas of policy development and co-ordination has been observed, resulting in improvement in the overall performance in policy making compared to 2017. Regulatory Impact Assessment (RIA) was fully institutionalised in 2019, but its scope covers only primary legislation. A new information technology (IT) system for government planning and monitoring was launched in 2021, marking an important milestone in the Government's ambitious plan to establish a fully harmonised and integrated electronic planning and monitoring system. The full benefits of this new system, however, have yet to materialise, as there are still gaps in key regulations and guidance. Further strengthening of the Office of the Prime Minister, as the key centre- of- government institution, can help improve oversight and support for key functions, ensure consistent quality checks and strengthen policy co-ordination.

The civil service system is showing strong maturity, stability and resilience

Despite the new pressures and challenges caused by the COVID-19 pandemic, slow but steady progress has been observed in the Human Resource Management Information System (HRMIS), standardisation of job descriptions and implementation of court decisions favourable to dismissed civil servants. A smooth introduction of on-line recruitment of the civil service demonstrates the maturity and stability of the Albanian system. Co-ordination by the central human resource management (HRM) body has also strengthened, while the increased collaboration among key actors has led to innovative solutions such as the creation of the central online platform (administrata.al). At the same time, the implementation of salary reform to strengthen the attractiveness of the public sector has been slow, and management of senior civil servants has deteriorated.

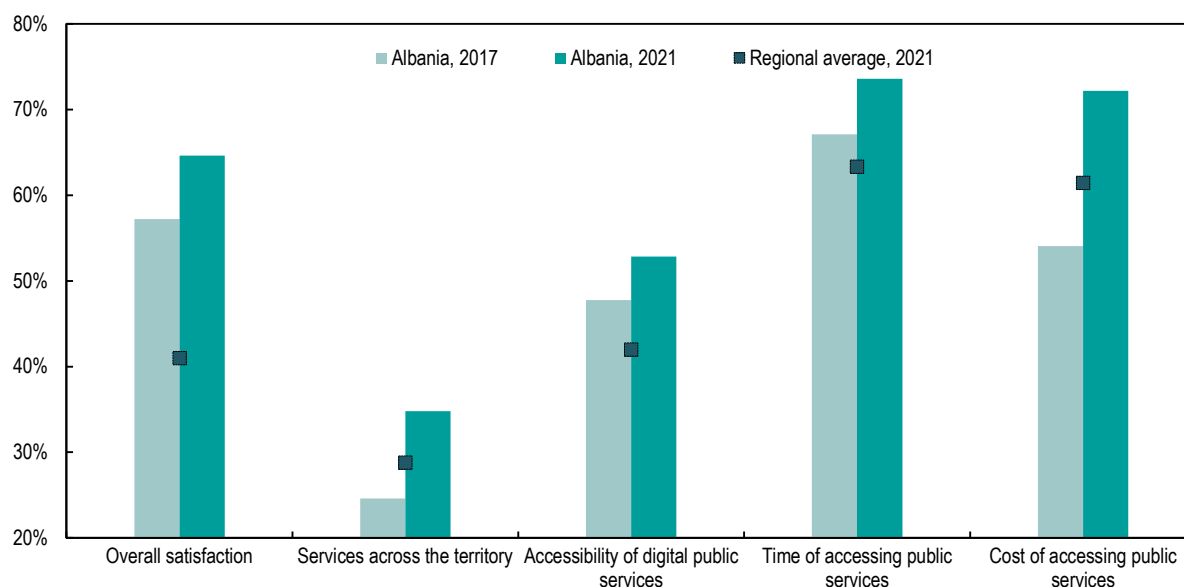
Reforms in agency restructuring have revealed systemic weaknesses and risks

Albania remains a solid regional performer in the area of accountability, but the unsuccessful initiative launched in 2018 to restructure the public-sector agencies has revealed bigger and more structural problems, particularly in the area of central policy and organisation of the public administration. Micromanagement and limited empowerment of senior civil servants persist within ministries, while their active, result-oriented steering of the subordinated agencies is absent. Weaknesses and gaps exist in the mandates of the Data Protection Commissioner and the People's Advocate. The latter remains the most trusted institution, but its recommendations are not widely implemented. Judicial review of administrative decisions is accessible at the first-instance courts, but severe backlogs exist at the appeal courts.

At the forefront of (digital) service delivery in the Western Balkans region

Building on its solid and stable policy framework and having in place a set of key (digital) enablers, Albania has managed to maintain its leading position in the region in the area of service delivery and digital transformation. Despite some shortcomings and gaps in some services, the overall satisfaction rates among citizens and businesses have been increasing, confirming the effectiveness of the policy and reforms of recent years. About 95% of administrative services are available online. This has proven to be an asset during the COVID-19 pandemic. Harmonisation of special laws with the Code of Administrative Procedures on the other hand has been slow, while the full benefits of implementing the 'once-only principle' have not yet materialised. The use of quality management tools in the state administration remains sporadic, and further efforts are needed to embed a user-centric service delivery culture with continuous improvement.

Albania's efforts to increase accessibility and quality of service delivery have resulted in increased overall satisfaction of citizens and businesses



Note: The average share of citizens who answered “mostly satisfied” or “completely satisfied” to the statements: “Could you please tell how satisfied you are with each of the following in your place of living?” in relation to: “Administrative services from central government (such as passports and personal identification [ID])”, “Accessibility to public services” and “Accessibility to public services via a digital channel”. The average share of citizens who answered “good”, “very good” and “excellent” to the following question: “How would you grade the following issues?” in relation to: “Time required to obtain public services” and “Price of public services”. *Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer>).

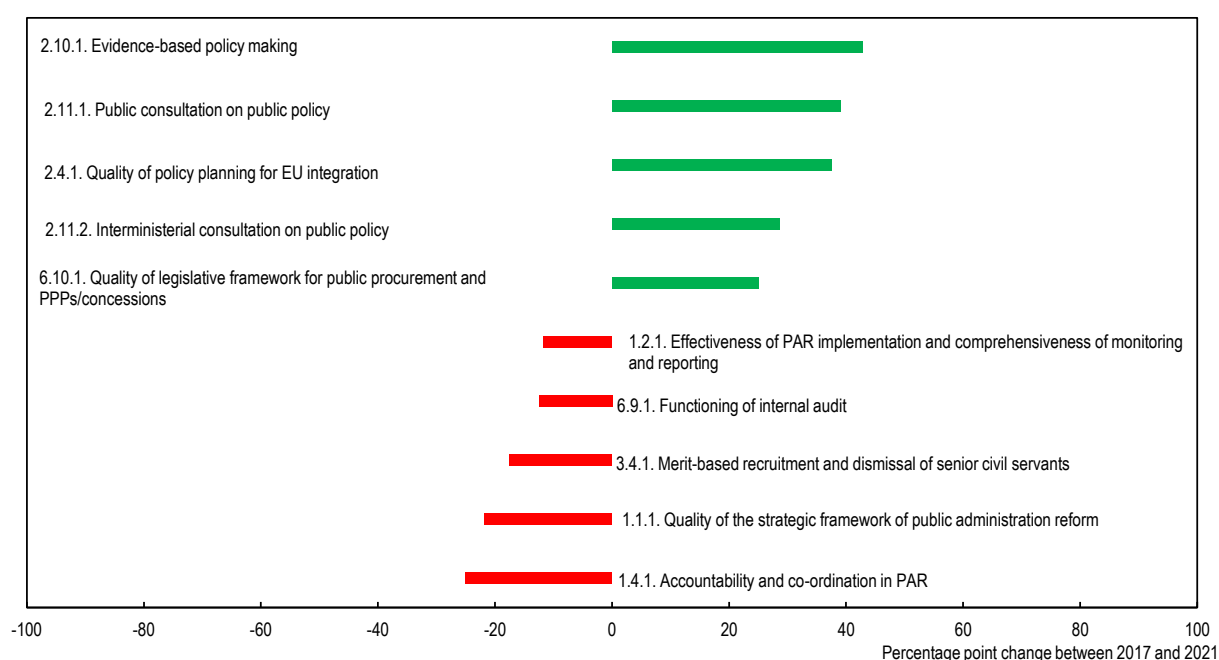
A solid foundation for managing public finance, improvements in public procurement legislation, but continued weaknesses in internal control and audit

Overall, the fiscal performance in Albania has been stable and public debt is adequately managed. The medium-term budget process and planning is fully established, but it could be further improved by strengthening the stability of sectoral ceilings in the medium-term. A complete legal and operational framework for internal control (IC) and internal audit (IA) is also established, but implementation lags behind. Similarly, the State Supreme Audit Institution (SSAI) has updated all of its audit methodologies and quality-assurance procedures in full alignment with international standards, but more work remains to be done to improve implementation and audit quality. The absence of sustained and structured engagement by the Parliament to support the work of the SSAI is the biggest impediment. The adoption of the new Public Procurement Law in December 2020 and the Defence and Security Procurement Law in April 2020 were important milestones in the harmonisation of the legislation with the EU *acquis*. The performance of the Public Procurement Commission (PPC) has significantly improved. A new e–appeals system has been successfully launched. The size of the procurement market in terms of value of contracts has increased. Competition in public procurement, measured in terms of an average number of bids, remains low.

The way forward for PAR:

- Albania should develop a new and more ambitious PAR strategic framework for the next period, in an inclusive manner and with more streamlined monitoring and co-ordination mechanisms that can ensure more regular political-level leadership and stronger implementation results.
- Advancing faster with the reform of the civil service salary system will help attract more candidates, increase motivation and help enhance capacities of ministries to perform more successfully and deliver better policy outcomes.
- Further empowerment of line ministries, increasing their role in sectoral resource allocation and financial planning, and enhancing managerial accountability in general should remain priorities for reforms.

Major improvements in selected policy-making and public procurement indicators; weaker performance in the PAR quality and co-ordination, internal audit and merit-based recruitment of senior civil servants areas



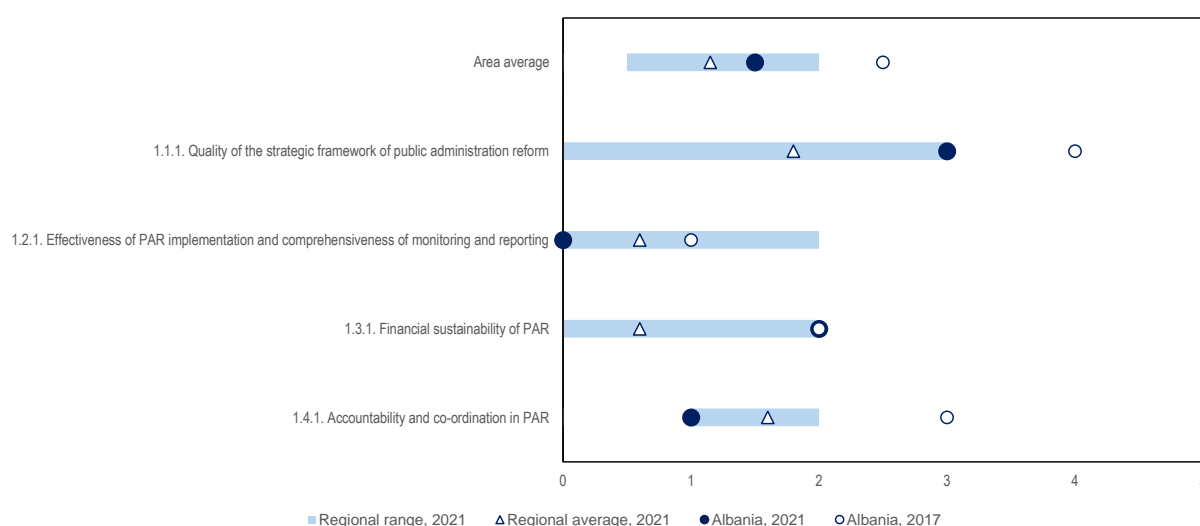
Strategic Framework of Public Administration Reform

Strategic Framework of Public Administration Reform

Summary and recommendations

Since 2015, Albania has been implementing a comprehensive strategic framework of public administration reform (SFPAR), based on five strategic documents: the Cross-cutting PAR Strategy, the Public Financial Management Strategy (PFM Strategy), the Decentralisation Strategy, the Anti-corruption Strategy and the Digital Albania Strategy. The overall average value of SFPAR indicators is 1.5, which is higher than the regional average (1.2) but lower than the result in 2017 (2.5). The weaker performance in the 2021 assessment is largely due to additional weaknesses and gaps identified in the quality and development of selected strategies in the SFPAR.

Despite being above the regional average, the overall area indicator value lowered compared to 2017, due to weaknesses and gaps identified in selected strategies.



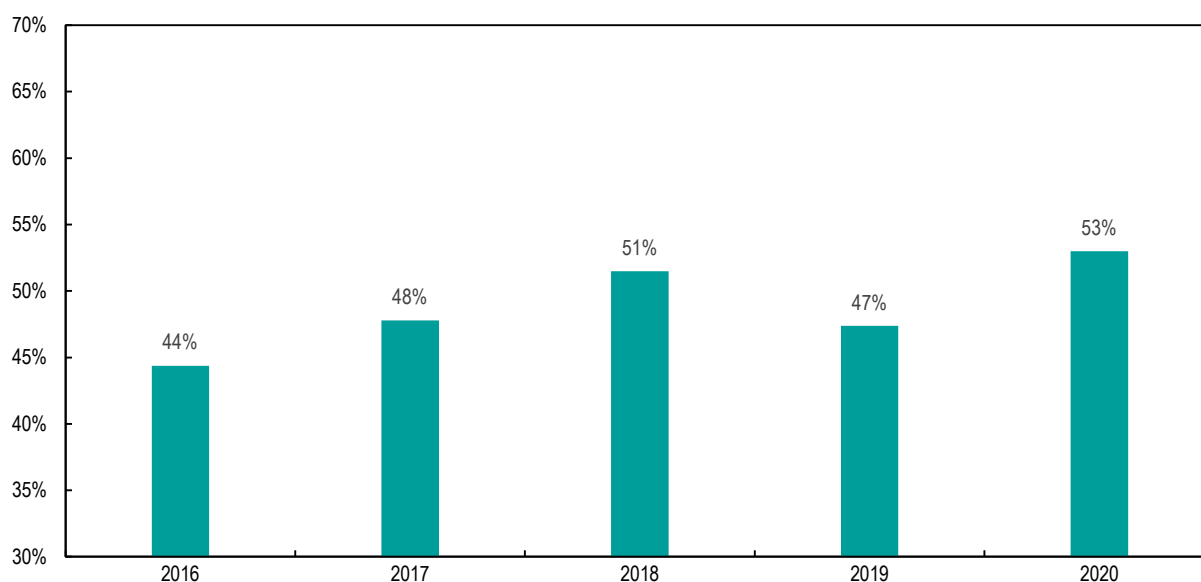
Albania has ensured the validity of its SFPAR by extending the lifetime of the strategies from 2020 until 2022-23. Albania and the Republic of North Macedonia are the only two countries in the region to have valid and complete strategic planning documents covering all key areas of PAR (as of June 2021). The quality of the strategic framework, however, has deteriorated since 2017, because of weaknesses in the quality of selected strategies, their performance monitoring frameworks, and the process of extending their period of validity beyond 2020. The prioritisation of PAR and its coherence with other planning documents is also worse than in 2017, as is the degree to which measures in the latest action plans of certain strategies are oriented toward reform.

A valid strategic framework of PAR has been secured through extensions of the key strategies until 2022-2023



Effectiveness of implementation of reforms and comprehensiveness of the monitoring and reporting frameworks is assessed as weak. The pace of reform, as assessed by the level of implemented activities in recent years, has been slow. On average, only about half of the annually planned measures were implemented each year across all five strategic documents in the period from 2016-2020. In general, annual monitoring reports for some of the strategies have not been prepared and published regularly and early enough after the end of the reporting year to ensure effective monitoring. Additionally, the fragmented nature of the SFPAR, which covers five strategies, creates challenges for the overall co-ordination and monitoring of reforms in all areas.

Implementation rate of PAR activities



Source: SIGMA analysis, based on data and information available in officially published reports and information shared with SIGMA during the 2017 and 2021 monitoring assessments (as of June 2021). Full implementation results for 2020 were not available for two strategies, hence those are not included in the calculation.

Financial sustainability of PAR has been assessed not to have changed since 2017, despite a slight improvement in the assessment of the actual funding of PAR, as measured by a review of available funds planned for the most expensive PAR activities. Quality of costing, however, remains weak across all

strategies, since the full information is not available. No systematic monitoring and review of the overall financial gap for PAR has been conducted that could explain the delays and low implementation rate.

Organisational and management structures for PAR have been formally established, but they have not been functioning fully and consistently in every area. The political-level bodies, in particular, have not been meeting regularly and frequently enough to guide and steer the overall reform agenda. In fact, **no political-level discussion of PAR agenda issues took place in 2020**. Accountability and co-ordination of PAR is thus assessed to have deteriorated since 2017. The COVID-19 pandemic and the 2019 November earthquake may have created additional challenges for the administration in ensuring the smooth and continuous functioning of the PAR mechanisms. Nevertheless, the lack of regular discussions on PAR at the political level is an issue to be addressed.

Engagement of external stakeholders in monitoring and consulting on the PAR agenda through the formal co-ordination structures has been limited. Non-state actors are mainly consulted in writing, as the relevant documents and reports are being prepared. Their involvement and participation in various monitoring structures has been limited, reducing openness and accountability.

Short-term recommendations (1-2 years)

- 1) The Government should ensure more regular discussions and meetings of all political and administrative-level structures responsible for monitoring and co-ordination of PAR across all five strategies included in SFPAR. External stakeholders and non-government organisations should be involved in the monitoring of PAR more regularly and systematically.
- 2) The Government should review the effectiveness of the current model and the structures for monitoring PAR strategies at the administrative level, with a view to consolidating and streamlining the system, in order to reduce fragmentation and improve co-ordination.
- 3) The Ministry of Justice, the Ministry of Internal Affairs, the Ministry of Finance and Economy and the National Agency for Information Society (NAIS), the Department for Public Administration (DoPA) and other institutions responsible should ensure that all required monitoring reports are prepared and published on time, as required by the relevant performance measurement frameworks. Annual monitoring reports should be prepared and published in the first quarter, after the end of the reporting year.
- 4) The institutions involved in SFPAR should complete the gaps that exist in the performance indicator frameworks, including finalising the outcome-level indicators and targets, to be able to measure progress towards the reform objectives. Monitoring data and information should be used to help develop a new, improved indicator framework for the next PAR strategic framework.
- 5) The Office of the Prime Minister (OPM), with the cabinet of the minister responsible for PAR, should consider developing a central government website to provide regular and up-to-date information on the Government's SFPAR, and on its implementation and monitoring.
- 6) The designated Minister responsible for PAR, with other relevant ministries and agencies, should initiate a consultative process for developing a new PAR strategic framework based on the priorities and reform ambitions of the new Government, to cover the period beyond 2022.

Medium-term recommendations (3-5 years)

- 7) The Ministry of Finance and Economy, the OPM and other relevant institutions should ensure that the costing of PAR strategies is consistently and adequately carried out to improve PAR monitoring and implementation. Costing of all strategies included in the new SFPAR should be based on the same methodology, to allow for effective monitoring and improved financial sustainability of reforms.

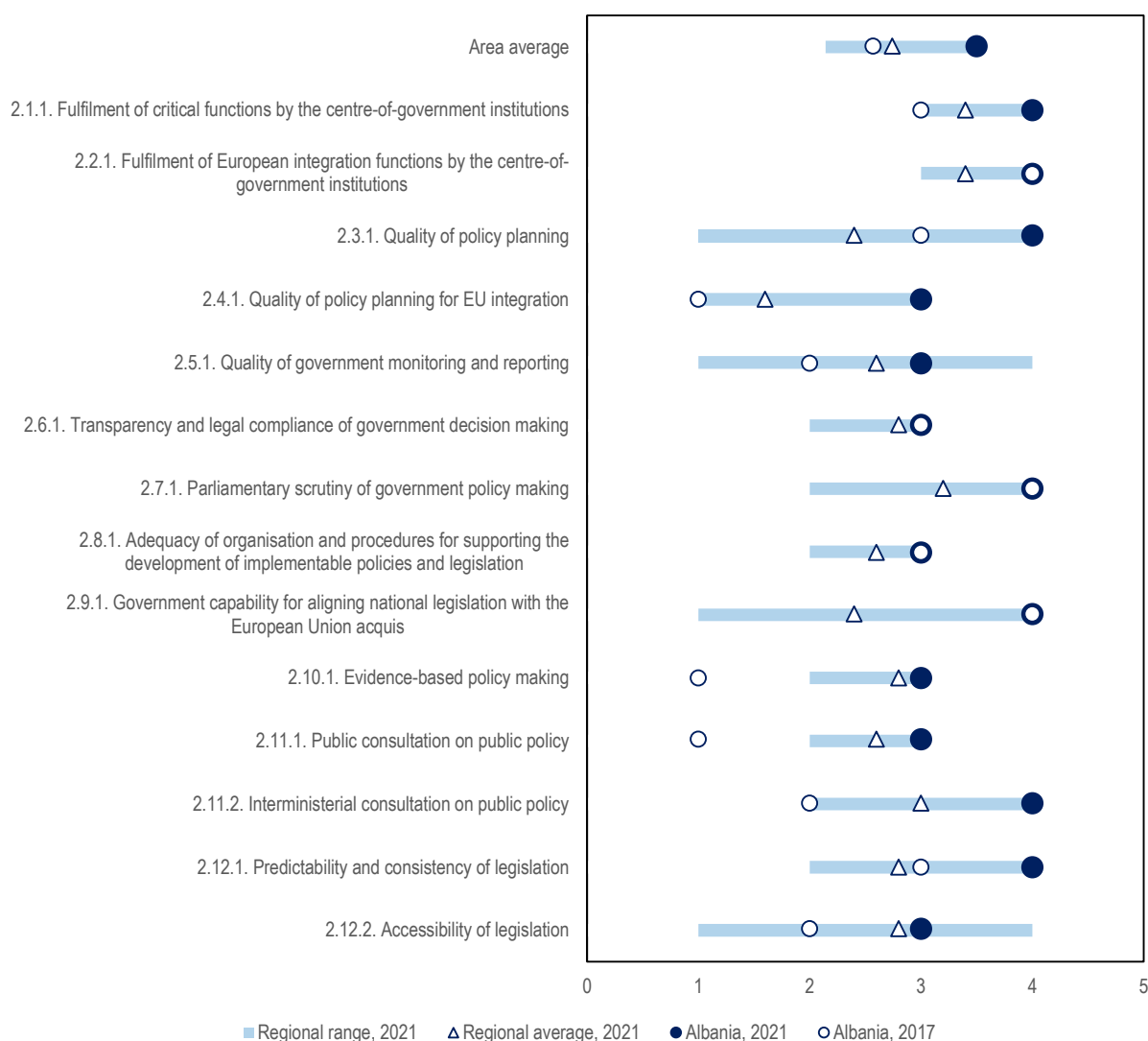
Policy Development and Co-ordination

Policy Development and Co-ordination

Summary and recommendations

Albania's performance in the area of policy development and co-ordination has been strong and has shown improvement. By comparison with other Western Balkan countries, it received the highest value for many indicators, and its overall average value and individual indicator values have risen from 2.6 in 2017 to 3.4 in 2021, the highest in the region. This improvement is largely a recognition of the institutionalisation of Albania's *ex ante* tools for policy development and the development of new regulations and systems for government planning. However, many challenges have yet to be addressed. Particularly by ensuring systematic implementation of all new processes and tools, the government has laid the foundation for further improvements in areas such as centre of government (CoG) co-ordination, strategic planning, regulatory impact assessment and public consultation.

Good progress has been recorded in most indicators since 2017



Key CoG functions are all formally assigned to the Office of the Prime Minister (OPM) and other institutions. The recent efforts of the administration to adopt an OPM Rulebook in order to improve the internal organisation and functioning of the OPM, as the key CoG institution, are not yet complete. Co-ordination between the CoG and line ministries and other agencies in planning and monitoring of government work is limited. The development of the Integrated Planning System (IPSIS) is an important milestone. IPSIS has been formally launched, but it is not yet fully operational, and many improvements and expected benefits depend on the system being rolled out and operational. The medium-term policy-planning set-up is still fragmented, and the planning processes and plans are not fully aligned. Developing a new regulatory basis to address fragmentation and clarify and streamline rules and procedures, as well as a full operationalisation of IPSIS are important priorities for this area.

As for co-ordination of European integration (EI), the co-ordination structure established in 2019 functions effectively on the administrative level, but not on the political level. The State European Integration Committee met infrequently in 2020. Making progress in this area should be a priority, as strong political leadership is essential for advancing European Union (EU) integration and for establishing co-ordinated policy development to ensure further alignment of national legislation with the EU *acquis*. An enhanced, integrated planning system, through the IPSIS, has laid a solid basis for better alignment of domestic and European integration planning. At the moment, the adoption of the NPEI has been delayed every year, and the plan itself is not satisfactorily aligned with the Government's annual plan.

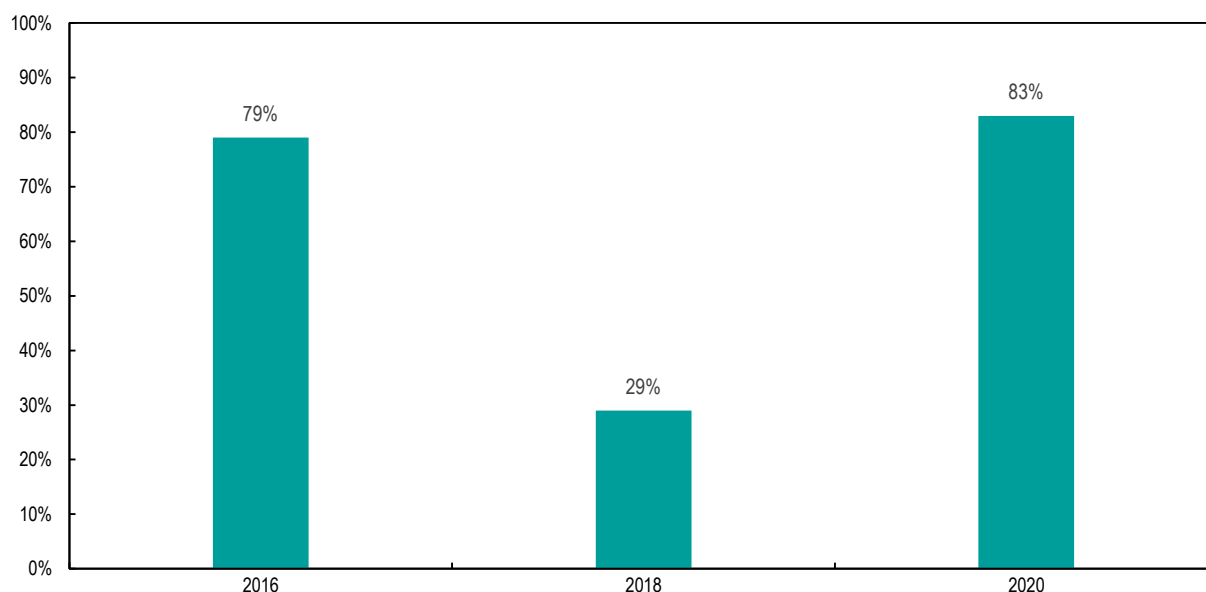
Governmental decision making is not transparent enough. The government publishes its decisions after a session, but the agendas for Government sessions are not announced in advance. There is no public communication in which the key decisions could be explained in an easily understandable way. The Parliament rarely discusses and evaluates the implementation of laws and governmental policies, which weakens the overall level of scrutiny of the government's work.

Overall, the quality and stability of legislation is high. The share of laws amended within one year of their adoption is low, which suggests that the legal environment is predictable, and that legal drafting is effective. Of 98 new laws adopted by the Parliament in 2019, only 5 were amended by the Government within one year. Moreover, in most cases, the Government adopts mandatory bylaws in a timely manner, which allows for full implementation of new laws.

A more active approach to monitoring the implementation of *acquis* alignment plans is in place, including weekly reports to the OPM and the Chief Negotiator. This has helped reduce the number of legislative commitments carried forward from 2020 to 2021 to 13% (the corresponding figures in previous monitoring assessments were 44% in 2017 and 73% in 2019⁵). This has also helped increase the implementation rate of legislative commitments for *acquis* alignment to 83% in 2020 compared to 29% in 2019, 79% in 2017.

⁵ OECD (2017), *Monitoring Report: Albania*, OECD, Paris, <http://www.sigmaweb.org/publications/Monitoring-Report-2017-Albania.pdf> and OECD (2019), *Monitoring Report: Albania*, OECD, Paris, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Albania.pdf>.

Active monitoring has significantly improved the implementation rate of planned legislative commitments for EU *acquis* alignment



Note: Implementation rates from 2016, 2018 and 2020 are taken from the SIGMA Monitoring Reports of 2017, 2019 and 2021.

Source: SIGMA calculation based on publicly available plans and reports on implementation from the previous year.

The Rules of Procedure (RoP) of the Government were amended in 2018 to institutionalise *ex ante* analysis of regulatory proposals. The system of regulatory impact assessment (RIA), a key component of evidence-based policy making, is relatively recent, but is in place: the regulation requires impact analysis for all draft acts submitted to the Council of Ministers (CoM). The priority now is to ensure that line ministries have the skills and resources to prepare analysis of good quality and that quality control is systematically ensured. Implementation of RIA on secondary legislation, however, has not yet started, even though it is required by regulations. As with other aspects of policy development and co-ordination, progress has been made since 2017, and the challenge for the government is to build the culture and routines that will help ensure that recent efforts yield their full benefits.

Public consultation on key policies has not been successful in generating comments and feedback from stakeholders and ensuring meaningful input in final policy design. In the past, the process has thus not had a strong impact on policy making. A new guideline on public consultation, introduced in 2021, should help to improve the situation, with more rigorous quality checks now formally in place. This was one of the most important shortcomings of the previous system. Efforts in this area, and other initiatives to improve transparency, should have a positive effect on the quality of policy and increasing public trust in government.

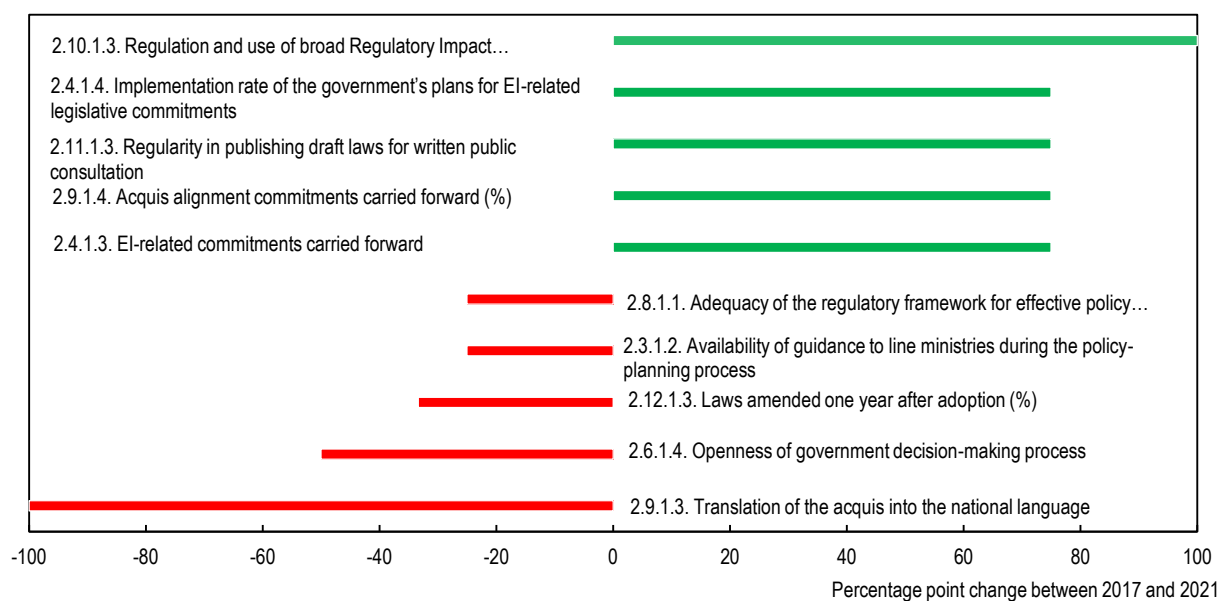
Short-term recommendations (1-2 years)

- 1) The Government should strengthen the capacities of the OPM, as the key CoG institution for carrying out all key functions. The OPM should finalise and approve a detailed Rulebook to clarify and confirm the roles and responsibilities of various units in performing the core CoG functions, and it should ensure that adequate guidance and support is provided to ministries for better policy co-ordination.
- 2) The OPM should fully operationalise the new IPSIS system, with all its modules and functionalities, and ensure that all ministries are using it consistently for planning, monitoring and reporting. A continuous programme for capacity building should be developed for all staff, so they can use the system effectively. The capacity of the relevant unit in the OPM should be enhanced to provide continuous oversight and quality control, and to provide guidance and support to ministries throughout the various phases of policy planning and development managed by IPSIS.
- 3) The respective institutions (i.e. the OPM and the Ministry for European and Foreign Affairs [MEFA]) should ensure that the General Annual Work Plan (GAWP) and the EI plan are developed simultaneously, to make sure the EI plan is adopted on time and fully aligned with the GAWP. The State Committee for European Integration (SCEI) should increase its presence as a political-level co-ordinating body of the EI process and should meet regularly.
- 4) The OPM should ensure that the agendas of the government sessions are published in advance and communicate to the public the key decisions that have been taken, in an easily understandable way.
- 5) The Parliament should introduce the practice of discussing the implementation of key laws and policies on a regular basis.
- 6) The Government should ensure full enforcement of the RIA methodology across the ministries, including for secondary legislation, by increasing its quality control and oversight, and continuing to provide training for key officials. The Government should initiate RIA on secondary legislation, aiming to analyse the impact of the most significant regulatory proposals introduced through secondary legislation, in a proportionate and targeted manner. Special attention must be paid to identifying alternative options to regulation and to accurate assessment of costs and benefits.
- 7) The Rules of Procedure should be revised to give the OPM's regulatory directorate a stronger oversight role in issuing formal opinions on the quality of RIA reports, including a mandate to return the items to the lead ministries in case the analysis is inadequate.
- 8) The OPM should ensure full enforcement of the recently adopted guideline on public consultation, monitor implementation of the rules and prepare and publish annual reports on public consultation, to deal with any challenges in implementation.
- 9) The Official Registry should ensure that all pre-1998 legislation that is effectively valid and in force is accessible electronically through the centralised platform.

Medium-term recommendations (3-5 years)

- 10) The Government should plan and carry out an evaluation of the new government planning and monitoring system, in particular on the effectiveness and impact of the IPSIS system on the quality of final plans and monitoring reports.
- 11) The Government should finalise the development of the integrated planning system and revise the fragmented medium-term policy-planning set-up. This would involve both drafting a new legislative framework for planning and continuing efforts to roll out the IPSIS system.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Regulatory management and EI planning have seen clear improvements compared to 2017



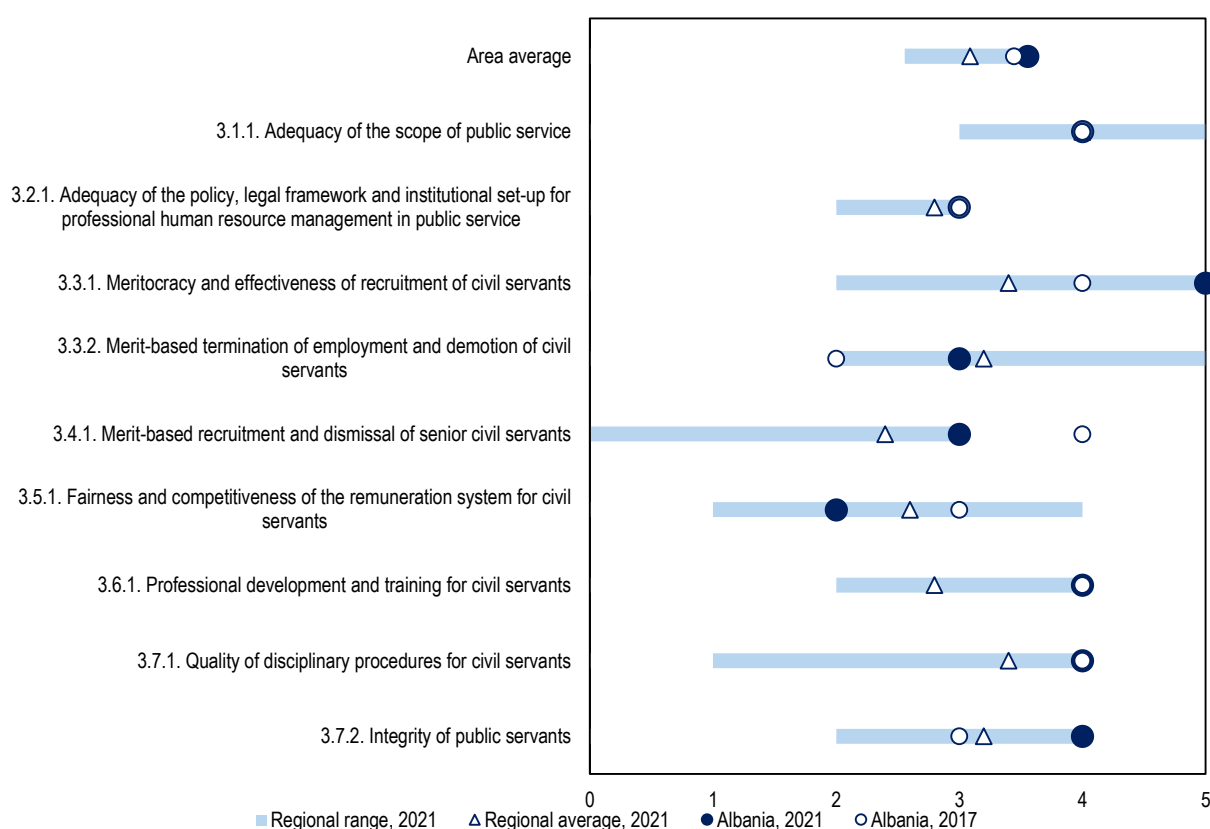
Public Service and Human Resource Management

Public Service and Human Resource Management

Summary and recommendations

In the area of public service and human resource management, Albania scores the highest in the Western Balkans region, with an aggregate composite indicator of 3.6. With the Civil Service Law (CSL)⁶ dating back to 2013 and all secondary legislation in place, the Albanian civil service system can be considered mature and stable by regional standards. Limited legislative and organisational changes have taken place since the previous assessment in 2017. Nevertheless, several weaknesses persist and, more importantly, the practice does not always follow the concepts enshrined in the CSL.

Albania is a solid regional performer in PSHRM, but salary reform is needed and management practices for senior civil servants need to be reviewed



As defined by the legislative framework, **the scope of the civil service is comprehensive; however, exclusions to vertical scope persist** (the heads of certain agencies are appointed by the political authorities). After the government's reorganisation, and based on the somewhat unclear criteria of the CSL, a number of bodies were given the status of service delivery units and placed under the Labour Code, which increases the **fragmentation of the horizontal scope**.

Since the abolition in 2017 of the position of the Minister of State for Innovation and Public Administration (MIPA), **political responsibility for the civil service has not been clearly assigned**. Nevertheless, the Department of Public Administration (DoPA) remains a key institution, responsible for co-ordination of policy implementation. Communication between DoPA and human resource management (HRM) units is fluid, but additional guidelines would ensure uniform application of key HR practices. Significant progress has been made in populating the Human Resource Management Information System (HRMIS) and

⁶ The Law on Civil Servants, No. 152/2013.

extending it to all public institutions, but the rollout has not yet been completed. Its interoperability with the Civil Registry and the Treasury System is now possible and partially in place. Lack of complete data has hampered strategic planning and monitoring HR activities.

The legislation in force is aligned with the core principles of merit-based recruitment and fully applied in practice. DoPA successfully launched online recruitment processes in record time, after the lockdown was imposed in early 2020 as a result of the COVID-19 pandemic. However, recruitments for groups of positions at the entry level are still not standard procedure, and recruitment to individual positions is equally common, because uniform job descriptions have not been established in all institutions. Implementation of court decisions favourable to dismissed civil servants was progressing well until the outbreak of the pandemic, but this long-lasting and costly problem has not been finally resolved.

Implementation of the Annual Recruitment Plans for 2019 and 2020 show that 2020 recruitment was stalled by the pandemic, but that introducing e-recruitment in April allowed for successful appointments all year, exceeding the 2019 numbers



Notes: Number of appointments to the civil service per month resulting from recruitment procedures launched in 2019 and 2020.

Source: Department of Public Administration.

Management of senior civil servants differs significantly from what is foreseen in the legislation.

The standard recruitment procedure has never been followed, supposedly because the Albanian School of Public Administration (ASPA) has not rolled out the in-depth training programme finalised in 2016. Although the Top Management Corps (TMC) has had a sufficient number of successful candidates, they have not been appointed, and about 30% of senior managerial positions remain vacant. Dismissals from the TMC are rare, but the turnover in individual senior positions is much higher. The performance appraisal of senior managers provided for in the CSL has not yet begun.

A need for improvement in the remuneration system has been acknowledged for some years, but the first comprehensive draft of the reform was prepared only in 2020. It was not accompanied by an action plan, and consultations with stakeholders are pending. Extending the working condition allowance to various groups of civil servants has become a substitute for motivational use of remuneration policy.

Although **performance appraisal, promotion, training and mobility have been introduced, they are not interlinked and thus do not constitute a comprehensive performance management system.** However, despite the challenges caused by the 2019 earthquake, the 2020 COVID-19 pandemic and the subsequent lockdown, ASPA continued to provide training programmes, almost exclusively online.

The legal framework on integrity and disciplinary procedures, complemented by the anti-corruption strategy, is comprehensive, but still fragmented. Data on its application is not

centralised. Progress has been made in the implementation of the Law on Declaration of Assets, but the resources of the High Inspectorate of Declaration and Audit of Assets and Conflict of Interest (HIDAACI) are insufficient to deal with its expanded mission.

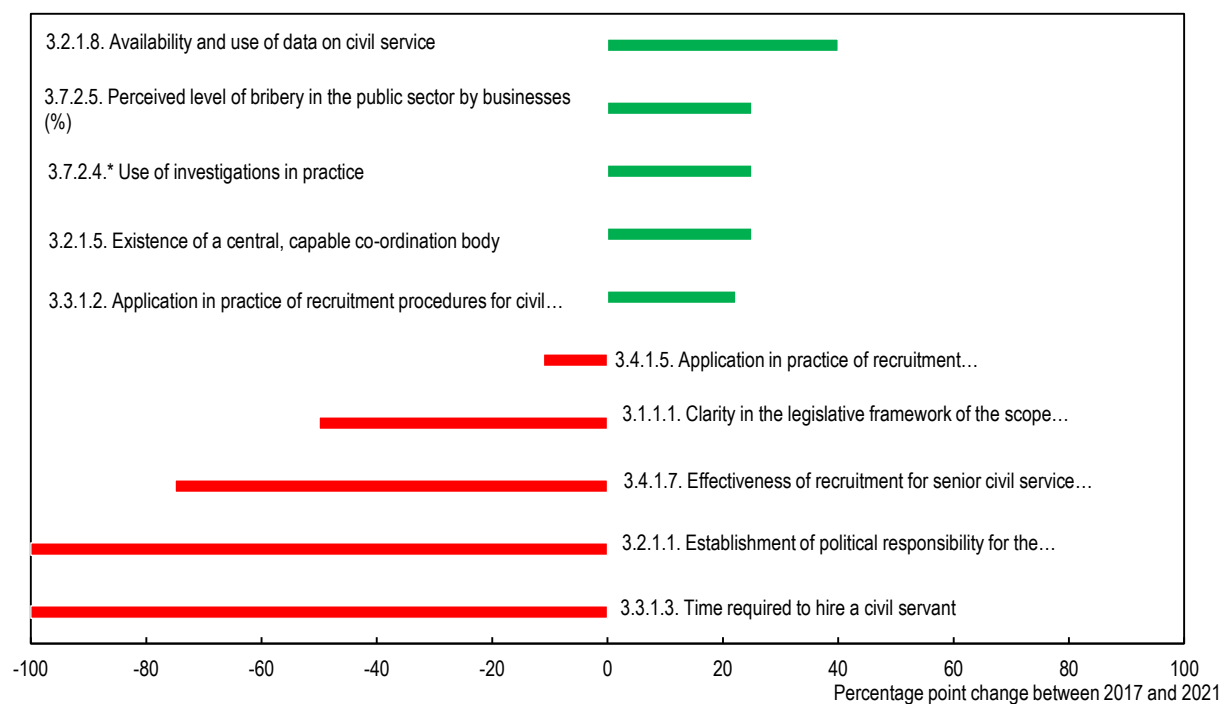
Short-term recommendations (1-2 years)

- 1) The Government should ensure that the practice of TMC management respects the letter and the spirit of the CSL: access to the TMC should take place through the standard procedure, all TMC members should undergo in-depth training at ASPA, those appointed to regular positions should undergo performance appraisals and evaluations by the National Selection Committee, and TMC members should be appointed to all vacant senior managerial positions without delay.
- 2) The Government should finalise the process of harmonising and improving job descriptions in state administration institutions and ensure that recruitments to the executive positions follow the CSL requirements and that competitions organised for individual positions become an exception.
- 3) The Government should continue to undertake measures and create conditions to attract good candidates to all positions in the civil service. The young graduates' scheme can be considered one such measure, but it should be given legal basis in the CSL.
- 4) The Government should finalise the prolonged process of implementing the HRMIS. All institutions need to be covered, and up-to-date data on civil servants is necessary to allow strategic and evidence-based HR management at the state level.
- 5) The Government should finalise the prolonged process of implementing court decisions favourable to unlawfully dismissed civil servants, while taking steps to keep the number of new successful appeals in such cases at a low level.
- 6) The Government should ensure that, after an inclusive consultation process, a salary system reform is prepared, politically supported and implemented, so that CSL provisions are applied in practice and remuneration becomes a useful tool of HR management.
- 7) The Government should specify the criteria set up in the CSL on the creation of direct-service delivery units and provide clear guidelines to preserve the consistency of the scope of the Civil Service.

Medium-term recommendations (3-5 years)

- 8) The Government should establish a consistent employment framework for all employees in the public administration, in order to ensure that all employees are selected through competition, except when the law provides otherwise. The framework should limit to fully justified exceptions the creation of direct service delivery units and other arrangements that guide the employee relations governed by the Labour Code (including temporary contracts). DoPA should collect data on this entire population to allow for evidence-based HR management.
- 9) HIDAACI, in collaboration with DoPA, should promote a uniform, efficient implementation of the legislation on integrity, for example by compiling norms, regulations and guidelines in the form of a practical handbook for HMR units.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. There is steady progress in various sub-indicators, with drops primarily in those beyond the influence of the Department of Public Administration



Note: * marks where points have been deducted because data was not available or of poor quality.

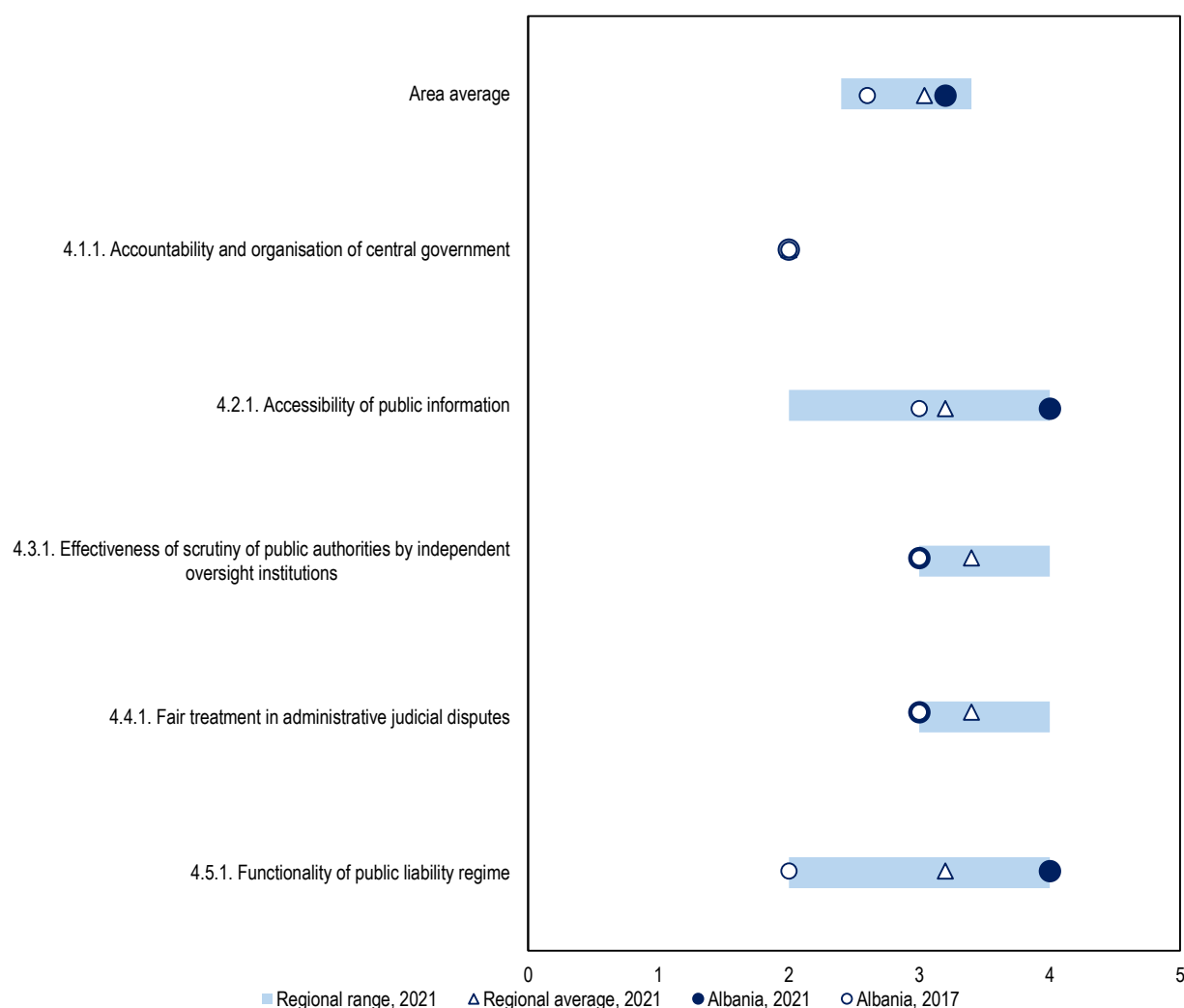
Accountability

Accountability

Summary and recommendations

With an area average of 3, Albania remains a solid regional performer in the area of accountability. The lack of vision and policy of macro-organisation of public administration remains the outstanding weakness. A typology of administrative bodies exists in the legislation, but its practical value is questionable. The distinction between two types of institution – subordinated institutions and autonomous agencies – is blurred and not followed in practice. The unsuccessful initiative for restructuring of agencies that started in 2018 exposed the structural problem of weak central policy and stewardship of the organisational set-up of the Government administration. Another major deficit is the absence of active, results-oriented steering of the subordinated agencies by respective portfolio ministries. Furthermore, within ministries, micromanagement and limited empowerment of senior civil servants persists.

Albania is a strong regional performer in the accountability area. Major improvement came from new evidence of functioning of the public liability regime



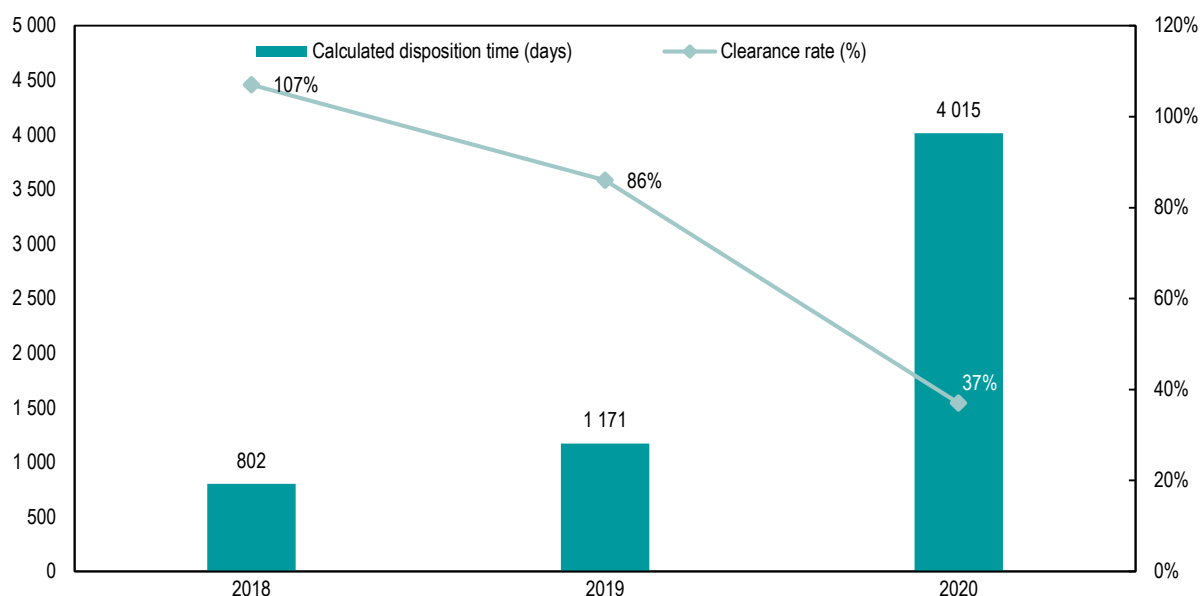
Albania performs relatively well in the area of access to public information, and its legislative framework is in line with international standards. The public perception of transparency, among both citizens and businesses, has improved significantly since 2017 and is at a relatively high level. Interventions of an independent Information and Data Protection Commissioner prompt the administration to provide requested information, but the effectiveness of this body suffers from shortcomings in the

legislative framework. It lacks mechanisms to enforce its decisions and has no explicit mandate to conduct comprehensive inspections. Limited use of sanctions stems from a flawed concept of “liable person” that has persisted since 2017. There is also room for improvement on collecting comprehensive data about the functioning of the system, proactive disclosure of public information and fulfilling transparency obligations, where progress is slow.

As regards oversight of the public administration by independent institutions, the legislative framework is adequate overall and ensures sufficient independence of the oversight institutions. The only limitation concerns the Ombudsman, whose mandate does not cover the entire executive. Moreover, a further decline in the implementation of its recommendations has been noted since 2017. Nevertheless, the People’s Advocate stands out among oversight bodies as the most trusted and most effective controller of the executive, widely perceived as independent of political influence.

According to the legislation, judicial review of administrative decisions is accessible to all groups of citizens, thanks to relatively low court fees and the recently adopted Law on State Guaranteed Legal Aid. The efficiency of administrative courts is satisfactory at the level of first instance, but continues to be dramatically low in the single Administrative Court of Appeal. The appeal procedure in administrative judicial cases does not function, as potential applicants cannot reasonably expect their cases to be handled in any less than several years. Contrary to the SIGMA recommendations of 2017, in some respects, the technical and organisational preconditions for effective functioning of the administrative courts have even deteriorated. The newly introduced right to seek financial compensation for delays, not yet widely used, is unlikely to solve the structural problems in the Court of Appeal. **Albania scores particularly low in terms of effectiveness of judicial control of the executive and public trust towards the courts, despite continuous efforts towards judicial reform.**

Basic parameters of efficiency of the Administrative Court of Appeal, 2018-2020



Source: Data provided by the Administrative Court of Appeal.

Public liability for administrative wrongdoing is enshrined in the legislation, and there is also evidence that it is implemented in practice. However, there is no mechanism for regular monitoring and analysis of the administrative and judicial practice in these matters. Further, the Government does not collect data on payments made in public liability cases and the reasons for them, to make it possible to detect and mitigate cases of severe maladministration.

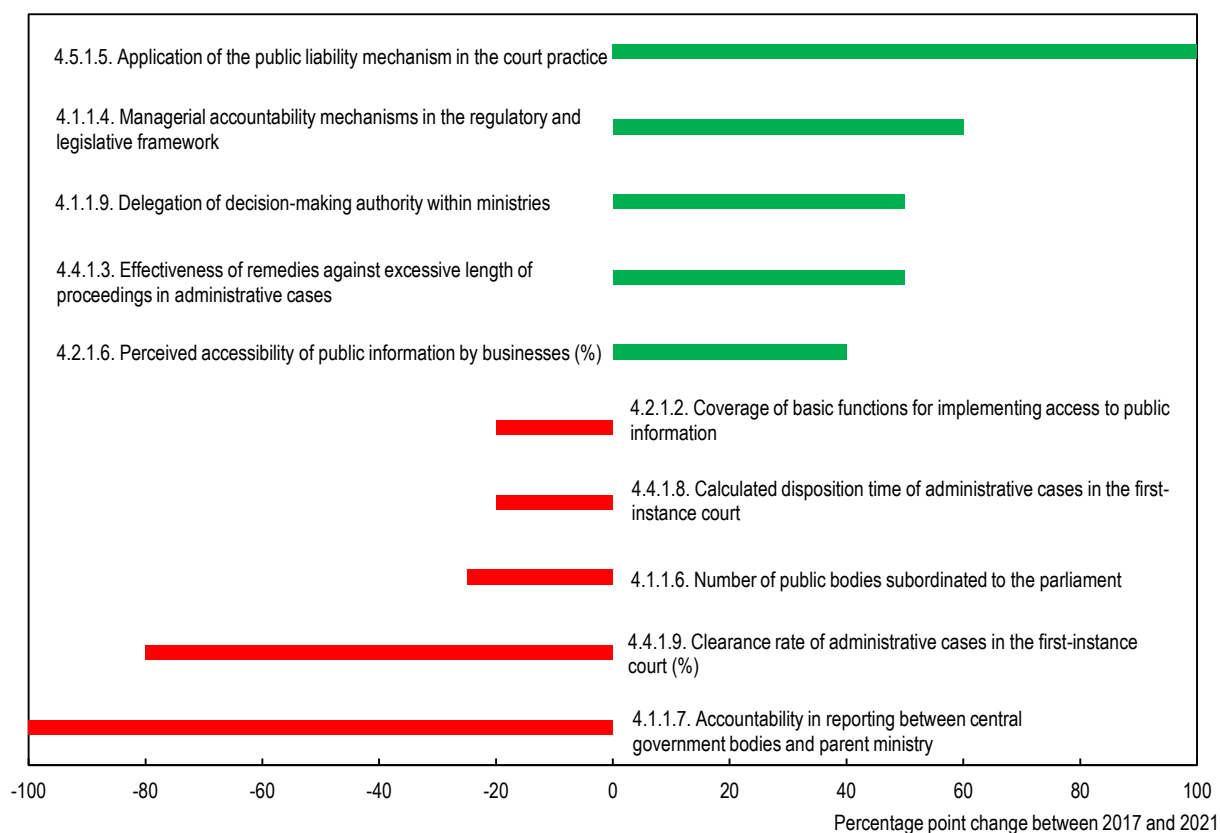
Short-term recommendations (1-2 years)

- 1) The Government should develop and implement a comprehensive steering framework for the bodies subordinated to the ministries, ensuring that monitoring and supervisory functions are clearly allocated to the relevant ministerial unit, that subordinated bodies are held accountable for results delivered and that the ministry provides them with structured performance feedback. Implementation of these measures could start with a major revision of Law No. 90/2012.
- 2) The Government should establish stronger central oversight and control over organisational changes in the public administration, particularly in the creation of new bodies, through institutionalisation of *ex ante* analysis, to prevent excessive agencification and to ensure that it is justified and in line with the government policy.
- 3) The Government, in close co-operation with the Information and Data Protection Commissioner, should strengthen the Commissioner's mandate to collect data on the practice of implementation of Law No. 119/2014, conduct inspections of compliance with transparency requirements and amend the provisions of Law No. 119/2014 relating to sanctions, so that violations of the right to information are effectively penalised, and to collect comprehensive data on the functioning of the system of access to public information.
- 4) The Assembly should enhance its co-operation with the Ombudsman and address the increasing problem of the lack of responsiveness of public administration bodies to the Ombudsman's recommendations. Among possible measures, the creation of a special parliamentary subcommittee could be considered, with the mandate to monitor implementation of the Ombudsman's recommendations. In addition, the monitoring mechanism based on the Inter-Institutional Online Platform should be revived.
- 5) The Ministry of Justice, in co-operation with the High Council of Justice, should urgently develop and implement an action plan for tackling the enormous backlog in the Administrative Court of Appeal. Extraordinary measures are needed to address this issue, including temporary or permanent transfer of judges, as well as increasing the number of judicial assistants and administrative staff.

Medium-term recommendations (3-5 years)

- 6) The Government should consider revision of the institutional locus of the regulatory authorities currently reporting to the Assembly, by ensuring that they are involved in the implementation of Government policies. While respecting the functional autonomy of regulators, this could involve mechanisms for aligning their strategic objectives with Government policy priorities, as well as reporting the obligations of the regulators towards the Government.
- 7) The Ministry of Justice should introduce mechanisms to monitor cases based on Law No. 8510/1999 on Non-contractual Liability of State Administration Bodies (both court cases and amicable settlements) that result in the liability of the State, with the goal of improving administrative procedures and decisions and thus reducing public liability cases in the future.

The five highest percentage point increases and decreases for all sub-indicators in the area in compared to 2017. Data on public liability mechanism being used in practice and better results in managerial accountability contribute to the increases, but the COVID-19 pandemic negatively influenced the efficiency of administrative justice



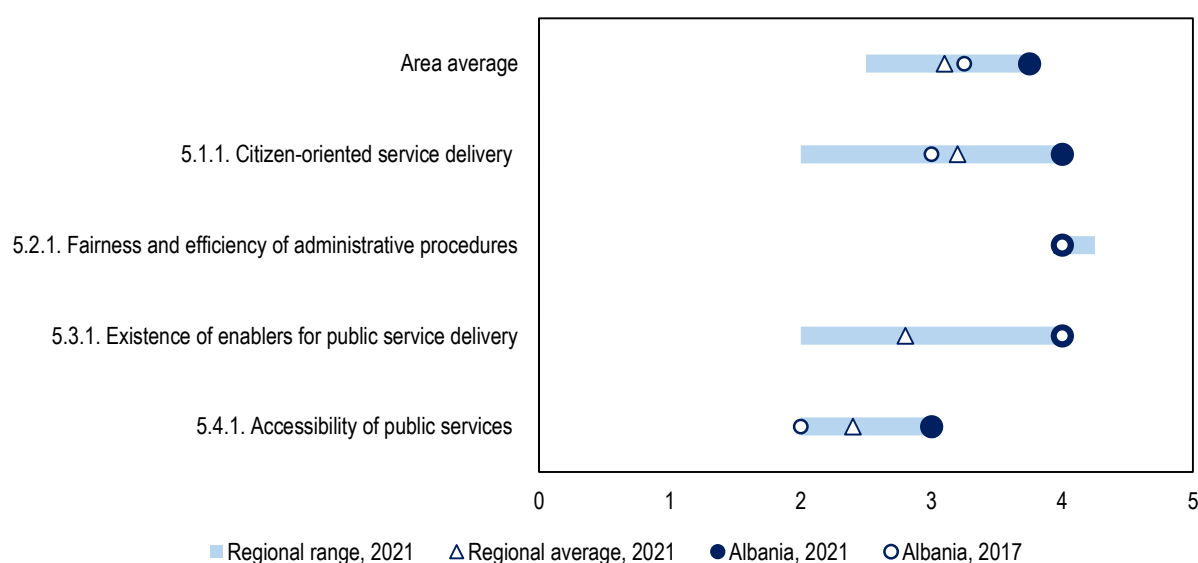
Service Delivery

Service Delivery

Summary and recommendations

With a composite average indicator value of 3.8 in the area of service delivery, Albania has maintained the positive trend noted in the 2017 assessment (value 3.3). With Serbia, it is one of the leading countries in the region (regional average 3.1) in improving service delivery, with a strong focus on digital services.

Increased progress in the Service Delivery area in Albania over time and compared to the region

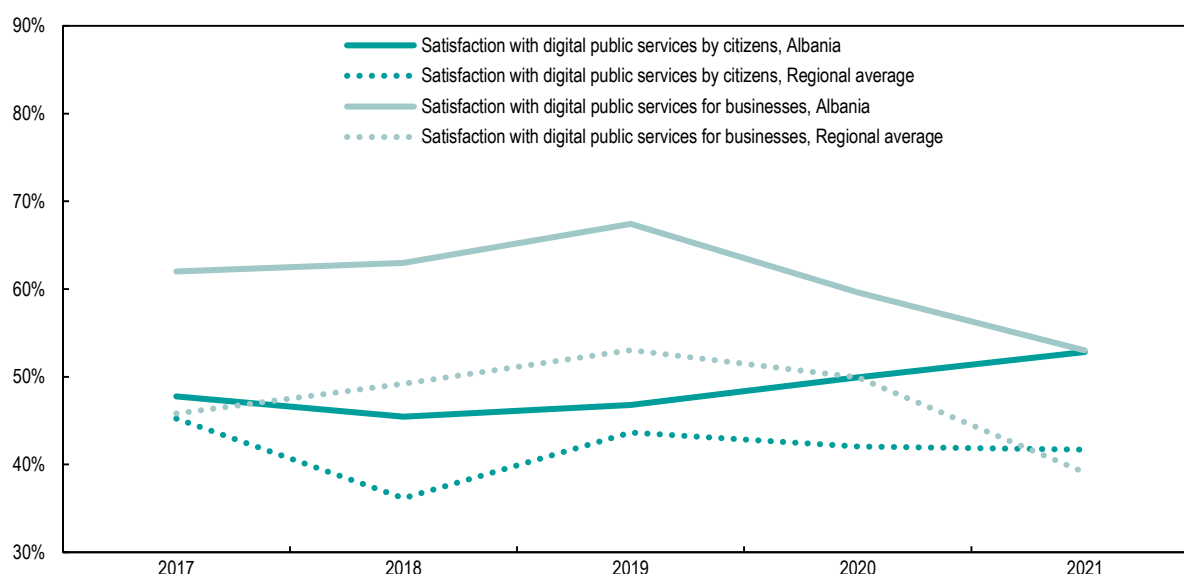


Based on a solid and stable policy framework and supporting institutional set-up, Albania continues to make good progress in the “citizen-oriented service delivery” area. The political leadership has persistently focused on digitalisation, and 95% of administrative services have been made available online in recent years. 1 207 electronic services in the e-Albania portal are of level 3 or 4, according to the UNPAN⁷ classification, of which 830 are electronic services of level 3 that can be applied online and 377 are electronic services of level 4, where the procedure begins and ends online. The availability of online services has proven to be an asset during the pandemic. Despite citizens’ and businesses’ generally high satisfaction levels with public services, however, individual services still tend to suffer from cumbersome procedures.

⁷ United Nations Public Administration Network

<https://publicadministration.un.org/egovkb/portals/egovkb/Documents/un/2003-Survey/unpan016066.pdf>.

Trends in satisfaction with digital public services among citizens and businesses in Albania, 2017-2021



Note: Includes the average share of citizens and businesses who answered “mostly satisfied” or “completely satisfied” to the statement: “Could you please tell how satisfied you are with each of the following in your place of living?” in relation to: “Accessibility to public services via a digital channel” and “Digital services currently provided by the public administration for businesses”. The share of citizens consider only those respondents who have been in contact with central government services in the past year. Data for 2020 citizens’ satisfaction is not available.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

The Code of Administrative Procedure (CAP), which came into force in 2016, is a crucial milestone in the “fairness and efficiency of administrative procedures”. **The percentage of citizens agreeing that administrative procedures in public institutions are efficient is 72%, and the rate of repeals or amendments to administrative decisions has substantially decreased since 2017.** The structures and methodologies are in place, but nevertheless, the process of harmonising legislation with the CAP has been slow. General awareness, guidance and support on how to integrate different perspectives (such as legal, technological and user-centric service design) into a coherent approach for simplifying administrative procedures, would make harmonisation less of a legalistic exercise. **It could also strengthen the application of the “once only” principle.**

The Government maintained its effort to establish several enablers to ensure the quality of public services. This resulted in good progress overall, although some potential, in terms of interoperability and electronic payment, remains untapped. Monitoring service delivery is functioning well and has proved useful in providing information about the need to make corrections at the level of individual public institutions. Digitalisation of services is well-supported by the interoperability platform and by an increasing number of interoperable information systems, which allow forms to be filled in automatically. Digital signature take-up could be increased. Although online payment is technically possible through the Government Electronic Payment Platform, it is still not available for all services, which makes it difficult to transform services into a fully digital format. The use of quality management tools in state administration is still sporadic and could contribute to the spread of a user-centric service delivery culture.

Improving accessibility to administrative services has been a major policy objective of the Government in recent years. This has been accomplished through the network of 22 front offices of the Agency for the Delivery of Integrated Services in Albania (ADISA) in 21 municipalities and a mobile office. During the COVID-19 pandemic, the digitalisation and provision of services through the e-Albania portal was increased. The e-Albania portal provides a full overview of and access to the digital services offered, and includes information about non-digital services. **Albania scores above the regional average in citizen satisfaction with different aspects of service delivery. The legal, policy and institutional framework for accessibility of citizens with special needs is in place but is not fully implemented on the ground.**

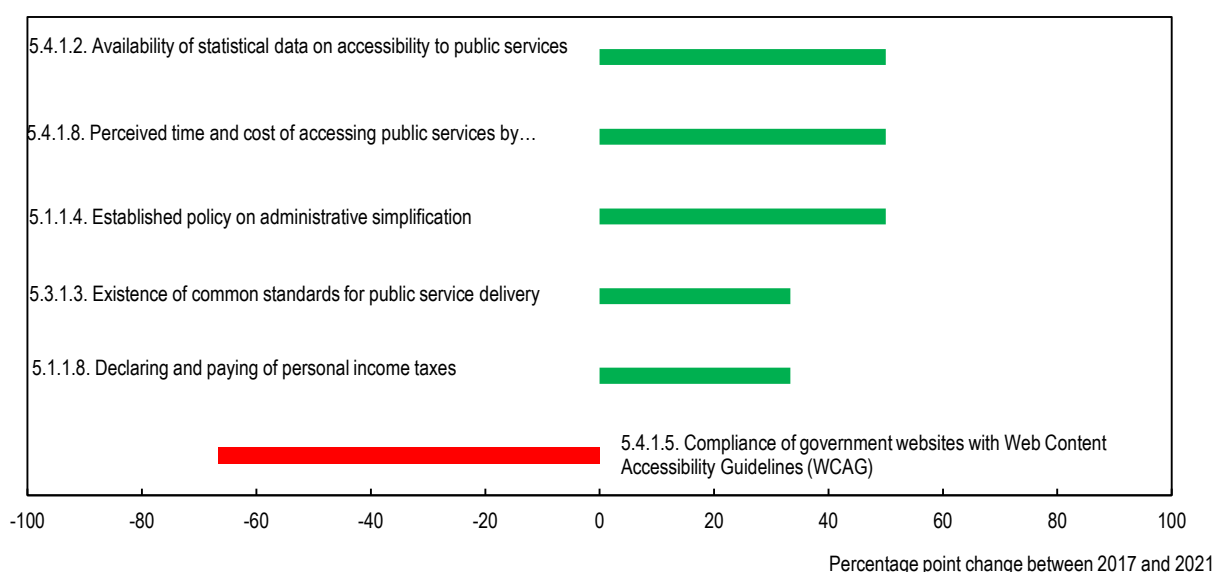
Short-term recommendations (1-2 years)

- 1) The National Agency for Information Society (NAIS) should upgrade the e-Albania portal to include information about non-digital services provided by local and central government. An approach that presents life-event-based categorisation of information would also be useful in making the otherwise rich information content more easily accessible.
- 2) The Government should make it a priority to complete the harmonisation of special legislation with the CAP, based on the agreed methodology and providing the necessary resources. The Ministry of Justice (MoJ), in co-operation with ADISA and NAIS, should also use this opportunity to simplify and re-engineer administrative procedures.
- 3) The Government should establish web accessibility standards. NAIS should then implement these standards for all government webpages and support public bodies, to improve accessibility for all, including for people with disabilities.
- 4) ADISA should consider introducing service design frameworks and toolkits, as well as assistance to public bodies, with the goal of helping them to introduce practices that would improve the service experience for users.
- 5) The Government should continue to make digital signatures and e-payment more appealing by introducing convenient solutions for individual citizens (e.g. smartphone-based options) and by promoting their use among private sector service providers, as well as across the administration, and informing the citizens of their benefits.

Medium-term recommendations (3-5 years)

- 6) ADISA should make plans for completing the policy framework on quality management, including developing an operational roadmap on how to increase the use of quality-management instruments and tools in public institutions, including awareness raising, promotion, knowledge sharing, recognising good practices and capacity building.
- 7) Following the activities of the working group in place, ADISA and NAIS, in co-ordination with the Ministry of Health and Social Welfare and the National Council of Accessibility, should complement the general policy on accessibility of public services for special-needs users, with concrete policy measures and metrics to improve the situation.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Progress in services delivery monitoring and data, only backsliding in the quality of government websites



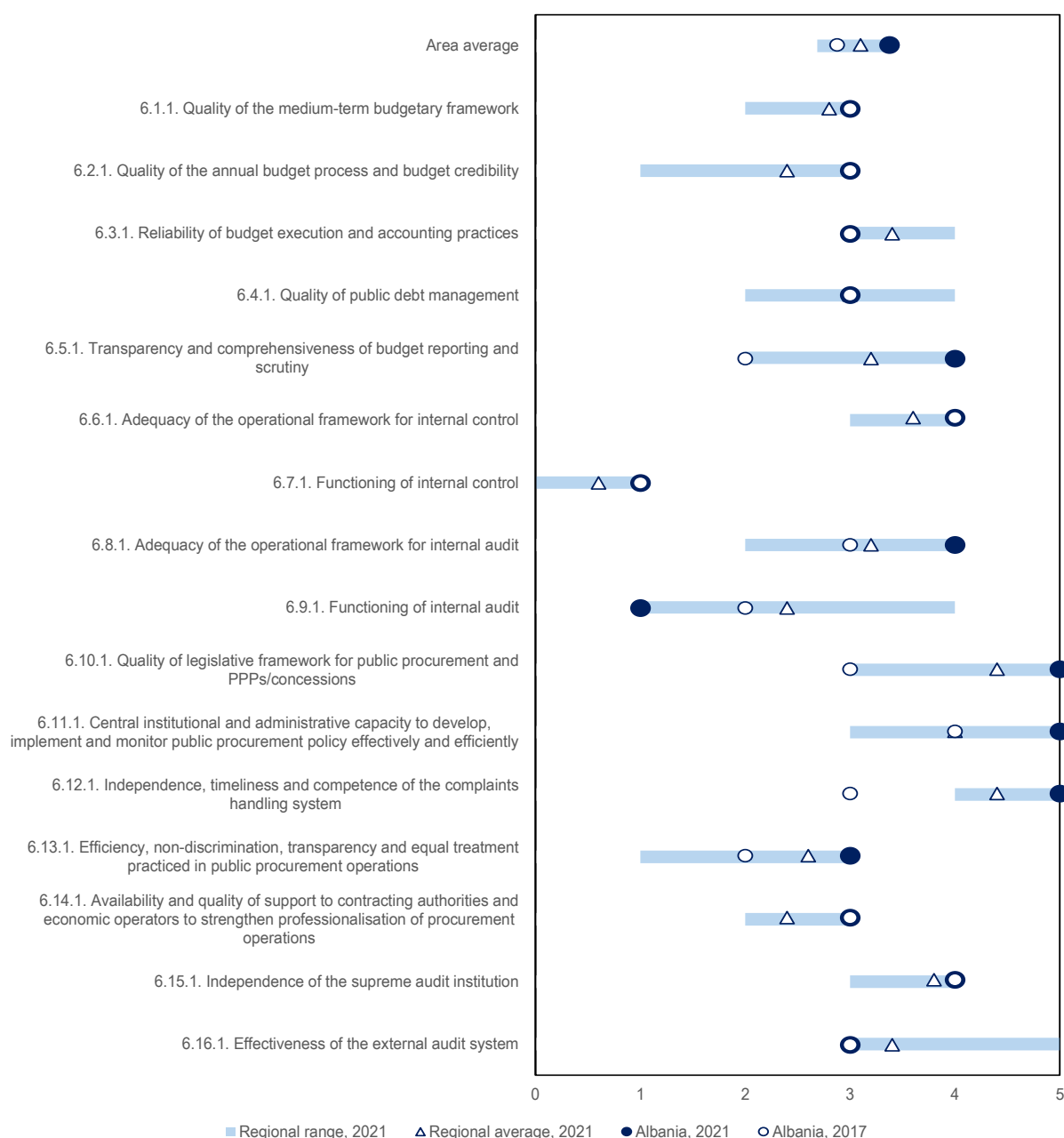
Public Financial Management

Public Financial Management

Summary and recommendations

The overall trajectory for Albania in public financial management (PFM) is upwards, from 2.8 in 2017 to 3.3 in 2021, and is now above the regional average of 3.1. Compared to the regional average, performance is similar or stronger in each indicator in the PFM domain, except for the functioning of internal audit (IA). Most pronounced is the strong performance in the domains of public procurement and the foundations for the functioning of financial management and control (FMC), IA and external audit (EA).

Albania's performance is strong in many PFM indicators, and its national average exceeds the regional average



In the domain of budget preparation, **the quality of the Medium-Term Budget Programme (MTBP) has been improved**, with additional relevant content to inform decisions. The budget calendar is orderly and adhered to, and the **budget proposal that is submitted to Parliament is comprehensive and reasonably transparent**.

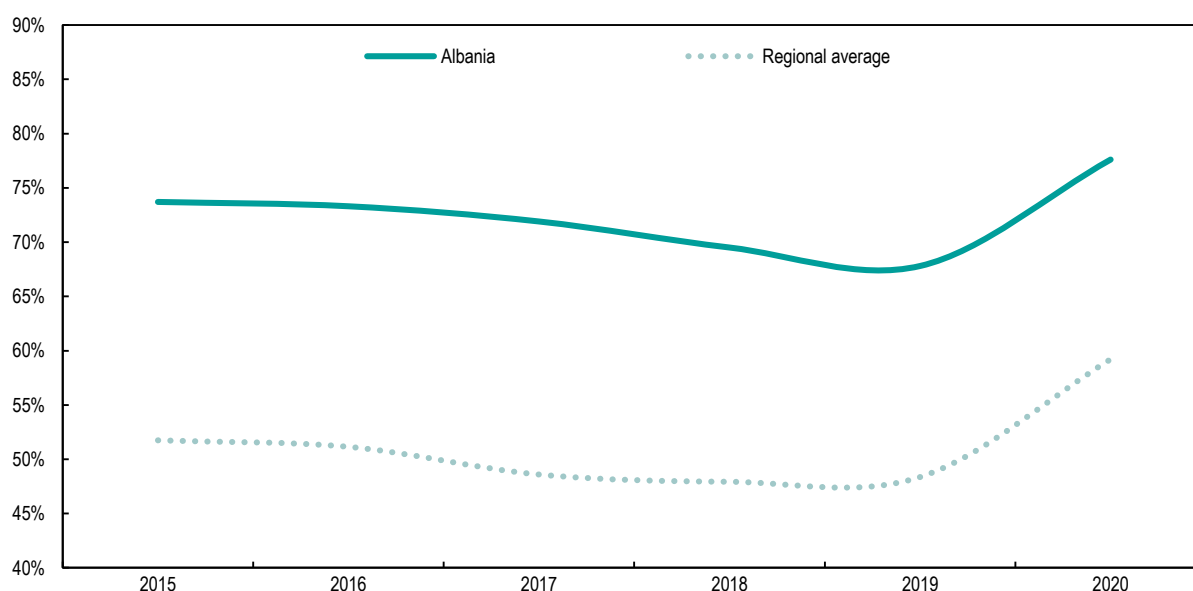
However, the credibility of revenue estimates in the MTBP remains weak. The average deviation between estimates and outturns for revenues was 14.5%. This signals challenges for the Albanian authorities in estimating the revenues more realistically or collecting the revenues effectively. Both are not helped by the complex and fragmented tax system and frequent *ad hoc* changes.

For expenditures, the MTBP could be more supportive of the operations of line ministries, with stable sector ceilings on a medium-term basis. The substantial deviations among the main spending ministries between the MTBP and the annual budget expenditure ceiling add uncertainty and instability to the budget process, and as a consequence, the delivery of public services.

A fiscal council could help to insist on rigor in the budgeting process, but Albania has not yet established one. Parliament does not take an active role in the process. Large capital investment decisions generally lack independent and transparent appraisal of the costs and benefits, which is likely to put further strain on the budgeting process in future years.

Notwithstanding the shortcomings in the budget preparation process, **the fiscal performance in Albania has been stable. From 2015 to 2019, public debt was on a downward trend.** As a result of the economic contraction caused by the pandemic, it increased to 76% in 2020. Sound fiscal policy is needed to re-establish the situation that prevailed before the pandemic. The weaknesses in monitoring the fiscal risks from the borrowing and debt of state-owned enterprises (SOEs) is a concern in this respect. There was no progress on SOE debt reporting, which appears *ad hoc* and lacking a systematic approach. The same applies for the monitoring of local government debt, although the urgency is still low, given that local government debt is not high.

Development of general government gross debt in Albania, 2015-2020



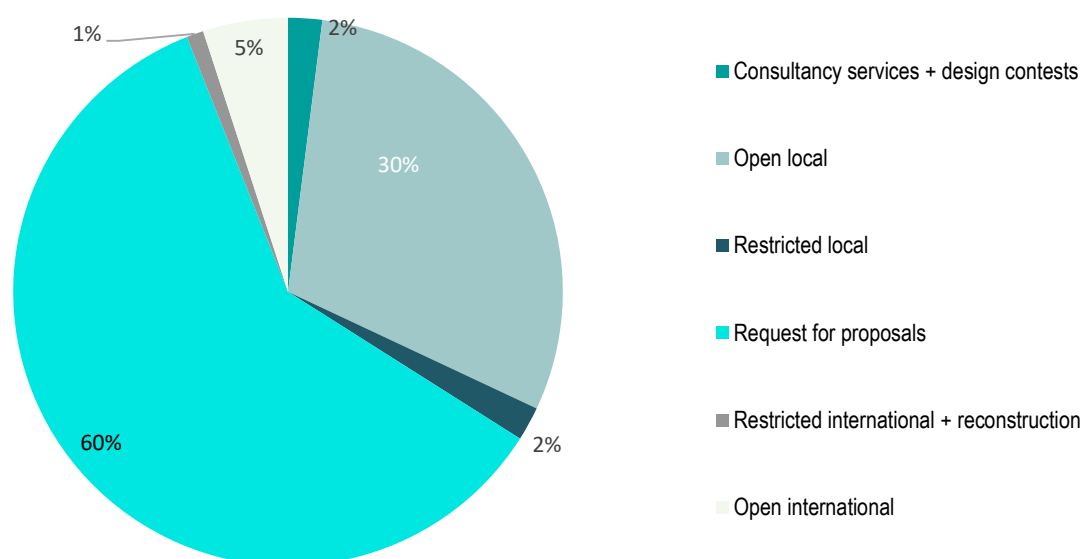
Source: IMF (2021), World Economic Outlook Database.

Otherwise, the Albanian authorities have **established a fairly complete legal and operational framework for internal control (IC) and internal audit (IA)** by introducing further improvements, such as the guidance on delegation and external quality assurance for IA. This progress has been supported by the Public Administration Reform (PAR) Strategy 2015-2020 and the Public Financial Management (PFM) Strategy 2019-2022. In 2020, another element to enhance IC and IA, the Public Internal Financial Control (PIFC) Strategy 2021-2022, was added.

As observed in the previous monitoring report, **the implementation of IC and IA at the institutional level still lags behind the progress made in the overall legislative framework.** Although more use is being made of delegation within organisations and risk management, there are still outstanding concerns in a number of areas, including the management of arrears, the procedures to address potential irregularities and the arrangements for managerial accountability between ministries and subordinated bodies. For IA, the gains of the external quality assurance will need to be reaped in the years to come. However, the downward trend in the proportion of systematised IA posts filled and the proportion of IA staff who hold a certificate are not conducive to a higher quality of IA. Meanwhile, improvement in IA quality is required, since SIGMA's analysis of the operations of a sample of IA shows that they have not clearly demonstrated that IA can improve the functioning of the public entities that they serve.

A national strategy dedicated specifically to public procurement was adopted by the Government on 4 November 2020. The strategy envisages a comprehensive set of activities in the field of public contracts, concessions and public-private partnerships (PPPs) for both the legal and institutional framework to be undertaken in 2020-2023. On 23 December 2020, the Parliament adopted a new Public Procurement Law (PPL). Its purpose was to align provisions in the field of public procurement with the European Union (EU) *acquis*. **The new PPL contains provisions to a very great extent harmonised with the EU Public Procurement Directive and Utilities Procurement Directive. A few cases remain, however, of provisions that are not fully compliant with the *acquis* or in direct conflict with it.** Concessions and PPPs continue to be regulated by the Concessions and Public-Private Partnerships Law (CPPPL) No. 125/2013, which, in many important respects, was modelled on EU Directive 2014/23/EU. The CPPPL was last amended in July 2019. Although the CPPPL incorporates **most of the requirements of the recent Concessions Directive, harmonisation is not complete.** On 26 November 2019, north-western Albania was struck by a 6.4-magnitude earthquake, which caused numerous casualties and considerable damage. In the aftermath, in December 2019, in order to facilitate the reconstruction process in affected areas, the Government adopted Normative Act No. 9, "On Addressing the Consequences of Natural Disasters". The Normative Act contains specific provisions used in procurement procedures for reconstruction. They are based on the principle of transparency and competitiveness but set relatively short time periods for submission of tenders and very short time periods for submission of appeals. **The Defence and Security Procurement Directive 2009/81/EC was fully implemented by Law No. 36/2020 on Public Procurement in the Field of Defence and Security of 16 April 2020.** Relevant implementing provisions were adopted in December 2020, and standard bidding documents were published in April 2021. The Government also introduced a series of measures and legislative changes related to public procurement contracts awarded as a result of the COVID-19 pandemic. **In the field of review and remedies, the number of appeals fell by comparison with previous years. The performance of the Public Procurement Commission (PPC), has significantly improved,** expressed in median duration of review procedures and number of review procedures in which the statutory time period for review was exceeded. A new PPC website was put into operation in April 2021. The PPC also successfully introduced a new e-appeals system which should be completed by November 2021.

Distribution of procurement methods in 2020



Source: PPA Annual Report for 2020.

As for **the functioning of the State Supreme Audit Institution (SSAI) as an external oversight body on the functioning of the PFM system, no significant changes to the constitutional and legal framework** have been implemented since 2017. The framework is still closely aligned with international standards and continues to be applied and respected in practice. The SSAI has updated all its audit methodologies and quality assurance procedures, in full conformity with international standards. Much work remains to be done, however, to embed these methodologies in working practice and to improve audit quality. While resources are being switched to financial and performance audit, the bulk of the work remains focused on compliance audit. **The absence of sustained and structured engagement by Parliament to support the work of the SSAI is a significant limitation** on the overall effectiveness of the external audit system. While public awareness of the independence of the supreme audit institute (SAI) and its operations has greatly increased since 2017 (from 26% to 39%), the SSAI's audit reports are still not widely used, as they should be, in parliamentary debates.

Short-term recommendations (1-2 years)

- 1) The Ministry of Finance and Economy (MoFE) should improve the MTBP by including a general government fiscal outlook and establish a Fiscal Council mandated to review the MTBP.
- 2) The MoFE should strengthen the monitoring and reporting of SOE debt and borrowing and develop policy proposals to limit the fiscal risks linked to SOE loans. The dedicated unit for monitoring fiscal risks within the Directorate of Budget Management in the MoFE should be given the proper mandate and resources to carry out this task.
- 3) The MoFE should make further efforts to reduce the stock of arrears in expenditures. It should use the observations of the SSAI to analyse the reasons behind the current incompleteness of the records.
- 4) The MoFE should eliminate the outstanding bank accounts that are not in control of the MoFE/Treasury and ensure that all bank accounts are part of the Treasury Single Account (TSA).
- 5) The Council of Ministers (CoM) should complete the harmonisation of public procurement legislation by removing the remaining inconsistencies in the PPL and CPPPL and revising the system of financial thresholds (particularly the high ones), adjusting high financial thresholds to the EU threshold levels.
- 6) The Public Procurement Agency (PPA) should review the provisions on procedures for small value procurement and remove unnecessary burdens.

- 7) The CoM should revise provisions on appeal fees in public contracts and PPP/concessions, to avoid any risk of abuse by economic operators submitting frivolous complaints, on the one hand, and also so that they do not constitute a barrier to access of infringed bidders.
- 8) The PPC should improve the content of its new website by providing information on the requirements applied in review procedures in public procurement that could be important for appealing or potentially appealing parties, to finalise the implementation of the e-appeal system.
- 9) The PPA should finalise enforcement of the new PPL by producing comprehensive and updated public procurement manuals, covering not just the use of the electronic public procurement system but all procedures and all stages of the procurement process. Article-by-article commentary for the PPL and for the Directive of the Council of Ministers (DCM) would also be a useful tool.
- 10) ATRAKO should improve its website, in particular the information about provisions concerning concessions and PPP, starting with an update of the relevant legal provisions. ATRAKO should also develop manuals and other material supporting application of the CPPPL taking into account modified provisions in the field of public procurement.
- 11) The SSAI should build on its Memorandum of Understanding of 2017 with the MoFE on following up the implementation of audit recommendations and enhance engagement with Parliament to explain the benefits of its work.
- 12) The Parliament should consider the draft amendments to the SSAI Law to clarify the full extent of the SSAI's mandate, to avoid disputes between the SSAI and any legal entity on the mandate of the SSAI.

Medium-term recommendations (3-5 years)

- 13) As institutions strengthen their internal control processes and demonstrate effective management of their resources, the MoFE should move away from centralised control to a more decentralised management of resources. This should be reflected in a reduction of the number of first-level budget organisations to ministries and constitutional bodies. This would at the same time increase the role of sector ministries in the budget cycle and increase their responsibility for the sectors under their charge.
- 14) The medium-term budget should be further developed as a strategic document which requires that the indicative sectoral or ministry ceilings in the next two years must be respected.
- 15) The MoFE should consider organising IA at the sectoral level by sector ministries. This would ensure that the IA are familiar with the sectors in which they work, while building sufficient capacity in the IA units to organise quality control and cater to specialist technical areas such as information technology (IT), performance audit and the audit of major capital projects.
- 16) Parliament should take a more active role in the budget cycle, especially regarding the MTBP and the audit reports of the SSAI.
- 17) Although the amount of local debt is still small, the MoFE should increase the room for manoeuvre, while at the same time including local debt in debt management strategy and strengthening the monitoring and audit arrangements of local government.
- 18) The CoM should revise and remove administrative burdens that are not required by EU law and do not bring added value by increasing the participation of foreign companies.
- 19) The PPA should reconsider its involvement in the mandatory exclusion of economic operators from participation in public procurement procedures and propose adjustments of law and practice to that effect to EU standards, as interpreted by the case law of the Court of Justice of the European Union (CJEU).
- 20) The MoFE should make further efforts to develop accounting standards consistent with international standards. However, rather than adopting full accrual basis International Public Sector Accounting Standards, it should consider a gradual approach and make decisions based on a comprehensive and realistic cost-benefit analysis of adopting new accounting standards.

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