



Monitoring Report:

The Principles of Public Administration

ALBANIA

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LIST OF ABBREVIATIONS AND ACRONYMS

AKSHI	National Agency for Information Society
AMLF	Supervisory Authority of the Games of Chance
ASPA	Albanian School of Public Administration
CoM	Council of Ministers
CPI	Corruption Perceptions Index
CSL	Civil Service Law
COCS	Commissioner of the Oversight of the Civil Service
CoM	Cabinet of Ministers
DoCM	Decision of the Council of Ministers
DoPA	Department of Public Administration
EC	European Commission
EI	European integration
ERP	Economic Reform Programme
EU	European Union
GDP	gross domestic product
HIDAACI	High Inspectorate for Declaration and Auditing of Assets and Conflict of Interest
HR	human resource
HRM	human resource management
HRMIS	Human Resource Management Information System
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IPMG-GGPA	Integrated Policy Management Group for Good Governance
IPS	Integrated Planning System
MEI	Ministry of European Integration
MIPA	Minister of State for Innovation and Public Administration
MoE	Ministry of Economy
MoF	Ministry of Finance
MTBP	Medium-Term Budget Programme
NCAC	National Co-ordinator for Anti-Corruption
NSC	National Selection Committee
NSDI	National Strategy for Development
OBL	Organic Budget Law
OPM	Office of the Prime Minister
PAR	public administration reform

Albania
List of Abbreviations and Acronyms

PPP	private-public partnership
PSG	Permanent Selection Committees
SRD	Special Drawing Rights
TMC	Top Management Corps
TNA	training needs analysis

INTRODUCTION

Following the comprehensive *Baseline Measurement Reports*¹ prepared by SIGMA in May 2015 for all European Union Enlargement countries against *The Principles of Public Administration*², SIGMA has continued to monitor the progress of public administration reform (PAR) in each country. The focus of the specific topics within the Principles for assessment by SIGMA in 2016 was selected in co-operation with the European Commission.

The report covers the seven Principles for the public service and human resource management area and two Principles for the public financial management area.

The public service and human resource management chapter analyses whether the scope of the public service is clearly defined and applied and if the policy and legal framework and the institutional set-up for a professional public service are in place. It also assesses whether the professionalism of the public service is ensured by good managerial standards and human resource management practices.

The public financial management chapter focuses on whether the Budget is formulated in compliance with transparent legal provisions and within an overall multi-annual framework, ensuring that the general government budget balance and the debt to gross domestic product ratio are on a sustainable path.

A focused analysis of both areas is warranted by their particular relevance to the implementation and monitoring of both the key priority PAR and the reform process related to the two budget support programmes.

The report covers the period from May 2015 to April 2016, highlighting the main developments, providing updated values for the indicators relevant to the Principles analysed and providing both short- and medium-term recommendations for reforms.

¹ SIGMA (2015), [Baseline Measurement Reports](#), OECD Publishing, Paris.

² SIGMA (2014), [The Principles of Public Administration](#), OECD Publishing, Paris.

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Public Service and Human Resource Management

PUBLIC SERVICE AND HUMAN RESOURCE MANAGEMENT

1. STATE OF PLAY AND MAIN DEVELOPMENTS: MAY 2015-APRIL 2016

1.1. State of play

According to the Civil Service Law (CSL)³, the scope of the civil service in Albania is wide. However, the 2014 amendments to the Law and subsequent modifications in laws or by-laws (from 2014 and 2015) have introduced a number of exceptions. The employment conditions in the excluded agencies are usually regulated by the Labour Code, and thus do not ensure professionalism to a sufficient extent. The vertical and material scope of the Law is well regulated. The analytical reports from the Commissioner of the Oversight of the Civil Service (COCS) did not reveal any major shortcomings in the implementation of legal provisions in the central administration.

Generally, the institutional and legal framework for a professional civil service is established. The Human Resource Management Information System (HRMIS) is not fully implemented, so the quantity and quality of data for civil service policy design and monitoring, as well as for strategic human resource management (HRM) planning, is not sufficient. All pieces of secondary legislation have been modified to align them with the amendments to the CSL.

The legal framework establishes recruitment procedures which are clearly based on merit. The number of appeals against the recruitment process remains low. One area of concern, however, is the small number of eligible candidates who take part in the selection procedures. As a result, around 40% of announced vacancies remained unfilled.

The legislation and the first competitions conducted in 2015 suggest that senior civil servants are recruited on merit. Nevertheless, the principal way of filling top-level vacancies – through competition, followed by obligatory, in-depth training by the Albanian School of Public Administration (ASPA) – has not started yet, and recruitments continue to take place using the exceptional procedures. Despite opening competitions to external candidates and allowing for more flexibility in establishing experience-related requirements, a high proportion of vacancies remain unfilled after each competition.

The new wage system established by the CSL, as well as the job evaluation system set out by the Law, are not yet implemented. In recent years, staff in lower positions gained from the real increases in wages, making them more competitive in the market. By comparison, staff in higher positions were already underpaid in 2011 and, since then, their wage competitiveness has further decreased. The recent introduction of legislation related to top-ups for some categories of civil servants decreases the coherence of the remuneration system.

The 2014 amendments to the CSL changed the procedure of performance appraisals. These amendments include shortening the assessment period to six months and introducing the possibility of dismissal within one year after two negative appraisals. The amendments also introduced the new, additional procedure of periodic knowledge evaluation which, to some extent, duplicates performance appraisals, increases the workload for civil servants and the public administration, and creates the risk of unfair dismissals. However, it is too early to assess its implementation in practice.

The legal and institutional system to promote integrity and prevent corruption in the public service is in place, with the exception of an overall integrity risk assessment system and the Law on Whistle-blower Protection (the draft is being considered by the Parliament). In spite of all these efforts, the perception of corruption in Albania remains high⁴.

³ Law No. 152/2013 on Civil Servants.

⁴ <https://www.transparency.org/cpi2015>

1.2. Main developments

From January 2015 to April 2016, the Council of Ministers (CoM) adopted a set of Decisions to implement the CSL⁵ and to adapt all the by-laws issued in 2014 to the CSL amendments introduced in December 2014⁶.

Adjustments in the composition of the Governing Council of the ASPA and in the training of civil servants were also approved⁷.

In October 2015, the Minister of State for Innovation and Public Administration (MIPA) passed an order aimed at supporting the implementation of final decisions by the Administrative Court favourable to litigant civil servants in the state administration⁸.

In September 2015, an Integrated Policy Management Group for Good Governance and Public Administration (IPMG–GGPA) was established⁹. Co-chaired by the MIPA and the National Co-ordinator for Anti-Corruption (NCAC), the IPMG–GGPA is expected to ensure political support for public administration reform (PAR) implementation. In January 2016, six thematic groups under the IPMG-GGPA were launched, including one on the civil service and HRM and another on anti-corruption.

In March 2015, the COCS approved two basic regulations on its functioning¹⁰. Its first Annual Work Plan was approved in January 2016.

A new Law on the integrity of public officials was adopted¹¹.

In June 2015, the CoM issued a Decision on salary top-ups civil servants who perform duties related to legal drafting and European Union (EU) integration¹².

⁵ Law No. 152/2013 on Civil Servants.

⁶ Law No. 178/2014 on some amendments and supplements to Law No. 152/2013 on Civil Servants. These decisions are the following: Decision of the Council of Ministers (DoCM) No. 262, 25 March 2015 on amendments to DoCM No. 142 on the Description and Classification of Job Positions of State Administration Institutions and Independent Institutions, etc., 12 March 2014; DoCM No. 243 on the expert category acceptance, parallel transfer, probation and appointment, 18 March 2015; DoCM No. 242 on appointment to the low-level and mid-level management categories, 18 March 2015; DoCM No. 338 on amendments and additions, 6 May 2015 to DoCM No. 118 on the procedures for appointment, recruitment, management and termination of the civil service relation for top-level management positions and members of the Top Management Corps (TMC), 5 March 2014; DoCM No. 124 on the suspension and dismissal from the civil service, 17 February 2016; DoCM No. 125 on the temporary and permanent transfer of civil servants, 17 February 2016; DoCM No. 1037 on procedures for the assessment of civil servants on obtaining and updating additional knowledge, 16 December 2015.

⁷ DoCM No. 70 on the changes and additions, 26 January 2016 to DoCM No. 138 on the Rules for the Organisation and Functioning of the ASPA and the Training of Civil Servants, 12 March 2014.

⁸ The MIPA Order No. 5151 on the Implementation of Final Judgements by Institutions of the State Administration Involved in the Area of CSL Application, 28 October 2015.

⁹ Decision of the Prime Minister No. 129 on taking institutional and operational measures of implementation of sector approach and the creation of integrated policy management groups, 21 September 2015.

¹⁰ Decision of the COCS No. 17 on the procedures of supervision/inspection, 11 March 2015, and Decision of the COCS No. 18 on the organisation and functioning of the secretariat of the COCS, 11 March 2015.

¹¹ Law No. 138 on Ensuring the Integrity of the Persons Elected, Appointed or Exercising Public Functions, 5 December 2015.

¹² DoCM No. 578 of 24 June 2015, amending DoCM No. 545 on the approval of structure and payment levels of civil servants, deputy ministers and members of cabinets in the Office of the Prime Minister (OPM), structures of line ministries, the administration of the President, Assembly, central electoral commission, general prosecution, some independent institutions, institutions subjected to the OPM, institutions subjected to the line ministries, and the administrations of the prefect, 11 August 2011.

2. ANALYSIS

This analysis covers seven Principles for the public service and human resource management area under two key requirements. It includes a short analysis of the indicators of the Principles and a systematic analysis of all seven Principles.

Key requirement¹³: The scope of public service is clearly defined and applied in practice so that the policy and legal framework and institutional set-up for professional public service is in place.

Indicator values

The scope of the public service is examined through three qualitative indicators that refer to the scope covered by the legislation, the coherence and professionalism of the policy and legal framework, and the institutional set-up enabling consistent cross-organisational HRM practices.

The two values of the indicators related to the scope of the civil service and institutional set-up remain the same as in the SIGMA 2015 *Baseline Measurement Report*¹⁴, despite the unjustified exclusion of some agencies from the scope of the civil service. The value of the indicator related to the policy and legal framework was increased due to the new developments in the civil service policy implementation.

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
Qualitative	1	Extent to which the scope of public service is adequate, clearly defined and applied in practice.	2014	4	2015	4
	2	Extent to which the policy and legal framework for professional and coherent public service is established and implemented.	2014	3	2015	4
	2	Extent to which the institutional set-up enables consistent HRM practices across the public service.	2014	3	2015	3

¹³ SIGMA (2014), [The Principles of Public Administration](#), OECD Publishing, Paris, p. 44.

¹⁴ SIGMA (2015), [Baseline Measurement Report: The Principles of Public Administration, Albania](#), OECD Publishing, Paris.

Analysis of Principles

Principle 1: The scope of public service is adequate, clearly defined and applied in practice.

In 2015, there were 164 190 public employees, representing 12.7% of the total labour force, a proportion that has declined in recent years. At the end of 2015, there were 7 743 civil servants working in the central administration, which accounted for 4.7% of all the public sector employees.

Table 1. The civil service in public-sector employment

	2012	2013	2014	2015
Employment in the public sector as a percentage of total employment	13.2	14.1	13.0	12.7
Employment in the civil service in the state administration as a percentage of employment in the public sector	Not available	0.9	4.8	4.7

Sources: Data on labour force: Albanian Institute for Statistics, Quarterly Labour Force Survey, labour force data for Q3 2012, 2013, 2014 and 2015; data on employment in the public sector: Albanian Institute for Statistics, Administrative Data for Labour Market; employment by administrative source and agricultural sector: Department of Public Administration for Q3 2012, 2013, 2014 and 2015;. For 2013, only data related to planned employment in the civil service was available.

The horizontal scope of the civil service¹⁵ is adequately defined in the CSL¹⁶. Overall, the new CSL has a much broader horizontal scope compared to the Law of 1999. It now includes the state administration (106 institutions, including the Office of Prime Minister [OPM], ministries and central institutions subordinated to the Prime Minister or ministers, including territorial branches), 19 independent institutions (administration of the Assembly, the President, courts' and prosecutors' administrations, as well as independent institutions, provided by the Constitution or established by the Law, which report to the Assembly) and local government units.

Exceptions to the horizontal scope include judges and prosecutors, the civil judicial administration, military personnel, the state intelligence service and institutions directly delivering services¹⁷. Amendments to the CSL in December 2014¹⁸ extended such exceptions to judicial police agents/officers and those allowed to carry guns, civilians in the armed forces structures, employees of the Financial Supervision Authority, employees of the drainage boards and advocates at the State Advocate's Office. The CSL also stipulates that the employment relations of police and foreign service officials are to be regulated by the CSL in areas not covered by special Laws¹⁹.

The judicial police are regulated by a special Law, which follows the general civil service principles²⁰; therefore, the exception in this case is coherent with the provisions applied to comparable positions,

¹⁵ In *The Principles of Public Administration*, the narrow **horizontal scope of public service** is applied, covering 1) ministries and administrative bodies reporting directly to the Government, Prime Minister or ministers, e.g. the civil service, strictly speaking; 2) administrations of the Parliament, the President and the Prime Minister; 3) other administrative bodies at the level of the central administration, if they are included in the scope of the public service in terms of the Law on the public/civil service, and they exercise public authority conferred by public law and are responsible for safeguarding the general interests of the state or other public bodies; and 4) independent constitutional bodies reporting directly to the Parliament. SIGMA (2014), [The Principles of Public Administration](#), OECD Publishing, Paris, pp. 41-56

¹⁶ Law No. 152/2013, Articles 2 and 4.

¹⁷ Law No. 152/2013, Article 2 and Article 4, point dh.

¹⁸ Law No. 178/2014, Article 1, amending Law No. 152/2013, Article 2.

¹⁹ Law No. 152/2013, Article 3. Special Laws on the foreign service and on the police were approved in 2014 (Law No. 108 on the State Police of 31 July 2014) and in 2015 (Law No. 23/2015 on the Foreign Service) and are aligned with the CSL.

²⁰ Law No. 8677 on the Organisation and Functioning of the Judicial Police of 2 November 2000.

such as the civil judicial administration, military staff of the armed forces and personnel of the state intelligence service.

The grounds for the exclusion of employees of the Financial Supervision Authority, however, are unclear, given that it is an independent institution with functions different from any of the exceptions provided by the CSL. The employment conditions of the staff of the Authority were regulated under the Labour Code before the entry into force of the CSL²¹. A subsequent modification confirmed this status, declared the competence of the Authority's Board to regulate its internal structure and the employees' salaries and allowances, and stated the supremacy of these provisions over any other law or regulation in force²². The grounds for the exclusion of the lawyers of the State Advocate's Office²³ from the scope of the CSL are also unclear.

Moreover, the exclusion of institutions directly delivering services is a weakness. The list in the text includes "other social services", which allows interpretation and thus opens the door to further exceptions to the horizontal scope of the CSL. An example of the misuse of this criterion is the National Agency for Information Society (AKSHI), a public institution with a staff of 40, which recently added to its functions the delivery of online services to citizens. The status of its employees is regulated by the Labour Code, although its role is clearly one of policy making and co-ordination of e-service policy²⁴.

Other laws and by-laws adopted in 2015 on the organisation and functioning of a number of subordinated agencies introduce exceptions to the horizontal scope of the civil service²⁵ not explicitly foreseen in the CSL, including the following entities:

- the National Inspectorate for the Protection of the Territory, with a staff of 252²⁶
- the Agency for Territorial Development, with a staff of 45²⁷
- the National Agency for Territorial Planning, with a staff of 44²⁸
- the Agency for Territorial Reform Implementation, with a staff of 14²⁹
- the Agency for Openness and Dialogue, with a staff of 10³⁰

The tasks of the above listed agencies are typical for the civil service, but the employment conditions are regulated by the Labour Code.

²¹ Law No. 9572 on the Financial Supervisory Authority, 3 July 2006.

²² Law No. 9572/2006, Article 9, amended by Law No. 54/2014, Article 6.

²³ Law No. 1008 on the State Advocacy Office, 13 November 2008. Among other functions, the State Advocacy Office represents and protects the interests of Albanian state property in front of national, international and foreign courts regarding judicial matters in which a state administration body or Albania is a party.

²⁴ Established by DoCM No. 248, 27 April 2007, repealed by DoCM No. 703, 29 October 2014. It defined the Agency as a central public institution in charge, among other responsibilities, for the implementation of policies and strategies for the development of the information society and the co-ordination of programmes in the field of information and communication technologies. Article 1 adds "the provision of online services to citizens" and Article 7 establishes the exclusion of the AKSHI's personnel from the scope of the CSL through a remission to the Labour Code.

²⁵ Law No. 90/2012, Article 10, point 7 on the Organisation and Functioning of the State Administration establishes that the Law that sets up an autonomous agency should also define the juridical regime applicable to the staff, in accordance with the principles of management of the civil service.

²⁶ Established by DoCM No. 893 on the Organisation and Operation of the National Inspectorate for Protection of the Territory, 4 November 2015.

²⁷ Established by DoCM No. 725 on the Agency for Territorial Development, 2 September 2015.

²⁸ Established by Law No. 107/2014 on the Planning and Development of the Territory, amended by Law No. 73 of 9 July 2015.

²⁹ Established by the Decision of the Prime Minister No. 83, 28 January 2015.

³⁰ Established by the Decision of the Prime Minister No. 814 on the Establishment, Organisation and Operation of the Agency for Openness and Dialogue, 7 October 2015.

In other cases, such as the Supervisory Authority of the Games of Chance (AMLF)³¹, the exclusion from the CSL of inspectors who carry weapons and the general remission to the Labour Code to regulate their working relations also raises concerns. The lack of specific regulations (including those on admission, rights and duties, and disciplinary regime) for staff performing inspection functions has no correspondence with the exception granted by the CSL to other officials who carry weapons but who are subject to sets of specific rules in line with the CSL.

Overall, the exclusion of some authorities from the horizontal scope of the CSL in recent years is a negative development. It diminishes the coherent management of the civil service and introduces lower standards that do not fully guarantee the principle of a merit-based and professional civil service for those bodies which are excluded.

With regard to the vertical scope of the civil service³², the CSL clearly determines the demarcation between political appointees, public servants and support staff³³. The following political positions are not included in the civil service: elected officials, ministers and deputy ministers, officials appointed by constitutional authorities (the Assembly, the President and the CoM) and cabinet officials. The same applies to administrative functions, encompassing employees who carry on administrative, secretarial, maintenance, service or custodial duties and who do not exercise public authority³⁴. Moreover, the CSL provides that civil servants in the top-level management category cannot be members of political parties³⁵.

Public employees excluded from the CSL are subject to the Labour Code³⁶, relevant sector legislation if it exists (as with the education, social services and health sectors, for instance)³⁷, collective agreements and individual contracts.

³¹ Established by Law No. 155 Article 4 on the AMLF of 21 December 2015. It is a body of public law, subordinated to the MoF, as the authority responsible for supervision and control of legality in the exercise of the activity in the field of gambling. Article 11.3 states that the Authority's staff is subject to the CSL, with the exception of inspectors who carry weapons, whose working relationship is subject to the Labour Code.

³² According to SIGMA's Principles of Public Administration, the **vertical scope of public service** means that the Law on the public/civil service clearly determines the upper and lower division line between political appointees, public servants and support staff. SIGMA (2014), [*The Principles of Public Administration*](#), OECD Publishing, Paris, pp. 41-56

³³ Law No. 152/2013, Article 2.

³⁴ Law No. 152/2013, Article 4, point d. With regard to the state administration, data provided by the Department of Public Administration (DoPA) confirms that all secretarial staff, building maintenance staff and drivers are not included in the civil service. Information technology support staff are civil servants, while positions of accountant or equivalent can either be civil servants or subject to the Labour Code, depending on the institutions where they work.

³⁵ Law No. 152/2013, Article 37.

³⁶ Law No. 7961 on the Labour Code of 12 July 1995, amended by Law No. 136/2015.

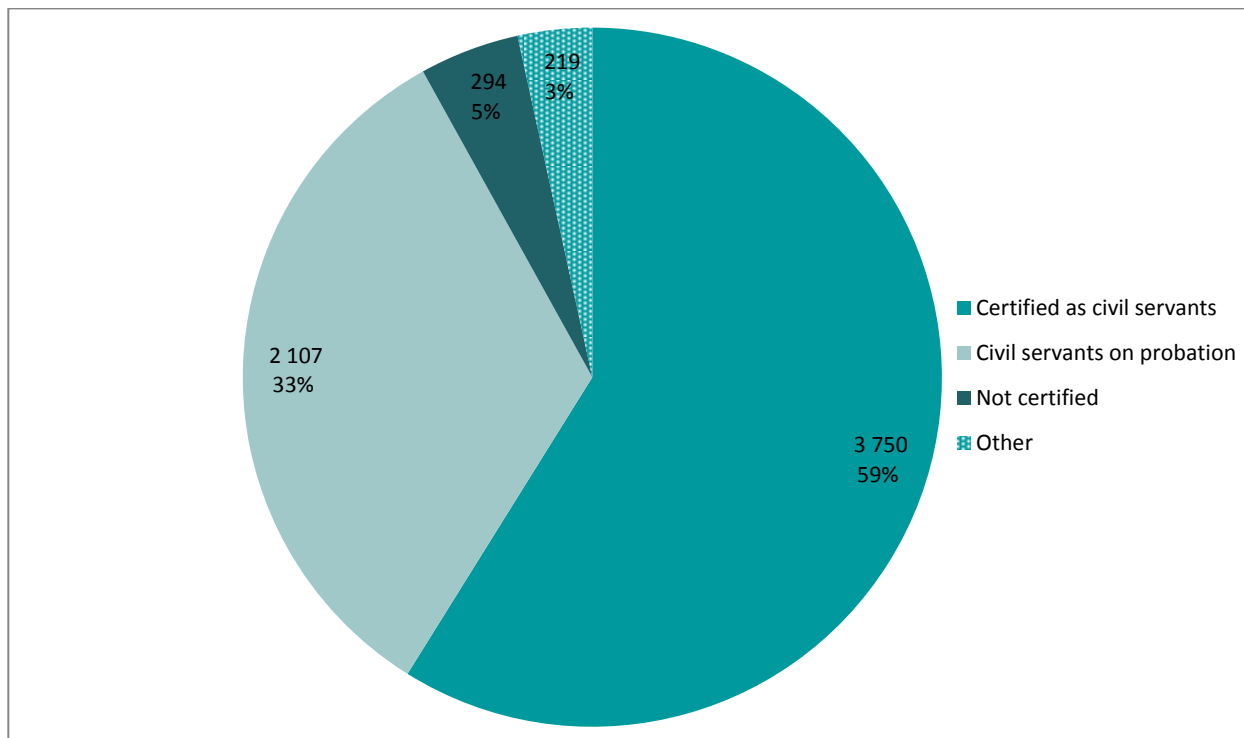
³⁷ Among others, Law No. 10 107 on Healthcare, 30 March 2009; Law No. 7952 on the Pre-university Education System, 21 June 1995; Law No. 8872 on Vocational Education and Training, 29 March 2002, amended by Law No. 10/011 of 30 October 2008 and Law No. 10434 of 23 June 2011; Law No. 8461 on Higher Education, 25 February 1999; Law No. 9355 on Social Aid and Services, 10 March 2005. It was not possible to look into the detail of provisions that cover professions outside of the civil service.

Additionally an analysis conducted by the Instrument for Pre-accession Assistance (IPA) Twinning Project (2015), Component 1.1.5, *IPA Twinning Project Support to Albanian Civil Service Reform*: concludes in its *2nd Report* that, "even if they all provide rules for recruitment, some categories, like medical doctors, are not recruited by public competition, while for others, like teachers, competitive recruitments started in 2014 only. In some cases, their regulations are not in laws either, but in by-laws".

The material scope³⁸ establishes all general provisions relevant to the employment relations of public servants and the management of the public service referred to in the Principles. In particular, the CSL provides for managing principles; institutional set-up³⁹; personnel files and registry⁴⁰; classification, recruitment and career; transfers, suspension and termination of employment⁴¹; professional development and performance appraisal⁴²; rights (including the right to fair remuneration) and duties⁴³; and discipline⁴⁴.

The process of the declaration of the status of civil servants⁴⁵ has almost been completed in the state administration. Administrative investigations conducted by the COCS in 2015 on a sample of state administration institutions show no major shortcomings⁴⁶.

Figure 1. Declaration of civil service status in state administration institutions



Source: Department of Public Administration.

Despite some recent, unjustified exclusions from the civil service scope, the value of the indicator on the scope of the public service remains 4.

³⁸ According to the SIGMA Principles of Public Administration, the **material scope of public service** means that the Law on the public/civil service establishes all general provisions relevant to the employment relations of public servants and management of public service, such as scope and principles of the civil service; classification; recruitment and selection, including of civil servants in senior managerial positions; rights and obligations of civil servants, including the integrity system; remuneration (main principles and components of salary system); professional development, including performance appraisal, training, mobility and promotion; disciplinary procedures, including suspension of the civil service relationship; termination of employment, including demotion and redundancy; and management and central co-ordination of the civil service. SIGMA (2014), *The Principles of Public Administration*, OECD Publishing, Paris, pp. 41-56

³⁹ CSL, Articles 6-11.

⁴⁰ CSL, Article 17.

⁴¹ CSL, Chapters III, IV, V, VI, VIII, IX and XII.

⁴² CSL, Chapter XI.

⁴³ CSL, Chapter VII.

⁴⁴ CSL, Chapter X.

⁴⁵ CSL, Article 67.

⁴⁶ Report of the COCS on the implementation of the Action Plan of the Crosscutting PAR Strategy 2015, p. 8.

The CSL adopted in 2013 has significantly expanded the scope of the civil service in Albania. However, a number of exceptions were introduced by the amendments to the Law in 2014 and by subsequent modifications in laws or by-laws in 2015. These increased the number of authorities that apply the Labour Code (which does not ensure the merit principle to a sufficient extent) instead of the CSL. The vertical and material scope of the Law are well regulated, and there are no major shortcomings in the implementation of legal provisions in the central administration.

Principle 2: The policy and legal framework for a professional and coherent public service is established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.

There is a defined public service policy in the framework of the Crosscutting PAR Strategy 2015-2020, which was adopted in April 2015, along with an Action Plan for 2015-2017. Based on an analysis of the current situation and the main challenges in the civil service and HRM, an overall policy goal to develop a professional, impartial and merit-based civil service was established, together with a set of clear and coherent objectives and activities to support its implementation⁴⁷. The MIPA is responsible for the monitoring and evaluation of the Strategy at a political level, assisted by the Department of Public Administration (DoPA). The main actors in the civil service and those responsible for HRM policy participate in the Inter-Institutional Steering Group of the PAR Strategy, chaired by the MIPA. In September 2015, the IPMG–GGPA was established⁴⁸ in the framework of the Government Integrated Planning System. Co-chaired by the MIPA and the NCAC, the IPMG–GGPA is expected to ensure political support for PAR implementation. In January 2016, six thematic groups under the IPMG–GGPA were launched, including one on the civil service and HRM, and another on anti-corruption.

The relevant legislation⁴⁹ is in line with the administrative law principles⁵⁰. Overall, the degree of regulation in the primary and secondary legislation is balanced enough to allow flexibility and ensure the stability of the civil service. However, some provisions of the CSL (for example, related to salaries or job evaluation) are not yet implemented⁵¹.

The implementation of the new civil service and HRM policy, as stated in the Crosscutting PAR Strategy and enacted by the existing legislation, has started. The HRM procedures are totally new to the institutions included for the first time in the scope of the CSL. Implementation began shortly after the approval of the Law, and many of the procedures were modified after the amendments to the CSL approved in December 2014⁵². The DoPA issued a number of guidelines and organised training courses for HRM units in line ministries, subordinated institutions and independent institutions. Overall, the implementation of the new HRM procedures seems to be smoother in the state administration and independent institutions than in local governments⁵³.

The CoM is obliged to report to the Parliament annually on the implementation of the policy on the civil service⁵⁴, but the reports focus mainly on state administration. The MIPA, within the structure of the OPM, is responsible for public administration and is in charge of the general management of the policies of the civil service. The DoPA reports to the MIPA. Responsibility⁵⁵ includes preparation and

⁴⁷ DoPA (2015), Crosscutting PAR Strategy 2015-2020. Objectives and activities related to the civil service and HRM: Objective 6, activities 6.1 to 6.10; Objective 7, activities 7.1 to 7.3; Objective 10, activity 10.3.

⁴⁸ Decision of the Prime Minister No. 129 on Taking Institutional and Operational Measures of Implementation of Sector Approach and the Creation of Integrated Policy Management Groups, 21 September 2015.

⁴⁹ CSL 152/2013, Articles 42-44; Law 90/2012, Article 3 on the Organisation and Functioning of the State Administration.

⁵⁰ SIGMA (2014), *The Principles of Public Administration*, OECD Publishing, Paris, p. 45. Reliability and predictability (legal certainty), openness and transparency, accountability, efficiency and effectiveness.

⁵¹ Under the activities foreseen by the Crosscutting PAR Strategy 2015-2020, the drafting and adoption of a document on the policies of the wage system and the adoption of the new wage structure is foreseen to be implemented by 2020.

⁵² Section on Main Developments, footnote 6.

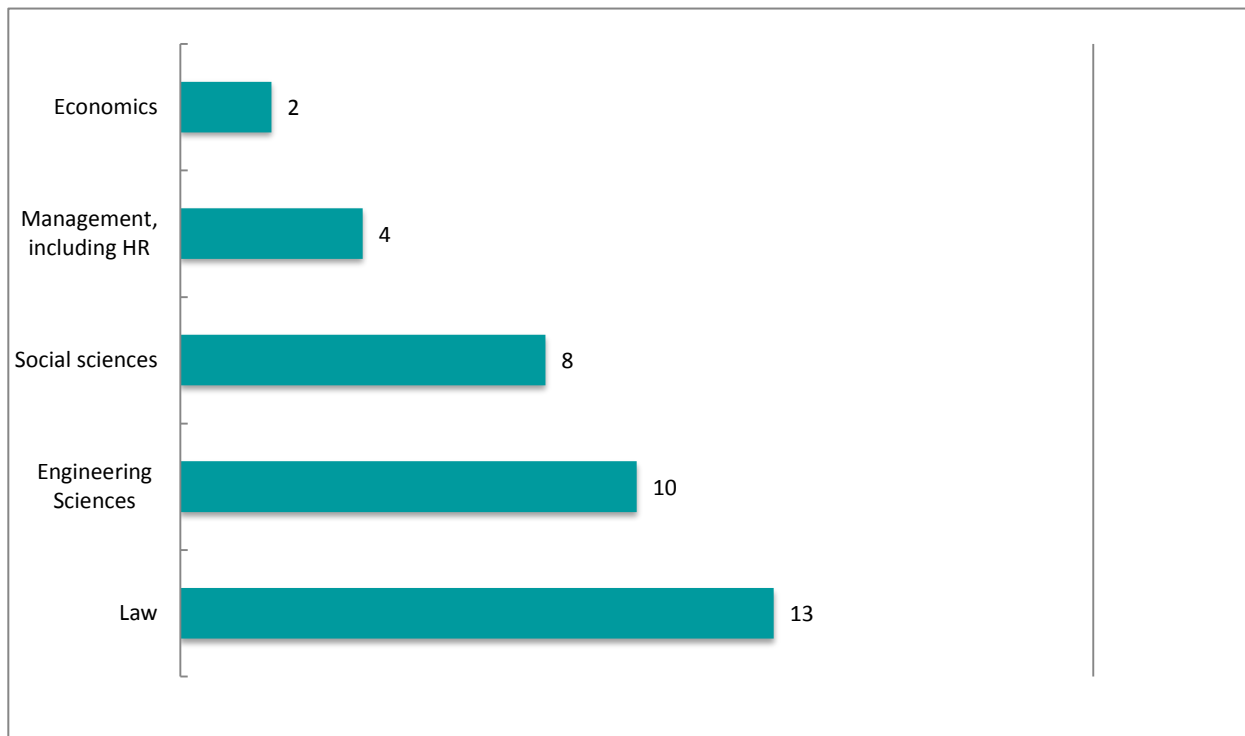
⁵³ Report of the COCS on the implementation of the Action Plan of the Crosscutting PAR Strategy for 2015, p. 9.

⁵⁴ CSL 152/2013, Article 6.1.c.

⁵⁵ CSL 152/2013, Article 7, amended.

implementation of the general state policies and civil service legislation; supervision of their implementation in state administration institutions; approval and supervision of the implementation of training programmes; management of the Central Register of Personnel; and drafting of the salary structure in the central and the local administrations. Thus, the DoPA's legal responsibilities focus mainly on state administration institutions. The number of planned positions in the DoPA increased from 22 to 43 in 2014, of which 37 are currently filled⁵⁶. All staff hold university degrees, most are information technology specialists or lawyers. A new organisational structure of the DoPA was approved in February 2015⁵⁷, and ten additional positions are included in the 2016 Budget.

Figure 2. Number of staff in the Department of Public Administration by education, 2015



Source: Department of Public Administration.

Efforts continue to make the HRMIS⁵⁸ fully operational. The system should serve not only as a computerised personnel register, but also as an HRM system for all public sector institutions, supporting homogeneous and transparent implementation of HRM practices. For the time being, however, it lacks the necessary information to achieve this goal⁵⁹. All central administration institutions, subordinated institutions, local government units and independent institutions must include their employee data in the HRMIS⁶⁰. By December 2015, the structures of all state administration

⁵⁶ Data provided by the DoPA.

⁵⁷ DoCM on the Staffing and Organisational Structure of the DoPA, 20 February 2015.

⁵⁸ DoCM on the Keeping, Procedure and Management of Personnel Files and the Central Personnel Registry, 5 March 2014.

⁵⁹ According to the DoCM, 5 March 2014, the system includes the organisational structure of administrative bodies, the total number and characteristics of public servants – gender, age, education, qualification, tenure, category and class, salary – information on disciplinary measures and information on the periodic individual performance appraisals. No explicit reference is made to other information considered in the Principles in support of strategic workforce planning and monitoring, such as indicators on recruitment procedures (number of candidates per vacancy, average time to fill a vacancy, appointments of internal or external candidates); information on training, including average training days and expenditure; information on appeals against recruitments, performance appraisals, disciplinary sanctions or termination of employment, or final judgements on this; and other indicators on HRM, such as annual turnover for the different categories/classes and administrative bodies.

⁶⁰ CSL 152/2013, Article 17.

institutions were included in the HRMIS, as well as around 6 000 employee files, mainly from state administration institutions. Only a minority of authorities have completed the process. The total number of institutions, including regional branches, which are foreseen to be included in the HRMIS is over 800, of which 300 have already started the process of entering their employees' data. At the end of 2015, 50 of them had completed the process⁶¹.

The interface which connects HRMIS with the Treasury system was completed. Pilot tests to exchange information between both systems and for the automatic calculation of salaries and payroll generation were conducted during the period from September to November 2015 and in January 2016 for a limited number of ministries⁶². The interface between the HRMIS and the Civil Registry for the automatic exchange of the primary data of employees through identification numbers was also developed.

As the HRMIS is still not fully functional, accurate information on the public service is unavailable. The DoPA has developed a set of indicators, which are published in its Annual Reports, but their scope is limited. The information is mainly focused on state administration institutions. There is little information on the current composition of the public /civil service nor some HRM procedures, such as on appeals made by civil servants by topic, and on their resolution. In many respects, the DoPA must rely on data provided by the HRM units themselves, with no capacity to assess them. Overall, the information and data on the civil service is too basic to be used for strategic policy making and long-term HRM planning. Steps have been taken concerning HRM planning, but they are restricted to the annual recruitment of civil servants, based on the requests presented by authorities. As stated in the CSL and the corresponding By-law⁶³, the state administration, each independent institution and each local government unit must have an Annual Staffing Plan approved⁶⁴ no later than the end of February. Such Staffing Plans have been adopted for 2015 in the state administration⁶⁵. The Annual Recruitment Plan for 2016 for the state administration has also been adopted⁶⁶.

The DoPA is making a major effort to ensure professional and consistent HRM practices, according to the CSL, by providing guidelines and organising training⁶⁷.

HRM units in both the state administration and independent institutions from which data was provided have, on average, three positions filled with qualified staff, such as university graduates⁶⁸. In bigger

⁶¹ Data provided by the DoPA.

⁶² DoPA, Annual Report 2015, p. 26, and the Follow-up Report on the 5th PAR Special Group, operational conclusions, p. 24.

⁶³ CSL, Article 18.2 and DoCM No. 108 on the Annual Recruitment Plan, 26 February 2014.

⁶⁴ DoCM No. 108 establishes that such Annual Staffing Plans should include, for each institution, the number of vacancies for which competition should be announced, broken down by category and class – including the TMC, where applicable – and the groups of general and special administration, in the case of the expert category. The Annual Staffing Plan should take into account retirement age being reached, “the anticipation of new vacancies” and “the progress of the emergence of new vacancies” for other reasons (point 3). It does not include specifications on how to conduct such analysis nor which data should be considered. The Annual Staffing Plans should be approved by the Council of Ministers for state administration, and by relevant independent institutions and local government units.

⁶⁵ DoCM No. 169 on the Annual Recruitment Plan in the State Administration for 2015, 25 February 2015, amended by DoCM No. 556, 18 June 2015. The situation applies also to independent institutions, as confirmed in SIGMA interviews with members of their HRM units.

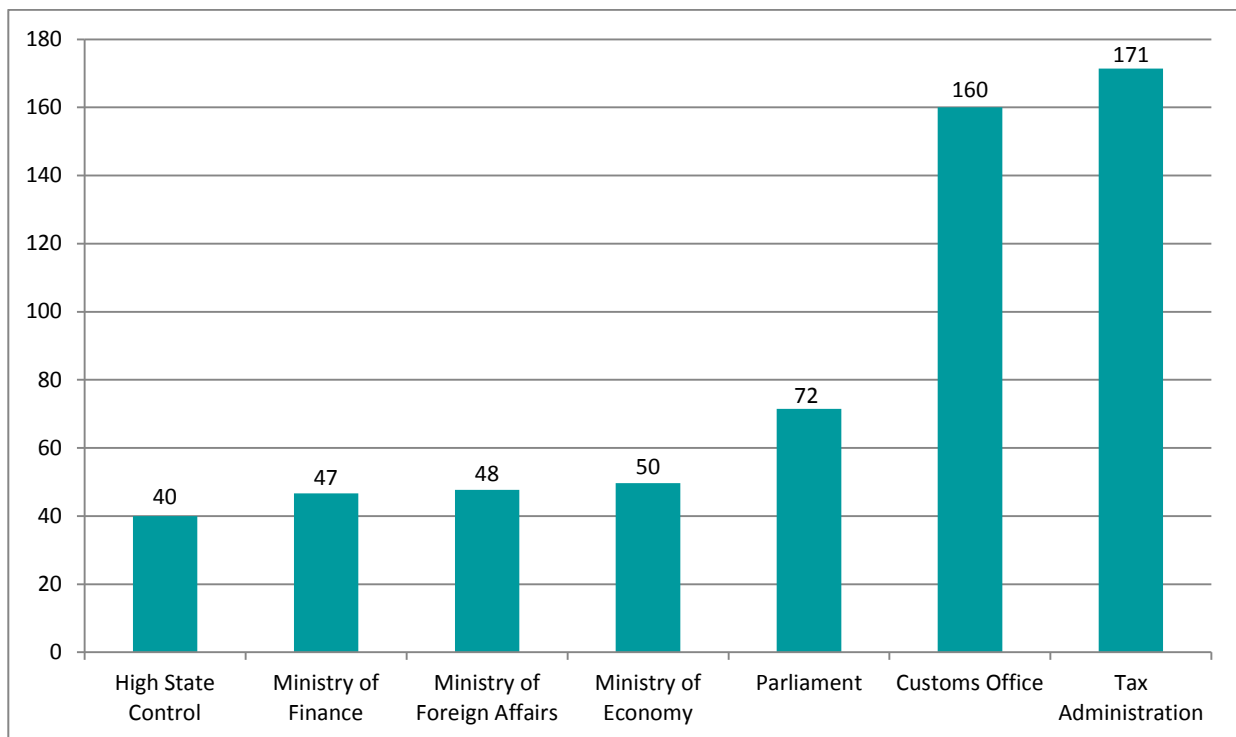
⁶⁶ DoCM No.144 of 26 February 2016.

⁶⁷ The DoPA produced a new guideline on the recruitment and mobility of civil servants in the expert, mid-level and low-level management categories (Guideline No 2. of 27 March 2015 on the process of filling the vacancies in the civil service through parallel transfer procedure, promotions for the category of mid-level and low-level management, and admission to the civil service in the expert category by open competition). In addition, some coaching sessions and training for DoPA staff and HRM units were organised, dealing mainly with recruitment processes and the new system of performance appraisal. A workshop on HRM best practices for top managers, mid-level managers and HRM specialists was also held.

⁶⁸ DoCM No. 142, 12 March 2014, amended by DoCM No. 262, 25 March 2015 established the job family “Specialist in respective human resource organisational units...” within the expert category, yet no specific qualifications of work experience in HRM were established.

institutions, such as the Customs Office or the Tax Administration, HRM units have around seven staff. The ratio of total staff per HRM staff in a sample of public administration institutions is between 47 and 50 to 1 in line ministries, while the ratio in independent institutions and special administrations, such as the Customs Office and the Tax Administration, varies. The role of HRM units in line ministries with regard to subordinated institutions is not clearly established, resulting in a diversity of ratios and an unevenly efficient use of the staff and resources of such units. The Council of Ministers may decide to set-up a joint HRM unit for several state administration institutions or that the functions of the HRM unit of a subordinated institution be carried out by the HRM unit under which the subordinated institution is located⁶⁹. However, no clear criteria exist in this respect. As was confirmed during interviews with a sample of HRM units, there are cases in which small (under 20 employees) subordinated institutions have their own HRM units, while other, much bigger institutions (over 100 employees) are managed by the HRM unit of the supervising ministry.

Figure 3. Ratio of total staff per HRM staff in a sample of public institutions, 2015



Source: Department of Public Administration⁷⁰.

Independent oversight of the civil service is ensured through the COCS⁷¹, set up by the CSL as an independent public body that reports to the Parliament. The Commissioner is appointed by the Parliament⁷². The COCS officially started its activities after the approval of its structure by the Assembly in December 2014⁷³. At the beginning of 2015, the Commissioner approved two basic regulations on

⁶⁹ Law No. 90/2012, Article 10, point 2 on the organisation and functioning of the state administration.

⁷⁰ In the case of the Tax Administration and the Customs Office, the figures on total staff are indicative and refer only to civil servants, while the figures on the staff of HRM units refer only to the central services. Data on the total staff of the High State Control and of the Administration of the Parliament also refers to civil servants only.

⁷¹ CSL 152/2013, Articles 11-16.

⁷² Decision of the Assembly No. 33/2014 on the preliminary selection procedure for the COCS, amended by Decision No. 41/2014 and 45/2014. The appointment of the current Commissioner was the result of an open public selection process, as explained in the report on the EU-Albania Stabilisation and Association Committee of 11 March 2015, p. 23.

⁷³ Decision of the Assembly No. 98 on the structure, organisation and categorisation of the job positions of the COCS, 4 December 2014.

the functioning of the institution⁷⁴, as well as its first Annual Work Plan. Overall, during 2015, the Commissioner carried out 74 supervision and inspection processes in institutions that are part of the civil service, including 1 independent institution, 11 state administration institutions (3 ministries and 8 subordinated institutions) and 62 local government units⁷⁵. The COCS reported a high level of compliance with their requests and recommendations, although no statistics are available⁷⁶. The COCS Annual Work Plan for 2016 was approved in January and includes supervision activities in five line ministries and subordinated institutions. The Secretariat of the COCS has 31 occupied positions, the same number as at the start of activities, and its budget remains static, despite persistent requests for more funds.

The Ombudsman conducts oversight activities in this area in the framework of its legal attributions. However, the level of enforcement of Ombudsman decisions by public institutions is moderate⁷⁷.

Considering the factors analysed above, the 2015 values for the indicators on the policy and legal framework and on the institutional set-up for are 4 and 3.

Generally, the legal and institutional framework for a professional civil service is established. The HRMIS is still not fully implemented, so the quantity and quality of data for civil service policy design and monitoring, as well as for strategic HRM planning, is not sufficient, but there was progress in developing and implementing the policy on civil service.

Key requirement⁷⁸: Professionalism of public service is ensured by good managerial standards and human resource management practices.

Indicator values

The professionalism of the public service is examined through 8 qualitative and 13 quantitative indicators. These refer to merit-based recruitment and termination of employees in the public service, including senior public servants; a fair and transparent salary system; professional development and appraisal of public servants; and measures to promote integrity and prevent corruption in the public service.

Most of the qualitative indicators analysed maintained the values attributed in 2015. The indicator on salaries decreased mainly due to the delays in implementing the job evaluation scheme and salary reform. Two and a half years after entry into force of the CSL, salary provisions under the Law are still not fully applied.

Recruitment is well regulated in the CSL and secondary legislation but still not fully applied (the procedures to enter senior managerial positions). Another problem is the low efficiency of recruitment exercises; despite quite a high number of applicants, many vacancies remain unfilled.

There has been some progress in developing the anti-corruption system, which is reflected in the increased value of the indicator, but the perception of corruption has increased.

⁷⁴ Decision No. 17 on the procedures of supervision/inspection, 11 March 2015 and Decision No. 18 on the organisation and functioning of the Secretariat of the COCS, 11 March 2015.

⁷⁵ Report of the COCS on the implementation of the Action Plan of the Crosscutting Strategy on the PAR for 2015.

⁷⁶ Confirmed by COCS interview with SIGMA. All the institutions have enforced the recommendations of the Commissioner. No fines had been imposed so far for non-accomplishment or non-enforcement.

⁷⁷ Follow-up Report on the 5th PAR Special Group, operational conclusions, pp. 36-39. Overall, during 2015, only 46% (160) of the recommendations issued by the Ombudsman were accepted by public institutions. Seven per cent (211) of the requests for information issued remained unanswered.

⁷⁸ SIGMA (2014), [The Principles of Public Administration](#), OECD Publishing, Paris, p. 48.

Albania
Public Service and Human Resource Management

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
Qualitative	3	Extent to which recruitment of public servants is based on the merit principle in all its phases.	2014	4	2015	4
	3	Extent to which the termination of employment of public servants is based on merit.	2014	3	2015	3
	4	Extent to which political influence on the recruitment and dismissal of senior managerial positions in the public service is prevented.	2014	3	2015	3
	5	Extent to which the remuneration system of public servants is fair and transparent and applied in practice.	2014	4	2015	3
	6	Extent to which the training system of public servants is in place and applied in practice.	2014	3	2015	3
	6	Extent to which the performance appraisal system of public servants is in place and applied in practice.	2014	3	2015	3

Albania
Public Service and Human Resource Management

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
	7	Extent to which the integrity and anti-corruption system of the public service is in place and applied in practice.	2014	3	2015	4
	7	Extent to which the disciplinary procedures against public servants are established to promote individual accountability and avoid arbitrary decisions.	2014	4	2015	4
Quantitative	3	Annual turnover of civil servants at the level of the central administration.	2014	Not available ⁷⁹	2015	9% ⁸⁰
	3	Number of candidates per vacancy at the level of central administration	2014	47 ⁸¹	2015	20 ⁸²
	4	Number of candidates per senior civil service vacancy at the level of central administration	2014	Not available	2015	1 ⁸³

⁷⁹ Here and hereafter, “Not available” means that the data requested by SIGMA was not provided by the administration. Under this particular indicator, data was provided on dismissed civil servants only (69 in 2014).

⁸⁰ There were 8 196 civil servants in the state administration at the beginning of 2015, of which 787 left during the year. Data provided by the DoPA.

⁸¹ SIGMA (2015), *The Principles of Public Administration: Baseline Report Measurement, Albania 2015*, p. 54. There were 12 300 candidates who applied for 261 vacancies. If only eligible candidates are considered, the ratio was 11.8 per vacancy.

⁸² There were 20 000 candidates who applied for 1 005 vacancies. If only eligible candidates are considered, the ratio was 10.9 per vacancy. Data provided by the DoPA.

⁸³ There were 81 candidates who applied for 83 vacancies, giving a ratio of 0.97 per vacancy. Data provided by the DoPA.

Albania
Public Service and Human Resource Management

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
	3	Percentage of women in the civil service at the level of central administration.	2014	48%	2015	52% ⁸⁴
	3	Percentage of women in senior managerial positions in the civil service at the level of central administration.	2013	47%	2015	34% ⁸⁵
	3	Percentage of civil servants at the level of central administration by different ethnic origin in relation to the general ethnic division in the country based on the latest census.	2014	Not available	2015	Not available
	4	Annual turnover of senior managerial civil servants at the level of the central administration.	2014	0%	2015	8.6% ⁸⁶
	4	Turnover of senior managerial civil servants at the level of central administration within six months of a	2014	Not available	2015	Not applicable

⁸⁴ There were 4 022 women in the civil service in the central administration at the end of 2015 out of a total of 7 743 civil servants. Data provided by the DoPA.

⁸⁵ In 2015, 31 out of 91 occupied TMC positions were held by women. Data provided by the DoPA.

⁸⁶ There were 58 senior civil servants in the central administration at the beginning of 2015. Five senior civil servants left the central administration during the year.

Albania
Public Service and Human Resource Management

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
		change of government.				
	5	Ratio of average annual compensation of central government civil servants to compensation of tertiary-educated workers.	2014	Not available	2015	Not available
	5	Ratio of average annual compensation of central government senior public servants to compensation of tertiary-educated workers.	2014	Not available	2015	Not available
	7	Transparency International Corruption Perception Index – the country score on a scale of 0-100 ⁸⁷ .	2014	33	2015	36
	7	Citizens' perception of the integrity and trustworthiness of the public service.	2014	Not available	2015	Not available
	7	Number of public servants who have been criminally convicted of corruption crimes.	2014	21	2015	Not available

⁸⁷

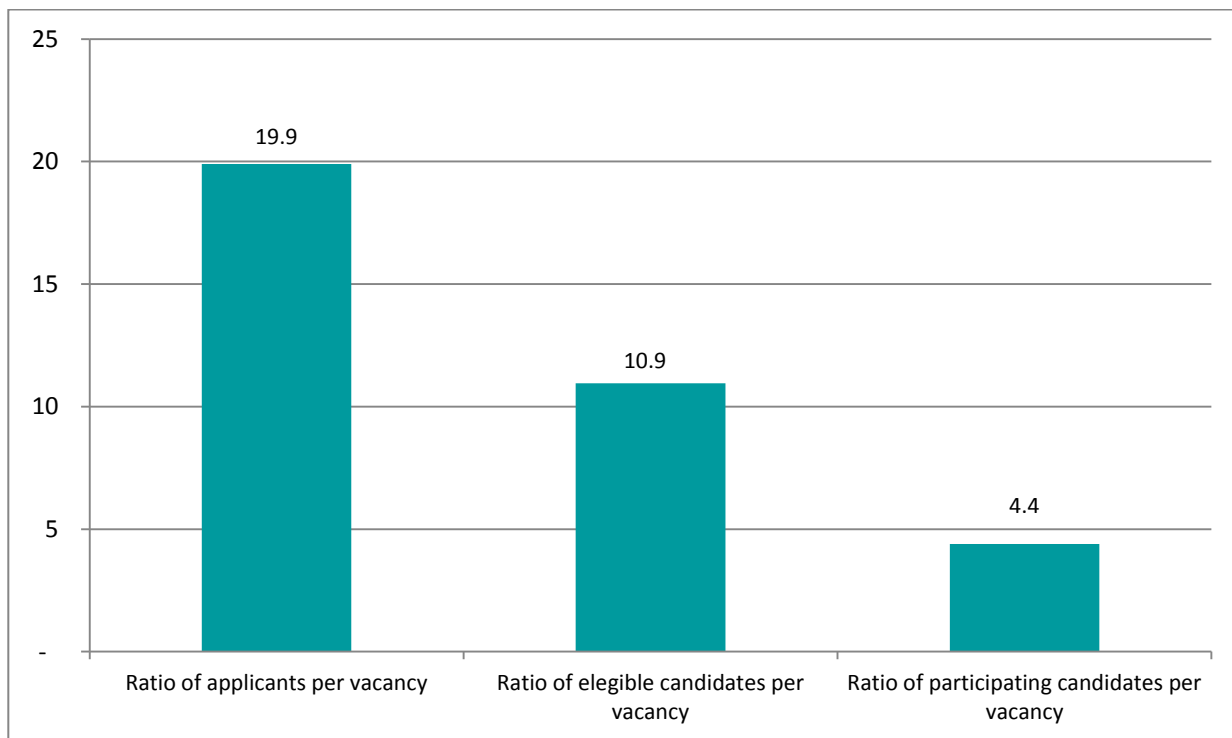
<https://www.transparency.org/cpi2015>.

Principle 3: The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.

The CSL establishes recruitment procedures clearly based on merit, equal opportunity and open competition⁸⁸. It also states that appointments of civil servants contrary to such procedures are invalid⁸⁹. There are no uniform regulations on recruitment of public employees who are excluded from the scope of the CSL.

The Annual Staffing Plan for 2016 foresees 1 121 vacancies in state administration institutions, which are part of the CS. The Annual Staffing Plan for 2015 in the state administration⁹⁰ shows 1 005 vacancies were opened for competition (either external or internal) through 552 competition procedures. Only 60% of the vacancies were filled. This modest rate is caused by the insufficient quantity of candidates and the fact that many of them do not meet the selection criteria, although all the vacancies are advertised in the official web-page of the DoPA and in the National Employment Portal. Despite an encouraging ratio of eligible candidates per vacancy (11), the ratio of participation in competitions is rather low (4.4).

Figure 4. Ratio of applicants, eligible candidates and participating candidates per vacancy, 2015



Source: Department of Public Administration, Annual Report 2015.

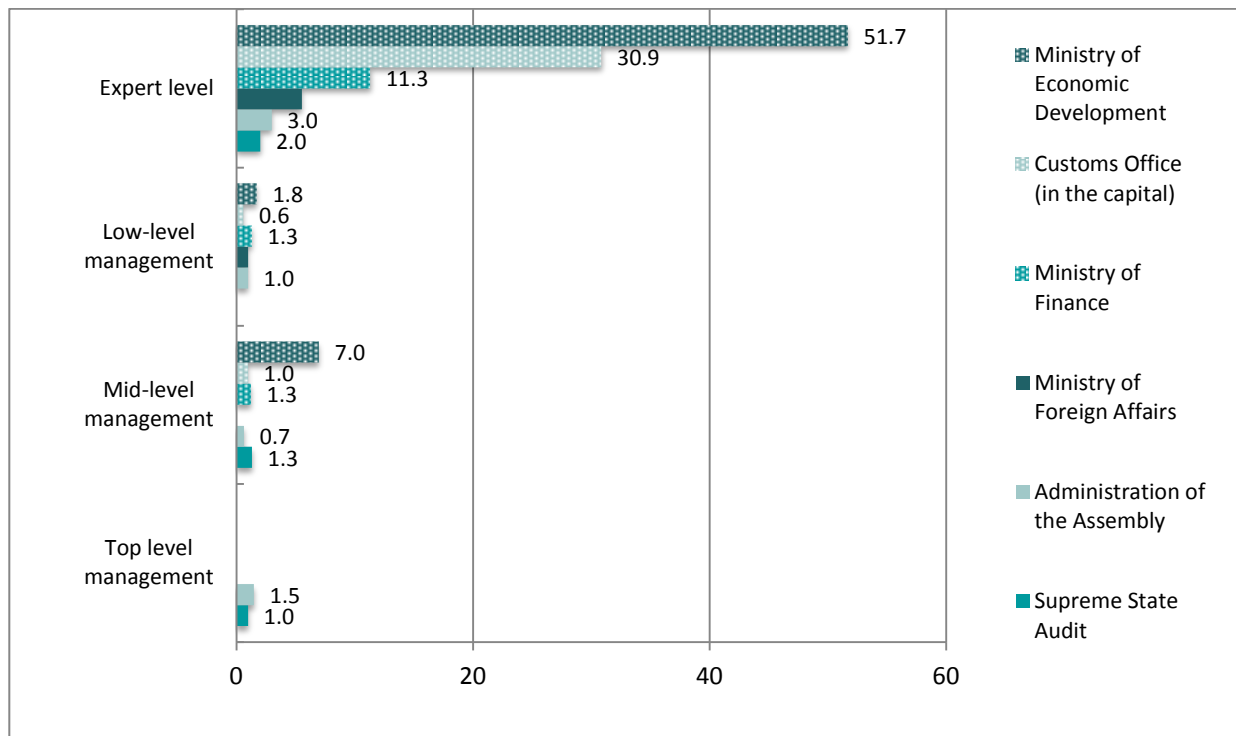
The volume of applicants is due in part to a concentration of recruitment through grouping similar vacancies and the possibility of applying online to several positions simultaneously. Data from a sample of public institutions, however, shows some remarkable differences in the number of applicants in different authorities.

⁸⁸ CSL 152/2013, Article 20.

⁸⁹ CSL 152/2013, Article 23.4.

⁹⁰ DoCM No. 169 on the Annual Recruitment Plan for Admittance in State Administration Institutions, Part of the Civil Service, 25 February 2015, amended by DoCM No. 556, 18 June 2015. Initially, 920 vacant positions included.

Figure 5. Number of eligible candidates per vacancy by employment level in a sample of state administration and independent institutions (2015)

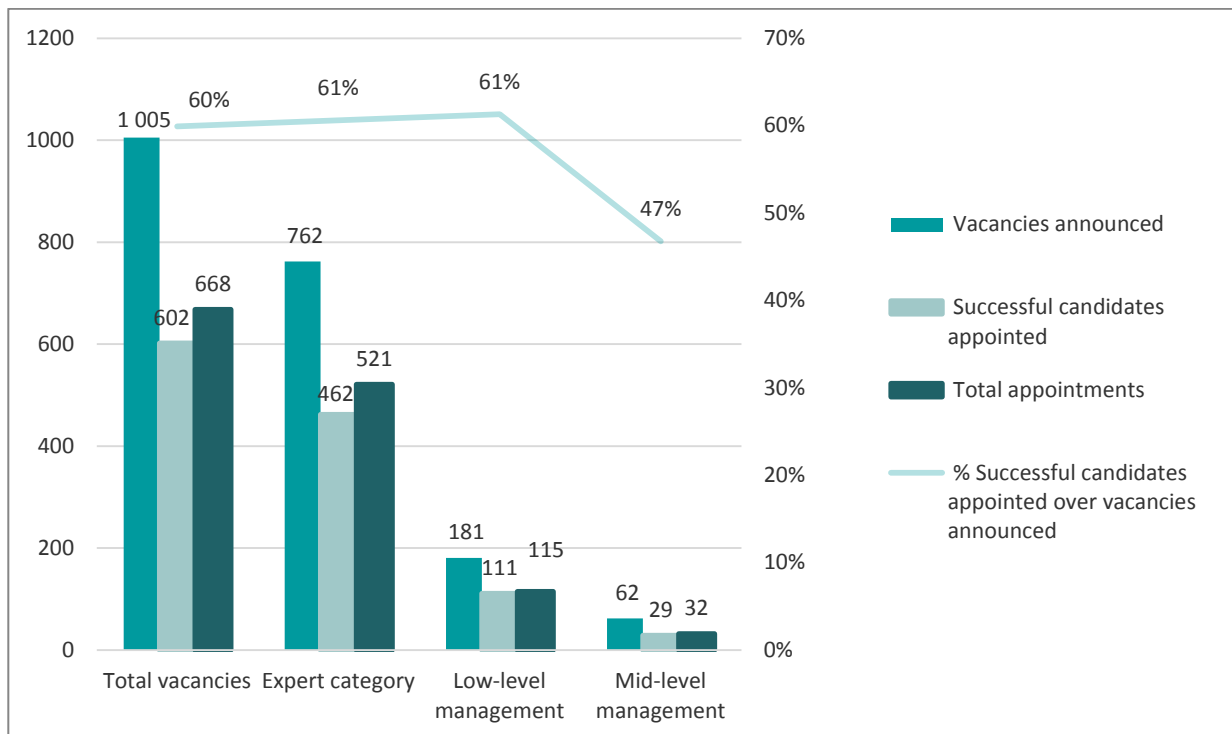


Source: Department of Public Administration.

Amendments to the CSL allow for external competition in mid- and low-level management positions, provided that vacancies are not covered through lateral transfer and promotion, to a maximum of 20% of the total number of vacancies each year⁹¹. In 2015, 380 vacancies at these levels were included in the Annual Staffing Plan; 243 of them were opened to competition, of which sixty three (17%) were opened to external candidates. Forty per cent of the vacancies remained unfilled, a similar proportion to that noted above for total recruitments in 2015.

⁹¹ CSL, Article 26, point 4.

Figure 6. Competitions and appointments to civil service positions by professional category (except Top Management Corps), 2015



Source: Department of Public Administration.

The eligibility criteria and general provisions ensuring the quality of recruitment are established in the CSL⁹². Detailed procedures are included in secondary legislation and additional guidelines⁹³. With regard to job descriptions, amendments to secondary legislation removed specific requirements on work experience from each category and class⁹⁴, although such requirements are included in the competition announcements⁹⁵. Complete competence profiles for each category and class have not been developed, and the process of developing job descriptions following the new regulations shows shortcomings in state administration and independent institutions and is only at an initial stage in local governments⁹⁶.

Specific regulations on the selection processes are detailed and complete, but their implementation leaves room for improvement. With regard to the selection methodology, the difference between what must be evaluated at the written and interview stages is not clear enough in practice⁹⁷. However, the appointment of Permanent Selection Committees (PSCs) and the recruitment procedure for the

⁹² CSL 152/2013, Articles 21-23.

⁹³ DoCM No. 243 on the Expert Category Acceptance, Parallel Transfer, Probation and Appointment, 18 March 2015; DoCM No. 242 on Appointment to Low-level and Mid-level Management, 18 March 2015; and DoCM 108 on the Annual Recruitment Plan, 26 February 2014. DoPA Guideline No. 2 on job descriptions remains unchanged, 7 April 2014.

⁹⁴ DoCM No. 262, amending Annex 2/2 of DoCM No. 142 on Generalised Job Descriptions and the Recruitment Requirements for Each Class. However, in DoCM No. 142, Annex 4, not amended, "Experience" remains within the "Special requirements" section of the job description template.

⁹⁵ Confirmed through the review of a sample of files on competitions in state administration institutions, e.g. samples from the Customs Office and the Ministry of Economic Development.

⁹⁶ Report on the activity of the COCS of February 2015, p. 49; Report of the COCS on the implementation of the Action Plan of the Crosscutting Strategy on the PAR for 2015, pp. 4-8.

⁹⁷ Confirmed through the examination of a sample of files of recruitment procedures. For example, in a competition to fill a vacancy of the expert category in the Tax Office, questions in the interview are mainly of a technical nature. In a competition to fill a vacancy of in low-level management category in the Ministry of Economic Development, questions in the written and oral phases are all very technical.

expert level⁹⁸ do follow the principles of merit and professionalism. The DoPA has set up PSCs for recruitment to general or special administration groups in the state administration, and PSCs have also been created and are functioning in independent institutions⁹⁹. Each PSC consists of five members, of which two are external experts from the relevant field¹⁰⁰.

All candidates have the right of appeal against unfair recruitment decisions. First, candidates are entitled to file a written complaint with the PSC¹⁰¹. If not satisfied, they have the right to appeal the PSC's decisions before the Administrative Court. In 2015, only three candidates appealed to the Administrative Court of First Instance about recruitment¹⁰². Candidates disqualified during the pre-selection phase may file a complaint with either the DoPA (for the state administration) or with the responsible unit, in the case of independent institutions and local governments¹⁰³.

Fifty-two per cent of civil servants employed in the state administration at the end of 2015 were women, compared with 44% in the total employed population¹⁰⁴. Nevertheless, only 31% of the civil servants appointed in 2015 to mid-level management positions in the state administration were women.

The criteria for termination of service are explicitly established in primary and secondary legislation¹⁰⁵, while demotion of civil servants is not foreseen in the CSL. Amendments to the CSL broadened the grounds for dismissal to include closing or restructuring of public institutions¹⁰⁶ and negative appraisal of the acquisition and updating of supplementary knowledge necessary for civil servants to accomplish their duties¹⁰⁷. The same amendments speed up procedures that may lead to release from the civil service, as is the case with individual performance appraisals. The amendments also include reinstatement provisions that were absent from the original CSL, increasing the safeguards of civil servants affected by unlawful dismissal. Those provisions are further supported by an internal regulation issued by the MIPA in October 2015¹⁰⁸, which covers the creation of a judicial database containing detailed information regarding court decisions. The database is under implementation in 16 line ministries. Special commissions have been established to review the final court decisions and issue recommendations for the reinstatement of civil servants into their previous jobs. The DoPA participates in these committees as an observer¹⁰⁹. In 2015, 739 civil servants left the state administration, the majority through resignation. There were no dismissals due to the closing or restructuring of public institutions¹¹⁰.

⁹⁸ DoCM 243, Chapter III.

⁹⁹ Confirmed in interviews with a sample of HRM units in line ministries and independent institutions.

¹⁰⁰ DoCM No. 243 does not detail how those external experts shall be recruited. However, representatives from the DoPA and from a sample of independent institutions interviewed in February 2016 declared that the selection had been organised through an open call.

¹⁰¹ DoCM No. 243, Chapter IV, 22.

¹⁰² Data provided by the DoPA.

¹⁰³ DoCM No. 243, Chapter III.3. It is not clear, however, if the "responsible unit" is the HRM unit in each institution.

¹⁰⁴ INSTAT (2014), "Table 1.4. Employment by sex and age group", in *Labour Market 2014*, p. 17, Albanian Institute of Statistics, Tirana, available at <http://www.instat.gov.al/en/publications/books/2015/labour-market-2014-.aspx>

¹⁰⁵ CSL, Articles 63-66; DoCM No. 124 of 17 February 2016 on Suspension and Dismissal from the Civil Service, which repeals the provisions on suspension and dismissal of civil servants established by the DoCM No. 171 on the Permanent and Temporary Transfer of Civil Servants and the Suspension and Dismissal from the Civil Service, 26 March 2014.

¹⁰⁶ CSL, Article 50.6.

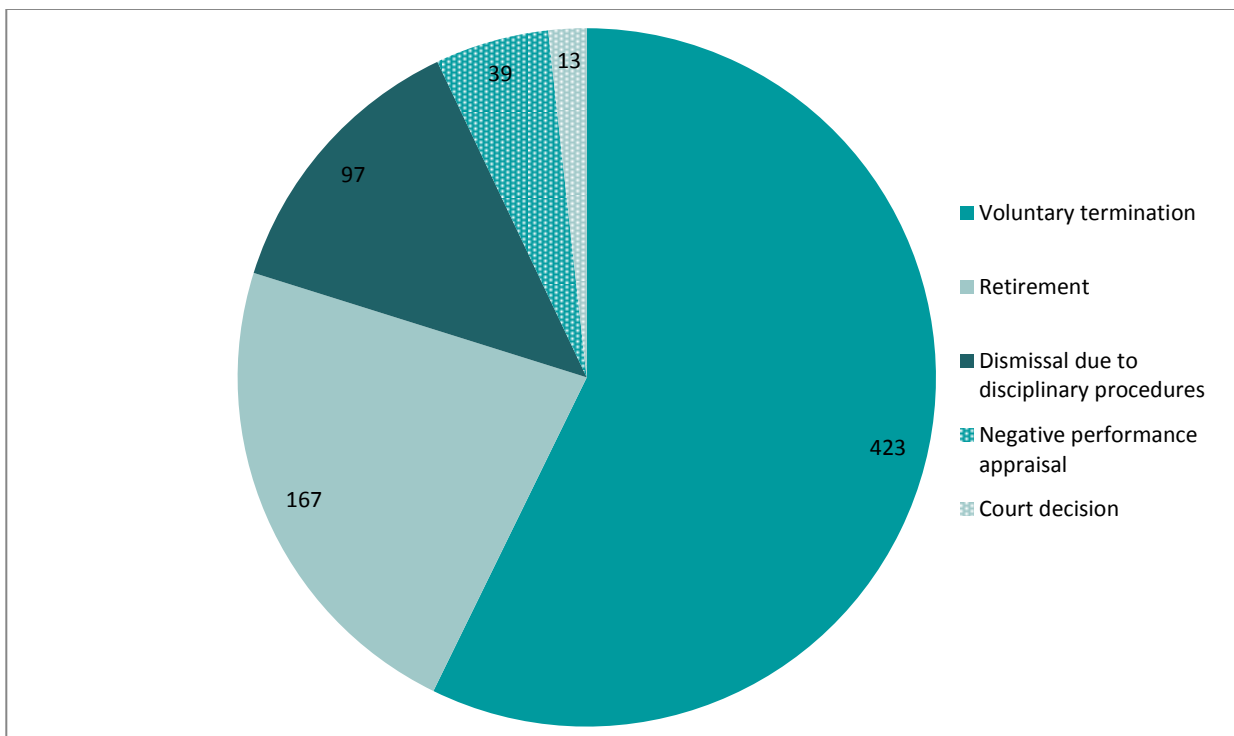
¹⁰⁷ New appraisal procedure introduced by the amendments to the CSL Article 62 and regulated by DoCM No. 1037 on the Procedures of Evaluating Civil Servants on Acquiring and Updating Additional Knowledge, 16 December 2015. Further information can be found in the analysis of Principle 6.

¹⁰⁸ MIPA Order No. 5151 on the Implementation of Final Judgements by State Administration Institutions Involved in the Area of CSL Application, 28 October 2015.

¹⁰⁹ Follow-up Report on the 5th PAR Special Group, operational conclusions, p. 24.

¹¹⁰ DoPA data.

Figure 7. Number of terminations of civil servants by cause, 2015



Source: Department of Public Administration.

Overall, turnover for the state administration is 9%¹¹¹, an acceptable figure for the public sector¹¹². Civil servants have the right of appeal against dismissal. In 2015, there were 116 pending litigations in courts on civil service issues, including some relating to dismissals¹¹³. Twenty-four final court decisions were implemented in 2015 in state administration institutions regarding reinstatement out of the 115 court decisions favourable to civil servants where implementation was pending. Thus, despite the aforementioned efforts by the DoPA and line ministries to tackle the backlog of cases related to the state administration, the implementation of court decisions remained low (20.8%). The implementation of court decisions in 2016 sped up, but the backlog is still huge.

Considering the factors analysed above, the values for the qualitative indicators on recruitment and on the termination of employment of public servants are 4 and 3, respectively.

The legal framework establishes recruitment procedures clearly based on merit. The number of appeals against the recruitment process remains low. However, one area of concern is that, despite a relatively high number of candidates, around 40% of announced vacancies remained unfilled. Amendments to the CSL from 2014 introduced new mechanisms that make the dismissal of civil servants easier. The implementation of court decisions favourable to civil servants remains low.

¹¹¹ According to data provided by the DoPA, there were 8 196 civil servants in the state administration at the beginning of 2015, of which 739 left during the year.

¹¹² There is no universally accepted “desirable” rate of turnover for the public sector, except that it should be sufficiently large to prevent stagnation and sufficiently small to reflect healthy work conditions. The statement of the “normality” of the mentioned figure is based on statistics for the public sector included in the report *Labour turnover rates: 2015 survey*, by XpertHR, available in: <http://bit.ly/1OCDMK1>.

¹¹³ The DoPA Annual Report 2015, pp. 22-23: in 2015 the DoPA participated in 116 litigations in the courts, dealing, among others, with invalidity of acts related to the waiting list, compensation for delays in the issuance of acts of appointment, validity of the declaration of civil servant status, decisions of disciplinary committees, validity of appointments to civil service positions. There is no data available on appeals presented in 2015 broken down by topic.

Principle 4: Direct or indirect political influence on senior managerial positions in the public service is prevented.

The senior managerial positions in the state administration (131 in 2015¹¹⁴) are labelled Top Management Corps (TMC) and are included in the scope of the civil service. These positions are general secretary, director of department, and director of general directorates and equivalent positions (for example, heads of subordinated institutions). Senior management positions in independent institutions and local government units are also included in the scope of the civil service.

The CSL establishes recruitment criteria and procedures for top-level management positions clearly based on merit, equal opportunity and open competition¹¹⁵. These criteria and procedures are different in the case of the TMC, and they are regulated in specific By-laws¹¹⁶.

The CSL establishes limits on the total number of TMC positions and on the total number of TMC members to be recruited annually in the state administration¹¹⁷. Admission to the TMC is possible through three different procedures. First, access through a competition followed by the in-depth training programme organised by ASPA¹¹⁸. This should be the usual means of entry to the TMC, starting with a national competition for admission to the programme, followed by the obligation to complete the training and obtain a minimum result of 70%. Successful candidates will be appointed members of the TMC at the end of the process. However, this path has yet to be implemented due to delays in the design of the in-depth training¹¹⁹. Second, the CSL provides for direct, exceptional access through a national competition until the first cohort finishes the ASPA training or in case the number of candidates who finish the programme is insufficient¹²⁰. These first two procedures for admission to the TMC are open to civil servants and external candidates. The national competition is managed in both cases by a National Selection Committee (NSC)¹²¹. Members of the TMC appointed through the exceptional procedure are obliged to attend *ex post* the in-depth training programme¹²², although they do not undergo the final test¹²³.

A third procedure for access to the TMC is allowed if the number of civil servants coming from the previous two procedures is insufficient¹²⁴. It allows the possibility of direct appointment of senior civil servants from independent institutions to TMC positions in the state administration, following a

¹¹⁴ Data provided by the DoPA.

¹¹⁵ CSL 152/2014, Articles 27-31 on Recruitment to TMC positions in the State Administration. Recruitment to top-level management positions in independent institutions and local governments is regulated in Article 32, with a remission to Article 20 on General Principles for Recruitment in the Civil Service.

¹¹⁶ DoCM No. 118 on the Procedures of the Appointment, Recruitment, Management and Termination of the Civil Service Relations of the Top-level Management Civil Servants and Members of the TMC, 5 March 2014; amended by DoCM No. 388, 6 February 2015. Chapters III and VIII also detail recruitment procedures for civil servants in top-level management positions in independent institutions and local government units.

¹¹⁷ CSL 152/2015, Articles 27.2 and 27.3.

¹¹⁸ CSL 152/2015, Articles 27.4 and 28.

¹¹⁹ The programme is expected to last 280 hours distributed in 42 days over 5 months. The curriculum has already been developed by the ASPA. Two modules of the training programme were tested at the end of 2015 through two pilot courses, and the rest of the contents will be ready, in principle, by the first semester of 2016.

¹²⁰ CSL 152/2015, Articles 27.5 and 29.

¹²¹ CSL 152/2015, Articles 28, 29 and 31. The regulation of the composition and functioning of the NSC is aimed to guarantee professionalism and independence, in particular due to the prohibition of appointing persons who have been a member of any political party within a minimum three years of the date of appointment. Professionalism and independence are also supported by the diverse composition granted by the CSL – particularly the five external independent experts out of a total of nine members – which is fully respected in the By-law with accurate selection procedures for the different types of members. Moreover, the general rule to make decisions is by 2/3 assent of all members.

¹²² DoCM No. 118, Chapter VI, 3.

¹²³ DoCM No. 138, Chapter III, 3, on the Rules of the Organisation and Functioning of the ASPA and the Training of Civil Servants, 12 March 2014.

¹²⁴ CSL 152/2015, Article 30, point 5/1; DoCM No. 118, Chapter VII, points 18-21, amended by DoCM No. 338.

selection assessment conducted directly by the DoPA. This last procedure is not fully adjusted to the needs of the selection of top officials¹²⁵. Once appointed, these staff are also obliged to attend the ASPA in-depth training and to take the exam¹²⁶.

This variety of ways to access TMC, combined with delays in launching the ASPA training programme, challenge the consolidation of the ordinary recruitment procedure through the ASPA in-depth programme, as foreseen in the CSL. Moreover, the obligation to go through the ASPA in-depth training once appointed as a member of the TMC may prove difficult to accomplish, given its length and intensity¹²⁷.

There has been progress on the implementation of the selection methods and tools foreseen in the CSL, but the specification of position requirements and competences needs further development. A matrix of competences for the TMC was developed by the ASPA in 2015, but it has not yet been used in selection procedures. The lack of implementation of the matrix of competences developed for TMC positions in selection procedures means that there is no clear and uniform reference framework to assess professional competences of candidates in the recruitment procedures. The NSC is in place, including the five external, independent experts foreseen in the Law. They are highly qualified professionals coming from different fields¹²⁸, selected through open competition in 2014. Selection methodologies, such as questions for written tests and interviews, are developed for each competition by the NSC members and tested and adjusted in each procedure through a gradual process of “learning by doing”¹²⁹.

At the beginning of 2015, of 131 TMC positions in the state administration, there were 48¹³⁰ positions filled with civil servants confirmed as members of the TMC, as established in Article 67.1 of the CSL¹³¹. In January 2015, a national competition for 83 TMC positions was organised¹³². Eighty-one candidates applied, of whom 49 successfully completed the assessment and were appointed members of the TMC¹³³. Forty-one per cent of the vacancies opened for competition remained unfilled. Taking into account recruitment procedures, internal mobility and releases from the civil service, at the end of 2015, there were 100 TMC members in the state administration, of which 92 were appointed to TMC positions¹³⁴. At the end of 2015, a new recruitment procedure for 30 TMC vacancies was announced, still under the exceptional procedure foreseen in Article 27.5 of the CSL. It was open to civil servants and external candidates. The competition was organised in January 2016 and concluded with 22 successful candidates, 13 of which were appointed. Twenty-seven per cent of the vacancies offered

¹²⁵ DoCM No. 118, Chapter VII, points 18-21, amended by DoCM No. 388.

¹²⁶ DoCM No. 118, Chapter VII, 21, amended by DoCM No. 388; CSL, Article 66.1, point e/1 amended, establishes that the member of the TMC appointed through this procedure shall be released if he/she does not successfully complete the ASPA in-depth training.

¹²⁷ See analysis of Principle 6.

¹²⁸ External experts interviewed for the assessment included university professors in economy, finance and engineering, some of them with management experience in the private sector.

¹²⁹ Confirmed in interviews with external experts and members of the NSC.

¹³⁰ TMC competitions data in this paragraph provided by the DoPA.

¹³¹ CSL, Article 67.1 establishes that civil servants in top-level management positions in the central administration recruited in accordance with the previous CSL (Law No. 8549 on the Status of Civil Servants of 11 November 1999) are TMC members.

¹³² This national competition was announced at the end of 2014 under the exceptional procedure foreseen in Article 27.5 and regulated in Article 29 of the CSL.

¹³³ Among the 49 successful candidates, 32 had been employed in top-level positions in state administration institutions before the entry into force of the new CSL. They were confirmed in TMC positions after successfully completing the national competition, as established in the CSL, Article 67.2. This Article obliges existing employees who are non-civil servants employed in top-level management positions and are part of the civil service at the time the CSL enters into force in the central administration to go through TMC admission procedures within one year from when the CSL becomes effective.

¹³⁴ Another three were appointed to mid-level management positions and five were not appointed at the time of writing.

remained unfilled. These results demonstrate room for improvement in terms of quantity and quality of candidates.

The termination of service of TMC employees is regulated¹³⁵ on the same basis as for other civil servants. Specific terms applying only to TMC members include the unsuccessful completion of the ASPA in-depth training¹³⁶ and if an appointed TMC member is not assigned to a regular position for at least eight months in a five-year period¹³⁷. The same remarks made under Principle 3 on the amendments to the CSL apply to TMC members. No member of the TMC was dismissed in 2015, while five left the civil service on other grounds. The turnover rate (8.6%) is one point lower than for the other three civil service categories.

Considering the factors analysed above, the value for the indicator on the extent to which political influence on the recruitment and dismissal of senior managerial positions in the public service is prevented is 3.

The legislation and the first competitions conducted in 2015 suggest that senior civil servants are recruited on merit. Nevertheless, the principal way of filling top-level vacancies – through competition and ASPA in-depth training – has not started yet. Recruitments take place with the use of exceptional procedures foreseen in the CSL. Despite opening competitions to external candidates and allowing more flexibility in establishing experience-related requirements, a high proportion of vacancies remain unfilled. Dismissals are regulated in a similar way to other civil service positions.

Principle 5: The remuneration system of public servants is based on the job classification; it is fair and transparent.

The general principles of remuneration, including salary classification based on the job classification system and the list of variable elements of salary, are established in the CSL¹³⁸. The salary structure is comprised of the basic salary of the category, a supplement related to the class to which the position belongs and a supplement for extreme working conditions, where applicable¹³⁹. In addition, there are salary steps for each class. Progression is based on performance appraisal, seniority and successful completion of mandatory training programmes for each salary step. In addition, the CSL provides for compensation of overtime work and compensation for expenditures caused by performing duties outside the workplace¹⁴⁰. Primary rules for salaries in constitutional and independent institutions are provided in law¹⁴¹.

The detailed remuneration regulations, including the salary levels which correspond to each category and class, and the salary supplements to be allocated in each case are set up by the CoM¹⁴².

¹³⁵ CSL 152/2013, Articles 63, 65 and 66.

¹³⁶ CSL 152/2013, Article 66.1 e/1.

¹³⁷ CSL 152/2013, Article 66.2.

¹³⁸ CSL 152/2013, Article 34 on the Right to Fair Remuneration and Salary Structure and Article 19 on the Classification of Civil Service Positions.

¹³⁹ CSL, Article 34.

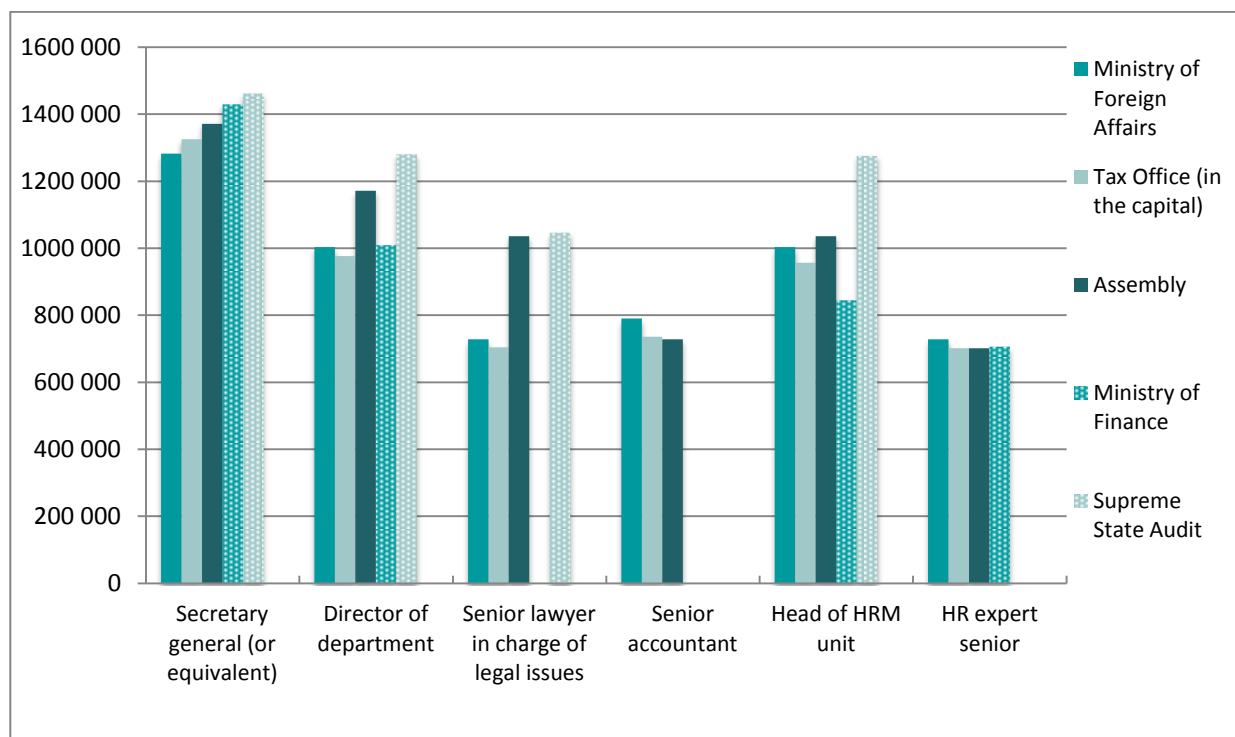
¹⁴⁰ CSL, Article 40.

¹⁴¹ Law No. 9584 on Salaries, Bonuses and Structures of the Constitutional and Other Independent Institutions, 17 July 2006.

¹⁴² DoCM No. 545 on the Adoption of the Structure and Levels of Wages of Civil Servants, Employees, Deputy Ministers and Employees of the Cabinets in the OPM, Apparatuses of the Line Ministries, Administration of the President, Assembly, Central Election Commission, High Court, General Prosecutor Office, Several Independent Institutions, Institutions Subordinated to the CoM and the Prime Minister, Institutions Subordinated to Line Ministers and the Administrations of the Prefect, 11 August 2011. This Decision was updated twice in 2011 by DoCMs No. 681, 5 October 2011 and No. 872, 14 December 2011. It was updated five times in 2012 by DoCMs No. 52, 1 February 2012, No. 227, 9 April 2012, No. 422, 4 July 2012, No. 449, 11 July 2012 and No. 524, 16 August 2012. It was updated three times in 2013 by DoCMs No. 368, 30 April 2013, No. 461, 30 May 2013 and No. 589, 17 July 2013. It was updated five times in 2014 by DoCMs No. 63, 12 February 2014, No. 114, 05 March 2014, No. 271, 7 May 2014, No. 537,

The implementation of job evaluation on which the new remuneration system is based is still pending. As a result, the wage structure in place pre-dates the entry into force of the CSL¹⁴³. The existing wage structure can be considered transparent in the sense that salary levels and complements are thoroughly regulated by the CoM. However, in the situation that not all job descriptions are properly elaborated and evaluated following uniform criteria, under the procedures set by the CSL, the coherence and fairness of the system is not fully guaranteed. There is a wide diversity in the allocation of some salary components among different public institutions¹⁴⁴, but the data on net annual salaries of specific positions in a sample of institutions does not show remarkable disparities in line ministries and subordinated agencies. Individual performance appraisals were carried out in 2015, but the results of these are not yet taken into account for salary upgrading. Similarly, the mandatory training programmes to progress through the salary scales are yet to be defined.

Figure 8. Average gross total annual salary in Albanian lek (including all elements of pay) of different civil service positions in public institutions, 2015



Source: Department of Public Administration.

There are no recent, comprehensive, research-based comparisons between public and private sector salaries. However, the last available study, conducted in 2011¹⁴⁵, concludes that although on average wages are higher in the public sector, this positive difference is not equally distributed among professional categories. The salary gap is positive for low- and mid-level wages and negative for highly

6 August 2014, No. 700, 22 October 2014 and No. 805, 26 November 2014. In 2015, an amendment was introduced by DoCM No. 578, 24 June 2015, which is discussed later under this Principle.

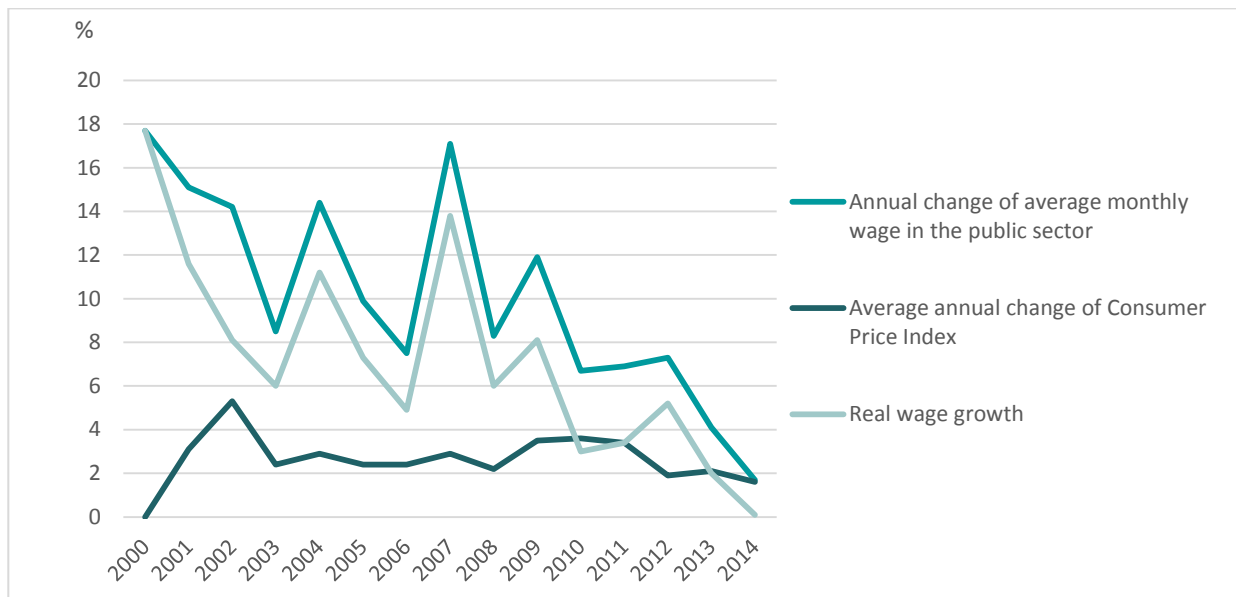
¹⁴³ The current structure regulated in DoCM No. 545 establishes two top-level management classes versus the three set in the CSL, three low-level management classes versus two in the CSL and three expert classes instead of the current four. In addition, the salary complements have a slightly different composition and include, besides complements for the specific class and for extreme work conditions, which are also included in the CSL, fixed salary supplements for seniority, special qualifications and “the especial nature of work”.

¹⁴⁴ This is the case of the salary supplement on top of the monthly salary wage for the special nature of work established in DoCM No. 545/2011, point 4.

¹⁴⁵ ICS (2011), *Study on Comparability Levels between Public and Private Sectors*, Institute for Contemporary Studies, Tirana.

paid jobs, including senior managers and professions that demand highly technical skills¹⁴⁶. This negative salary gap in highly skilled jobs has worsened for civil service positions in recent years. Despite the positive trend observed in nominal wages in the public sector in all professional groups, annual increases of real salaries have suffered a sharp decline, which has had a particularly negative impact on top-level management positions and, to a lesser extent, on mid-level management positions. This negative evolution is one of the factors influencing the low coverage rates of vacancies observed in those categories in the analysis of Principles 3 and 4. The compression ratio (the difference between the maximum and minimum wages) remained at 11.7% in 2015, as in 2014¹⁴⁷.

Figure 9. Real wage increase in the public sector, 2000-2014

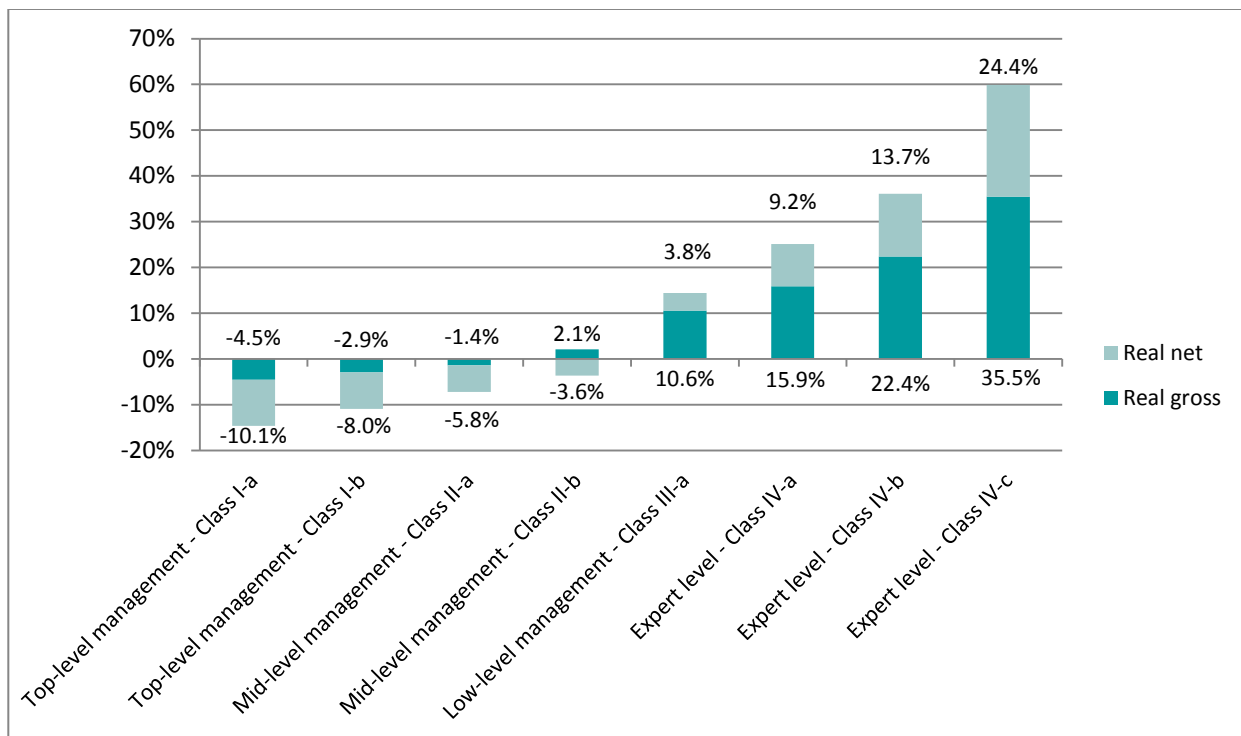


Source: Albanian Institute for Statistics, <http://www.instat.gov.al/en/themes/wages-and-labour-cost.aspx>.

¹⁴⁶ *Ibid.* In particular, the private sector pays higher for highly educated employees in computer sciences, engineering, foreign languages, mathematics and sciences.

¹⁴⁷ Crosscutting PAR Strategy 2015 – 2020, p. 29.

Figure 10. Real wage increase in the civil service by professional category, 2005-2013



Source: Crosscutting PAR Strategy 2015-2020, p. 14.

The recent decision of the CoM to implement a new salary supplement on top of the monthly wage of specialists in EU integration and legislation drafting units¹⁴⁸ will decrease the level of coherence of the salary system. These measures will demotivate the vast majority of civil servants who do not benefit from them and be counter-productive to the development of a coherent and economically sustainable salary system.

The value of the indicator related to the remuneration system of public servants is 3, mainly because of the delays in the elaboration and implementation of the new salary scheme and job evaluation.

The new wage system established by the CSL is not yet implemented. The current system follows the previous wage structure, based on a different classification of civil service positions and different elements of pay. Higher positions were already underpaid in 2011, and since then, their competitiveness has further decreased. The introduction of top-ups for some categories of civil servants will decrease the coherence of the remuneration system when implemented.

Principle 6: The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.

Professional training is recognised as a right and a duty of public servants¹⁴⁹ and it is applied in practice. The CoM has regulated the duty of civil servants to attend mandatory, general and special training activities organised by the ASPA during the probation period, and when deemed necessary by the direct supervisor based on the performance appraisal, for salary upgrading and for continuous training. The regulations also allow civil servants to attend other training activities, either on their own

¹⁴⁸ DoCM No. 577 on the Establishment of the Network of European integration (EI) Units and the Network of Legislation Drafting Units in Line Ministries, of 24 June 2015 and DoCM No. 578 of 24 June 2015 on an amendment to DoCM No. 545.

¹⁴⁹ CSL 152/2013, Article 38.

initiative¹⁵⁰ or organised by the institutions where they work. In all cases, each institution must inform the DoPA and the ASPA.

A methodology for training needs assessment was developed in 2010¹⁵¹ and is based on a transparent and inclusive process¹⁵². However, it is only partially applied. Identification of needs at a strategic level is made in the framework of the Crosscutting PAR Strategy 2015-2020. The results are reflected in the inclusion of horizontal training programmes in key priority areas in the Annual Training Plans for 2015 and 2016¹⁵³. However, within each public administration institution a comprehensive approach, including systematic training needs analysis (TNA), is not always in place¹⁵⁴. Individual performance appraisals, although implemented in 2015, have not been used for TNA so far, and the role played by HRM units has been restricted to administrative co-ordination. The TNA process for 2016 has been completed for the state administration and is still under development for local government units.

In 2015, the ASPA organised 260 training courses over 1 055 days, and 4 919 civil servants were trained. This is a significant increase compared to 2014 and 2013 and confirms the positive trend observed in those years. In 2016, the ASPA plans to deliver more than 800 training days and to train 3 500 civil servants, considering only the funds from the state budget¹⁵⁵. The training activities of 2015 were structured in six training blocks: public strategy and policy; finance management; European integration; civil service legislation and HRM; anti-corruption; and tailor-made. The main activities were compulsory training on public administration for probationary civil servants, continuous training on several items and tailor-made training dealing mainly with information and communication technologies and public procurement. The ASPA has also launched its own e-learning platform, with an initial offer of training modules on the EU. In 2015, the ASPA also organised 23 training courses for local governments, through which 811 civil servants were trained. So far, there has been no comprehensive evaluation of the Annual Training Plan and its impact, apart from the measurement of the perceived quality of the courses by trainees, which is very high (5.37 out of 6 on average)¹⁵⁶ and basic reporting on activities developed.

¹⁵⁰ Related to their job and upon the approval of the supervisor, the HRM unit and the head of the institutions.

¹⁵¹ Guide for Training Institute of Public Administration to Develop Capacity Building Plans of 31 May 2010.

¹⁵² It envisages three levels: strategic, organisational and individual. The first consists of the analysis of strategies of the Government and agreement with main stakeholders on a set of priorities. The second involves the organisation in consultation with secretary generals, key line managers and the HRM units within each institution, with the participation of the DoPA and the ASPA. At the individual level, TNA should rely mainly on the periodic performance appraisal. HRM units should compile information on individual needs derived from such practices and send it to the ASPA as an additional input for the elaboration of the Annual Training Plan.

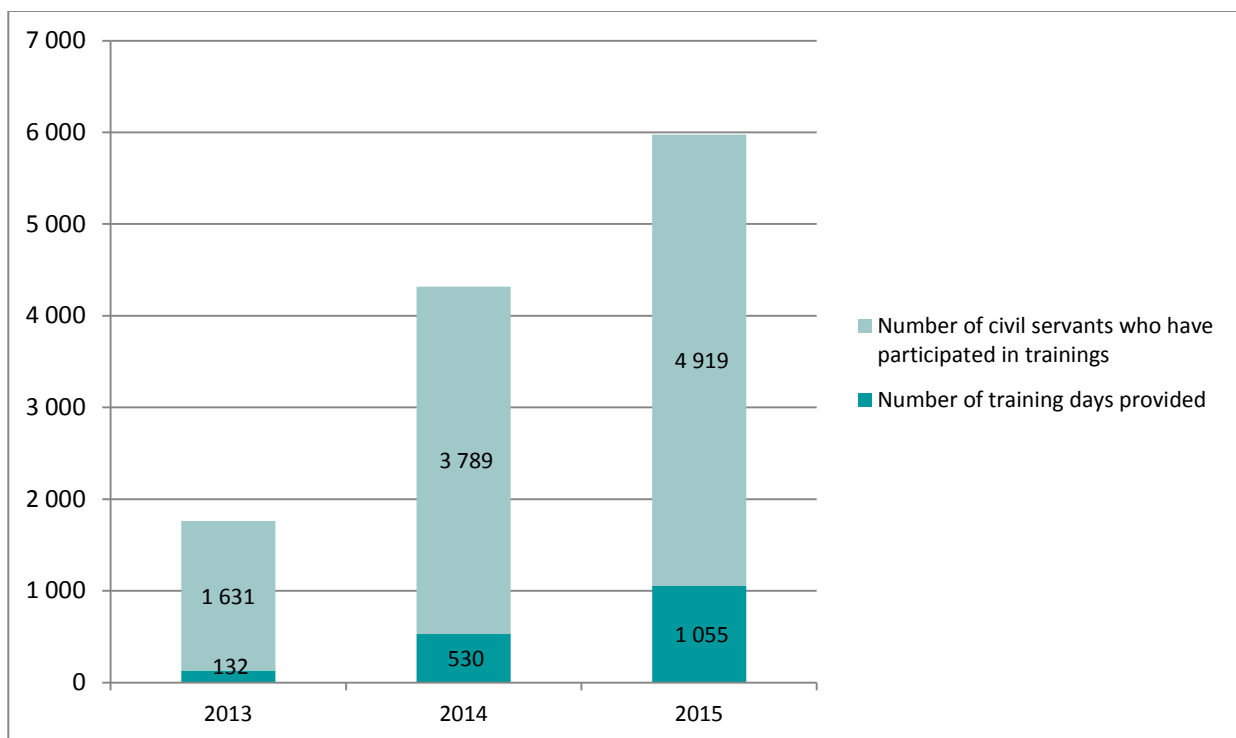
¹⁵³ For example, courses on EI, HRM or ethics and anti-corruption, among others.

¹⁵⁴ This finding was confirmed during the interview with the ASPA and the representatives of HRM units.

¹⁵⁵ ASPA's Annual Report on activities and budget in 2015. The ASPA also co-operates with different training institutions in the country and outside, such as the Albanian Fiscal Academy (under the MoF) for the training of Customs and Tax Administration staff, the French and Italian Schools of Public Administration in the framework of an EU-funded Twinning Project, and the Regional School of Public Administration.

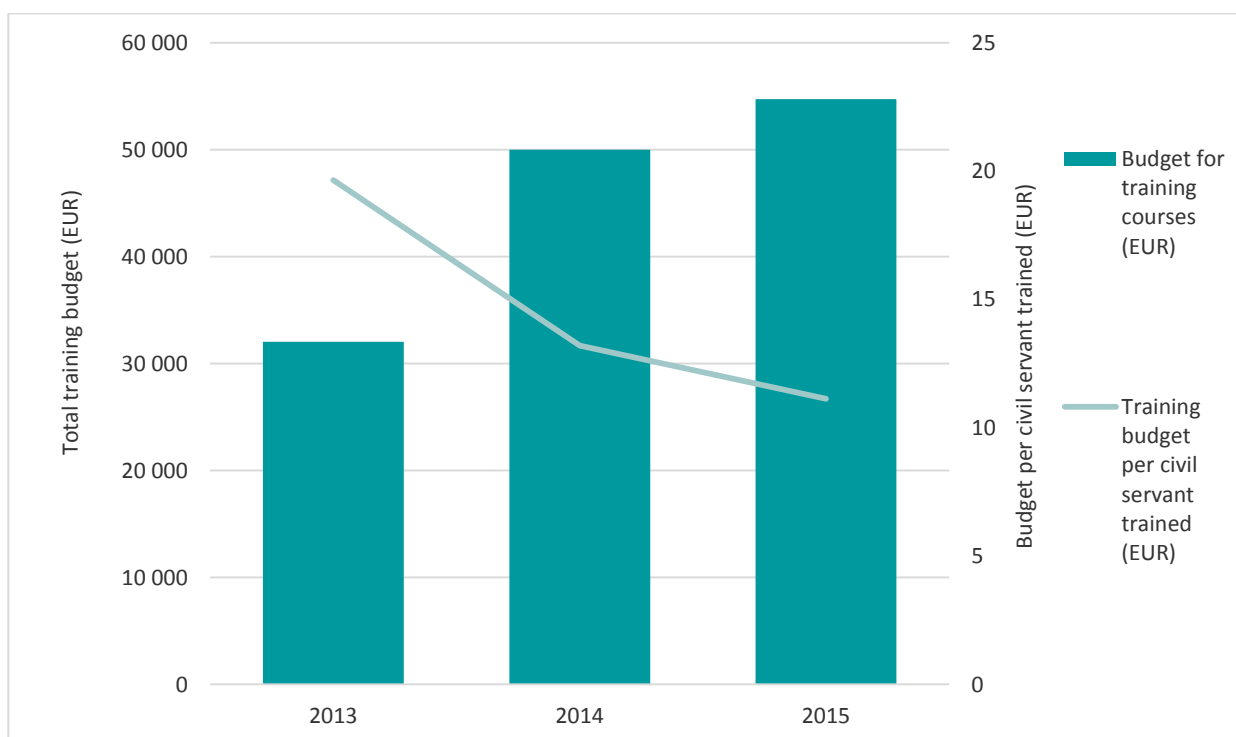
¹⁵⁶ DoPA, "Training Quality Indicator", Annual Report 2015, p. 30.

Figure 11. Number of training days provided by the ASPA and number of trainees



Source: Albanian School of Public Administration.

Figure 12. ASPA's annual budget for training activities, 2013-2015



Source: Albanian School of Public Administration.

In 2015, the ASPA finalised part of the in-depth training curricula of members of the TMC. This work was based on both a specific TNA¹⁵⁷, which included a survey of 89 members of the TMC¹⁵⁸, and the

¹⁵⁷ Instrument for Pre-accession Assistance (IPA) Twinning Project (2015), Component 1.1.5, *IPA Twinning Project Support to Albanian Civil Service Reform. Report on Training Needs of TMC.*

development of a matrix of competencies for the TMC consistent with the legal provisions¹⁵⁹. Between September 2015 and January 2016, the ASPA piloted the first module through two training courses attended by around 15 TMC members¹⁶⁰.

The ASPA's budget for training activities has progressively increased, although to a much lesser degree in 2015 than in 2014. However, in 2015, the budget steadily diminished to EUR 11.1 per trainee due to increases in both the number of trainees and the number of training days provided.

The principles of performance appraisals of civil servants are established in the primary legislation¹⁶¹. Modifications introduced to the CSL at the end of 2014 reduced the appraisal cycle from one year to six months and provided for termination of employment in the case of two consecutive negative appraisals. Detailed provisions are regulated in secondary legislation¹⁶². Civil servants in mid-level management, low-level management and the expert category are evaluated by their immediate superior, called a "reporting official". The immediate superior of the reporting official must read and countersign the evaluation. If the civil servant does not agree, he or she can ask for a re-evaluation by the authorising official and, ultimately, in the case of persistent disagreement, the civil servant can file an appeal to the Administrative Court. Civil servants who are members of the TMC are evaluated by the NSC, which must rely, in turn, on the evaluation made by the immediate superior (the Prime Minister or line ministers in the case of secretary generals and special co-ordinators; the secretary general or equivalent position in the case of general directors, directors of department or equivalent positions). Senior managers of independent institutions and local governments are evaluated by the immediate superior¹⁶³.

The criteria for individual appraisals are based on merit. They focus on the achievement of the goals set at the beginning of the appraisal cycle and on professional conduct. However, they have yet to be fully implemented. A sound hierarchy of objectives, including the organisation, the unit and the individual, is not always in place, or their definition is not specific enough¹⁶⁴. Moreover, since the usual reference period for planning and management cycles is one year, the reduction of the appraisal period adds complexity to the process of setting objectives. In addition, the methodology presents some limitations, such as the lack of consistency in the definitions of the scoring scale¹⁶⁵. With regard to the members of the TMC, there is no indication of how to proceed if there is a disagreement between the direct superior of the TMC member and the NSC, although the latter has the final responsibility for the appraisal¹⁶⁶. Performance appraisal procedures for members of the TMC have not yet started, but they were implemented in 2015 for other civil servants. The DoPA has not yet received

¹⁵⁸ There were 57 respondents, 70% of whom were general directors, of which only 18.5% had more than five years' experience in the public service and 85% had less than two years in their present position. Although some had wide experience in the private sector, this profile of "newcomers" in the public administration, strongly influences the training content.

¹⁵⁹ DoCM No. 118, 5 March 2014 on the Procedures of the Appointment, Recruitment, Management and Termination of the Civil Service Relations of Top-level Management Civil Servants and Members of the TMC, amended by DoCM No. 388, 6 May 2015.

¹⁶⁰ Confirmed in an ASPA interview with SIGMA.

¹⁶¹ CSL 152/2013, Article 62, amended.

¹⁶² DoCM No. 252, 30 March 2015 on some changes and additions to DoCM No. 109, 26 February 2014 on the Performance Appraisal of Civil Servants.

¹⁶³ DoCM No. 109, Chapter II, points 4-7.

¹⁶⁴ For instance, in one of the samples reviewed, corresponding to a position of Specialist in the Sector of Fiscal Appliances and Online Declaration of the Tax Administration, objectives set at the institution, the unit and the individual level are defined in very broad terms, such as "ensure good functioning of the ... automatic system...", "improve and check the work with the specialists of Regional Tax Departments", "co-operate with the Director... regarding legal improvements...".

¹⁶⁵ DoCM No. 252, Chapter II, point 13, and Annex 2. For example, in the criteria on timely accomplishment of tasks and on collegiality of relationships, definitions at level 3 and 4 suggest unsatisfactory performance, whereas level 3 should be "satisfactory".

¹⁶⁶ DoCM No. 109, Chapter II, point 6 only states that the NSC should rely on the opinion of the direct supervisor.

data on the results of the appraisals conducted in the state administration. Currently, the results have had no impact on either the award of salary steps (due to the lack implementing the salary reform) or the professional development of civil servants, although there were 39 dismissals due to poor performance in 2015.

The amendments to the CSL set up a new periodic individual evaluation of the acquisition and updating of supplementary knowledge necessary for civil servants to accomplish their duties¹⁶⁷. In this case, the assessments must take place every four years. This new procedure has already been regulated by the CoM¹⁶⁸. In the case of non-satisfactory results, civil servants shall attend a three-month compulsory training session organised by the ASPA, and if the outcome is “unsatisfactory”, it is the responsibility of the immediate superior to decide whether the civil servant is suitable or unsuitable for the job. In the latter case, employment will be terminated. This process has not yet been implemented. Besides considerations of the consequences for termination of employment¹⁶⁹, instruments already in place to assess and enhance the professional qualifications of civil servants¹⁷⁰ cast doubt on the utility of this additional process.

Criteria for the temporary or permanent mandatory transfer of civil servants are established in the CSL¹⁷¹. The specific By-law¹⁷² applies only to civil servants in mid-level management, low-level management and the expert category. The secondary regulation also introduces an additional provision, not included in the CSL, on the elaboration of Annual Mobility Plans for the temporary transfer of civil servants. Functional mobility through lateral transfer and promotion is based on merit¹⁷³, and the amendments to the CSL introduced clearer selection criteria¹⁷⁴. Of the 642 vacancies filled through competitions in 2015 (excluding TMC positions), 176 (27%) were filled through internal competition – promotion (101; 16%) or lateral transfer (75; 12%). Successful candidates in such internal competitions came mainly from the same institutions as the vacancies offered (113 or 64% of all vacancies filled through internal competition). Nevertheless, few candidates participate in competitions to cover vacancies in the higher categories, which points to a lack of sufficient incentives to take such responsibilities.

¹⁶⁷ CSL, Article 62, point 1/1.

¹⁶⁸ DoCM No. 1037 on the Procedures of Evaluating Civil Servants on Acquiring and Updating Additional Knowledge, 16 December 2015.

¹⁶⁹ Discussed under Principle 3.

¹⁷⁰ The individual performance appraisals, the inclusion of compulsory training among the criteria for salary upgrading and the assessment of the training and qualifications of civil servants in competitions to fill vacancies through lateral transfer and promotion.

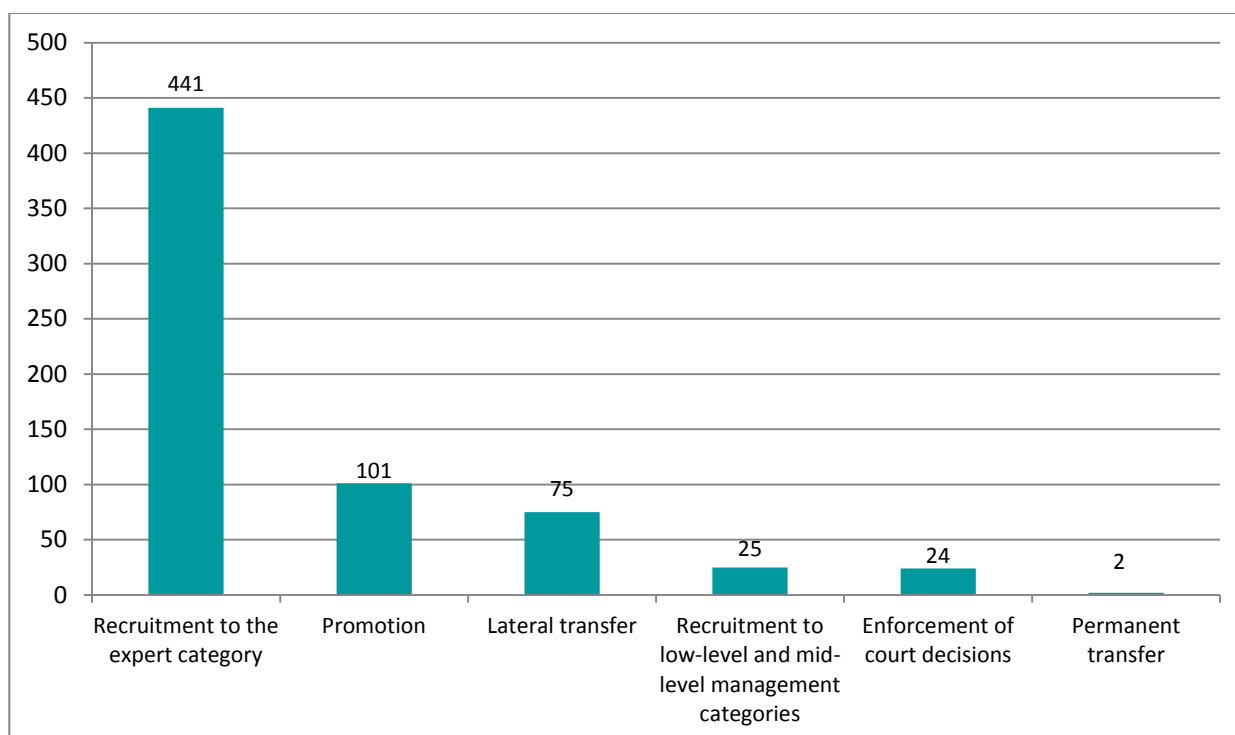
¹⁷¹ CSL 152/2013, Chapter VIII.

¹⁷² DoCM No. 125 of 17 February 2016 on the Temporary and Permanent Transfer of Civil Servants, which repeals DoCM No. 171 on the Permanent and Temporary Transfer of Civil Servants and the Suspension and Dismissal from the Civil Service, 26 March 2014.

¹⁷³ DoCM No. 242 on Filling the Vacancies in Low-level and Mid-level Management, 18 March 2015 and DoCM No. 243 on Admission, Lateral Transfer, Probation Period and Appointment to Expert Category, 18 March 2015.

¹⁷⁴ CSL 152/2013, Article 8, amended stipulates that the Permanent Internal Committee in charge shall either “a) select the candidate who was ranked the first among the candidates who scored at least 70%, or b) ... terminate the procedure without selecting anyone, in case none of the candidates scored at least 70%”. The previous wording mentioned only “the best suitable candidates” and did not specify the minimum scores.

Figure 13. Appointments to civil service positions by procedure, 2015



Source: Department of Public Administration, Annual Report 2015.

Table 2. Origin of successful candidates in internal competitions, 2015

	No.	%	
Total internal competitions (promotion and lateral transfer)	176	100%	
Candidates within the same institution	113	64%	
Candidates from other state administration institutions	54	31%	36%
Candidates from independent institutions	9	5%	

Source: The Department of Public Administration, Annual Report 2015.

Given that the professional development and appraisal of public servants functions formally, and there are still some challenges with implementation, the values for both the indicator related to training system and the indicator related to performance appraisals is 3.

The volume of training provided by the ASPA, both in terms of training days and trained civil servants, has increased significantly compared to 2013 and 2014. The ASPA has also launched the e-learning platform, in spite of a minimal budget increase.

The amendments to the CSL changed the procedure of performance appraisals. The amendments also introduced the periodic evaluation of knowledge, which introduces new burdens and duplicates, to some extent, existing appraisal procedures.

Principle 7: Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Albania ratified the United Nations Convention against Corruption and the Council of Europe Civil and Criminal Law Conventions on Corruption. Both corruption and money laundering are criminalised. Active corruption is penalised with prison terms from six months to five years; passive corruption, with terms from two to twelve years¹⁷⁵. Several amendments to the Criminal Code were adopted in 2012. In the same year, the Parliament approved changes to the Albanian Constitution which included restrictions to the immunity of high-level public officials and judges. A Code of Ethics was passed that regulates the conduct of civil servants, and there is also in force a Law on asset declaration and auditing¹⁷⁶. Public employees are not allowed to accept gifts (with the exception of gifts of symbolic value), money or services for performing their duties, according to the Law on Prevention of Conflicts of Interest in the exercise of public functions¹⁷⁷ and the Law on the Rules of Ethics in the Public Administration¹⁷⁸. The Law on the Rules of Ethics in the Public Administration also prohibits public employees from engaging in secondary activities that impede in any manner the performance of their duties, and from compensation for outside activities¹⁷⁹. The same Law imposes post-employment restrictions of a general character, such as the impossibility of using confidential information received or the prohibition, for a two-year period after leaving office, on representing any person or organisation in a conflict or commercial relationship with the administration for the duty performed or in the continuation of it. A new Law on the integrity of persons elected or appointed to exercise public functions was adopted in December 2015¹⁸⁰, which also relates to civil servants. Thus, the legal framework to promote integrity and prevent corruption in the public service is in place. Nevertheless, it is highly complex and has suffered frequent amendments, which are subject to contradictory interpretation in some cases¹⁸¹.

The NCAC is responsible for drafting and monitoring the implementation of the Inter-Sectoral Strategy against Corruption 2015-2020 and the Action Plan for 2015-2017, with a budget of EUR 12 million of which the State will cover the 49%. The financial gap is estimated at 23% of the total¹⁸². In 2015, in the framework of the IPMG–GGPA, a thematic group on anti-corruption was launched with the aim of enhancing interministerial co-operation. The thematic group, chaired by the NCAC, is composed of the representatives of public authorities consisting of line ministries, independent institutions, local government representatives (prefectures), civil society, the business community and international partners. Furthermore, a network of contact points in line ministries (40), independent institutions (8) and prefectures (12) was created to support the implementation of the Strategy¹⁸³.

The NCAC organised training for the focal points between November and December 2015 and produced guidelines to support their work¹⁸⁴. An awareness campaign was also organised at the beginning of 2015, coinciding with the roll-out of a national online anti-corruption portal¹⁸⁵, which allows citizens anonymously to report cases of corruption in different sectors in a simple and

¹⁷⁵ Criminal Code 7895/1995, Articles 244-245 and 259-260.

¹⁷⁶ Law No. 9049 on the Declaration and Audit of Assets, Financial Obligations of Elected Persons and Certain Public Officials of 10 April 2003, amended.

¹⁷⁷ Law No. 9367 on the Prevention of Conflicts of Interest in the Exercise of Public Functions, 7 April 2005.

¹⁷⁸ Law No. 9131 on the Rules of Ethics in the Public Administration, 8 September 2003.

¹⁷⁹ Activities related to labour unions and teaching activities are considered compatible.

¹⁸⁰ Law No. 138 to guarantee the integrity of persons selected or appointed to exercise public functions, 5 December 2015.

¹⁸¹ European Commission (EC), *Albania 2015 Report*, staff working document, p. 54; and Çani, E. (2011), [*"The status of the Civil Servant and Rules of Ethics in Public Administration efficacy in preserving the integrity of civil servants and preventing corruption: the case of Albania"*](#), *Academicus International Scientific Journal*, No. 4, pp. 81-91.

¹⁸² Inter-Sectoral Strategy Against Corruption 2015-2020, adopted by the CoM on 20 March 2015.

¹⁸³ Annual Monitoring Report on the Implementation of the Inter-sectoral Strategy against Corruption 2015-2020, p. 7.

¹⁸⁴ Confirmed in a NCAC interview with SIGMA.

¹⁸⁵ <http://www.stopkorrupsionit.al>

straightforward way. From February 2015 to February 2016, 12 000 complaints were filed through the website, of which 1 188 (10%) were about corrupt practices.

The draft Law on Whistle-blower Protection was passed by the CoM on December 2015 and is currently in the Parliament for discussion and approval.

The High Inspectorate for Declaration and Auditing of Assets and Conflict of Interest (HIDAACI) is an independent institution created by the Law 9049/2003 on the Declaration and Audit of Assets. It has a staff of 60, including 20 inspectors and 12 assistant inspectors¹⁸⁶. Its functions were extended to the implementation and oversight of the duties of declaration of assets and conflicts of interest. In case of infringement of the provisions on the declaration of assets, the Law foresees the imposition of fines and also criminal referral to the Prosecutor Office. The HIDAACI can also advise the public administration to investigate whether a disciplinary measure should be taken in certain cases. The activity of the HIDAACI increased remarkably from 2013 onwards. In 2014 and 2015, 943 administrative sanctions were imposed (400 in 2014 and 543 in 2015). During the same period, 158 cases of false declaration or refusal to present declaration were referred to the Prosecutor Office, 74 in 2014 and the rest in 2015. Of the 74 cases referred in 2014, 25 were sent to court. The referrals resulted in 3 prison sentences and 17 penalties¹⁸⁷. Cases in 2015 concerned, among others, 7 members of the Parliament, ambassadors, 13 judges, 2 prosecutors and local-level elected officials¹⁸⁸. However, many referrals are not being prosecuted, and a sufficient sample of asset declaration checks of high-state officials has yet to be ensured¹⁸⁹.

Declarations of assets are considered public documents under the Law on the Right of Access to Information, and they are disclosed upon request¹⁹⁰. The new legislation on the subject has sped up the process of disclosure and removed the payment of administrative charges¹⁹¹. Between 2014 and 2015, the HIDAACI disclosed 9 044 asset declarations (2 500 in 2014 and the rest in 2015). The HIDAACI relies on a network of focal points in public institutions, usually located in HRM units. Nevertheless, the workload in those units and the lack of incentives to take extra tasks hinder progress in this area.

No overall integrity risk management system is in place.

There were 285 persons convicted for corrupt practices in 2015, compared to 103 in 2014. However, the statistical system does not allow identification of how many of them were civil servants. With regard to active and passive corruption of persons exercising public functions, 32 people were convicted. With regard to abuse of office committed by public officials, 54 people were convicted¹⁹².

In spite of all these efforts, the level of corruption remains high. In 2015, the CPI was 36 out of 100, and Albania occupied the position of 88 out of 167 in the corruption ranking¹⁹³.

Thus, the value for the indicator related to integrity is 4.

The main principles and procedural steps on the disciplinary procedure for civil servants are set up in the CSL¹⁹⁴ and secondary legislation¹⁹⁵. A catalogue of disciplinary sanctions is established to ensure proportionality between misconduct and the respective sanction. In 2015, 329 disciplinary measures

¹⁸⁶ The rest of the personnel are administrative staff, including three cabinet members who are politically appointed. Except for the three cabinet members, all the staff are civil servants. The staff increased by seven between 2014 and 2015, and the budget increased by 30%.

¹⁸⁷ EC, *Albania 2015 Report*, staff working document, p. 54.

¹⁸⁸ Annual Monitoring Report on the implementation of the Inter-sectoral Strategy against Corruption 2015-2010, p. 25.

¹⁸⁹ EC, *Albania 2015 Report*, staff working document, p. 17.

¹⁹⁰ Personal data, such as address or family details, is removed from the document in those cases.

¹⁹¹ The administrative fee of Albania lek 200 per declaration was abolished.

¹⁹² Data provided by the DoPA.

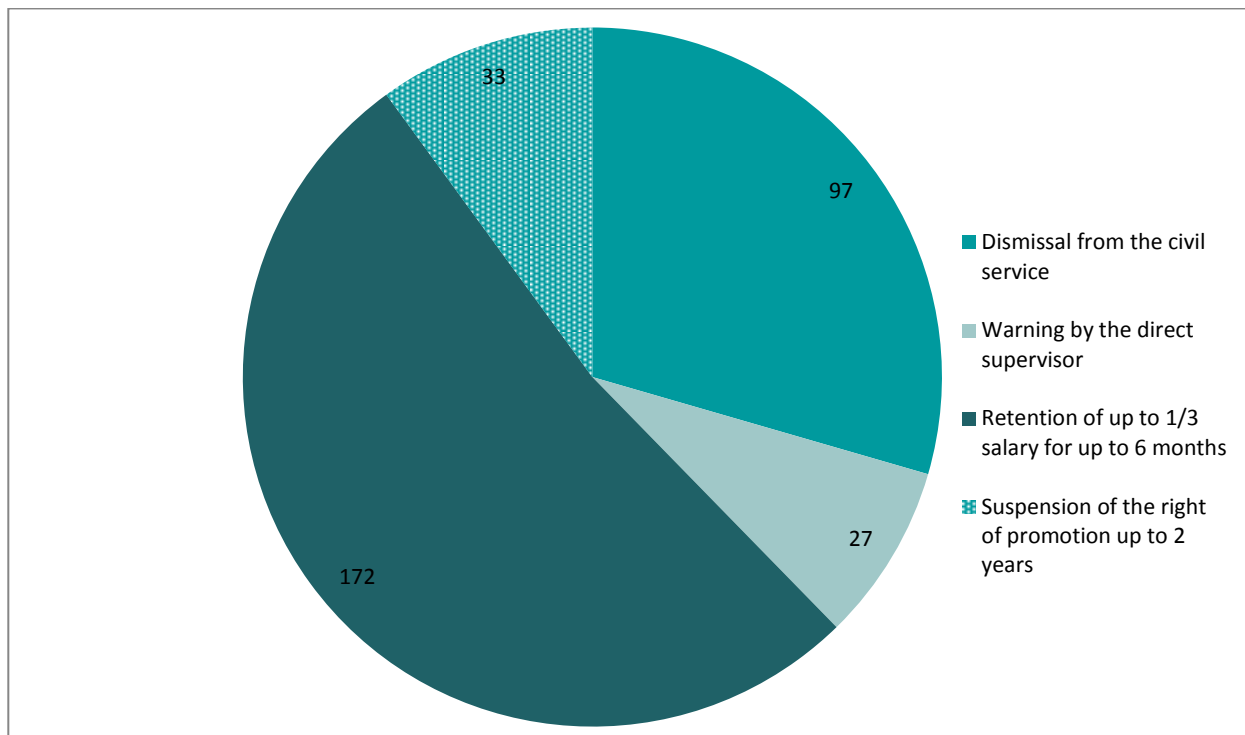
¹⁹³ <https://www.transparency.org/cpi2015>

¹⁹⁴ CSL 152/2013, Articles 57-61.

¹⁹⁵ DoCM No. 115 on Defining the Disciplinary Proceedings and Rules of the Establishment, Composition and Decision-making of the Disciplinary Committee of the Civil Service, 5 March 2014.

were imposed on civil servants in the state administration, 97 of which resulted in dismissal. Public servants have the right to appeal against unfair disciplinary sanctions¹⁹⁶. Some of the 116 pending litigations in 2015 concern disciplinary measures, but detailed data on this is not available for 2015¹⁹⁷.

Figure 14. Disciplinary measures adopted in the state administration, 2015



Source: The Department of Public Administration, Annual Report 2015.

The value of the indicator related to disciplinary procedures is 4.

The legal and institutional system to promote integrity and prevent corruption in the public service is in place, with the exception of the overall integrity risk assessment system and the Law on Whistle-blower protection, which is being considered by the Parliament. In spite of all these efforts, the corruption perception in Albania remains high (CPI score of 36 out of 100).

¹⁹⁶ DoCM No. 115/2014.

¹⁹⁷ DoPA, Annual Report 2015, pp. 22-23.

Key recommendations

Short-term (1-2 years)

- 1) The Government should define criteria for the interpretation and implementation of some of the grounds for exclusion from the scope of the CSL. In particular, the concept of “direct service delivery units” should be adopted to ensure that the CSL, and its secondary legislation, are consistently implemented across the new scope of the civil service.
- 2) The DoPA should ensure the finalisation of the process of entering data in the HRMIS by all public service institutions, and set up procedures for quality assurance and updating of data.
- 3) The ASPA should finalise the design of the in-depth training programme for the TMC and ensure its implementation as the main means of entry to the top employment category of the civil service.
- 4) The DoPA should carefully monitor the implementation of the new procedure of performance appraisal to introduce corrective measures, if necessary, to reduce the administrative burden.
- 5) The DoPA should undertake analysis of the reasons for the low efficiency of recruitment procedures, as a result of which many vacancies remain unfilled.

Medium-term (3-5 years)

- 6) The implementation of the new periodic evaluation of the acquisition and updating of supplementary knowledge by civil servants should be carefully monitored by the DoPA. Corrective measures should be taken to avoid new burdens in the system and to ensure protection of civil servants against unfair dismissal.
- 7) The salary reform should be developed and implemented by the Government, including financial impact analysis, based on the job evaluation scheme.
- 8) The Government should consider the inclusion in the civil service of a certain number of authorities that exercise public powers (and which are not currently part of the civil service) or draft regulations ensuring a professional and merit-based public service in those authorities.

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Public Financial Management

PUBLIC FINANCIAL MANAGEMENT

1. STATE OF PLAY AND MAIN DEVELOPMENTS: MAY 2015-APRIL 2016

1.1. State of play

Albania is in receipt of International Monetary Fund (IMF) aid through a 36-month extended arrangement under the Extended Fund Facility that was approved in February 2014 for EUR 330 million (Special Drawing Rights [SDR] 295.42 million). The latest review¹⁹⁸ by the IMF was undertaken in February 2016. The review was positive and will allow Albania to draw down the next tranche of EUR 72.4 million (SDR 57.76 million). This brings the total disbursement to EUR 226.8 million (SDR 180.84 million). The review noted that, while Albania had made progress, downside risks, including the level of debt, remain. It noted the desire of Albania to improve its public financial management and to tackle fiscal risks.

While Albania tries to use a three-year period for its budget framework, the medium-term approach is largely indicative and has been characterised by overly optimistic revenue projections. In recent years, the Budget has had to be revised during the year because of this overestimation of revenues. In 2015, the Budget was revised three times. The growth in the debt to gross domestic product (GDP) ratio in recent years remains a concern. While it may stabilise in 2016, when it is estimated to be 70.9% at the end of the year (having been 72.5% in 2015 and 71.8% in 2014), this projection must be seen in the context of the excessively optimistic forecasts of recent years. The 2016 projected budget deficit is 2.2%¹⁹⁹, compared to outturns of 4%²⁰⁰ for 2015 and 5.1%²⁰¹ for 2014.

1.2. Main developments

The most important development in the past year has been the decision by the Government in early 2016 to unify both the current and capital investment sides of the Budget by bringing responsibility for the investment expenditure from the Ministry of the Economy (MoE) into the Ministry of Finance (MoF).

In the area of public internal financial control, new laws on financial management and control, internal audit and financial inspection were enacted in October 2015. There have been no other major developments in the area of the Budget or public expenditure.

¹⁹⁸ IMF press release 16/62 of 17 February 2016.

¹⁹⁹ [*Albania's Economic Reform Programme \(ERP\) 2016-2018*](#).

²⁰⁰ Ibid.

²⁰¹ Ibid.

2. ANALYSIS

This analysis covers two Principles for the public financial management area under one key requirement. It includes a short analysis of the indicators of the Principles and a systematic analysis of the framework for the development of the medium-term budget, how it fits with the overall development strategy of the Government, its impact on the annual budget process and the development of the annual Budget.

Key requirement²⁰²: The Budget is formulated in compliance with transparent legal provisions and within an overall multi-annual framework, ensuring that the general government budget balance and the debt-to-gross domestic product ratio are on a sustainable path.

Indicator values

The development of both the multi-annual budget framework and the annual Budget is examined through three qualitative indicators and five quantitative indicators.

The budget framework includes a Medium-Term Budget Programme²⁰³ (MTBP) that should inform the annual budgets for a three-year period. However, the medium-term framework does not act as a fixed anchor but rather, for the latter two years of the framework, as an indicative target only. There was an improvement in the link between the revenue and expenditure levels estimated in the MTBP in 2013 for 2015 and the outturn for 2015. However, given that the gap between projected revenue in the 2015 Annual Budget and the eventual outturn was 9%, the improved link between the 2013 projection and the 2015 outturn is a coincidence. There is no fiscal rule at present, and the debt to GDP ratio remains high, despite the stabilisation referred to above. The annual deficit declined in 2015 (4% in 2015, compared to 5.1% in 2014 and 4.9% in 2013) but is still elevated.

	Principle no.	Indicator	Baseline year	Baseline value	Assessment year	Indicator value
Qualitative	1	MTBF strength index.	2014	2	2015	2
	1	Fiscal rules strength index.	2014	1	2015	1
	2	Extent to which the annual budget proposal includes full information at the time of presentation to the Parliament.	2014	2	2015	2

²⁰² SIGMA (2014), [The Principles of Public Administration](#), OECD Publishing, Paris, p. 78.

²⁰³ MTBP Law No. 9936/08, Article 25 on the Management of the Budgetary System.

Albania
Public Financial Management

Quantitative	1	Percentage differences between the planned budget revenues in the MTBF (as approved two years before the latest available year) and the outturn of the latest available year.	2014	-12.2%	2015	-3.2%
	1	Percentage differences between the planned budget expenditure in the MTBF (as approved two years before the latest available year) and the outturn of the latest available year.	2014	-5.6%	2015	-1.3%
	2	General government budget balance.	2014	-5.1%	2015	-4.0%
	2	Percentage differences between the planned budget revenues (as approved in the Budget) compared to the outturn of the latest available year.	2014	-9.7%	2015	-9.0%
	2	Percentage differences between the planned budget expenditure (as approved in the Budget) compared to the outturn of the latest available year.	2014	-3.9%	2015	-9.0%

Analysis of Principles

Principle 1: The Government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum time horizon of three years; all budget organisations operate within it.

Albania has published an MTBP since 2008. The process begins in January with the MoF developing the main macroeconomic and fiscal projections for the three-year period ahead²⁰⁴. Once endorsed by the Council of Ministers (CoM), the MoF issues a circular in February to budget users to draft their proposals and projections using the parameters contained in the Instruction. In March, the MoF sends the projections to the Parliament for information purposes only. In June, the MoF sends a draft MTBP to the CoM for approval, after which it is submitted to the Parliament for information purposes only. This draft MTBP forms the basis for the following year's draft Budget, which the Government finalises in October. However, the MTBP is finalised only in January, following approval of the Budget in December. This illustrates that the MTBP is not a document that sets budgetary ceilings and targets. It shows estimated expected outturns, based on existing knowledge.

²⁰⁴ MTBP Law No. 9936/08, Articles 25-31 on the Management of the Budgetary System.

In compiling the MTBP, the MoF consults with the IMF on the macroeconomic projections. In 2015, it consulted for the first time the revenue authorities who are responsible for revenue collection. Prior to 2016, it also consulted the MoE, which was responsible for co-ordinating and monitoring the investment programme with budget users. In February 2016, however, the relevant directorate of the MoE was amalgamated into the MoF.

The MTBP includes the rationale for the macroeconomic and fiscal projections, and the international background. The revisions that are made to the projections between the beginning of the process and final publication can partly be attributed to the relatively short time series for data in Albania and the difficulty in forecasting in a developing economy. However, it is also due to starting in January, when data for the final quarter of the previous year and the initial data for the previous full year are not yet available.

The MTBP does not give details for any new policy initiatives for the period. There are no detailed explanations of what a new policy will cost in the coming year and in the following two years. This makes it difficult to separate and analyse the costs of existing policies from the costs of improving existing policies and from the costs of new policies. In addition, although each programme policy statement in the MTBP sets out goals and objectives for that programme, the MTBP does not provide information or analysis of the key priorities of the Government for the coming three years, failing to state clearly the focus of public spending and how the proposed allocations contribute to the implementation of key policies. Thus, it is not clear if revenues and expenditures are based on existing policies of the Government, or whether new policies are included.

With regard to capital investment, the emphasis is on seeking to ensure projects that are not progressing as fast as planned are cut back while other projects take their place. Owing to the changes that can be made to the investment programme during the budget year, the MTBP does not reflect accurately the full multi-annual costs, since projects are dropped and new projects are substituted.

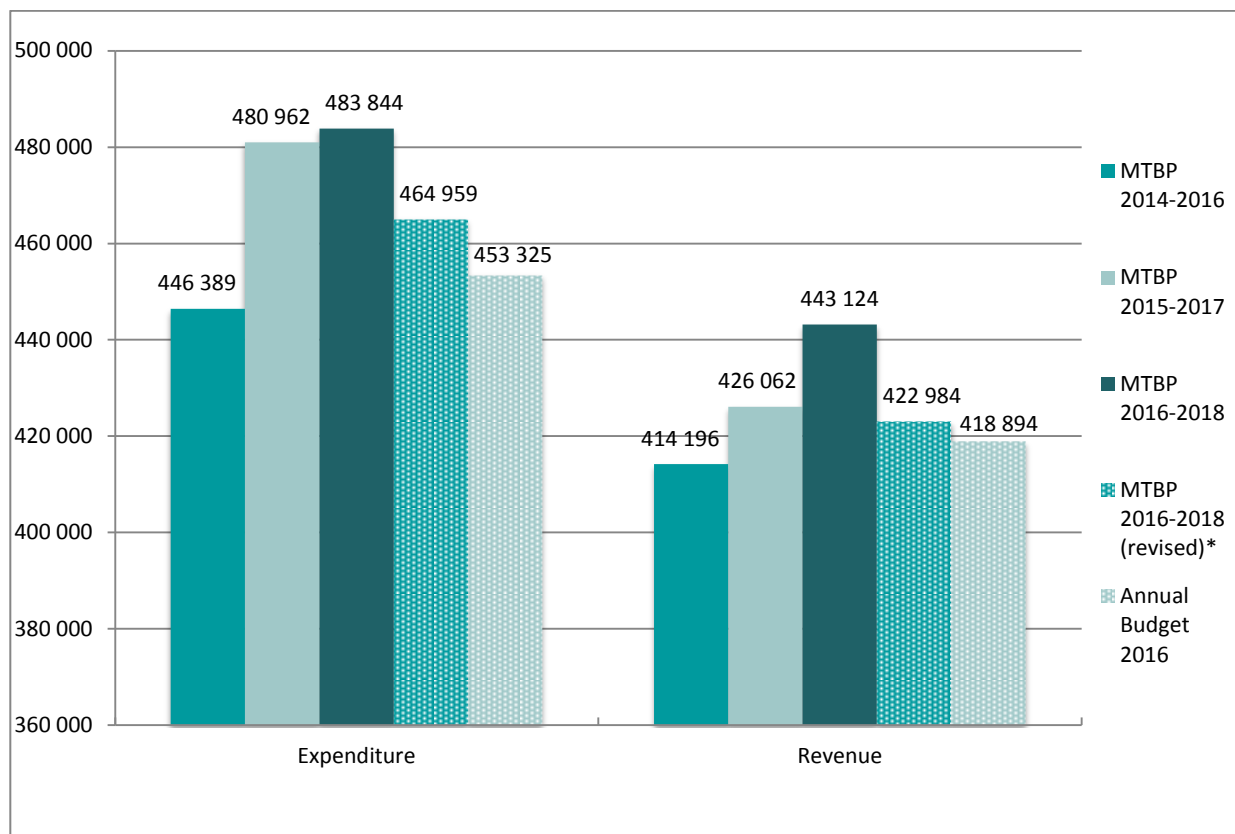
There is also no sensitivity analysis in the MTBP. Alternative scenarios are included in the Economic Reform Programme (ERP) submitted to the European Commission (EC). However, the scenarios presented were described as “mild”, and the EC noted that the burden of adjustment (should the need for adjustment arise) would be on reductions in capital expenditure²⁰⁵. Since the ERP is based on the MTBP it has the same weaknesses as the MTBP, such as the over-optimistic assumptions. For example, in the ERP 2015-2017²⁰⁶, the estimate for the debt to GDP ratio for 2016 was projected to be 68.8%; in the 2016 Budget adopted by the Parliament in December 2015, the target is 70.9%.

The variation between the projections for revenue and expenditure in the MTBP approved in 2013 and the actual outturn was narrower in 2015 than it was in 2014. However, this does not demonstrate the complete picture. Figure 1 shows the revenue and expenditure projections for 2016 as proposed in the relevant MTBPs. It shows that the initial projections are not set in stone but can vary significantly from year-to-year. So, while the eventual budget target for 2016 is close to the projected figures in the MTBP 2014-2016, it varies significantly from the MTBP 2015-2017 and, more importantly, from the MTBP 2016-2018. This illustrates that the MTBP is over-optimistic and does not anchor the future evolution of the public finances.

²⁰⁵ EC (2015), *European Economy 2015 ERP (Part I) of Albania, The former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo*: The Commission's overview and country assessments*, Occasional Paper 229, European Commission, Brussels.

²⁰⁶ *The National Economic Reform Programme of Albania 2015-2017*, http://www.financa.gov.al/files/userfiles/Programimi_EkonomikoFiskal/Programi_Ekonomik_e_Fiskal/NERPNational_Economic_Reform_Program/Albania_NERP_2015.pdf

**Figure 1. Comparisons of expenditure and revenue projections, 2016
(Albanian lek in thousands)**



*The Medium-Term Budget Programme 2016-2018 was revised mid-2015.

Source: Ministry of Finance.

The budgetary process is weak in its analysis of long-term fiscal sustainability. The IMF in its Fiscal Transparency Evaluation²⁰⁷ found that it did not meet the necessary standard. Prior to 2012, the Organic Budget Law (OBL)²⁰⁸ required that total public debt would not exceed 60% of GDP. Since 2012, however, this requirement no longer applies. The public sector debt had risen to 72.5% of GDP by the end of 2015. A draft Fiscal Responsibility Law is in preparation, which will focus on reducing the debt to GDP ratio over the coming years so that it reaches 45% by 2030. This action is a necessity if the public finances are to be put on a sustainable path.

Currently there is no independent body such as a Fiscal Council to monitor compliance with the MTBP and advise on budgetary and fiscal policy.

In relation to Instrument for Pre-accession Assistance (IPA) funds, the Ministry of European Integration (MEI) is responsible for programming, monitoring and evaluating European Union (EU) financial assistance, while the MoF is responsible for the financial management and implementation of projects funded under this assistance. In addition, the MoF is responsible for ensuring the legality and regularity of the expenditure under IPA I and IPA II²⁰⁹. However, there are additional players in the process, with the MoE devising the wider investment plan and the Office of the Prime Minister (OPM) being responsible for strategic planning both for the national strategy and sector strategies. Albania is developing a strategic approach to investment, including the use of EU funds, and has developed a Single Project Pipeline and a regional development framework. However, because these two latter

²⁰⁷ IMF (2016), [IMF Fiscal Transparency Evaluation](#), IMF Country Report No. 16/5, International Monetary Fund, Washington DC.

²⁰⁸ Law No. 9936/08, Article 58 on the Management of the Budgetary System.

²⁰⁹ Government of Albania (2014), National Plan for European Integration, p. 573.

initiatives were only set up in 2015, it is not possible to judge their impact and effectiveness nor the relationship between them and the MTBP.

A new national development framework is being developed – the National Strategy for Development and Integration (NSDI) 2015-2020. This follows on from the previous NSDI 2007-2013²¹⁰. Within this framework, 22 sector strategies have been developed, but 7 remain to be finalised. The aim is that the national and sector strategies will underpin the development of the economy and inform the development of the MTBP and annual budgets in this period. The costings of specific programmes/projects in the NSDI are indicative and not linked in detail to aims and objectives.

The NSDI is a key component of Albania's Integrated Planning System (IPS). The IPS is designed to ensure that government policy planning and implementation takes place in a coherent, efficient and integrated manner. The co-ordinating unit in the OPM negotiates with line ministries on their strategies. While in theory the unit advises on how the strategy in question might be integrated into the MTBP, owing to the limited number of staff, it focuses more on the quality of the strategies to make sure they are in accordance with the standards set by the unit²¹¹. Furthermore, the unit does not assess the costing of any individual strategy. Only the MoF reviews costings. There is a steering group (the Group for Strategic Budgeting and Integration) to review the strategic plans. It comprises the OPM, the MoF, the MoE and the MEI. However, given that there are only indicative costs in the NSDI and that a number of sector strategies (e.g. health, energy and pre-university education) still remain to be completed, added to the fact that investment priorities can change, this means that the MTBP has only a weak relationship to the sector strategies.

Because the MTBP has only indicative targets, is sent to the Parliament purely for information purposes, and there are no predetermined actions should the Programme move off course, the value for the indicator on MTBP strength index is 2. There is no fiscal rule, but because efforts have been made to stabilise the GDP debt ratio and bring the public finances onto a sustainable basis, the value for the indicator on fiscal rules strength index is 1.

The medium-term budget process is well established. However, there has been a history of over-optimistic projections for revenue and for debt. The MTBP does not act as an anchor for the medium term, and the targets are indicative only. In addition, the link to the sector strategies is weak, and there are a number of players in the process, which weakens the control of the MoF. There is no fiscal rule yet nor any independent body to monitor and advise on budgetary matters, although this is under review as part of the reforms planned for PFM.

Principle 2: The Budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.

The OBL²¹² sets out the annual Budget timetable and the obligations of the different parties, including the MoF, the CoM and the Parliament. The main steps are the first iteration of the MTBP in January; a ministerial Budget Instruction to line ministries in February; CoM consideration of the draft MTBP in June, following consultations between the MoF and the line ministries; a second ministerial Budget Instruction in July, which requires budget users to submit revised proposals by 1 September; CoM consideration of the draft Budget in October; and the submission of the draft Budget to the Parliament in November. However, even after the Budget is adopted by the Parliament, the MoF must consolidate any changes the following January and publish the final version of the MTBP in February.

The Parliament receives the draft Budget in November, through the Committee on Economy and Finance, which also liaises with the other relevant committees, and a plenary session of the Parliament finally approves the Budget. The Economy and Finance Committee has four advisers and one secretary

²¹⁰ DoCM No. 342 of 12 March 2008, approving NSDI 2007-2013.

²¹¹ An order from the OPM.

²¹² Law No. 9936/08 on the Management of the Budgetary System.

to support its work. While the draft MTBP is sent for information purposes to the Parliament earlier in the year and, therefore, provides the Parliament with a general view of the emerging scenario, the budget calendar provides for two months between formal submission of the Budget to the Parliament and the enactment of the Budget Law. Recommended good practice²¹³ is for a three-month period between submission of a budget proposal and its enactment.

The MoF has limited staff numbers (five at present, with two vacancies) to compile the MTBP, which covers submissions on 140 programmes, and the annual Budget, which involves two rounds of negotiations with line ministries and budget users (45 organisations), as well as working with the Strategic Planning Unit in the OPM. The staff are also responsible for the various iterations of the MTBP, as well as overseeing changes to the executed Budget within the budget year. It is not optimal to have a small number of staff spread so thinly with so many tasks.

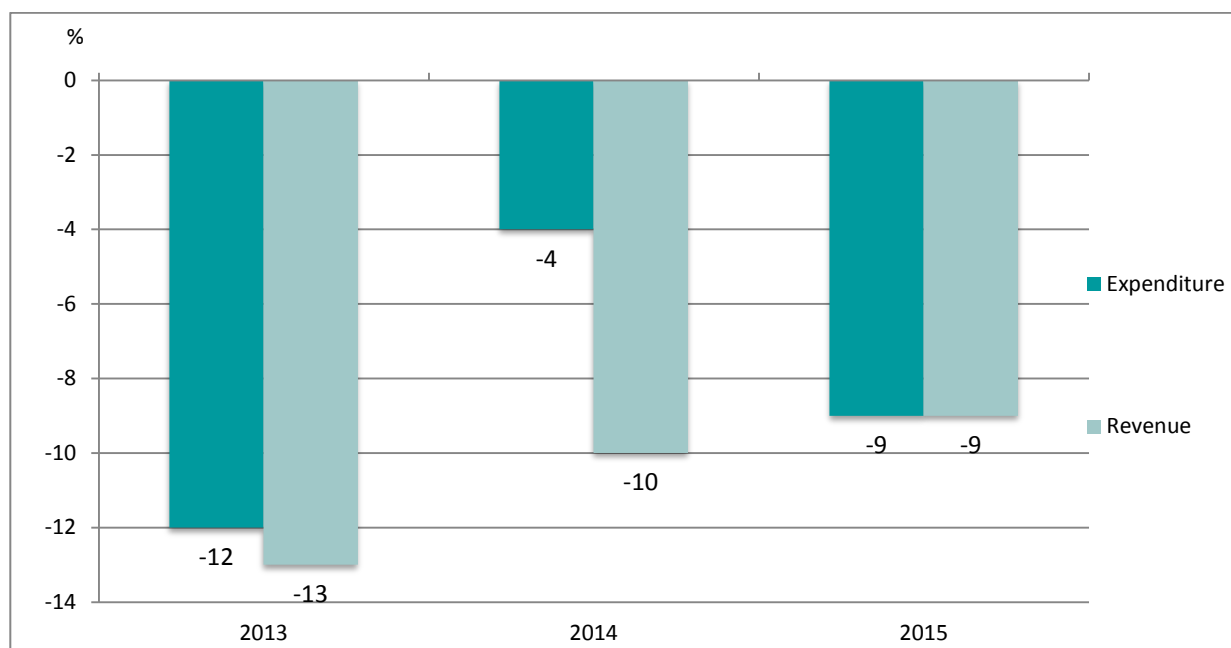
There are two rounds of negotiations during the year between the MoF and line ministries. Prior to the decision to amalgamate responsibility for both current and capital sides of the Budget in the MoF, the budget users discussed their investment requests with the MoE. The new structure means that the MoF will have control over the whole budget process.

The budget process covers line ministries, as well as the funds for health and social insurance, and includes details of local government funding. It also includes EU funds that are co-ordinated by the MEI. The MoF (prior to 2016, it was the MoE) takes the co-financing element of foreign aid into account in planning capital investment, after consultation with the MEI and the OPM, which oversees the strategic planning. It details spending by programme and also summarises the amount to be spent by each budget user. However, it can be difficult to reconcile the programme spending with the spending by budget user.

When the Government and the Parliament approve the Budget, there are ceilings set for expenditure. Changes, if they are below a 10% threshold, can be approved by the CoM without parliamentary approval. In the past three years, there have been a number of changes to the Budget within the year, including three times in 2015, but in terms of overall spending, the budget targets have not been exceeded. However, since these changes have been made in response to over-optimistic revenue projections, the budget targets cannot be regarded as meaningful ceilings that guide expenditure over time. Figure 2 shows that, for each of the years 2013, 2014 and 2015, the actual revenue was significantly below the original projections and that expenditure was also adjusted downwards in response.

²¹³ OECD (2002), [Best Practices for Budget Transparency](#), OECD Publishing, Paris.

**Figure 2. General government expenditure and revenue
(percentage difference between the budget forecast and outturn), 2013-2015**



Source: Ministry of Finance.

The Budget's coverage of IPA funding is comprehensive, i.e. not limited to including national co-financing only. The roles of the MEI and the MoF (as described above) provide a mechanism to ensure that national co-financing is available for all IPA programmes. Furthermore, the amount of EU funding that is available for capital investment is one of the issues that the MoF takes into account when prioritising capital investment.

In relation to capital investment, there is not a robust framework for ensuring that appropriate investment appraisal is carried out. Under the present system, the budget user is required to carry out an analysis of any capital investment project being submitted for funding. However, the co-ordinating unit does not review the analysis. While staff constraints make it impossible to review all projects, neither is a spot-check system used. In terms of appropriate training, not all relevant staff in line ministries are trained to carry out appropriate cost-benefit analyses, with the result that any analysis may be flawed. Projects are not prioritised in line with any investment analysis. While there is an attempt to establish a list of priorities for funding and to establish a Single Project Pipeline, the switching of funds within the budget year shows that the emphasis is on ensuring that projects which are making progress are funded and stalled projects are defunded, regardless of their relative merits.

Fiscal risks, such as changes to interest rates and, more importantly, exchange rates, are not detailed in the budget documentation. There is also a need²¹⁴ to assess and publish risks that could arise from state-owned enterprises, which is not done at present. Guarantees should also be detailed in a note to the Budget, so a full picture of the outlook can be given.

The Government has signed a number of public-private partnerships (PPPs)²¹⁵, but there is no register publishing these, although such a register is being developed by the MoE²¹⁶. The Government does not disclose in any budget documentation the projections of expected payments over the lives of the projects or recognise the investments as debt-financed investments, even where they should be so recognised according to international practice. However, it is intended that these weaknesses will be

²¹⁴ IMF (2016), [Fiscal Transparency Evaluation 2016](#), IMF Country Report No. 16/5, IMF, Washington DC. p. 22.

²¹⁵ *Idem.* p. 73. There are about 55 PPPs with a value of 7% of GDP.

²¹⁶ MoF.

addressed in planned amendments to the OBL²¹⁷. Adoption in the long-term of the European System of Accounts standards would rectify the latter element, but its current lack of reporting is a weakness. The latest Economic Reform Programme 2016-2018²¹⁸ undertakes to adopt an international standard for accounting for PPPs.

The transparency of the Budget is an issue. The documentation accompanying the published Budget consists of the brief Annual Budget Law, an Explanatory Note on the Annual Budget Law and the MTBP. A Citizen's Budget Guide was prepared and published in December 2015 for the first time, containing explanatory information regarding the 2016 Annual Budget Proposal²¹⁹. The information on spending in the Annual Budget is detailed, with both financial and non-financial performance information provided. However, the large volume of information (especially in the MTBP) makes it difficult to analyse, and while there is detailed programme level information, the linkages between the programmes and the individual ministry's spending is weak. It outlines the estimated spending by each ministry for the current year but only for the first nine months of the year. It does not show separately the costs (and multi-annual costs) arising from new policies or enhanced policy initiatives. The budget documents do not contain information on the basis of the current European statistical standards, so the Budget is not reported on an EU-designated general government basis. In terms of a general government presentation of budgetary data, some state-owned entities that should be included (e.g. the Civil Aviation Authority, the Deposit Insurance Corporation) are omitted²²⁰. Hence, the value for the indicator on budget documentation is 2.

The annual Budget is formulated in line with the OBL. However, there are a large number of steps in compiling the Budget, and the resources of the MoF are spread thinly. The Budget is formally submitted to the Parliament on 1 November for decision by the end of December. Capital spending and investment plans are not robustly analysed, and prioritisation of projects is not a factor in allocating resources. Budget forecasts for revenue in recent years have been too optimistic.

²¹⁷ MoF.

²¹⁸ P. 44.

²¹⁹ http://www.financa.gov.al/files/userfiles/Buxheti/Buxheti_i_Qytetarit_2016_-_updated.pdf.

²²⁰ IMF (2016), [Fiscal Transparency Evaluation 2016](#), IMF Country Report No. 16/5, IMF, Washington DC.

Key recommendations

Short-term (1-2 years)

- 1) The Government should adopt the new draft Fiscal Responsibility Law and establish a fiscal rule and a Fiscal Council as soon as possible.
- 2) As macroeconomic and fiscal forecasts are overly positive, the MoF should ensure that the MTBP contains comparable data from independent institutions in order to give the forecasts credibility
- 3) Capital spending proposals submitted by line ministers should be subject to spot-checks by trained staff in the MoF.
- 4) The MoF should adopt a top-down approach to constructing the MTBP; in this regard, the OBL should be amended by the Government to ensure that the MTBP acts as a constraining factor for the annual Budget.
- 5) The Budget documentation should be reviewed by the MoF to set out clearly the cost of any changes to existing policies, as well as the costs of new proposals both for the coming year and in the longer term.
- 6) The MoF should include in budget documentation a spending estimate in the current year by each budget user and contrast it with the estimated spending for the coming and futures years covered by the MTBP.
- 7) To improve economic and fiscal forecasting, the Government should consider amending the budget calendar so that the first estimates for the MTBP take place in March, after the economic data for the past year is available.
- 8) The Parliament should be given longer to discuss the Budget.
- 9) The MoF should include non-financial information in budget documentation, against which the results of the Annual Report on the Execution of the Budget can be analysed and assessed.

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