



## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### ALBANIA

#### Sector Reform Contract for the Fight against Corruption in Albania



#### **Action Summary**

The objective of this action is to assist the Government of Albania in implementing the inter-sectoral strategy against corruption to improve corruption prevention, repression, and awareness raising.

Improved reporting, detection, and follow up of corruption cases and the creation of transparent and high-integrity Albanian institutions that enjoy citizens' trust are envisaged to foster efficient use of public resources and effective service delivery for citizens.

<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme for Albania for the year 2016
<b>Action Title</b>	Sector Reform Contract for the Fight against Corruption in Albania
<b>Action ID</b>	IPA 2016/038717.03/AL/Support to Fight against Corruption
<b>Sector Information</b>	
<b>IPA II Sector</b>	Rule of Law and Fundamental Rights
<b>DAC Sector</b>	15113 - Anti-corruption organisations and institutions
<b>Budget</b>	
<b>Total cost</b>	EUR 10,000,000.00
<b>EU contribution</b>	EUR 10,000,000.00
<b>Budget line</b>	22.02.01.01
<b>Management and Implementation</b>	
<b>Method of implementation</b>	<i>Direct management for Sector Budget Support and Direct management for complementary activities</i>
<b>EU Delegation</b>	EU Delegation to Albania
<b>Implementation responsibilities</b>	Minister of State for Local Issues (National Coordinator Against Corruption) - Minister of Finance (Coordinator for Sector Budget Support)
<b>Location</b>	
<b>Zone benefiting from the action</b>	Albania
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2017
<b>Final date for concluding delegation agreements under indirect management</b>	At the latest by 31 December 2017
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
<b>Final date for operational implementation</b>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement

<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>

# 1 RATIONALE

## 1.1 PROBLEM AND STAKEHOLDER ANALYSIS

### 1.1.1 Key problems/needs

Corruption and fraud undermine the potential impact of any reform and ultimately the efficient use of public resources for effective service delivery for its citizens. Weaknesses exist in the overall institutional set-up, highly complex legislative framework<sup>1</sup>, available human resources and managerial accountability<sup>2</sup> and in the cooperation between law enforcement agencies. The high level of corruption results in a low level of public trust in the public administration and the judiciary.

The Transparency International (**TI**) Corruption Perceptions Index 2015 ranks Albania 88th (2014, 110th and 2013 116th) due to funding of political parties and electoral campaigns from illegal money and business; monopolies in strategic sectors of the economy; impunity of high public officials; a general weakness of law enforcement and culture of legality.<sup>3</sup> Several surveys by the United Nations Office on Drugs and Crime (**UNODC**) demonstrate the high level of perception of corruption in the private and public sector in Albania and the prevalence of bribery in the public administration. On the positive side, Albania improved its ranking on the **World Wide Governance Indicators Control of Corruption index** from 38<sup>th</sup> country in 2009 to 36<sup>th</sup> in 2014.

Several government measures aim at the modernisation of the public administration and its performance, thus contributing to the **prevention of corruption**. For example, regulatory reforms related to auditing and electronic procurement system led to improvements as indicated by compound indicators of various international institutions. Also, E-taxation and E-customs systems have contributed to reducing the level of corruption in these sectors.

Concerning **repression of corruption**, the overall number of investigations, cases referred to prosecution and final convictions remain low at all levels. Proactive investigations, systematic risk assessments and the independence of institutions involved need to be enhanced. Constitutional amendments in 2012 on the limitation of Members of Parliament and judges' immunities have opened a way to strike corruption at high levels. These changes were accompanied by the implementation of GRECO's second, third and fourth round of recommendations for Albania concerning issues of immunity, money laundering and approval of the legislation on financing of political parties and electoral campaigns. The ongoing justice reform (started in 2014, supported by European Union (**EU**) assistance) focuses on fighting corruption in the judiciary, and the creation of a special anti-corruption court and prosecution office.

There is increased **corruption awareness** in many governance areas such as justice, health and immovable property. However, the oversight role of civil society and public intolerance to corruption remains to be empowered.

### 1.1.2 Challenges in a pre-accession perspective

Fight against corruption is one of the five key priorities for opening EU accession negotiations, in line with the "new approach" that the European Council adopted in 2011. In line with main international conventions in the field, a comprehensive policy must include both preventive and repressive elements<sup>4</sup>, and an involvement of civil society<sup>5</sup>. The next steps include addressing challenges highlighted in the latest Annual Report on Albania<sup>5</sup> and under the High Level Dialogue on the five key priorities, inter alia by adopting a package of short-term amendments to the Criminal Procedure Code,

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<sup>1</sup> Council of Europe's Group of States against corruption (**GRECO**) Fourth Round Evaluation Report on Albania

<sup>2</sup> Support for Improvement in Governance and Management (**SIGMA**) 2015 Albania baseline measurement report and European Commission's 2015 Albania report Chapter 32 (Financial control).

<sup>3</sup> [www.tia.al](http://www.tia.al)

<sup>4</sup> A useful inventory of the core potential instruments is contained in the United Nations Convention against Corruption of 2003 (the "Merida Convention").

<sup>5</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2015/20151110\\_report\\_albania.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_report_albania.pdf) summaries issues based on findings of previous projects, such as IPA 2013 ACFA and IPA 2009 PACA projects  
[http://www.coe.int/t/dghl/cooperation/economiccrime/corruption/Projects/Albania/PACA\\_en.asp](http://www.coe.int/t/dghl/cooperation/economiccrime/corruption/Projects/Albania/PACA_en.asp)

and strengthening the capacities of relevant institutions of the anti-corruption framework. A holistic approach requires a robust institutional framework that prevents corruption, by improving the inter-agency co-operation and coordination, strengthening internal control mechanisms, verification of asset declarations, and control over political party financing. Particular attention is needed to tackle corruption in vulnerable areas, such as public procurement, health, taxation, education, police, customs and the local administration.

### *1.1.3 International commitments*

The country is party to the **United Nations Convention against Corruption** adopted by the General Assembly by resolution 58/4 of 31 October 2003 (the “Merida convention”). Albania has not criminalised illicit enrichment, but has criminalised the refusal to declare assets, non-declaration, the concealment of assets, and false declarations by elected persons, public employees and others who have a legal obligation to declare assets. The country signed and ratified the relevant **Council of Europe Anti-Corruption Conventions** and the Organisation for Economic Cooperation and Development (OECD) **Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**. In September 2015, the Committee of Experts on the Evaluation of the Anti-Money Laundering Measures and the Financing of Terrorism (**Moneyval**) removed Albania from the list of countries under monitoring for money laundering and terrorism financing. The Government has signed up to implement the National Action plan 2014-2016 under the Open Government Partnership initiative.<sup>6</sup> Albania also signed up to the Extractive Industries Transparency Initiative (**EITI**) and has been recognised as an EITI Compliant Country since 2013.<sup>7</sup>

### *1.1.4 Main stakeholders*

**The National Coordinator Against Corruption (NCAC), Minister of State for Local Issues (MSLI), based in the Prime Minister Office**, is responsible for drafting, coordinating and monitoring of policies against corruption. The NCAC office is understaffed for this role. The NCAC is chairing the **anti-corruption thematic group** under the inter-institutional Integrated Policy Management Group (**IPMG**) for Good Governance and Public Administration, established in February 2016. **The Council of Ministers' Unit for Internal Administrative Control and Anti-corruption** conducts audits and administrative verifications related to complaints on alleged corruption or abusive and arbitrary administrative practices. The unit's role should be clarified regarding scope, overlaps with other audit bodies (internal audit, High State Control), and methodologies. Managers in the **public administration** have a managerial responsibility for setting up internal control systems that prevent corruption from happening in the first place. The **Minister of Finance** has a role to promote managerial accountability and Public Internal Financial Control.

**The High Inspectorate of Declaration and Audit of Assets and Conflict of Interests (HIDAACI)** audits asset declarations of public officials, carries out administrative enquiries and investigations on assets declarations and conflict of interest cases. The mandate and capacity of HIDAACI need to be strengthened, its cooperation and data exchange with other institutions improved, and an electronic system to manage conflicts of interest and asset declarations set up. In light of the new competencies related to the law on whistle-blower protection additional resources are required. The implementation of the law on access to information, adopted in September 2014, started with inspections being carried out by the **Commissioner for Access to Information and Data Protection Office**. The sound implementation of the law however requires additional human resources. The **Albanian School of Public Administration** is currently piloting specific anti-corruption curricula at the central and local government level. The **High State Control (HSC) as the Supreme Audit Institution of Albania** did not engage in drafting the national anti-corruption action plan, and encounters cooperation difficulties with other public entities. HSC refers an increasing number of cases to the prosecutor, but its role to strengthen transparency and accountability needs further support, e.g. for implementing international standards. The **Central Election Commission** is the institution responsible for oversight of the

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<sup>6</sup> <http://www.opengovpartnership.org/countries>

<sup>7</sup> <https://eiti.org/countries>

financing of political parties and election campaigns. Important flaws remain in the legal framework for political party financing, and there is no convincing implementation of the existing laws.

The **General Directorate for the Prevention of Money Laundering** is the primary institution responsible for preventing money laundering. Since 2014, it has substantially increased its track record of referrals; however its cooperation with the prosecution services remains to be improved. The **General Prosecution Office, the Directorate for the Investigation of Economic Crime, Corruption and Organised Crime** is the unit assigned with the supervision and coordination of investigation of corruption cases. Significant flaws remain in the legal and institutional framework, human and technical resources are inadequate, effective cooperation and trust between the police and prosecutors are lacking, and exchange of information with other institutions is insufficient. **Courts** are not specialised enough to deal with complex corruption-related cases and training is inadequate. Since March 2014 the **Serious Crime Prosecution Office and the Serious Crimes Court** deal with cases involving corruption by judges, prosecutors, justice officials, high-level state officials and locally elected representatives. Also, frequent staff-turn-over hampers work efficiency, business continuity and specialisation. Currently, **law enforcement agencies** have a limited access to electronic databases which slows down investigations. Work has started to allow the Albanian State Police access to more databases.

**Civil Society Organisations (CSOs), Non-Governmental Organisation (NGOs), foundations and philanthropic institutions** need support for increasing their structural awareness and familiarity with aspects of sector governance, reform, and international processes. In general, CSOs appear not enough self-confident in their capacity to challenge public institutions, for fear of retaliation or lack of confidence in effectiveness of denunciation. There is a low understanding and commitment towards anti-bribery actions as a part of the corporate social responsibility in the **private sector/business community**. Recommendations and lessons learned from the 2016 Organisation for Security and Cooperation in Europe (OSCE) business survey<sup>8</sup> will be taken into consideration in the policy making/AC strategy action plan review. **Citizens/general public** are primarily interacting with the administration. Yet, familiarity with the concept of 'rights', legal literacy, zero tolerance, and awareness of specific laws and of complaint and redress mechanism remain low, particularly for women and marginalised groups. The introduction of appropriate skills and structures, a modern workplace culture, and significant efforts in awareness raising, information dissemination and sensitisation are necessary.

## 1.2 RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The **Stabilisation and Association Agreement (SAA) of 2006** between the EU and Albania contains an explicit commitment to fight corruption (Articles 78, 85). The **EU Enlargement Strategy 2015** underlines the need to reaffirm the strong focus on the principle of "fundamentals first" in the accession process. Therefore, tackling corruption and a well-functioning public administration are necessary for democratic governance and accountability. In the **Country Strategy Paper for Albania (2014-2020)**, the fight against corruption is covered under the Justice and Fundamental rights sector. EU assistance is intended to support the creation of an accountable, independent and efficient justice system which is aligned to EU legislation and best practice. Expected results are a reviewed and adjusted approach to the fight against corruption (incl. legislative changes, fully functioning prosecution/law enforcement, and framework to prevent corruption); and a solid track record regarding successful investigations, prosecutions and final convictions in corruption cases.<sup>9</sup>

Albania should undertake steps to guarantee the implementation of the **European Commission Communication COM (2003) 317** ten principles for improving the fight against corruption in acceding, candidate and other third countries.<sup>10</sup> The anti-corruption Sector Reform Contract is in line with EU priorities for Albania and builds upon EU assistance provided in the Public Finance

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<sup>8</sup> OSCE project co-funded by the Italian Development Cooperation and EBRD.

<sup>9</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-albania.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf), pages 17 to 18

<sup>10</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:l33301>

Management (PFM), Public Administration Reform (PAR) and Rule of Law (RoL) sectors, maximising synergies with a view to enhance capacities to prevent and fight corruption.

### 1.3 SECTOR BUDGET SUPPORT READINESS

#### 1.3.1 Macroeconomic Stability

As noted in the 2015 annual report published in November 2015 Albania preserved macroeconomic stability and is moderately prepared in developing a functioning market economy. Some progress was made in improving macroeconomic stability, growth prospects improved and a public finance management reform is in place. However, significant challenges remain. Albania should in particular pursue fiscal consolidation, improve the budget management framework, tackle the high-level of non-performing loans and improve the business environment by strengthening the rule of law. The level of unemployment and informal employment remains high. In line with the Economic Reform Programme (ERP) recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to: i) sustaining fiscal consolidation and strengthening the budget management framework; ii) tackling the high level of non-performing loans; and iii) improving the business environment by implementing regulatory reforms and adopting the new bankruptcy law.

According to the Economic and Financial Affairs (ECFIN) Subcommittee conclusions in December 2015, the Albanian authorities pursue credible and relevant stability oriented macroeconomic policies aiming at supporting economic recovery and restoring fiscal stability and sustainability. Revenue underperformance and high level of public debt remains key source of macroeconomic risks, but the authorities remain committed to addressing it. The government also launched a fight against informality. At the same time, fiscal consolidation should preserve space for growth-enhancing public investment by enhancing revenue collection.

The implementation of a three-year financing arrangement with the International Monetary Fund (IMF) agreed in February 2014 supports strengthened macroeconomic stability and growth-boosting reforms are on track. The IMF Reached Staff-Level Agreement for Completion of Fifth and Sixth Reviews of the programme in November 2015 and the Executive Board approved for the authorities to draw an additional amount equivalent to about EUR 72.4 million, bringing total disbursements to about EUR 226.8 million.

The European Commission assessment of Albania's Economic Reform Programme (ERP) 2017-2019 confirms that the macroeconomic framework presented in the ERP in January 2016 is coherent, consistent and sufficiently comprehensive and provides an adequate basis for policy evaluation and discussions. Revenue significantly underperformed against the target as a result of optimistic assumptions, but due to under-execution of expenditure the budget deficit was somewhat lower than planned at 3.8 % of Gross Domestic Product (GDP) against the 4 % target in 2015. The ERP commits Albania to an ambitious fiscal consolidation path to tackle vulnerabilities stemming from high public debt. *Overall the eligibility requirement that there is a credible and relevant stability-oriented macroeconomic policy is met.*

#### 1.3.2 Public Finance Management

The Government completed the first year of the implementation of the **PFM Strategy for 2014-20 and a related Action plan**, whose goal is to improve the fiscal framework, budget process, enforcement of rules and procedures and prudent management of public funds, as well as to strengthen transparency and accountability mechanisms. The PFM annual report for 2015 was presented and endorsed by the PFM Steering Committee on 23 March 2016 and presented to the public on 11 April 2016. The 2015 annual report for the PFM strategy implementation noted that out of 80 actions/activities for 2015-2020 18% were completed, 65% of the activities are in progress and 17% have not yet started. The report also provides a summary update of selected indicators of the strategy monitoring<sup>11</sup>, according to which nine areas progressed, three regressed and two are not measured, however these do not cover the entire spectrum of the strategy and the development of a

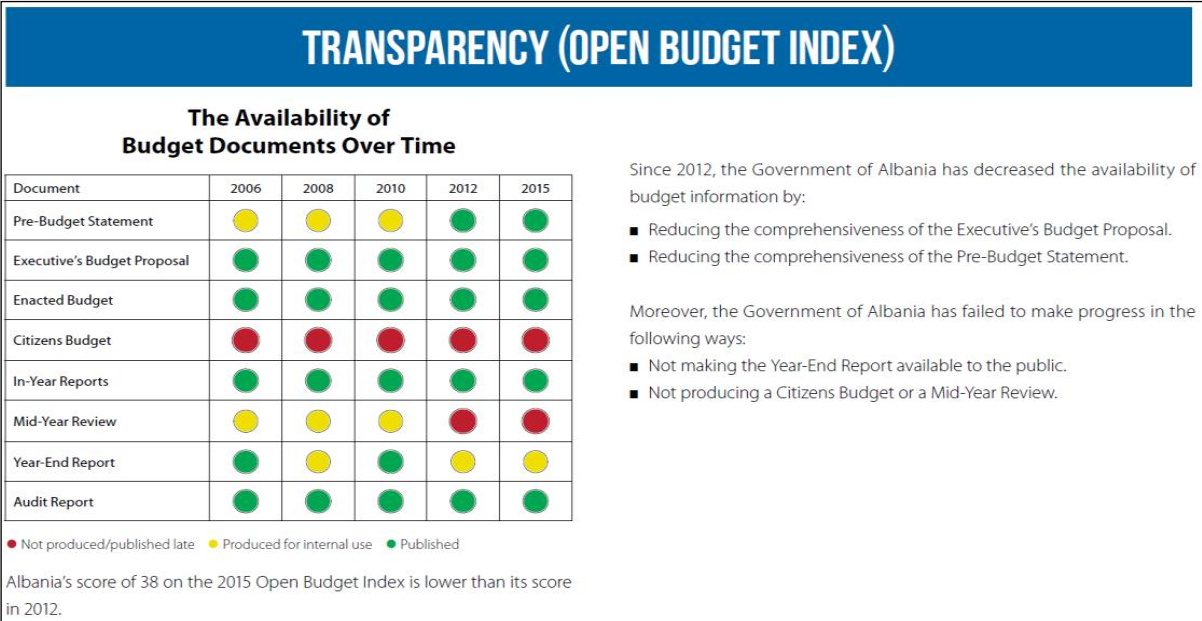
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<sup>11</sup> See Page 7

comprehensive performance assessment framework with SIGMA’s support has just started in May 2016. The annual report was published in May 2016<sup>12</sup> and consultation with civil society representatives is scheduled for the end of May 2016. The related engagement of IMF and World Bank programmes also progressed.

The strategy implementation remains credible and relevant. The implementation progressed in most key areas although in some areas with delay. The coordination framework and monitoring structures were set up, although its operation and Technical secretariat requires to be strengthened in the number of policy staff to efficiently coordinate and monitor the reform implementation. A reinforcement of the Ministry of Finance (MOF) by an additional 45 staff positions was approved in 2015, although actual recruitment is progressing slowly and the MOF still requires to streamline its operation to ensure efficient follow up of the cross sectoral PFM strategy implementation. There are risks related to fraud and corruption - which is targeted by the Anticorruption Strategy - and to inefficiencies for the enforcement of good financial management practices across the administration, which will require stronger coordination with the public administration reform. The strategy implementation continues to take into account inputs from major stakeholders and latest findings. In 2015 the MOF has been proactively engaging partners for carrying out additional diagnostics to formulate policy directions for improvements including the Transparency Code Assessment, the MOF Functional review, the Public Procurement review, the Public Investment Management assessment and others in preparation e.g. World Bank review on local government to take stock of local government arrears). An action plan for 2016 was updated; however, it will need to be further updated to address these additional findings of the various analytical studies. *Overall, the eligibility requirement that there is a credible and relevant programme to improve public finance management is met.*

**1.3.3 Budget transparency and oversight**



Information regarding Albania's budget transparency as well as oversight mechanisms is generally available. The **minimum requirement of 2016 budget publication** is met by the publication of the budget on the MOF website<sup>13</sup>. The Government published a Citizen’s budget for the draft 2016 budget<sup>14</sup> the first time and the requirement for publication of additional information has been incorporated in the draft organic budget law. The Government published a 2016 Budget at Glance

<sup>12</sup> [http://www.financa.gov.al/files/userfiles/Raportimet/PFM\\_reform\\_report\\_-FV\\_31\\_March\\_2016-\\_for\\_publication\\_-2-.pdf](http://www.financa.gov.al/files/userfiles/Raportimet/PFM_reform_report_-FV_31_March_2016-_for_publication_-2-.pdf)  
<sup>13</sup> <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-ne-vite/buxheti-2016>  
<sup>14</sup> <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-i-qtetarit-2016>



document for the Parliament in Albanian and English. The Government for the first time published a comprehensive public investment list attached to the medium term budget 2016-2018.<sup>15</sup>

Albania's **Open Budget Index** score decreased from 47 to 38 between 2012 and 2014 assessment although change is minimal and relates to the period prior to the first transparency eligibility, so it does not represent a decreasing trend. The comprehensiveness of the Executive Budget proposal and the Pre budget information in terms of information on fiscal risks alternative macroeconomic scenarios and submission of medium term budget with medium term ceilings to Parliament together with the Executive Budget proposal has been improved in 2015. However, the publication of a mid-year report and year-end report is required to be addressed as a priority; therefore, it has been incorporated in the draft organic budget law. It also notes that the legislature provides limited oversight during the planning stage of the budget cycle and weak oversight during the implementation stage of the budget cycle. Another important conclusion is the weak public participation. Public participation processes exist in limited fashion and remain to be introduced in a more structured way.

The IMF Fiscal Transparency Code assessment<sup>16</sup>, published in January 2016, noted that some 10 of the Code's 36 principles are rated as either "good" or "advanced," and 14 principles rated as "basic". However, in eight areas the basic requirements of the Code are "not met." The Transparency roadmap for 2016 is foreseen to be updated by May 2016 to address the latest assessment and findings.

The EITI Annual Report for the years 2013- 2014, published in December 2015<sup>17</sup> notes that Albania stands among those 49 countries which comply with the **EITI**. The Albanian Working Group which is the decision-making body supervising the implementation of EITI is chaired by the Deputy Minister of the Ministry of Energy and Industry and composed of the representatives of the **Government, extractive companies, civil society** etc. The Government publishes information on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these income. The aim is to promote **transparency in order to prevent corruption, and raise awareness among citizens** to demand from their Government proper use of the fiscal and non-fiscal income generated from the exploration and exploitation of natural resources in Albania. *Overall, the eligibility requirement for budget transparency is met.*

#### **1.3.4 Sector policy**

The main public policy document is in line with the draft National Strategy for Development and Integration 2015-2020 objectives. The Anti-Corruption (**AC**) Strategy 2015-2020 takes into account assessments, challenges and priorities highlighted in previous EU-funded project assessments and studies in the sector, the Country Strategy Paper and Report on Albania. The vision of the Strategy is "*Transparent and high-integrity Albanian institutions that enjoy citizen's trust and ensure a quality and incorruptible service*". In order to achieve this vision, a comprehensive approach was designed to address **prevention, repression and awareness-raising on corruption**. Each of these pillars has a well-defined and inter-linked set of objectives:

- 1) The objectives of the "**Preventive approach**" include the increase of transparency in state activity and improved access to information for the citizens; Increase transparency in planning, elaboration, management and control of budget funds; Strengthening the electronic infrastructure of public institutions; Improving the handling of denunciations against corruption; Strengthening the regime of disclosure and control of public officials' wealth and cases of conflict of interest. Strengthening the controlling regime for political parties' financing; Improving the efficiency of internal audit and inspection and systematic use of risk analyses; Systematic use of the mechanism for identifying areas of corruption; Strengthening the integrity of public officials; Systematic analysis of inclinations to corruption and improvement of statistics on the activity of law enforcing agencies in the fight against corruption; and Adoption of policies against corruption at local government level.
- 2) The objectives of the "**Repressive approach**" will include: Improved efficiency and effectiveness of criminal investigations against corruption; Improving cooperation among law enforcement

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<sup>15</sup> [http://www.ekonomia.gov.al/files/userfiles/Investimet\\_PBA\\_2016-2018.pdf](http://www.ekonomia.gov.al/files/userfiles/Investimet_PBA_2016-2018.pdf)

<sup>16</sup> <http://www.imf.org/external/np/sec/pr/2016/pr1611.htm>

<sup>17</sup> [https://eiti.org/files/albania\\_eiti\\_report-2013-2014\\_final.pdf](https://eiti.org/files/albania_eiti_report-2013-2014_final.pdf)

agencies in the criminal prosecution and punishment of corruption; Improving the legal framework for the prosecution of economic and financial crimes; and Improving international legal and police cooperation in the fight against economic and financial crime.

- 3) The objectives of the "**Awareness approach**" will include: Raising awareness and educating the public on the consequences of corruption; encouraging the general public to actively use complaints mechanisms to report and prevent corruption; and encouraging cooperation with CSOs.

The strategy is envisaged to be implemented in two phases. During the first phase (2015 – 2017) efforts will focus on prevention, repression and awareness raising. The second phase (2018 – 2020) aims at consolidating the achievements of the first phase.

The Action Plan currently comprises 191 measures, of which 143 of preventive nature, 26 with the major objective of punishing corruption, and 22 awareness-raising measures. The action plan is currently being updated to reflect findings from the first year implementation and will aim to address pending EU Anti-Corruption Framework Assessment (**ACFA**) project recommendations. Among others, recommendations include the introduction of anticorruption measures at local government level and a wider base for civil society participation.

The current action plan 2015-2017 includes a comprehensive costing, whereby each action is costed and the budget identified by source of funding, i.e. state budget, donors or not yet covered. The estimated financing need for 2015 - 2017 is EUR 12.3 million whereof the financial gap until 2017 is around EUR 3 million. The costing for the action plan for 2018-2020 will be radically higher since new anti-corruption institutions will be created and/or will see major increased capacity needs. An estimate of Euro 15 million for the Action Plan 2018-2020 has been considered, however, this is subject to review and assessment. Expected changes include among others the creation of the special anti-corruption prosecutor, along with specialised anti-corruption judicial police and specialised anti-corruption court, the new whistle blowing protection competences given to HIDAACI to be implemented in the public and private sector, increased capacity needs for the commissioner for data protection and access to public information to implement the new law on access to public information. There is currently no assistance in form of a sector reform contract planned for the rule of law sector (subsequently covering the repressive pillar of the anti-corruption strategy), or any substantial assistance by other donors in supporting the implementation of the strategy (European Bank for Reconstruction and Development (**EBRD**), UN, Italian and OSCE assistance ends at the end of 2016). Therefore, the financing gap for the action plan 2018-2020 would be at least EUR 6 million. The overall estimated proportion of the EU contribution to the Anti-corruption strategy would be roughly 25% of the total reform costs. There is a need to ensure that the **mid-term budgetary programme** sufficiently supports the implementation of the strategy and annual action plans. The implementation of the Strategy will be funded through two main resources: state budget and donor assistance. The revised action plan for 2016-2017 will provide an updated costing and financing gap while the Action plan for 2018-2020 is not yet costed. Financial sustainability remains to be further examined and ensured through intensive policy dialogue.

*Overall, the eligibility requirement that there is a credible and relevant public policy, namely the Anti-corruption Strategy is met.*

#### **1.4 LESSONS LEARNED, LINK TO PREVIOUS/OTHER FINANCIAL ASSISTANCE AND INTERVENTIONS BY OTHER COOPERATION PARTNERS**

Previous IPA assistance focused on key institutional reforms and capacity building of anti-corruption actors, in addition to PFM and PAR programmes and PAR Special Group dialogue. IPA assistance to fight corruption has been considerable to address the obligations of Albania related to political criteria set out in the European Partnership, SAA and Progress Reports.<sup>18</sup> Nevertheless, an efficient track record of investigations and convictions of high level officials/politicians and judges is still not as visible and therefore supported through Rule of Law assistance under IPA 2015 and 2016.

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<sup>18</sup> Thematic evaluation for IPA anti-corruption support, finalised in August 2015, by the Directorate-General for Neighbourhood and Enlargement Negotiations (**DG NEAR**).

The evaluation also recommended giving more attention to the prevention of corruption in the (semi-) private sector, e.g. ethics, codes of conduct, internal controls; which is a major part of this Sector Reform Contract (SRC) and tackled under the anti-corruption action plan. The challenges mentioned above will be addressed by this SRC and parallel complementary actions under PFM, PAR and RoL, to tackle in a comprehensive manner mutually supporting challenges/sectors; especially linked to strengthening the accountability/ capacity of public institutions, independence/ accountability of justice system institutions, and promotion of integrity within the public service.

The main lessons learned from the latest AC thematic evaluation are covered in the sense that the Sector Reform Contract is the answer to most of the recommendations such as the need to better "*link policy dialogue and financial assistance*" and "*focus attention on assisting anti-corruption bodies of national governments with the practical implementation of the anti-corruption strategies and policies they have developed.*" The evaluation further concluded that strategies and action plans must be coherent and owned by the national government, and in line with international anti-corruption standards and best practices. In addition, this SRC focuses on prevention and interlinks with complementing EU assistance provided in the RoL sector on the repressive side. With regard to civil society participation, the EU Delegation has also awarded grants to civil society to support the fight against corruption (see annex 4). Regional funding is also made available to support enhanced transparency for the allocation of public funds.

## 2 INTERVENTION LOGIC

### 2.1 DESCRIPTION OF OBJECTIVES, MAIN ACTIVITIES AND EXPECTED RESULTS

The **overall objective** of this Sector Reform Contract is to assist the Government of Albania in implementing the inter-sectoral strategy against corruption with the aim to create transparent and high-integrity Albanian institutions that enjoy citizens' trust and ensure a quality and incorruptible service.

The **specific objectives** are to:

- **Improve framework for corruption prevention**, in particular through increasing transparency and detection of corruption, improving handling and follow up of corruption reports, and strengthening the controlling regime for political parties' financing.
- **Improve framework for corruption repression**, in particular through improving efficiency and effectiveness of criminal investigations against corruption; and supporting a good track record of investigated cases submitted to the prosecution services.
- **Improve framework for awareness of corruption**, in particular through encouraging civil society and the general public to report corruption cases.

The **expected results** of this intervention are to contribute to:

- **Improved prevention of corruption**, in particular through increased transparency and inspection of state activities, in particular related to public procurement, improved handling and follow up of corruption reports, and strengthened controlling regime for political parties' financing;
- **Improved repression of corruption**, in particular through improved efficiency and effectiveness of criminal investigations against corruption; and good track record of investigated cases submitted to the prosecution services.
- **Improved public awareness of corruption**, in particular increased public intolerance of corruption and use of the complaints mechanisms to report corruption.

#### **Main activities:**

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development;

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support;

Transfer of EUR 9.6 million to the beneficiary country in fiscal years 2017, 2018, 2019 and 2020 when disbursements are indicatively expected;

Continued effort to reinforce Government's institutional capacities to implement the anti-corruption reform, including new institutions and mandates resulting from changes to the legislative framework;

Enhancing donor coordination;

Strengthening of monitoring and evaluation systems for anti-corruption strategy implementation;

Regular monitoring of budget support eligibility criteria.

The **intervention logic** of this action tries to capture the interactions and the combined effects of the sector reform contract and the enhanced policy dialogue ongoing in the field. Developmental risks of government effectiveness are addressed by establishing good governance practices and creating a solid basis for rule of law, In particular enhanced transparency, accountability and efficiency of Albania's public administration, the reduction of impunity, strengthening of electronic operations of public institutions, improvement of cooperation between law enforcement agencies, proactive investigations and raising awareness of the public should positively mitigate corruption related risks in Albania.

It is assumed that the anti-corruption strategy coordination and monitoring structure will monitor the implementation of the strategy and will annually report on implementation and performance against set indicators and targets.

At **input level**, the transfer of funds will improve the financial space of the government to pursue AC policy objectives and implementation. Also, the policy dialogue and focus on improved sector coordination will contribute, among others, to better follow up of policy implementation and improved sector monitoring and evaluation. Technical Assistance (**TA**) is proposed on communication, which will lead to increased awareness of corruption and increased public intolerance of it. At the **output level**, the assistance will result in stronger policies and institutions. As far as outputs in the area of corruption prevention are concerned, the implementation of the law on whistle-blower protection should lead to the investigation of all reported cases; cases of missing or false asset declarations should continue being referred to the prosecution services; and the amendments to the legal framework on political party financing should result in enhanced institutional capacities to audit finances of political parties. In the area of corruption repression, the amended Criminal Procedure Code and the access to an increased number of databases will lead to a higher efficiency of investigations on corruption cases. As far as the awareness of corruption is concerned, additional and focused campaigns and communication efforts should result in more active corruption reporting. At the **outcome level** in the area of corruption prevention, the number of requests by citizens to receive information by state institutions should rise, as well as the availability of and number of users of online services. In the area of repression, the number of corruption cases referred to the prosecution should increase. In the area of enhanced awareness, the number of citizens' complaints should increase. Overall, this will form the basis for improved AC sector governance, accelerating pace of reform, achieving better compliance with reform objectives, and resulting in higher quality and accessibility of public services.

## **2.2 COMPLEMENTARY SUPPORT**

The objective of the **first complementary action** is to coordinate and deliver **communication and anti-corruption awareness raising campaigns**. This first complementary action shall support the legal and institutional development for the fight corruption. It should be coordinated with support from World Bank, EBRD, OSCE and United Nations Development Programme (UNDP) and focus on the education of the public about the government's responsibility to be corruption-free, the awareness of the public, media and government about the costs of corruption for key services such as health and education, and the necessity to foster economic stability by enforcing zero-tolerance practices towards corruption. This will support perception that fight against corruption is “work in progress”, that there is active commitment from the government and a pressure from the international community, and that the margins of tolerance are consequently decreasing over time.

The expected result is that the citizens' perceptions and awareness of anti-corruption efforts and achievements are improved. The key performance indicator relates to the Level of citizen's perception and awareness of government's anti-corruption efforts.

The objective of the **second complementary action** is to support the **monitoring of the budget support implementation**. This second complementary action will provide input in the form of analysis, data/ information compilation, fact-finding missions and preparation of documentation to assess the implementation and support policy dialogue, including early warnings and risks analysis.

The expected result is that payment requests are complete and submitted in line with the indicative payment schedule. The key performance indicator relates to the quality and timeliness of payment requests.

**Other ongoing or planned complementary assistance** include ongoing actions in PFM (SRC and TA), PAR (SRC and TA), and law enforcement to improve the capacity of the Albanian State Police (ASP) and the General Prosecutor Office (**GPO**). An Anti-corruption Twinning (EUR 3 million) will start in the last quarter of 2016 to assist the NCAC in the identification, formulation and implementation of anti-corruption policies, including the preparation of the Action Plans for 2018-2020. The next action plan and/or AC Strategy update on the repressive elements will take into consideration the outcome of the ongoing justice reform process.

The justice reform process is supported through the ongoing European Assistance Mission to the Albanian Justice System (**EURALIUS**) IV (ending in 2017) and in the future through a planned EURALIUS V and potentially a sector reform contract after 2017. For this reason this SRC in respect of variable tranche disbursements will focus on the "preventive side" of the fight against corruption.

## 2.3 RISK MANAGEMENT FRAMEWORK

There are several risks identified:

- Non-operationality of the thematic group on anti-corruption, which started its operation in February 2016 as part of the IPMG.
- Absorption capacity of the MSLI/NCAC and linked need to increase staff numbers to enable appropriate implementation of the Anti-Corruption Strategy.

Type and level of risk	Proposed mitigating measures
<b>Political</b>	
<p><b>MODERATE:</b> Lack of commitment from Government to undertake targeted reforms in the areas of rule of law, public administration, public financial management, anti-corruption, public internal financial control.</p> <p>Lack of high level political support to monitor and follow up on the policy making and implementation processes.</p> <p>Elections in 2017 might impact on the institutional framework and coordination set-up in the sector.</p> <p>Justice reform will have great impact on the Action Plan sections related to justice institutions.</p>	<p>Continuous High Level Dialogue and EU support for the implementation of the Roadmap concerning the key priorities with specific focus on justice reform in view of the opening of accession negotiations.</p> <p>Guidance from EU through political dialogue on cross-party work on EU integration.</p> <p>Twinning support to Parliament<sup>19</sup> to fulfil its oversight role and to independent institutions to strengthen their monitoring role.</p> <p>AC Twinning, EURALIUS and Police Assistance Mission of the European Community to Albania (<b>PAMECA</b>) to support the authorities in ensuring consistency of the AC strategy with the justice reform changes to be adopted in 2016.</p>
<b>Macroeconomic</b>	
<p><b>MODERATE:</b> Further increase of public debt; increase of fiscal risks, weak, continuous revenue underperformance, weak prevention mechanisms against the accumulation of new arrears; unbalances in the account deficit (import-export); fiscal buffers exhausted.</p>	<p>The Government stability oriented macro-economic policy is being closely monitored under the PFM sector reform contract and also through the annual ECOFIN and Economic Reform Programme processes. The IMF and the World Bank programmes are also expected to act as an anchor for enhancing macroeconomic stability and implementing growth-boosting reforms, including</p>

<sup>19</sup> <http://ec.europa.eu/enlargement/pdf/albania/ipa/2015/20160126-eu-integration-facility.pdf>

Type and level of risk	Proposed mitigating measures
	liquidation and prevention of new arrears.
<b>Public Financial Management</b>	
<p><b>MODERATE:</b> Lack of capacity and commitment to coordinate and implement the PFM reform and PAR. Lack of institutional cooperation, insufficient medium term funding perspective to implement the reform strategies. Weak public investment management in respect of prioritisation and assessment of projects</p> <p>Weak co-ordination of strategies with insufficient links to budgetary systems (for annual budget and medium term), coupled with growing constraints on public finances.</p> <p>Weak institutional capacity to increase overall effectiveness of public service delivery and to enhance PFM processes. There is also risk to overload capacities of current staff.</p> <p>Lack of capacity and commitment from Government to make manager's explicitly accountable for ensuring appropriate internal control environment in their institutions; to improve transparency of the budget; to enhance revenue collection and budget execution; to review the public procurement system and improve the operation of the HSC to be aligned with international standards.</p> <p>Weak political support and ownership for enforcing the Law on Civil Servants at all levels. The governing framework for the implementation and monitoring of the PAR Strategy (IPMG for PAR) is still new. Complexity of the reform cannot be handled effectively and efficiently by the lead institution. Slow progress in the recruitment of qualified staff horizontally in the public administration.</p> <p><b>SUBSTANTIAL:</b> Weak responsiveness, independence and effectiveness of complaint mechanisms to efficiently process and follow up on complaints filed by citizens weakens credibility and trust in EU reform, limiting buy-in and support by citizens and the general public.</p>	<p>Continuous dialogue with the Government on public finance policy issues and PFM reforms, use of the PFM SRC and complementary capacity building to facilitate and embed the reforms for budget transparency, tax administration reforms and budget planning and execution and public procurement system, strengthening of the capacities of the institutions.</p> <p>Continuous dialogue with the Government, the Parliament and the HSC on public finance reforms and enhanced oversight and transparency. The EU to support HSC with twinning project in order to ensure compliance with international standards of external audit. Ongoing technical assistance.</p> <p>Close liaison with IMF World Bank and other partners.</p>
<b>Developmental risks</b>	
<p><b>MODERATE:</b> Lack of human resource capacity in the office of the Minister and the IPMG secretariat to coordinate the AC strategy implementation and monitoring.</p> <p>Weak implementation of the governing framework for the implementation and monitoring of the AC strategy (IPMG).</p> <p>AC strategy design with insufficient links to annual and medium term budget.</p> <p>Slow progress in the recruitment of qualified staff horizontally in the public administration.</p> <p>Weak civil society engagement.</p>	<p>Continuous dialogue with the Government on the policy making and on the SBS conditionality and eligibility requirements. Support through ongoing or proposed complementary capacity building to facilitate the reforms. Engagement of all stakeholders including relevant development partners to create a participatory policy framework with more demand and pressure to address</p> <p>Support to civil society (via IPA 2013 Twining and IPA CSO facility) to ensure that there is an increased engagement to monitor and oversee the reform implementation and associated to the sector coordination structures and has access to information about the reform implementation as well as in respect of prevention of corruption.</p>
<b>Corruption and fraud</b>	
<p><b>SUBSTANTIAL:</b> Political and corporate resistance to fight corruption and strengthen control practices, implement anti-corruption measures and increasing the transparency on public spending.</p> <p>Lack of top level political engagement to step up the track record for investigating and bringing corruption cases to justice and break the existing impunity.</p>	<p>Rigorous follow up to apply anti-corruption legislation and rules, monitoring of track record related to corruption cases, including through this action.</p> <p>Better engagement of all stakeholders (CSOs, HSC, Parliament) to create more demand and pressure for change, including through ongoing TA.</p> <p>Implement Roadmap for key priority nr. 3 on AC<sup>20</sup> and monitoring the implementation of AC Strategy and Action Plan. Government to enhance inter-agency cooperation and efficiency of investigations.</p> <p>EU to consider support to enhance the capacity of law</p>

<sup>20</sup> [http://ec.europa.eu/enlargement/pdf/news/20150324\\_annex1\\_second\\_jwg\\_meeting\\_operational\\_conclusions.pdf](http://ec.europa.eu/enlargement/pdf/news/20150324_annex1_second_jwg_meeting_operational_conclusions.pdf)

Type and level of risk	Proposed mitigating measures
	enforcement agencies through sufficient resources and training. Rigorous public awareness campaigns to create citizen demand for zero-tolerance of corruption.

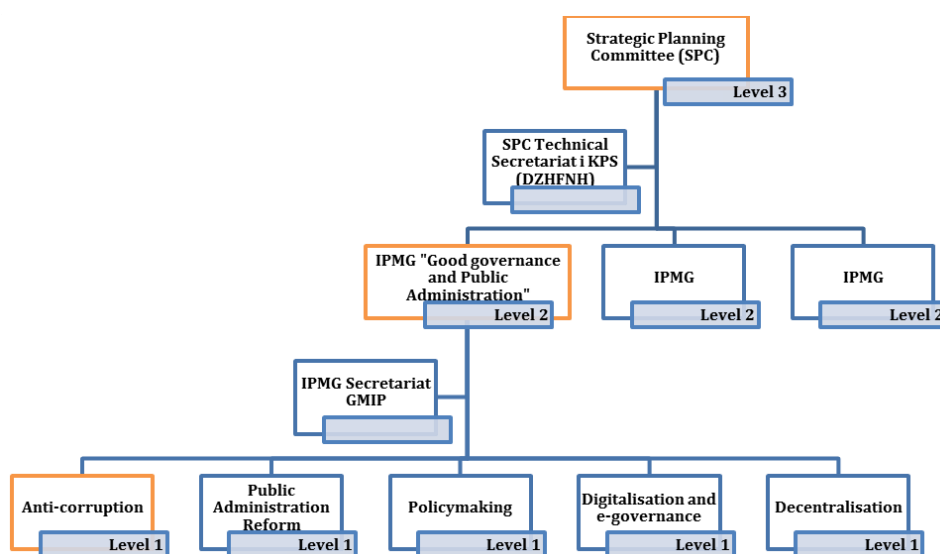
### 3 IMPLEMENTATION ARRANGEMENTS

#### 3.1 ROLES, RESPONSIBILITIES AND POLICY DIALOGUE

The **mechanism for dialogue on priorities, planning, coordination and monitoring of the implementation of the anti-corruption strategy and action plan** is established under the **Integrated Programme Monitoring Group (IPMG)** Good Governance and Public Administration framework, with a dedicated thematic sub-group on Anti-Corruption.

Under the IPMG, quarterly meetings will be organised, including an annual review at the end of the year. The IPMG will be supported by a recently established secretariat under the Ministry of Innovation and Public Administration (MIPA). The main coordinator for the implementation of the AC strategy is the Minister for Local Government (currently constrained by limited staff) and high level political and policy attention supports close monitoring and surveillance of the progress.

The first Anti-Corruption Thematic Group meeting was held on 3 February 2016..This group is led by the MSLI/NCAC and composed of all line ministries and relevant independent institutions, including representatives of the anti-corruption contact points network, civil society, business community, and donors. The Gender Equality Employee of the lead Ministry (MIPA) is a core member of the IPMG Public Administration & Good Governance, ensuring the anchoring of gender expertise in sector governance, planning, and policy dialogue. The donor focal point is the EU, which carries, among others, the responsibility to ensure that cross-cutting issues, receive due consideration.



The group is tasked to provide coordination, dialogue, monitoring and evaluation of the anti-corruption strategy and action plan(s), mid-term budget planning, as well as to contribute to the distribution and analysis of relevant sector information, and submit findings to the IPMG. The following diagramme illustrates the link between the sub-group on anti-corruption, the IPMG and the Strategic Planning Committee.

The institutional framework for the formulation, coordination, implementation and reporting of progress of anti-corruption policies is coordinated at central level by the MSLI/NCAC, while implementation and also reporting activities take place at central, independent and local institutions local level through the network of coordinators and contact points.

In parallel, the EU has **political, policy and operational dialogues on the fight against corruption with Albania**. These enable the EU to discuss challenges at different hierarchical levels and in a coherent and complementary manner:

- Policy dialogue for the fight against corruption has been taking place between the EU and Albania in the framework of the Stabilisation and Association Agreement. Legal and institutional reform needs to align EU integration challenges in this sector, including the implementation of the anti-corruption strategy are discussed in the framework of the Stabilisation and Association Committee and more in detail under the Sub-committee on Justice, Freedom and Security.

- Political dialogue on the fight against corruption has also been taking place in the framework of the High Level Dialogue<sup>21</sup>, launched in 2013, in order to move forward towards implementation of the five key priorities to open accession negotiations. The Albanian government developed a roadmap with concrete measures in 2014, and implementation is monitored and discussed through the High Level Dialogue. Short-term deliverables have been agreed in the operational conclusions<sup>22</sup> of the **High Level Dialogue Working Groups on the Key Priorities in February 2015**.

- The implementation of the AC strategy and the alignment to the *acquis* in the sector is monitored through the above mentioned, as well as by the IPMG structure to which the EU Delegation participates.

- In the future, should opening of negotiations be envisaged, there will be the screening process and the opening benchmarks providing guidance, as well as deep and continuous dialogue on AC issues.

- The annual IPA monitoring committee is a forum under which the EU can raise operational issues linked to IPA assistance including SRC and fight against corruption.

- In the framework of the quarterly Steering Committee Meetings to be set up from September 2016 under the upcoming IPA 2013 AC Twinning, implementation, elaboration, monitoring and reporting issues related the strategy will be discussed.

### **3.2 IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The amount allocated for the budget support component is EUR 9.6 million and for complementary support EUR 0.4 million. These amounts are based on a combination of factors a) costing of the strategy, b) financing gap, and c) assessed level of funding sufficiently encouraging and supporting the reforms. The choice is sector budget support.

#### **3.2.1 Disbursement of sector budget support**

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Anti-corruption Strategy and continued credibility and relevance thereof;
- implementation of a credible and relevant stability-oriented macroeconomic policy;
- satisfactory progress in the implementation of the public financial management reform strategy;
- satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

The specific conditions for disbursement of variable tranches focus mainly on areas related to prevention of corruption in line with the focus of the overall strategy, and complementarity with other programmes focusing on the repressive side of corruption. The indicators and triggers for the variable tranches are outlined in the Annex.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the SRC. However, in duly justified circumstances, the Albanian Authorities (NCAC) may submit a

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<sup>21</sup> Chaired by the EC Commissioner and Prime Minister

<sup>22</sup> [http://ec.europa.eu/enlargement/pdf/news/20150324\\_annex1\\_second\\_jwg\\_meeting\\_operational\\_conclusions.pdf](http://ec.europa.eu/enlargement/pdf/news/20150324_annex1_second_jwg_meeting_operational_conclusions.pdf)



request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### **3.2.2 Budget Support details**

The full budget support amount is split in a base tranche of EUR 1 million, and three variable tranches of EUR 2.6 million, EUR 3 million and EUR 3 million. The specific conditions for the disbursement of each tranche are specified in the Annex.

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Albanian LEK will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

### **3.2.3 Complementary support**

**The first** complementary action for the communication and Anti-corruption awareness raising campaign will be implemented in direct management mode through one service contract

**The second** complementary action to support the monitoring of the budgeted support implementation will be implemented in direct management mode through one service contract.

## **4 MONITORING AND EVALUATION**

### **4.1 MONITORING AND REPORTING**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The monitoring of this SRC is embedded in a wider M&E structure under the framework of the Integrated Planning System, through which IPMGs advise, lead, and coordinate institutions within a sector. The IPMG Technical Secretariat provides technical, administrative, communication and coordination services to all IPMG structures.

The national system around the IPMG is new. It is envisaged that the NCAC (secretariat) prepares quarterly monitoring reports, which will be published for consultation purposes and discussed twice a year – also with a view of possible adjustments/revisions – for later submission to the monitoring mechanism for approval. In addition it is foreseen that the thematic group holds quarterly coordination meetings. Each implementing institution is responsible to report on its progress on the action plan, a process which is coordinated by the NCAC who also validates submitted information through cross-checks.

The Anti-Corruption strategy and its action plan set **credible targets, and were consulted with relevant stakeholders, including civil society** and business community. Timelines and responsible actors are clearly defined. Results and impact indicators are being improved in the monitoring cycle of the first year of implementation<sup>23</sup>. The **first monitoring report** assessing the progress of the Strategy and action plan 2015-2017 was finalised in April 2016. The report is activity driven without

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<sup>23</sup> First annual monitoring report was received in April 2016.

systematic linkages to outputs and expected results. As the first year report, reporting on trends is limited to comparing some impact indicators to their baseline.

In view of sustainability, it will be necessary to strengthen the reporting capacity of all actors to ensure timely, complete and precise submission and compilation of information. The first monitoring report was compiled with the support of an external expert, who highlighted shortcomings in received data and information from some institutions due to lack of capacity regarding reporting obligations. The IPA 2013 anti-corruption Twinning project will support as of September 2016 the strengthening of the beneficiary reporting and monitoring capacities. The Twinning will also provide support to the elaboration of the upcoming 2018-2020 action plan, including relevant performance assessment framework, indicators and result oriented activities. The first monitoring report concluded that 20% of the actions were fully implemented and 50% were partially implemented of the overall 3-year action plan. At this stage, 27% remain unimplemented as they refer to the years 2016/17, and the remaining 3% were either partially or not reported on. The report also shows progress on three out of four high level indicators for 2015. The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **4.2 EVALUATION AND AUDIT**

Evaluations of the budget support component should be aligned with similar exercises of other budget support providers for accountability and learning purposes at various levels (including for policy revision) and carried out via independent consultants.

For complementary support, the Commission may also carry out external evaluations via independent consultants, as follows:

- (a) a mid-term evaluation mission;
- (b) a final evaluation, at the beginning of the closing phase;
- (c) an ex-post evaluation.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of this SRC.

The financing of the evaluation actions shall be covered by another measure (thematic lines of DG NEAR for evaluations).

## **5 CROSS-CUTTING ISSUES**

### **5.1 GENDER MAINSTREAMING**

The anticorruption or the public administration reform has not yet been conceptualised as the key entry point for promoting the EU values of equality, inclusiveness, and gender and social responsiveness. The **current and envisaged AC reform does not explicitly promote equality** – including equality between women and men - through supportive policies, introduction of appropriate skills and structures, and a modern workplace culture. Further support is required to establish a public sector free of corruption that delivers services which place the rights, needs, and entitlements of female and male citizens at the centre of attention, in order to contribute to sustainable development and growth.

The roll out of the reforms in the justice sector will follow Directive 2006/54/EC and will be guided by the framework of gender justice. The framework brings in substantive and normative contents of rights as well as those relating to governance and the rule of law and other human rights principles which shape both duty bearers and rights holders' roles and capacities.

The support provided through IPA 2015 to the Gender Equality Facility aims to strengthen capacities to implement and mainstream gender into all programme cycle, reporting, monitoring and evaluation. The facility will provide consistent support and technical advice to ensure mainstreaming of gender across the sector strategy as well as support gender responsive planning and budgeting. In addition, close collaboration will be ensured on annual reporting on progress in implementing gender sensitivity activities and provision of specific capacity building and coaching activities to respective line ministry and responsible staff.

For the elaboration of the 2018-2020 anti-corruption action plans, the IPA 2013 Twinning will provide assistance to conduct analyses and research on the gendered dimension of corruption and the detrimental impact on women in general - and on women from poor, marginalised and vulnerable groups in particular - in accessing basic services and rights. Insights and results will directly feed into the AC Strategy update and Action Plan revision processes, and will support devising respective measures, indicators and targets. Effective integration of gender equality concerns will require (i) Operationalisation of the Gender Equality Employee structure and hiring of adequately skilled individuals in this position; and (ii) Availability of a Gender Equality Employee providing technical gender mainstreaming expertise in the MSLI/NCAC and the Thematic Group on Anti-Corruption.

The Ministry of Justice and the Ministry of Education will be supported in conducting age- and target group - specific campaigns, promoting a culture of the rule of law and raising awareness including among girls and boys not only of their rights, but also of their duties as a citizen.

Some of the activities under the interventions will increase the capacities for gender mainstreaming as per EU quality assurance, and particularly pursuant to Council of Minister Decision no. 465 (2012) on gender mainstreaming in the medium-term budgetary programme. Special attention will be paid to the linkages between national gender policy, gender-responsive sector priorities, and the Medium Term Budget Plan. This will contribute to analysing how resources benefit the female and male citizens, and will identify potential for increased effectiveness of expenditures in the anti-corruption and justice sector.

The Gender Equality Employee of the lead Ministry is a core member of the IPMG Public Administration & Good Governance, ensuring the anchoring of gender expertise in sector governance, planning, and policy dialogue. In the framework of IPA II , complementary support is foreseen for the coaching of Gender Equality Employees as well as for increasing the absorption capacity of IPMGs and Thematic Groups to address core elements of the EU Gender Equality *acquis* in sector governance.

## **5.2 EQUAL OPPORTUNITIES**

During the implementation of the action, equal opportunities will be encouraged. Human resources, strategic plans and policies must reflect contemporary human resource management practices that take into account equality opportunities issues.

In line with EU diversity policy, affirmative action measures will be employed for ensuring women's equal opportunities; and women's equal participation and representation in decision-making at all levels. This action will also provide emphasis on the impact of corruption on minors and the role minors can have in fighting corruption, especially in undertake awareness raising campaign with boys and girls, to tackle the issue at an early stage and young categories of the society to maximise multiplier effects and sustainability of the action.

Among the general population and among women and marginalised groups in particular, familiarity with the concept of 'rights', legal literacy, and awareness of specific laws, e.g. on protection against discrimination and of the complaint mechanism, remains low. Key principles of the rule of law and zero tolerance for corruption are learned from an early age onwards, starting in pre-school education (and even earlier).

Other factors, in addition to gender, that impact anti-corruption actions such as race, ethnicity, class, religion, education, economic status, sexual orientation, health, language, and geographical location, will be taken into account wherever possible.

The Anti-Corruption Strategy recognises the need for specific measures to ensure equal opportunities. The first annual monitoring report of the Action Plan (2015) demonstrates for example progress in developing and piloting anti-corruption awareness raising in the curriculum of secondary schools; and holding of pre-election anti-corruption awareness meetings with young people voting for the first time, Roma, and women.

### **5.3 ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

Environmental crime has become a global business with strong involvement of organised crime in several areas, mostly due to expectations of high profits linked with low risk of detection and low penalties. The most known areas are the illegal emission or discharge of substances into air, water or soil, the illegal trade in wildlife, illegal trade in ozone-depleting substances and the illegal shipment or dumping of waste. This criminal market is often proven being below of the radar of law enforcement agencies. The detrimental impacts of environmental crime are wide ranging from threat to biodiversity, human health, economic development, security, stability and the rule of law with strong links to corruption and illicit financial flows. The directives aiming at the harmonisation of criminal offences in the field of environmental crime are Directive 2008/99/EC on the protection of the environment through criminal law, and Directive 2009/123/EC on ship-source pollution and on the introduction of penalties for infringements.

While most part of the Directive 2008/99/EC has been approximated and transposed into Albanian legislation, gaps remain regarding enforcement and mentality. Currently a very low number of cases of environmental crimes are reported, prosecuted and tried before the Court. This low number is directly linked to (i) lack of registration of complaints and subsequent investigation; (ii) very few referrals from police or inspection bodies; and (iii) no ex officio investigation carried out by the Prosecution offices. Due to the nature of the sanctions (only small fines), no appeals are registered and no jurisprudence of the superior courts can arise to give judges a support in interpreting laws. Environmental criminal law is directed against the "polluters" while administrative authorities contribute through negligence or wilful conduct to pollution caused by the industry. Moreover, the effectiveness of the environmental criminal law depends on controls exercised by administrative authorities.

The anti-corruption strategy and action plan 2015-2017 encompass the fight against corruption in the environment sector with specific activities related to the (i) publication of environmental impact evaluations, hearings and decisions, monitoring reports on environmental impact of the projects, and the number of complaints from the public; and (ii) strengthening of the electronic infrastructure (e-Inspection portal). With regard to awareness raising and prevention of corruption, the portal *stopkorrupsionit.al* provides an opportunity for the general public to complain about corruption related to environment (e.g. issuing of permits and licenses for exploitation of land and other natural resources, disposal of waste). With regard to repression, the strengthening of cooperation between police and prosecutors is envisaged to improve investigations – one of the weaknesses as indicated above.

It is also anticipated that improved governance and transparency (objectives under the anti-corruption strategy) will have a multiplier effect on respecting rules, including those related to environment, for example: transparent provision of permits/licences; improved compliance with public procurement law/regulations preventing public decisions with negative impact on the environment.)

Beyond the scope of this action, PAMECA support is aimed at amending the legislative framework to clarify the allowed use of the environment, and clearly distinguish between what constitutes an administrative contravention and what constitutes a criminal offence (criminal law) in the area of environmental protection. Other complementary actions are supported under the CSO facility projects, e.g. fight against corruption in the forestry sector. Since 2013, Albania reports to the European Environmental Agency in compliance with monitoring reporting requirements, which is largely due to EU support via IPA actions.

#### **5.4 ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

According to the 2013 Needs Assessment carried out by the Technical Assistance for Civil Society Organisations in Albania, the non-governmental sector in Albania is small and relatively underdeveloped. The Government recently adopted a Roadmap for Albanian government's policy towards a more enabling environment for civil society development and involvement in policy design, in line with Guidelines for EU support to civil society in enlargement countries 2014-2020. The smooth implementation of the roadmap is expected to increase the interest and input of CSOs especially in RoL where the demand for inclusion is high.

CSOs were consulted for the AC Strategy and Action Plan 2015-2017 and are involved in the monitoring of their implementation as a permanent member of the IPMG. In addition, linkages with national and regional CSO initiatives will be established in areas such as: awareness raising, monitoring public administration reform, advocacy (SELDI<sup>24</sup>, WeBER<sup>25</sup>). It is to be noted that the office of Transparency International in Albania was closed in January 2016 by decision of TI headquarters following serious management irregularities and politicisation. This shows the limit of independence of CSO in this sector. The EU is currently implementing an IPA regional project with Transparency International which will for the first time map main institutions' (judiciary, executive, legislative, private, CSO) vulnerability to corruption and ability to fight corruption according to TI "National Integrity System" methodology. The reports for Albania should be available in spring 2016.

The intervention intends to ensure continued close coordination and alignment of the activities of development partners, allied to active participation of stakeholders in civil society and local government. Support is required for increasing CSOs' structural awareness and familiarity with aspects of sector governance, reform, aid effectiveness and international development processes. The EU under its CSO facility is providing substantial assistance to NGOs in strengthening their oversight role and in advocating for raising public intolerance to corruption. (see details under "complementary activities" and on the EU delegation website).

The National Council for European Integration was established on 8th of May 2015 in the Albanian Assembly with the participation of the Assembly, Government, independent institutions and civil society organisations. The Council will be the highest national consultation body on European integration. NCEI mission will be to promote and guarantee comprehensive cooperation between political forces, public institutions and civil society, as well as to increase transparency in decision-making on European integration issues. Through this body the CSOs could participate in an institutionalised way in the monitoring and consultation for the strategic documents related to the justice reform and anti-corruption. At the governmental level CSO involvement can be enhanced through the support of the Ministry of European Integration and its dedicated structure for civil society.

#### **5.5 MINORITIES AND VULNERABLE GROUPS**

Insights and results of studies on the impact of corruption, including on women and men from poor, marginalised and vulnerable groups, in accessing basic services and rights will close data and information gaps, directly feeding into the AC Strategy update and Action Plan revision processes. In addition, development and introduction of gender and socially sensitive measures, indicators, and targets; targeted awareness campaigns; and strengthening of complaint and redress mechanisms have a multiplier effect on vulnerable groups and minorities.

### **6 SUSTAINABILITY**

The sustainability of the results of this action will be supported by closely following-up on government's implementation of the strategy against corruption as well as engaging in high level dialogue forums and under the IPMG. The ongoing technical assistance to build up the capacity of the

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<sup>24</sup> South east European Leadership for Development and Integrity: [www.seldi.net](http://www.seldi.net)

<sup>25</sup> Western Balkans Enabling Project for Civil Society Monitoring of Public Administration Reform)

relevant institutions and to improve sector coordination will contribute to increased sustainability of the results of this action.

With regard to financial sustainability, it is assumed that by 2020, at the end of the current AC strategy, corruption will be reduced. Thus, leading to more efficient and effective spending of public funds as well as reduced wastefulness which in turn should create fiscal space for continuous funding of running costs of anti-corruption related institutions. The ongoing justice reform, funded separately through the IPA Rule of Law programme, will complement this action and its sustainability.

## **7 COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities.

Complementary assistance will further support awareness raising for anticorruption as well as communication and visibility for the action.