



**EVALUATION OF THE EUROPEAN UNION EXTERNAL ACTION**

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# **EVALUATION OF BUDGET SUPPORT IN ALBANIA**

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**Draft Final Report**

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# Evaluation of Budget Support in Albania (2014-2020)

## Draft Final Report

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## Acronyms/Abbreviations

<b>ADISA</b>	Agency for the Delivery of Integrated Services Albania
<b>BSP</b>	Budget Support Programme(s)
<b>CSO</b>	Civil Society Organisation
<b>DAC</b>	Development Assistance Committee
<b>DoPA</b>	Department of Public Administration
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	European Commission
<b>EQ</b>	Evaluation Question
<b>EU</b>	European Union
<b>EUD</b>	European Union Delegation
<b>EUR</b>	Euro
<b>GDP</b>	Gross Domestic Product
<b>GoA</b>	Government of Albania
<b>HDI</b>	Human Development Index
<b>IPA</b>	Instrument of Pre-Accession Assistance
<b>IFI</b>	International Financial Institution
<b>IL</b>	Intervention Logic
<b>IMBC</b>	Indirect Management by the Beneficiary Country
<b>IMF</b>	International Monetary Fund
<b>INSTAT</b>	Institute of Statistics in Albania
<b>IPA</b>	Instrument for Pre-Accession
<b>IPMG</b>	Integrated Policy Management Group
<b>ISP</b>	Indicative Strategy Paper
<b>ISSG</b>	Inter-Service Steering Group
<b>IT</b>	Information Technology
<b>JC</b>	Judgement Criterion
<b>LGU</b>	Local Government Unit
<b>MoFE</b>	Ministry of Finance and Economy
<b>MoHSP</b>	Ministry of Health & Social Protection
<b>MoIE</b>	Ministry of Infrastructure and Energy
<b>MoJ</b>	Ministry of Justice
<b>MoLSWY</b>	Ministry of Labour and Social Welfare and Youth
<b>NIPAC</b>	National IPA Coordinator
<b>NSA</b>	Non-State Actor
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PAR</b>	Public Administration Reform
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Finance Management
<b>PPP</b>	Public-Private Partnership
<b>SASPAC</b>	State Agency of Strategic Programming and Aid Coordination
<b>SDG</b>	Sustainable Development Goals
<b>TA</b>	Technical Assistance
<b>UN/UNDP</b>	United Nations/United Nations Development Programme
<b>VET</b>	Vocational Education and Training
<b>WB</b>	Western Balkans
<b>WBIF</b>	Western Balkans Investment Framework

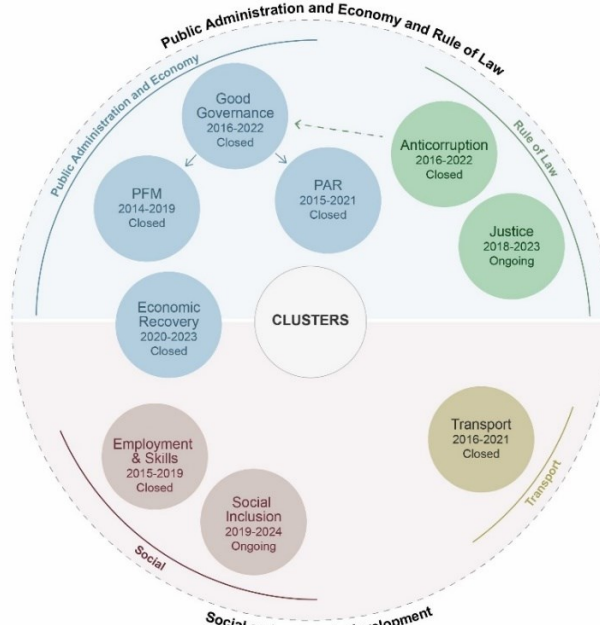
## Executive Summary

***This strategic evaluation assessed the contribution of EU Budget Support implemented between 2014 and 2020 in support of the objectives of IPA II and Albanian policies.***

This evaluation was mandated by DG NEAR of the European Commission. Its objective is to assess the extent to which, and under which circumstances, the EU-funded Budget Support, as a modality of EU assistance of the Instrument for Pre-accession Assistance (IPA II), has successfully enhanced the policies, strategies, and spending of the Government of Albania to achieve sustainable results in the reforms key for advancing in the EU enlargement process. While the time scope of the evaluation runs between 2014 and 2020, the evaluators have tried to incorporate more recent events and data available, when preparing this report (end 2023).

**Nine Budget Support Programmes were formulated under the 2014-2020 EU-Albania Indicative Strategy Paper.** For this evaluation, the nine programmes were aggregated into two groups, each broken down into two thematic clusters: 'Public Administration and Economy' and 'Rule of Law' clusters formed the first group; the 'Social' and 'Transport' clusters formed the second. The Economic Recovery programme contained elements of both groups.

### CLUSTERING OF EU BUDGET SUPPORT PROGRAMMES IN ALBANIA 2014-2020



**The objective was to undertake an overall assessment of the joint contribution of the Budget Support to the objectives of IPA II,** including the objectives spelled out in the EU-Albania Indicative Strategy Paper 2014-2020, and to the Albanian National Strategy for Development and Integration 2015-2020 and sector reform strategies.

***The context of EU-Albania relations in the period covered by the evaluation was positive.***

In April 2009, Albania submitted its official application to join the EU. On June 2018, the General Affairs Council of the EU responded with a favourable recommendation on the commencement of EU accession negotiations, which was ultimately confirmed in March 2020.

**Considering Albania's attainment of candidate country status, both the Government of Albania's and the EU's strategic and programming documents emphasised Public Administration Reform (PAR) as one of the top five reform priorities.** In May 2014, the Albanian government devised a National Plan for EU integration 2014-2020 and embarked on ambitious reforms encompassing various complex aspects of PAR, including the development of strategies to improve areas such as public finance management, anti-corruption, decentralisation,

and digitalisation. Since 2016, Albania has also undertaken a comprehensive reform of the justice sector aimed at combating impunity and reinstating public trust in the justice system.

**Albania has made notable economic and social progress, successfully transitioning into an upper-middle-income economy in the last 20 years, albeit still facing difficulties** as one of the poorest countries in Europe. Unemployment remains a significant socio-economic challenge, particularly among the young population. Labour market participation is low and informality of the economy is still high. Additionally, high levels of emigration have considerably impacted on Albania's human capital. Albania has not invested sufficiently in infrastructure, contributing to the poor condition of its road network. To address this, it proved necessary to improve road maintenance practices, enhance the quality of construction and improve safety standards on roads.

***The team followed the standard Budget Support evaluation methodology.***

**The evaluation methodology follows several guidelines: the OECD/DAC Budget Support Evaluation<sup>1</sup>, EC Better Regulation, the EC Budget Support and DG NEAR's evaluation guidelines.** The sequence of expected effects of EU Budget Support programmes in Albania is represented in an Intervention Logic that encompasses five levels of analysis (the higher the level, the more important the effect): 1) inputs of Budget Support programmes (defined as conditional disbursements, policy dialogue, and complementary support); 2) direct outputs (opportunity framework created by inputs); 3) indirect outputs (improved legal, policy and institutional frameworks, increased capacities of Albanian institutions and improved service delivery); 4) outcomes (effects of public services on service users, trust of the population); and 5) impacts (high-level effects of Budget Support as a tool of EU assistance, with the most relevant impact being Albania progressing towards meeting the requirements of EU integration).

**The contribution analysis was done by examining the overall Intervention Logic of EU Budget Support operations in Albania.** The team has evaluated the extent to which the expected contribution of Budget Support programmes to the design and implementation of Albanian policies was confirmed, and how this may have affected the achievement of the objectives of the EU framework, especially IPA II, and of relevant Albanian policies.

***The evaluation findings confirm that Budget Support financial and technical resources contributed to successful legal, policy and institutional reforms in Albania.***

**The evaluation results confirm the positive effects of EU assistance provided via Budget Support to Albania during the 2014-2020 period.** The analysis demonstrates that Budget Support programmes played and continue playing a pivotal role in driving essential and strategic reforms. Budget support programmes were introduced in Albania in 2014 in a favourable context of strong EU-Albania relations and robust Albanian national and sector reforms strategies.

**Budget Support programmes, combined with other EU initiatives, has been instrumental in supporting Albania's progress towards readiness for EU accession.** EU-funded Budget Support interventions effectively assisted Albania in aligning its legal frameworks to the *acquis*, ensuring policy compliance with EU standards and strengthening the capacities of the country's central government institutions. To achieve this, EU programmes provided different types of resources: conditioned disbursements, policy dialogue and complementary support, the latter mostly in the form of Technical Assistance.

**Over EUR 160 million were disbursed to the Albanian Treasury between 2014 and 2022.** The Albanian government has freely disposed of these amounts, in line with standard Budget Support practice. Evidence from the evaluation shows that the Ministry of Finance and Economy significantly increased the allocation of national budget resources to the sectors supported by EU Budget Support. The evaluation has confirmed that Albania prioritised funding for public administration (including public financial management), justice and anti-corruption, employment policies, social inclusion and road transport infrastructure.

<sup>1</sup> OECD-DAC (2012) Evaluating Budget Support: Methodological Approach



**The conditionality of EU Budget Support payments helped to improve the design of monitoring and reporting systems of the Albanian institutions.** The indicators used in the performance frameworks of the EU programmes were taken from the Albanian sector strategies. Therefore, being able to accurately define and track the objectives and targets of sector reform strategies became increasingly important, as disbursements depended on the performance evidence the Albanian entities could provide. Additionally, the compliance review mechanism put in place by the EU was largely appreciated by stakeholders, as it served not only to monitor the achievement of indicator targets, but also to provide technical and strategic insight to the Albanian institutions in the implementation of reforms.

**The technical and strategic discussions of Budget Support programmes positively influenced EU-Albania relations.** Budget Support-related dialogue contributed to pushing reforms and fed into high-level bilateral dialogue in the frame of EU accession negotiations.

**Complementary Support actions proved valuable to develop the capacities of Albanian institutions, particularly at the central level.** Although with some delays, Technical Assistance helped Albanian entities to build capacity to design and implement reform packages. Twinning actions with EU Member States were particularly well appreciated by the counterparts.

**The introduction of grant schemes as part of the financial allocation of the programmes enhanced the capacity of Civil Society Organisations, although at a small scale.** Despite this support, public participation and the influence of civil society and social actors on policymaking and implementation in Albania remained weak overall.

*The evaluators assessed as modest the impacts on the well-being of the population, despite progress in the reviewed Albanian sector policy reforms.*

**Budget Support Programmes contributed to strengthening policy implementation and monitoring in Albania, facilitating improvements in good governance and public service delivery.** Progress was observed in government effectiveness and, particularly, in digitalisation (e-services), both topics strongly sustained by EU Budget Support. The reduction of government arrears, and more credible and results-oriented budgets were also remarkable achievements of the EU-backed Public Financial Management reform process.

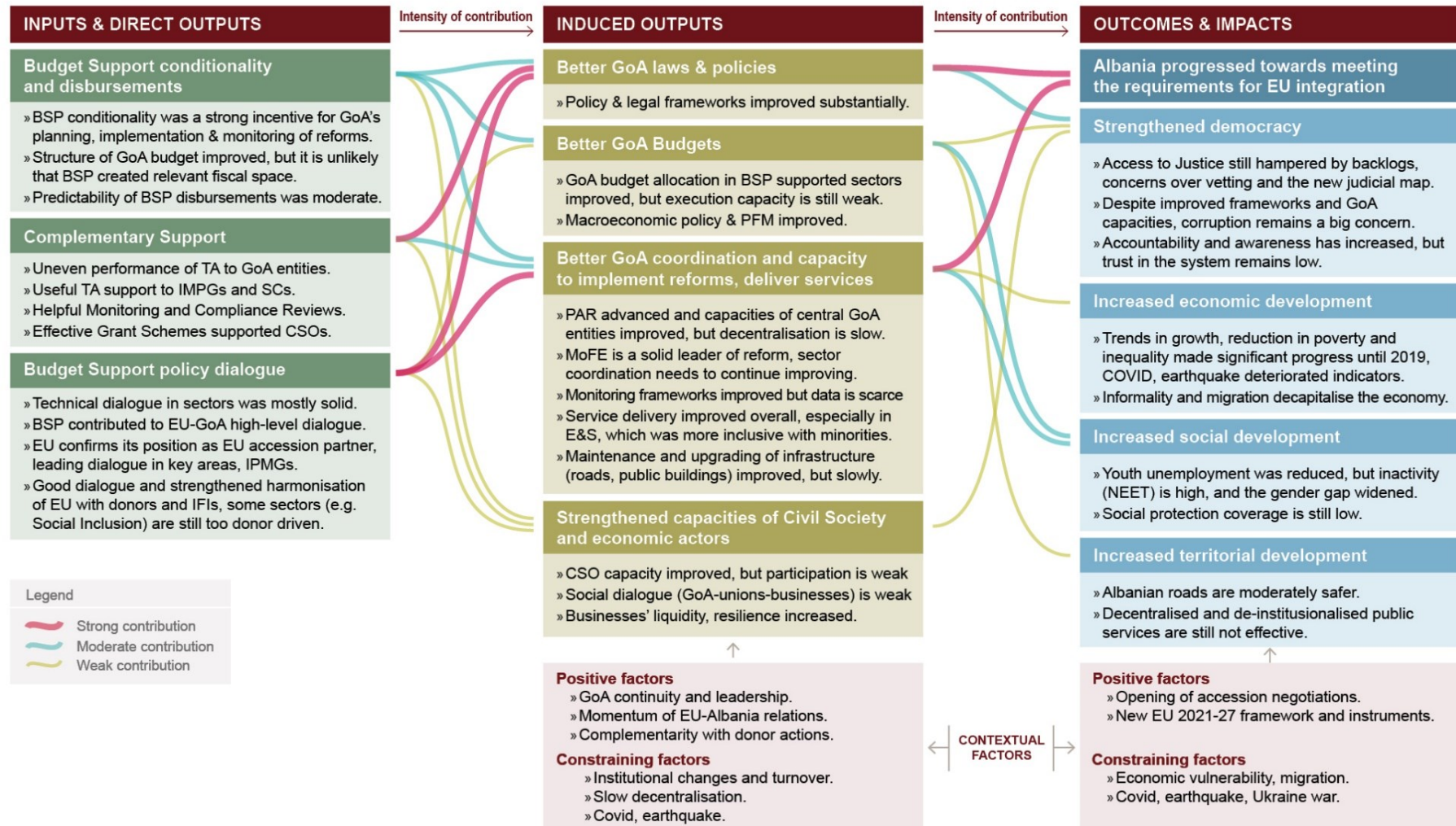
**Despite commendable efforts in judicial and anti-corruption reforms, both largely supported by EU Budget Support, progress is slow.** The judicial sector is understaffed after going through a vetting process of judges and prosecutors, undertaken to enhance transparency and reduce corruption in the system. This led to a sharp increase in case backlogs, which has only recently started being reduced. This situation and the limited availability of free legal aid has affected access to justice, especially for the vulnerable. The perception of corruption and exposure to it remain high, contributing to low overall trust in the justice system.

**EU's Employment & Skills Budget Support programme moderately contributed to the achievement of the results included in the Employment and Vocational Education and Training, policies, and to reducing the existing inequalities.** The inclusion of women and minorities through the upgrade of vocational training and employment programmes and the increased access to training and employment services were part of the interventions and yielded some results. Unemployment rates declined, particularly among young population. However, challenges persist, including high levels of migration, the still large size of the informal sector and the widening gender employment gap, unveiling specific challenges that women from rural and remote areas face in access to formal employment. The low employability of VET graduates indicates a need for closer collaboration between the government and social partners (unions and business associations) to align professional training of workers with labour market demands.

**With the help of the Transport Budget Support programme, Albanian government efforts to reinforce road controls and improve safety have resulted in a moderate decrease in accidents and fatalities.** While progress has been made in improving main roads, challenges persist in maintaining secondary roads and enforcing traffic regulations. Poor vehicle condition, driver training and behaviour are also concerns, with a high rate of recorded speeding events.

The contribution analysis represented in the figure below schematically outlines the main elements of EU Budget Support Programmes (BSP) in Albania, the effects (and intensity) observed in Albanian entities, Non-State Actors and the Albanian population, as well as the contextual and strategic aspects of EU interventions.

## Overall contribution analysis of EU Budget Support in Albania 2014-2020



Source: Mancala Consultores

*Four conclusions were reached on the responsiveness of Budget Support to the Albanian enlargement context, and how EU assistance contributed to the observed achievements in national and sector policies...*

1. **With the help of EU Budget Support, Albania has made very substantial progress in approximating its legislative and policy frameworks to EU standards, and in strengthening the capacities of its institutions. The country is closer to EU accession, but challenges remain.** Albania has experienced a remarkable transformation of its legal and policy frameworks. This constitutes a development of significant importance to its EU accession process. The country's institutions have undergone substantial improvements in their capability since 2014. All of this is, to a large extent, due to EU assistance, including the role played by the Budget Support as one of the modalities used. Despite these advancements, persistent challenges in the sectors require further efforts from the Government to ensure that accession negotiations are successful, capacity is consolidated, and service delivery enhanced.
2. **While Budget Support has proven very appropriate to channel EU assistance to Albania, certain particularities of how programmes are designed and implemented in an EU-enlargement context were observed.** The expected advantages of Budget Support over project-based approaches were confirmed, as, among other issues, it proved better at utilising a systemic governance approach, aligning with national strategies, promoting government ownership, and feeding technical dialogue into high-level political discussions. Nevertheless, certain features of the EU enlargement process such as its primary focus on legal, policy and institutional reforms and the pre-existing dialogue and monitoring mechanisms in EU-Albania pre-accession negotiations make the use of the Budget Support different from its utilisation in non-enlargement contexts.
3. **While EU Budget Support effectively helped the government to successfully design and implement legal, policy and administrative reforms, the effects of targeted policies on the well-being of Albanian citizens are smaller than expected.** Despite successful reforms at the institutional level, tangible results for the population are still scarce. The actual outcomes of Albanian policies in the targeted sectors are still modest. Reforms have brought some positive developments in terms of economic capacity of Albanians and government effectiveness, but the country continues to grapple with issues related to quality of living standards, fiscal discipline, access to justice, corruption, labour market dynamics, and public trust. Therefore, the limited results of Albanian policies hamper the actual contribution of Budget Support Programmes to economic, social and territorial development in Albania.
4. **Only the more recent Budget Support operations in Albania effectively incorporated rights-based approaches, particularly the needs and rights of women and the access to services of the most vulnerable populations.** The EU is a very strong advocate of Human Rights and the rights-based approach of public services, and this is a key objective of IPA II. However, this was not properly captured in most Budget Support programmes, especially the earlier ones. The gender approach was not effectively integrated into the majority of Budget Support Programmes, as only some of the most recent operations included gender-sensitive indicators in their results and performance frameworks. Additionally, there is a need for Budget Support Programmes to improve their response to the challenges faced by vulnerable groups who are at risk of being left behind, particularly in the digitalisation of public services and justice centralisation processes.

*...completed with three conclusions on the operational aspects of Budget Support.*

5. **The formulation of Budget Support interventions was overall in line with good practice and the design of interventions gradually improved over time.** The design of operations in Albania was overall of good quality and it followed the EU Budget Support Guidelines. This should be acknowledged, given the complexities involved in formulating Budget Support Programmes, especially considering that in 2016 this modality was new for Albania and the region. The formulation of more recent interventions was overall sounder than the earlier ones. However, there are opportunities to further improve the formulation of budget support programmes, including the appropriate duration of interventions, the sustainability of assistance and the clarity of performance frameworks.
6. **Budget Support related dialogue is functioning well, primarily led by the Ministry of Finance and Economy and other central government bodies.** Key features include strong EU-Albania dialogue and close coordination of the government with donors and IFIs. Dialogue in the targeted sectors has proved an incentive for reform, together with the conditionality of EU disbursements and, to a lesser extent, the implementation of capacity-building actions. Nevertheless, the full potential of Budget Support dialogue has not yet been reached: EU-Albania exchanges are largely centralised, and smaller

Albanian agencies and civil society are not yet sufficiently integrated into internal coordination and programme dialogue structures.

7. **Despite some improvements in the design of Albanian monitoring systems fostered by Budget Support, the Albanian government's capacity to produce, analyse and disseminate data on the results of its policies is still weak.** Budget Support has helped develop Monitoring & Reporting frameworks of the Albanian institutions, which has improved design overall. Unfortunately, their implementation is still pending and the ability of Albanian public sector to produce and incorporate comprehensive data sets into its decision-making processes and make information available to the general public is insufficient, especially at the sector level. This hampers evidence-based policymaking and complicates the assessment of the effects of Albanian strategies and Budget Support interventions.

***Five general recommendations are made on how Budget Support in Albania should continue to be used while improving its design and effectiveness...***

1. **Continue using budget support to pursue common Albania and EU objectives, while considering adjustments that would allow to better adapt the modality to the EU enlargement context.** Budget Support is confirmed as a highly suitable modality for channelling EU assistance to Albania and the EU should continue to use it as one of its main tools. It is nevertheless advisable that DG NEAR and the relevant EU Delegations in the Western Balkans explore potential adjustments to the design, implementation and evaluation of Budget Support Programmes in the enlargement context. Such adjustments would aim to increase the benefits of the modality in pre-accession countries and could include the following: setting more flexible duration and disbursement arrangements, providing more detail on the scope of Budget Support-related policy dialogue, and adjusting expectations of the influence of EU disbursements on the creation of fiscal space in the recipient countries' budgets.
2. **Increase the focus of Budget Support on assisting the Albanian administration to urgently improve data collection and analysis capabilities to enable evidence-based policymaking.** Use Budget Support Programmes to encourage further strengthening of the Albanian governmental data systems, especially at the sector level, ensuring data quality and availability, and utilising robust analysis methodologies. This will provide a solid foundation for informed policy decisions, increasing the relevance, efficiency and effectiveness of policies and donor programmes, as well as improve accountability.
3. **Improve the effectiveness of Budget Support Programmes, using the modality to promote and foster the achievement of sustainable and inclusive policy results that improve the well-being of Albanian citizens.** In addition to continuing supporting legal, policy, and institutional reforms that are key for a future accession Of Albania to the EU, Budget Support can be useful to further enhance outcomes and impacts of Albanian policies to contribute to the well-being of Albanian citizens, particularly by strengthening democracy and fostering sustainable economic, social and territorial development.
4. **Consider ways to make Budget Support capacity-building components more useful and efficient.** Enhance the practicality and sustainability of Budget Support in Albania by making a more timely and tailored use of the capacity building resources of interventions. Continue strengthening the coordination with other EU interventions at national and regional level, as well as with other donors' technical support.
5. **Increase the involvement of government sector entities and civil society in the implementation of Budget Support, particularly through more participation and inclusive policy coordination.** Sector policies would benefit from an increased involvement and a greater role of government bodies that are closer to service delivery, consistently with the ongoing decentralisation process. Larger fund allocations to complementary support, increased funding of civil society organisations and their larger participation in the public policy process can contribute to strengthen the social contract, thus improving the trust that citizens have on the Albanian State institutions .

***...completed by five recommendations to make the EU assistance more impactful in moving the Albania reform agenda specifically in the five areas under consideration.***

6. ***Good Governance (Public Administration Reform):*** Continue using Budget Support to improve Human Resource Management and ensure that the digitalisation process of Public Administration leaves no one behind. The EU Budget Support to PAR/Good Governance should further support national government's human resources management reforms (e.g. processes and standards) and assist the digitalisation of public services agenda, including stronger conditionalities to ensure that the most vulnerable layers of society are not excluded by the reform.
7. ***Good Governance (Public Financial Management):*** EU Budget Support should help Albania in reinforcing arrears controls and improving public investment management, also by developing

**the Single Investment Pipeline.** EU assistance should be directed to implement government measures to keep budget arrears under control, in close adherence to multi-annual investment frameworks. Improved public finance, (including Public Investment Management) and infrastructure initiatives (particularly transport) are mutually reinforcing and would benefit from even closer collaboration between the respective Ministries and Agencies. Additionally, the Albanian entities should further refine their capacity to secure funding from regional sources especially the Western Balkans Investment Framework, given its concessional grant component.

8. **Rule of Law: Continue supporting government efforts to increase the number and quality of judicial officers, to promote effective citizens' access to justice, and improve communication on sector policy reforms achievements.** The EU and Albania should pay particular attention to three key issues: Firstly, the justice sector should receive sufficient national budget resources to ensure that the reforms continue to be implemented. Secondly, all relevant sector entities should be involved in policy implementation, to attain effective results and achieve Albanian policy and EU Budget Support objectives. Some of these policy measures include expanding the legal aid services, intensifying and concluding the vetting process, increasing the training of judges and prosecutors, working to lower the exposure to corruption, and reducing court backlogs, while adopting a rights-based approach throughout the provision of justice services. Lastly, the Government's communication of the reform should improve to continue increasing the trust of Albanian citizens in the judicial system.
9. **Employment, Skills and Social Inclusion: EU should continue working with Albania to make policy coordination and dialogue more inclusive and effective, improve the implementation and monitoring capacities of public entities, and prioritise communication & visibility actions to attract young population to Employment & Skills services.** To enhance policymaking and effectiveness of Employment & Skills in Albania, current and future Budget Support operations should work towards strengthening internal coordination and dialogue (particularly through including businesses and worker unions), continue assisting the improvement of institutional capacities to implement and monitor policies, and raise awareness on VET and Employment Promotion Programmes, especially among the young population. Additionally, the EU should further support decentralisation, institutional cooperation and the prioritising of gender and inclusion efforts to help the country advance with its social agenda.
10. **Transport: EU should support Albania in shifting the focus of transport policy towards safer and cleaner alternatives to road transport, while the government continues working to make roads safer, and travel more efficient and less polluting.** Considering that Budget Support Programme to the road sub-sector has finished, it would be beneficial for EU to promote greater access of Albania to the Western Balkans Investment Framework. This would provide a stronger focus on investment to support inter-modal transfer, because rail and maritime transport is cleaner and more efficient than road transport. Albania can build on the progress already being made on road safety to sustain the trend in reducing accidents and fatalities on Albanian roads, improve road maintenance and implement evidence-based policies that fully reflect environmental and value-for-money considerations.

# 1. Introduction

## 1.1. Objectives and Scope of the strategic evaluation

As established in the Terms of Reference, this evaluation assessed to what extent and under which circumstances EU (European Union)-funded Budget Support programmes have successfully enhanced the policies, strategies, and spending actions of the Government of Albania in order to achieve sustainable results in the EU enlargement key reforms .

The scope of the evaluation includes nine sector Budget Support Programmes (BSPs) formulated under the 2014-2020 EU-Albania Indicative Strategy Paper (ISP). The 2014-2020 ISP and the programmes fall under the Instrument for Pre-accession Assistance (IPA II).

It is important to note that, as a strategic evaluation and following the OECD-DAC methodological approach for Budget Support<sup>2</sup>, this report focuses on the design and effects of the modality, including related policy dialogue, in Albania as a whole. It is not an individual evaluation of each programme (see Section 2).

The temporal scope of the evaluation runs between 1 January 2014 and 31 December 2020. As the evaluation began in March 2022 and ran well into 2023, the evaluation team has incorporated more recent events and data where possible.

**TABLE 1: PROGRAMMES UNDER THE SCOPE OF THE EVALUATION**

SECTOR OF THE BSP	TIMEFRAME	ORIGINAL BSP ALLOCATION (EUR million)	BSP ALLOCATION POST ADENDUM (EUR million)	ORIGINAL COMPLEMENTARY SUPPORT (EUR million)	COMPLEMENTARY SUPPORT POST (EUR million)	STATUS <sup>3</sup>
Public Financial Management (PFM)	2014-2019	40	39	2	3	Closed
Public Administration Reform (PAR)	2015-2021	28	25	4	7	Closed
Employment & Skills	2015-2019	27	n/a	3	n/a	Closed
Anti-Corruption	2016-2022	9,60	8.30	0,40	1,70	Closed
Transport	2016-2021	21	n/a	3	n/a	Closed
Justice	2018-2023	34	n/a	8	n/a	Ongoing
Social Inclusion	2019-2024	30	50.65	20	20	Ongoing
Good Governance	2020-2023	36	n/a	12,10	n/a	Ongoing
Economic Recovery	2020-2023	26	n/a	-	n/a	Ongoing

Source: EU

<sup>2</sup>Evaluating Budget Support: Methodological Approach (OECD DAC 2012) [https://t.ly/9O\\_U](https://t.ly/9O_U)

<sup>3</sup> As of September, 2023

## 1.2. Overall political, social, and economic context

A short summary of the overall context in Albania is provided below; for a more detailed description of these areas, please refer to Cluster Notes in Annexes 8 - 12.

### Political Context:

Since 1990, Albania has made significant strides towards democracy, establishing a parliamentary republic through its constitution. The highest legislative body, the Assembly, consists of elected deputies who are responsible for creating and approving laws. The executive branch is led by the Council of Ministers, while the President represents the unity of the people. Prime Minister Edi Rama has been in office since 2014. Efforts have been made to reform the justice system and address corruption, although challenges persist. Trust in the government and judiciary remains low. Albania is working towards aligning with European standards, and local elections are being held to enhance governance and public services.

### Social Context

Albania's population is predominantly young<sup>4</sup>. Those aged under 15 in 2020 constituted 16.7%, compared to an average 15% across the EU-27 countries, although it is experiencing a decline due to high migration rates. Poverty rates in the country are higher than neighbouring nations, and there are concerns regarding income inequality, particularly among marginalised communities such as the Roma and Egyptian populations. Although progress was made in reducing gender inequality, gaps still exist, with the 2019 female HDI value of 0.780 (compared to 0.774 in 2014) resulting in a GDI value of 0.967, placing Albania into Group 2 (medium to high countries with medium to high equality). The Gini index indicates a declining trend in income inequality, but despite improvements in education and training, there are ongoing challenges in the economy in terms of equal opportunities. Albania has also faced natural disasters, including floods and an earthquake in 2019, as well as the COVID-19 pandemic, which have further hindered its recovery. Overall, Albania continues to grapple with population dynamics, poverty, inequality, and the need for recovery and resilience.

### Economic Context

Albania has made significant strides in its economic growth and development and has transitioned into an upper-middle-income country. However, it still faces challenges as one of the poorest nations in Europe. Despite setbacks from the 2019 earthquake and the COVID-19 pandemic, the economy has demonstrated resilience. The service sector contributes the largest share to the economy, followed by industry and agriculture. Macroeconomic stability has been maintained through sound monetary policies, but there is a heavy reliance on imports and external pressures. Efforts are underway to increase revenues and enhance the tax system. The budget deficit has increased due to earthquake reconstruction and wage raises, leading to a rise in public debt, as the government used borrowing to stimulate growth. Albania continues to struggle to advance towards greater sustainable economic growth and development.

### Albania's path towards EU Accession

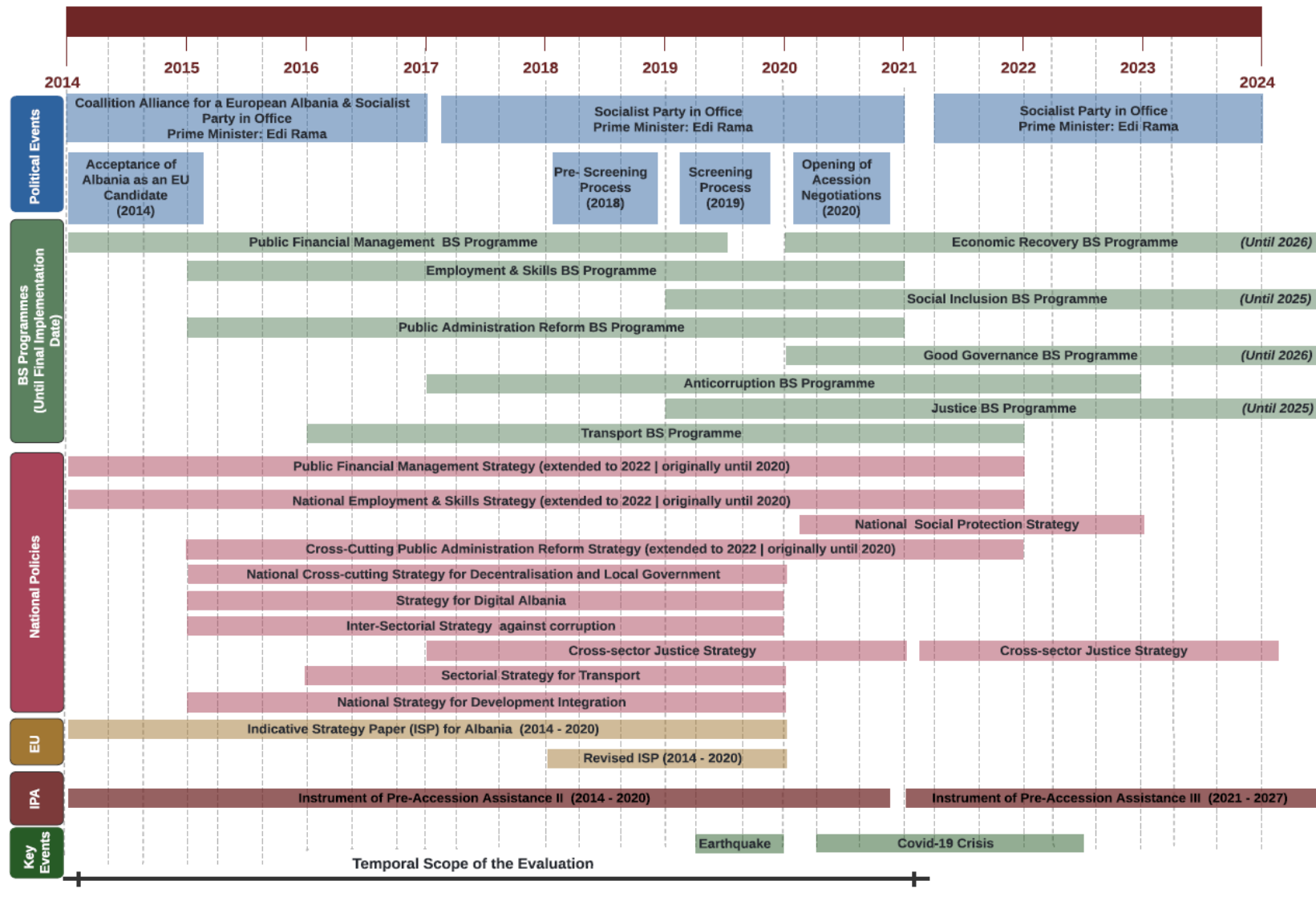
Albania initiated its journey towards EU accession in the early 2000s. The Stabilisation and Association Agreement between the EU and Albania was signed in 2006 and came into force in April 2009. In the same month, Albania officially applied to join the EU. Following a positive recommendation from the European Commission, the General Affairs Council laid out the prospect of commencing EU accession negotiations on 26 June 2018. This required progress in key reform areas, including judicial reform, administrative reform, the fight against corruption and organised crime, and the protection of human rights. The European Commission's country report in May 2019 once again recommended the initiation of EU accession negotiations, which were ultimately confirmed in the Council's conclusions in March 2020.

Figure 1 (below) presents a timeline of the main political events since 2014, including the acceptance of the candidacy of Albania to the EU and the start of the accession negotiations, national policies (at both national and sector levels) and EU BSPs, alongside other significant events.

<sup>4</sup> Eurostat, Demography of Europe, 2021 Edition, pg.8



FIGURE 1: TIMELINE OF MAIN EVENTS IN ALBANIA SINCE 2014



Source: Mancala Consultores based on EU and GoA information

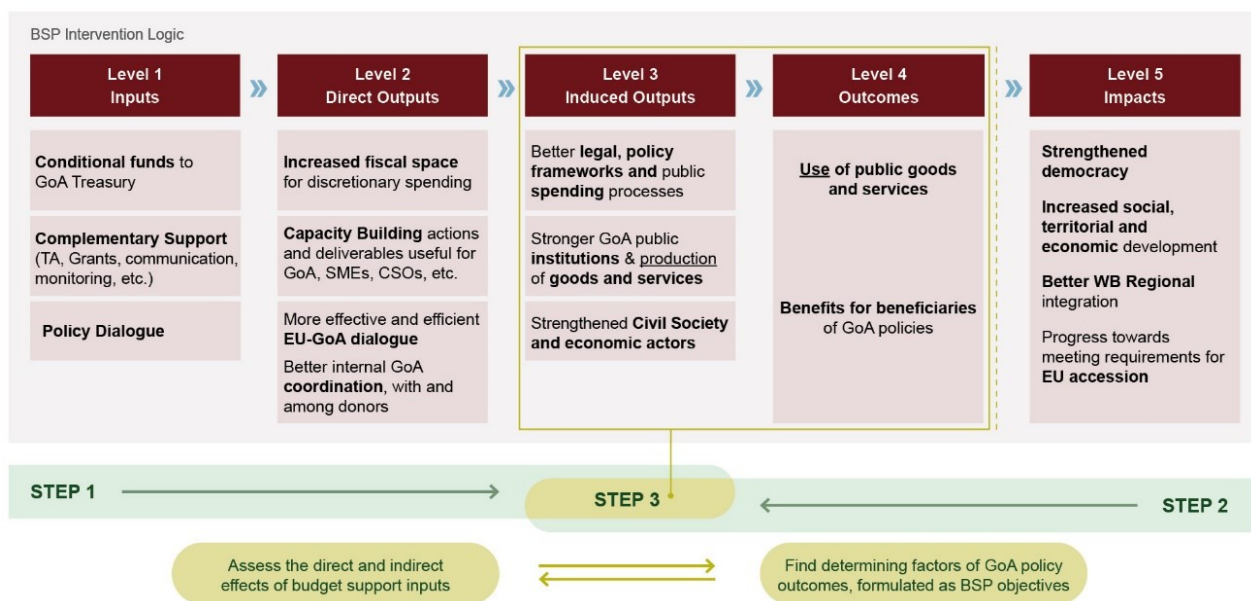
## 2. Key Methodological Elements

### 2.1. Overall evaluation approach

The OECD-DAC methodological approach for Budget Support evaluations is referred to as the “3-Step approach”, and is based on a comprehensive evaluation framework that includes:

- Step 1: An assessment of the specific contribution of the Budget Support operations to the improvement of the formulation and implementation of government strategies and civil society action, in the framework of Albania's path to EU accession.
- Step 2: An assessment of the actual achievements in terms of policy outcomes in the sectors supported by BSP, and the policy and non-policy factors that have determined such achievements.
- Step 3: A synthesis that brings together the results of the two previous steps, aimed at identifying to what extent the policies supported by the different BSP components (as shown by Step 1) have participated in the determining factors of the policy outcomes (as shown by Step 2). This would reflect the causal relationships between BSPs and the results of GoA policies at the sector level.

FIGURE 2: THE 3-STEP APPROACH



Source: Mancala Consultores, Particip

In Budget Support, the OECD/DAC methodology clearly establishes that direct attribution<sup>5</sup> of programmes to Albanian policy results is not possible. The focus of the evaluation should therefore be on the contribution of Budget Support as a modality to the implementation of GoA sector strategies, as well as to the resulting policy outcomes and impacts.

The nine interventions under the scope of this evaluation cannot be treated in isolation because there are strong links between them. For this reason, and for the purpose of structuring the analysis and following an integrated approach, the evaluation team grouped the programmes into four clusters.














- **Cluster 1: Public Administration and Economy**, which includes the BSPs on PAR, PFM, Good Governance and, additionally, Component 1 of the Economic Recovery BSP (focused on macroeconomic issues).
- **Cluster 2: Rule of Law**, which includes the justice and Anti-Corruption BSPs.
- **Cluster 3: Social cluster**, which includes interventions in Employment & Skills, social inclusion, and Component 2 of the Economic Recovery BSP (focused on private sector recovery and the labour force).
- **Cluster 4: Transport**, which includes one only intervention, focused on road transport.

Furthermore, the analyses emphasised cross-cutting issues such as human rights, gender equality, vulnerable populations (including youth and ethnic minorities), and climate change.

<sup>5</sup> Attribution is defined as “Ascription of a causal link between observed (or expected to be observed) changes and a specific intervention”. *Glossary of Key Terms in Evaluation and Results Based Management*, OECD-DAC, Paris, 2010

Data collection and analysis were structured around 12 Evaluation Questions (EQs), each of them accompanied by a limited number of Judgement Criteria (JC) and Indicators. The EQs are summarised in Table 2 below. The complete Evaluation Matrix with JC and indicators is provided in Annex 3.

**TABLE 2: OVERVIEW OF THE EVALUATION QUESTIONS**

<b>STEP 1: Levels 1, 2 and 3 of the Intervention Logic</b>			
<b>Levels 1 and 2 of the Intervention Logic: Design, implementation and first level of effects</b>			
	<b>EQ 1 Relevance and design in all sectors</b>		<b>EQ 2 Opportunity framework in all sectors</b>
<b>Level 3: Effects on public policy formulation and implementation</b>			
	<b>EQ 3.1 Formulation and implementation of PAR and Good Governance strategies</b>		<b>EQ 3.2 Effects on economic governance (macroeconomic policy, PFM and transparency)</b>
	<b>EQ 3.3 Formulation and implementation of Justice and Anti-Corruption strategies</b>		<b>EQ 3.4 Formulation and implementation of Employment &amp; Skills and Social Inclusion strategies and of the business component of the Economic Recovery Programme</b>
	<b>EQ 3.5 Formulation and implementation of the (Road) Transport strategy</b>		
<b>STEP 2: Levels 4 and 5: Effects on public policies' sector outcomes</b>			
	<b>EQ 4.1 Outcomes of PAR, Good. Governance, PFM and macroeconomic component of Economic Recovery</b>		<b>EQ 4.2 Outcomes of Justice and Anti-Corruption policies</b>
	<b>EQ 4.3 Outcomes of Employment &amp; Skills and Social Inclusion policies, and of the business component of Economic Recovery Programme</b>		<b>EQ 4.4 Outcomes – Transport (Roads) strategy</b>
	<b>EQ5 Impacts</b>		
<b>STEP 3: Links between Steps 1 and 2, General Conclusions</b>			
	<b>Find the connections between the findings in Step 1 and Step 2 (no specific EQ is included for Step 3)</b>		

Please refer to Annex 2 for a more detailed description of the methodology employed in this evaluation.

## 2.2. Challenges and limitations

The evaluation progressed slowly, particularly in the first year of implementation. Access to information was generally granted, with an array of reliable sources. However, there were occasional delays and gaps in sharing information between DG NEAR, the EU Delegation, the Government of Albania (GoA), and other stakeholders. The specific issues encountered include:

1. **Designing the evaluation framework for the first EU strategic Budget Support evaluation in an EU candidate country posed challenges and took a considerable amount of time.** Budget Support originated as a modality to assist low and middle-income countries through development-focused operations. Its application in the pre-accession context has required adapting some parts of the standard OECD/DAC Budget Support evaluation methodology. Extensive methodological discussions with the Inter-Service Steering Group (ISSG) and successive revisions to the Evaluation Matrix were necessary, causing delays in the evaluation process. Additionally, translating the analysis into the standard strategic BSP evaluation report format presented its own set of challenges. For more details on the particularities of the use of Budget Support programming in enlargement contexts, refer to section 4.5.
2. **The evaluation team faced challenges in obtaining primary source data** to measure progress in the indicators outlined in the Evaluation Matrix. For instance, data from the sources specified in the BSPs' Results Matrices, weren't easily obtained: information did not exist (e.g., Justice Reform composite indicator of the World Bank), data collection was discontinued (e.g., total km of road network on Albanian roads), the data disaggregation was insufficient (e.g., secondary legal aid provision), and/or data were not yet systematically collected (e.g. court users' and court staff's satisfaction). This uneven and sometimes partial access to data was a particular important challenge given the importance that is given to policy implementation and results in the frame of Budget Support programmes, and their evaluation.
3. **The lack of comprehensive and disaggregated set of data limited compromised the econometric analysis** on the two selected indicators. In the social cluster (Employment & Skills and Social Inclusion), the team aimed to analyse the determining factors behind the trends in the unemployment rate, with disaggregation based on various criteria (e.g., gender). While data on unemployment was received from the National Employment Services with a satisfactory level of disaggregation for statistical analysis (as explained in section 7.2), a database that cross-referenced information on unemployed individuals with VET centres attended, qualifications of VET participants, and/or the quality of curriculum used by trainers was not available. Similarly, in the transport cluster, the analysis correlating road accidents with sector policy output factors was hindered by the unavailability of a database that combined information on accidents, road conditions, safety measures, and surveillance activities. While it was possible to conduct the basic statistical analysis of accidents (refer to section 8.2), available data did not allow the evaluation team to undertake an econometric analysis to analyse the causes behind accidents.
4. **Information on some Budget Support programming implementation was incomplete.** Three of the nine Budget Support operations, initiated in 2019 or 2020, were still ongoing, as COVID 19 affected the GoA's capacity to implement the policy reforms and complementary activities, thus postponing the achievement of the results. Therefore, even when achieved, these reforms fell outside the temporal scope of the evaluation, which limited the evaluators' capacity to assess the results of those policies.

To address these constraints, the evaluation team implemented the following strategies:

- **Expanded the use of secondary sources**, such as Compliance Review reports, partial reports and deliverables from Technical Assistance, SIGMA reports, World Bank data, Transparency International publications, and the Balkan Barometer.
- **Compensated for the absence of econometric analysis by conducting an expanded statistical examination** and targeted qualitative analysis of key outcome indicators (e.g., judicial backlog, unemployment, and road accidents).
- **Collected documentation and incorporated information from 2021 and 2022**, especially to support the analysis of sustainability of GoA policy reforms and Budget Support assistance.

### 3. Appropriateness of the Design and the Preparation Process of the Budget Support Programmes for the Political Context and the Policies Supported (Level 1 – Inputs)

#### 3.1. Context of the sectors supported by budget support.

*BSPs were introduced to assist Albania in reinforcing the fundamentals of EU accession.*

**Public Administration Reform was recognised as one of the five key priorities<sup>6</sup> for Albania's accession following the granting of EU candidate country status in June 2014.** GoA embarked on ambitious reforms addressing a wide range of complex issues in public administration reform (PAR), including public finance management (PFM), the fight against corruption, and decentralisation and digitalisation, coming under the wider scope of the good governance sector.

**Fighting corruption and implementing justice reform were among the five key priorities for opening EU accession negotiations.** Weaknesses in fighting corruption existed in the overall institutional structure, the overly complex legislative framework, available human resources, managerial accountability, and in the poor cooperation between law enforcement agencies. Elevated levels of corruption resulted in a low level of public trust in public administration and the judiciary; the Transparency International Corruption Perceptions Index 2015 ranked Albania 88<sup>th</sup> out of 168 countries. The results of the Corruption Monitoring System in Albania (2016), prepared by the Albanian Centre for Economic Research, found that citizens perceive judges, public officials, political parties, and political leaders as the most corrupt groups. Several government measures, including regulatory reforms and the introduction of e-taxation and e-customs systems, aimed at the modernisation of public administration and its performance, thus contributing to the prevention of corruption. Constitutional amendments in 2012 limiting parliamentary and judicial immunity were also aimed at fighting high-level corruption. These changes were accompanied by the implementation of Council of Europe Group of States against Corruption recommendations on immunity, money laundering, and political financing.

**Albania has undertaken an in-depth justice reform, aimed at challenging the culture of impunity and restoring citizens' trust towards the justice system.** A key reason for this reform was the degree of high-level corruption in the judicial system. The unsatisfactory quality of judges' and prosecutors' work, combined with ineffective accountability and evaluation mechanisms, also contributed to the need for reform. Constitutional amendments adopted unanimously by the Albanian Parliament in July 2016 made deep structural changes of the justice system, and these were followed by the adoption of a series of organic laws, which mended the organisation and functioning of the overall justice system.

*The PFM and PAR operations set the basis for EU BSPs in Albania, and the Good Governance intervention consolidated the wider approach of EU assistance via Budget Support;*

**The PFM Programme was highly innovative as it was the first Budget Support programme in both Albania and the Western Balkans region.** Prior to development of the PFM BSP, the EU had been providing project-based assistance in several PFM-related areas, and its decision to prioritise the use of this new modality focused attention on the importance of PFM in the discussions, given that it is one of the eligibility criteria for Budget Support. The PFM programme contributed to building a strong relationship between the EU and the Ministry of Finance and Economy (MoFE). It helped to create the confidence to continue with successor BSPs, notably through ensuring that the macroeconomic, PFM and budget transparency eligibility conditions were and remained in place. The PAR BSP would follow shortly after and would also be instrumental in laying the ground for EU assistance in reforming other areas of the Albanian public sector.

<sup>6</sup> These key priorities are: Public Administration, Rule of Law, fight against corruption, organised crime and fundamental rights.

***Challenges of the labour market were significant, especially for young people.***

**Unemployment is still one of the major socioeconomic challenges in Albanian society. Labour market participation continues to be low, and the informal economy** is estimated to account for at least one third of GDP,<sup>7</sup> causing tax revenue losses, lack of labour protection, low level of social security contributions, and unfair competition among firms.

The labour participation rate of young people aged 15-29 in 2014 was significantly lower (41.9%) than the comparative figure for the general population aged 15-64 (61.5%)<sup>8</sup>. Albanian human capital has also been affected by high emigration levels; the total number of individuals leaving Albania between 1990 and 2020 amounted to approximately 50% of the population<sup>9</sup>.

***Social Protection was a priority of GoA before Budget Support assistance started.***

**In recent years, before the implementation of the Social Inclusion intervention, GoA carried out several reforms to fight poverty and social exclusion.** In November 2016, the Law on Social Care Services was adopted, which laid the foundation for a system of integrated services for vulnerable families and children. In 2019, GoA approved the Law on Social Assistance, which included economic assistance disability payments, immediate financial assistance for new-born babies, and other benefits. The Social Protection Strategy and Action Plan 2015-2020 integrated measures to empower and support people living in poverty, people with disabilities, children, women, the elderly, the young, ethnic minorities, and other vulnerable categories. The overall goal was to build a social protection system to combat socioeconomic inequalities, with policies and mechanisms to protect all vulnerable or excluded individuals through prevention programmes and social reintegration combined with employment schemes. Inclusive education was an objective of the 2015-2020 National Strategy for Development and Integration.

***There was a pressing need to upgrade road infrastructure in the country.***

**Roads and motorways represent the principal mode of land transportation in Albania** and provide essential links for freight and personal mobility in the country. The main priorities the road sector in the mid-2010s could be summarised as: i) improving road network conditions via reliable maintenance practices and balanced investments; ii) advancing proper implementation of construction, re-construction, and safety standards; and iii) enhancing quality of public spending and reliability of the transport system governance. In 2016, GoA adopted the Sectorial Strategy of Transport and Action Plan 2016-2020. The main goal of the Strategy was to have an efficient transport system, integrated in the region and in the EU network, promoting economic growth and development and upgrades citizens' quality of life. The Sectorial Strategy of Transport was implemented under the leadership of the Ministry of Infrastructure and Energy (MoIE).

***GoA's Economic Recovery Programme responded to COVID-19***

**Albania implemented an all-inclusive COVID-19 response package to address the socio-economic impact of the pandemic, which came on top of the consequences of the 2019 earthquake.** The package included a range of measures aimed at protecting public health, supporting businesses and workers, and ensuring social welfare. These measures included financial support for affected sectors, tax relief, wage subsidies for affected employees, and direct financial assistance to vulnerable individuals and families. Additionally, the government implemented programmes to strengthen the healthcare system. The COVID-19 response package in Albania reflected a coordinated effort to mitigate the immediate effects of the pandemic and lay the groundwork for a strong recovery.

Please refer to Cluster Notes in Annexes 8-12 for a detailed description of the context for each of the sectors supported by Budget Support. Also for further details on the EU BSPs and International Financial Institutions (IFIs) present in supporting the sectors.

<sup>7</sup> EC (2020), Commission assessment of Economic Reform Programme of Albania, 2020-2022

<sup>8</sup> EC (2016) Sector Reform Contract for Employment and Skills Action Document.

<sup>9</sup> INSTAT (2022), "Albanian Diaspora in Figures"

### 3.2. Coherence of the Design of the Budget Support Programmes with the objectives of the government and the EU MIPs

*Budget Support interventions in Albania are framed in the context of the IPA II regulation.*

The legal basis for the Instrument for Pre-Accession II (IPA II), primarily established by Regulation (EU) No 231/2014 of the European Parliament and of the Council, adopted on 11 March 2014. This regulation lays down the framework for the European Union's financial assistance to candidate and potential candidate countries seeking accession to the European Union. IPA II built upon the principles and objectives set out in the Treaty on European Union and the Treaty on the Functioning of the European Union, with particular emphasis on promoting the enlargement process.

The legal foundation also considers the Copenhagen criteria, which outline the conditions that must be met to become an EU Member State. These criteria encompass political stability, democracy, the rule of law, and respect for human rights. IPA II aligns with the European Union's external policies and priorities, such as the European Neighbourhood Policy and the Common Foreign and Security Policy. It also seeks to enhance stability, foster economic growth and development, strengthen institutions, and support social and political reforms in the Western Balkans and Turkey.

The Indicative Strategy Programme (ISP) 2014-2021 for Albania and the Annual Action programmes spelled out the priorities and specific actions to be funded under IPA II. It is under this comprehensive legal framework, and in line with it, that BSPs under the scope of this evaluation were formulated.

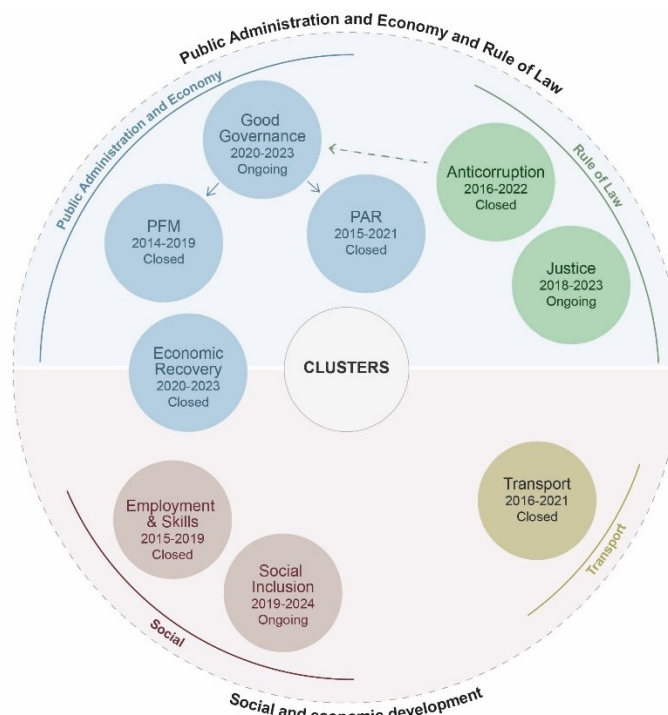
*Budget Support operations in Albania are closely interconnected and address similar or related topics.*

Budget Support operations supported sectors that are related to each other, and, in some cases, the same sector was the target of more than one programme. Some EU Budget support operations deliberately supported the same strategies or were intended to address the same issues simultaneously. The Good Governance programme continued what was being done under the PFM, PAR and Anti-Corruption BSPs, working simultaneously in the three sectors; there is also an effective continuity between the Employment & Skills and the Social Inclusion BSPs as the latter took several lessons learned from the first one. Links are found between the PAR, Good Governance and the Justice BSPs, and the PFM programme also has connections with the Transport BSP, specifically on the reduction of arrears. The Economic Recovery programme was designed as an emergency response to COVID-19, and it had connections to the PFM, Good Governance and Employment & Skills programmes, as its component 1 was focused on macroeconomic stability and component 2 was focused on supporting businesses and workers affected by the pandemic.

More specifically, PFM forms part of the glue that holds together different Budget Support operations in Albania, addressing core issues of EU accession and helping to ensure their coordination, synergies, and complementarity. Credible PFM reforms were and remain an eligibility criterion, highlighting their centrality to all EU BSPs. PAR also has a horizontal approach that brings sector reforms together. Moreover, it must be highlighted that PFM and PAR are part of EU accession fundamentals, and potential Member States are expected to fully comply with EU standards in these areas.

For this evaluation, BSPs have been organised per topics and in clusters. EU BSPs can be grouped in two overarching topics and, as mentioned in section 2.1, into four clusters. The first group relates to Public Administration, Economy, and Rule of Law, and therefore refers to programmes that aim at improving overall good governance in Albania. The second is social and economic development, referring to BSPs that support sectors related to economic activity, infrastructure, and social services provision.

**FIGURE 3: CLUSTERING OF BUDGET SUPPORT OPERATIONS IN ALBANIA**



Source: Mancala Consultores

***The programmes were highly relevant and coherent with national and sector strategies in response to the identified challenges, respecting GoA ownership and acknowledging its capacities.***

The design of Budget Support operations was ambitious and represented an important part of the EU's 2014-2020 enlargement package to support Albania's road towards EU accession. The programmes were clearly aligned to both GoA priorities, as formulated in national and sector plans, and to the ultimate objective of helping Albania achieve EU accession requirements.

**All EU BSPs in Albania for the 2014-2020 period were responsive and adaptive to the evolving reform context and GoA priorities.** Coherence was properly ensured with the *National Strategy for Development and Integration 2015-2020 (National Strategy for Development and Integration)*, which served as the comprehensive framework directing the actions of the GoA during the evaluation period.

**The PAR, PFM and Good Governance Budget Support operations were strongly anchored in various sector strategies.** In the earlier days of Budget Support programming, most areas of the PAR and PFM strategies were tackled and underpinned respectively by the PAR and PFM Budget Support operations, which were respectively linked to the Cross-Cutting Public Administration Reform Strategy 2015-2020 (PAR Strategy, extended until 2022) and the Strategy for Public Financial Management 2015-2020 (adopted in December 2014). The Good Governance programme continued supporting both strategies and grew to cover the Strategy for Anti-Corruption, the Digital Albania Strategy 2015-2020 (both adopted in April 2015) and the Strategy for Decentralisation and Local Governance 2015-2020 (adopted in July 2015). All these strategies envisaged reforms of several aspects of Good Governance, many of which were directly covered by EU assistance.

Evidence reveals strong ownership of the Department of Public Administration (DoPA) over the PAR Sector Budget Support results, of the Ministry of Finance and Economy (MoFE) over the PFM programme, and of the Ministry for Standard and Services and of the Prime Minister's Office in regard to both the wider programmes and the more recent Good Governance programme.

The PFM BSP came to support the PFM reform strategy for 2014-2020, based on addressing the weaknesses identified by the 2011 PEFA and including a wide range of objectives and related targets around the Specific Objective of strengthening "Albania's PFM system for an efficient process of budget planning, execution, and oversight with a view to reinforce fiscal discipline, streamline the allocation of resources according to policy objectives and upgrade public services delivery".



The Good Governance programme was conceived as a comprehensive package of support to GoA in its reforms to address a wide range of complex issues, many of which were being supported by the EU through previous PFM, PAR and Anti-Corruption Budget Support operations. The Good Governance Sector Budget Support demonstrated an evolution of strategic planning by both the government and the EU from the point of bringing together a number of interlinked support areas to ensure integrated approach to reforms. GoA plans to adopt a Good Governance Roadmap as an overarching framework for comprehensive reforms within Albania's EU accession efforts, which would bring together reform efforts under the mentioned sector strategies and those further afield; the Sector Budget Support is expected to contribute to the priorities under this wider roadmap.

**The policies underpinning the Economic Recovery BSP are consistent with the GoA's COVID-19 response package**, the corresponding normative acts, and the Economic Recovery Programme policy guidance recommendations. In component one, the Economic Recovery intervention appropriately targeted relevant issues of GoA macroeconomic policy, and it differed from the PFM, PAR and Good Governance in the sense that it was formulated more as a rapid response mechanism than a capacity-building initiative. Component two of the Economic Recovery programme focused on strengthening business resilience and the safety net for unemployed people; this comprised the bulk of the intervention, but it was also designed to be relevant to respond to the challenges in employment and private sector activity. A certain complexity in design is observed. For instance, the assumptions underpinning the log frame did not fully acknowledge the lags in implementation of the results chain, especially during a pandemic which slowed reform implementation. Additionally, assumptions regarding arrears being properly quantified were not realistic, given that these are lagging indicators, and the evidence may only come out of audits.

The Minister of State for Recovery, a role established following the November 2019 earthquake, has overseen the coordination of the COVID-19 response in close cooperation with the Ministry of Finance and Economy and other key stakeholders.

**Budget Support operations in support of Anti-Corruption and justice reform incorporated the priorities and 'pillars' outlined in the 2015-2020 National Strategy for Development and Integration, the cross-cutting 'foundation' of consolidating the Rule of Law programme (the Cross-sector Justice Strategy 2017-2021)**, and their related Action Plans, which aimed to address prevention, repression, and awareness-raising on corruption while supporting an independent, transparent, efficient and accountable judiciary. This was complemented by the Inter-Sectoral Strategy Against Corruption 2015-2023, which had been extended by three years, and its 2020-2023 Action Plan. Stakeholders reported strong levels of ownership in both the Anti-Corruption and justice sectors. However, the implementation of the Cross-Sector Justice Strategy 2017-2021 presented particular human and financial resource challenges to the GoA, primarily due to the establishment of entirely new justice institutions, as well as increased delays and vacancies created by the removal of judges and prosecutors through the reformed vetting process (see section 6.1 for details). BSPs therefore responded to the need to reinforce the capacities of the GoA and the new justice institutions to implement sector reform, including the new legislative framework. Human and budgetary capacities within the Ministry of Justice and beneficiary institutions to implement strategy were limited, which was taken into consideration in the design of EU support to the Rule of Law programme. Both programme Action Documents having identified absorption capacity as a risk.

**The Intervention Logics of the Anti-Corruption and justice Budget Support operations as reflected in Action Documents were directly aligned with sector challenges and priorities.** The reconstructed intervention logic for Rule of Law (see cluster note in Annex 10) identifies the anticipated outcomes of the BSPs as extracted from the overarching concerns expressed in the GoA strategic frameworks. In particular, the Justice intervention indicators are drawn from the objectives of the Cross-Sector Justice Strategy<sup>10</sup>. Additionally, both Action Documents referred to the conclusions of evaluations, namely the '*Thematic Evaluation on IPA Support to the Fight Against Corruption*' and the '*Evaluation of Justice and Home Affairs (JHA) sector IPA programmes in Albania*'.

**The BSPs in Employment & Skills and in Social Inclusion were adequately aligned with the core objectives in the respective sectors, showing high relevance and coherence with both the context and GoA's objectives.** This includes, respectively, "[contributing] to a more inclusive and effective labour market" (Employment & Skills programme), and Pillar 3 of the National Strategy for Development and Integration aimed at "poverty reduction, especially extreme poverty, thus, guaranteeing a dignified life for

<sup>10</sup> CSJS Action Plan 2019-2021: sub-objective 1/b is related to Indicators 1 and 5 of BS; sub-objective 1/c is aligned with Indicator 2; sub-objective 2/a is aligned with Indicators 3 and 4; sub-objective 3/b is aligned with Indicator 7; sub-objective 6/b is aligned with Indicator 6.

families/individual and children” (Social Inclusion programme). Both BSPs responded to the gaps evidenced by the EC Progress Report 2013 regarding “weak labour market institutions, anti-discrimination and equal opportunities”, and “lack of key reforms in the area of social protection”. GoA’s long-term engagement in these sectors has been confirmed and strengthened through the extension of the National Employment and Skills Strategy for the period 2023-2030, the completion of the National Employment and Skills Strategy mid-term review, and the reactivation of the Integrated Policy Management Groups (IPMG) (IPMG see section 4.2.1).

**Finally, the transport programme was well aligned to the road transport priorities of the Sectorial Strategy of Transport 2016-2020 but, within its three-year duration, it was only structured to address some of the key sectoral issues.** The strategic framework for Road Transport Sector for the period 2014-2020 included the Albanian National Transport Programme 2010-2015 (Albanian National Transport Programme) and the Sectorial Strategy of Transport and Action Plan 2016-2020 (Albanian National Transport Programme<sup>3</sup>), which responded to road transport challenges and objectives. Consistent with EU best practice, this BSP was a short-term programme in order to not overload the programming. It focused on two of five priorities of the Sectorial Strategy of Transport: i) harmonise the national legislation with the EU acquis for road transport of goods and passengers; and v) accelerate the amelioration of Albania’s road safety performance (maintenance of road transport infrastructure according to EU technical standards). This incorporated regular implementation of Road Safety Audits & Inspections, elimination of accident blackspots, and deployment of Intelligent Traffic Systems. Both road safety (accident blackspots) and road maintenance were also being supported by the World Bank, so there was a certain overlap between the EU and World Bank interventions. Being focused on the roads sub-sector, the BSP did not directly address some major emerging issues in the transport policy: implications for transport of rapid urbanisation; inter-modal transfer from road to rail/maritime and regional connectivity; and the contribution of transport to climate change and environmental sustainability (see section 9.1 on cross-cutting issues).

The support also targeted addressing potential risks stemming from Public-Private Partnerships (PPP), such as the potential loss of transparency and inappropriate investment prioritisation. This is a key step towards ensuring that Albania has a Single Investment Pipeline, which is seen as a priority to access the Western Balkan Investment Framework (WBIF), an important source of regional finance for infrastructure. This work has subsequently been carried forward by the MoFE with support from the World Bank and IMF to ensure that PPP investment is better aligned with Public Investment Management processes. This is important, as it shows continuity of external support and indicates that the strengthening of road transport infrastructure is a long-term commitment.

**The transport programme reflected a good understanding of the respective roles of sector stakeholders, but the focus was more operational than strategic.** The main operator was the Albania Roads Authority, which is focused on implementation, rather than MoE with its policy formulation role. Some of the support was operational: for example, the provision of equipment for the road works quality (materials) laboratory of the Albania Roads Authority. While there was practical reasoning behind this level of operational focus, there were also limitations: for example, although accident blackspots were addressed, the support did not directly engage with the Ministry of the Interior or the police with responsibility for setting and enforcing traffic regulations (addressing speeding, drink-driving, use of mobile phones while driving, etc.).

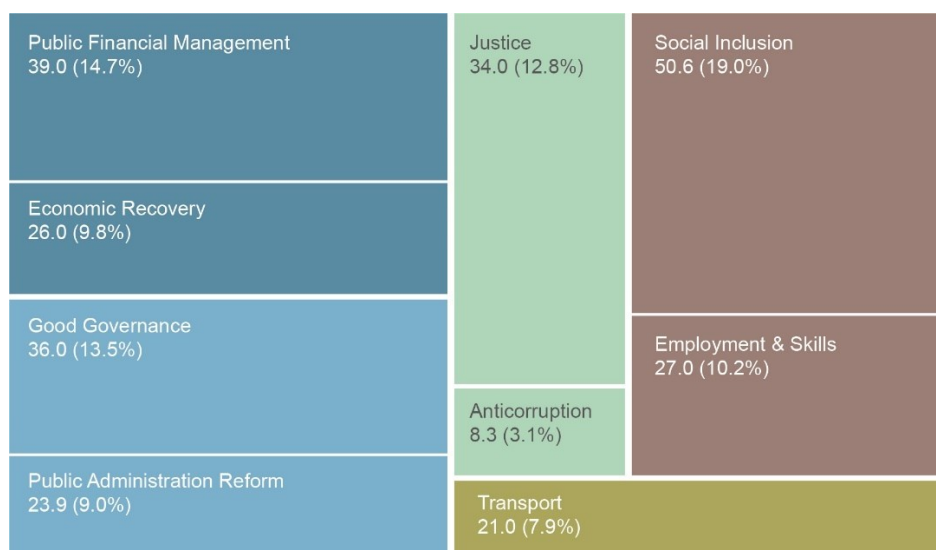
***The design of Budget Support inputs was adequate and properly balanced.***

**BSPs inputs have been well defined, formulated, and balanced:**

- **The allocation of funds for disbursement was relevant.** EU allocations were strategic, despite not being quantitatively important overall, considering the size of GoA’s own budgetary resources (see section 4.1.1 on the effects of fiscal space).
- **Complementary support was well tailored and designed to respond to the limited absorption capacity of GoA entities.** Different modalities were used (service contracts; contribution agreements; grants to Civil Society organisations (CSOs)) according to the needs of each intervention.

**Policy dialogue within Budget Support operations sought to complement previously existing and higher-level EU-Albania dialogue, and to improve the engagement with the donor community.** Budget Support programming was not expected to create new spaces for EU-GoA interaction, but rather to structure and enrich technical dialogue based on the priorities defined in the frame of EU-Albania accession negotiations.

**FIGURE 4: TOTAL PROGRAMMED DISBURSEMENTS PER PROGRAMME (EUR MILLION AND PERCENTAGE OF TOTAL BSP ALLOCATION)**



Source: Mancala Consultores with information from the EU

**The inputs of the support interventions of the EU assistance in the fields of Good Governance are evidence-based and appropriately target the capacity gaps and national priorities aimed towards EU accession.** The PFM, PAR and Good Governance operations were designed with realistic expectations of the allocated financial and non-financial resources. Some stakeholders noted that the three-year duration of PAR Sector Budget Support was not appropriate when it comes to PAR, emphasising that it is hard to maintain such momentum and dedication over such an extended period. Several stakeholders said that a shorter duration with more focused indicators (and the opportunity to have sequenced Sector Budget Support) could have been a helpful solution to maintain momentum. The reason for such views was related to the difficulty in keeping up momentum of horizontal reform with incremental changes, the general thinking behind PAR, as the government and line institutions shift to other priorities. The financial inputs of the Good Governance Sector Budget Support were based on a combination of criteria: a) costing of the strategies; b) financing gap; c) assessed level of national funding sufficiently encouraging to support the reforms; and d) lessons learned from previous and ongoing programmes in the area of good governance. Policy dialogue on good governance was based on and upgrades existing policy dialogue structures maintained for PAR, PFM, decentralisation reform and Anti-Corruption (among other areas).

**There is evidence that the financial contribution of the Economic Recovery intervention considered the scale of the financial consequences of the COVID-19 pandemic, but its design was rather complicated.** While Budget Support was the right modality to channel the allocated funds, the fact that the instrument used was a Sector Reform Performance Contract does not seem to have been the best choice. For a short-term emergency intervention with indicators that relate to multiple institutions (all overseen by MoFE), the Budget Support modality that is normally recommended is a State and Resilience Building Contract, which was conceived by the European Commission to support fragile situations.

**Budget Support inputs in the Rule of Law sector are considered to have been clear, balanced, relevant, and important.** In the Anti-Corruption programme, financial inputs comprised conditional disbursements to the Albanian Treasury for and EUR 1.7 million in complementary support (which included both performance assessment and capacity development). In the Justice programme, inputs included the transfer of EUR 34 million to Albania between 2019 and 2022, and complementary support that amounted to EUR 8 million and is provided through three direct management contracts. These contracts offer capacity-building to strengthen the capacities of the Ministry of Justice (MoJ) as coordinator of justice system institutions, enhance the codification capacities of the MoJ, provide policy advice to legal system institutions (in particular, those that were newly established), and strengthen cooperation with other stakeholders, including CSOs. BSPs ran in parallel to the EU-funded project EURALIUS, which concluded at the end of 2021, providing professional assistance to justice institutions, including MoJ and newly established entities. Some relevant improvements can be identified in the design of the Justice programme, compared to the Anti-Corruption programme: a larger financial package and greater strategic and financial weight put on

outcome indicators, as opposed to a smaller package and more process-oriented indicators for the Anti-Corruption programme. While there is no direct reference to EU Budget Support guidelines in the Rule of Law programmes, both BSPs applied the instructions to reasonable standards.

**The design of Budget Support inputs in the social cluster (Employment & Skills and Social Inclusion interventions) was particularly relevant, well balanced and well presented.** The financial allocations were substantial, and the sequencing of disbursements realistic. Complementary support was also significant, especially for the Social Inclusion programmes (EUR 20 million) and was designed to support key parts of the reform processes through TA, grant schemes to municipalities and civil society, and implementation by GoA using the Indirect Management by Beneficiary Country Modality (IMBC). IMBC proved inadequate because the TA, linked to Budget Support implementation and delivery, has been out of the authority of the European Union Delegation (EUD). The only mechanisms for EUD to oversee the Technical Assistance (TA) implementation were the Steering Committee Meetings and the approval of the TA Progress Reports. The IMBC modality has not helped strengthen the expected linkage between TA, policy dialogue, and disbursements of funds, key pillars of a Budget Support intervention (see section 4.3 on complementary support for further information). Policy dialogue was conceived as a key Budget Support programming element, aiming to increase the effectiveness of policymaking and aid coordination in the sector through a structured and systematic consultation of all actors concerned, enhancing the GoA ownership in a process traditionally driven by donors. However, GoA ownership has suffered from a tumultuous relationship with the respective line ministries due to the reshuffling of the respective government structures, insufficient financial and human resources at the required qualifications, making it difficult to push forward the priority reforms in the social cluster.

**The transport programme, which included disbursements, complementary support, and policy dialogue, was also consistent with best practice.** The Intervention Logic and indicators chosen reflected the ownership of Ministry of Infrastructure and Energy (MoIE) and the Albania Roads Authority. The complementary support included a twinning with the Polish counterpart to the Albania Roads Authority and was correctly formulated to contribute to strengthening the institutional capacity of roads sector management. Policy dialogue was expected to help address issues of weak sector coordination, and priority Action (Transversal) one was: "Creation and operation of an Integrated IPMG for transport sector." This objective was translated through the objectives of the TA for monitoring, communication, and visibility (see Section 4 for details).

***The programmes' design focused on IPA II objectives and the 2014-2020 ISP framework.***

**The coherence of the Budget Support operations with the EU financial framework was solid.** The Good Governance Budget Support operations were aligned with the IPA II framework, the ISP, and the relevant country strategies providing the framework for BSPs.

**Overall, the 2014-2020 Indicative Strategy for Albania recognised that, in general terms, sound PFM would play a key role in relation to the new sector approach of IPA II** and multi-annual sector programming. Within the 2014-2020 financial framework, IPA II assistance was used to increase support implementation of national sector strategies and action plans through a wider use of Budget Support. The strategy highlighted that sound PFM systems enable the government to implement sector policies and to effectively manage IPA resources supporting sector policies. Coherent with this, the logic of BSP's disbursements is based on the principle of fungibility rather than non-traceable funds; using Budget Support programming would reinforce the PFM system, centrally and at ministry, agency, and decentralised levels (see 4.1.1 for more information).

**A learning process is identifiable between the design of the PAR programme and the Good Governance programme.** While both operations were conducted in relation to the respective version of the Budget Support Guidelines,<sup>11</sup> some differences can be noted: notably, the PAR intervention was based on the PAR strategy, while the Good Governance Sector Budget Support goes wider, focusing on five sectorial strategies, including PAR, which is in substantial terms an upgrade from individual sector approaches towards a more comprehensive framework. This was helpful to ensure a more integrated approach, as there is intentional repetition of or overlap between some of the objectives and performance frameworks of the PAR, PFM, and Anti-Corruption operations. It is also relevant to note it is not usual to see interventions that address an issue as wide as Good Governance, resembling some aspects of Sustainable Development

<sup>11</sup> The PAR operation was done under DG ELARG's 2014 SRC Guidelines and the Good Governance one under the 2017 BSP Guidelines, which apply to DG NEAR as well as to DG INTPA

Goals contracts,<sup>12</sup> though differences exist in terms of conditionalities, coverage, and support approaches. This is a particularity of using BSPs in the enlargement context, supporting reform in several areas and strategies with a wide variety of stakeholders (see section 4.4 for more on Budget Support programming in enlargement contexts).

**The Justice and Anti-Corruption BSPs were strongly coherent with the EU framework**, with the ISP 2016-2020 having indicated that assistance to justice and Anti-Corruption would *'preferably be through sector reform contracts. In addition, service contracts, twinning and TAIEX will be used to deliver the assistance'* (S.2.3). The BSPs were strongly coherent with the EU framework, including IPA II, the ISP 2016-2020, the *2006 Stabilisation and Association Agreement*, the *EU Enlargement Strategy 2015*, the *EU Indicative Strategy Paper for Albania 2014-2020*, the *European Commission Communication COM (2003) 317*. The *National Plan for EU Integration 2014-2020*, as well as *The Inter-Sectoral Strategy Against Corruption and Cross-sector Justice Strategy*; it was directly aligned with the priorities highlighted in the ISP, project assessments, and the 2014 Progress Report.

**The Employment & Skills and Social Inclusion BSPs were also closely aligned with ISP objective “to contribute to a more inclusive and effective labour market by supporting the employment and skills development policies of the Albanian government.”** The intervention on Employment & Skills targeted the ISP 2014-2020 priorities through a range of actions aiming to modernise the education and training system and strengthening the active labour market measures, targeting inter alia women and young people, as well as specifically supporting the most disadvantaged groups of the Albanian society. Albania is modernising and restructuring the employment services and vocational training, through the implementation of Active Labour Market Measures programmes and practices in the labour market and vocational training, with the European Union rules and standards adapted to progress on Vocational Education and training (VET) curricula and competences of VET teachers and trainers according to European Qualification Framework. The implementation of (i.e.) the Albanian Qualification Framework (Albanian Qualifications Framework), multifunctional VET centres, municipalities using National Electronic Register of Social Care Services, an integrated system of social and community care services, and better inclusion services in pre-university education are concrete contributions to the accomplishment of the accession requirements. The intervention on Social Inclusion 2020-2024 responded to ISP 2014-2020 priority on reforming the social protection *“to be more supportive of labour market participation and inclusive”* with specific interventions aimed (i.e.) at children with disabilities, victims of domestic violence, and minorities. The intervention is embedded in Albania’s systems for providing populations at risk of poverty and social exclusion with access to social protection, employment, skills, and inclusive education.

### 3.3. Eligibility criteria and Performance Based indicators

***Eligibility criteria and performance-based indicators made direct reference to key elements of GoA reform strategies and were particularly focused on conditioning Budget Support disbursements to GoA effectively improving sector legal and policy frameworks and increasing its capacities.***

**Overall, the conditionality introduced has been useful to help steer GoA reform processes.** The confirmation of Budget Support eligibility criteria at least once a year provides an opportunity for EU and GoA to have an updated assessment on key aspects of their bilateral relations. This is particularly the case for the economic pillar, as the demonstration of credible macroeconomic and fiscal management, PFM reform processes, and budget transparency are required at the start of every BSP and for each disbursement request submitted by GoA.

**Performance based indicators of BSP programmes in Albania were clearly aimed at promoting legal, policy and institutional improvements:** out of the 65 indicators included in BSP performance frameworks, 48 (74%) correspond to induced outputs of the Intervention Logic of programmes; 15 (23%) to outcomes, and 2 (3%) to direct outputs<sup>13</sup>. This reflects that encouraging legal, policy and capacity-related reforms is the primary focus of EU assistance provided through the modality in Albania, rather than the achievement of policy outcomes (see also section 4.5 on Budget Support programming in the IPA context).

**The quality and comprehensiveness of performance frameworks was reasonably good, but there were substantial differences between programmes.** FAs remained relatively flexible to adjustments in

<sup>12</sup> *“it is expected that SDG-Cs support higher level, strategic development objectives that require a comprehensive and cross-cutting approach (...) An SDG-C will typically cover enabling areas such as macroeconomic management, public finance, including domestic revenue mobilisation, public sector/administrative reform, investment climate, inequality and domestic accountability”* see page 20 of BSP Guidelines 2017.

<sup>13</sup> Based on the Intervention Logics that were reconstructed by the team, please refer to the cluster notes in Annex 8 - 12

case of contextual changes such as the earthquake and COVID-19. In general, there is a clear improvement, as performance frameworks for more recent programmes are better defined and more results-oriented. The synergies between EU BSPs were directly reflected in their performance frameworks: as an example, the Good Governance programme has 3 PFM-related indicators and 2 Anti-Corruption indicators, and the PFM programme had one Anti-Corruption-related indicator, and the Anti-Corruption programme had a PFM-related indicator.

**TABLE 3: NUMBER OF PERFORMANCE INDICATORS PER LEVEL OF THE BSP ILS**

Programme	Input	Process (Direct Output)	Outputs (Indirect Output)	Outcomes	Impacts	Total
PFM			7			8
PAR		1	9			10
Good Governance		1	7	1		9
Economic Recovery			1	3		4
Anti - Corruption			5			5
Justice			3	3		6
E&S			3	4		7
Social Inclusion			5	3		8
Transport			8			8
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>48</b>	<b>15</b>	<b>0</b>	<b>65</b>

Source: Mancala Consultores with data from Financing Agreements

***The quality of performance frameworks for Good Governance and Economic Recovery varied.***

As expected for an intervention focused on these areas (PFM, PAR, anti-corruption, etc.), the performance indicators were almost entirely focused on improving the legal and policy frameworks and increasing GoA capacities (level 3 of the Intervention Logic, see cluster Intervention Logics in Annex 9 for details) and not on actual service delivery, apart from Indicator 9 of the Good Governance intervention (increased accessibility and satisfaction with Agency for the Delivery of Integrated Services Albania (ADISA) services, see also JC4.1.1). The eight Variable Tranche Indicators of the PFM programme were rightly structured to address key challenges of the PFM system identified in the PEFA assessments, and to support and consolidate the reform process.

**Evidence did not confirm the usefulness of the PAR programme conditionality in stimulating GoA and other stakeholders to formulate and implement reforms.** This is linked to the fact that the PAR BSP indicators were in some cases basic or general, which showed lack of ambition. The performance-based indicators have been considered realistic by the interviewed stakeholders, while the compliance review reports on PAR programme did not note significant challenges. The PAR programme was amended six times, including reviews to ensure that the indicators can be achieved within a more realistic framework<sup>14</sup>. **Despite being a Budget Support operation quickly set up in an emergency, the performance framework of the Economic Recovery programme was too complicated.** While the indicators chosen were relevant to support a post-COVID-19 recovery that was focused on protecting vulnerable businesses and workers, substantial resources and time were required to compile the information. The weight of the Variable Tranche (50% of the total EUR 26 million) and the complexity of the indicators has been excessive. In such circumstances, it would have been simpler and more appropriate for the Economic Recovery programme to put more weight on the fixed tranche and include indicators that are both attainable in the short term and easily justified (e.g., increased expenditure). It should be noted that some of the performance indicators referred to past events, which is unusual, and the European Court of Auditors has been critical of this kind of case.

***Conditionality of the Rule of Law cluster operations aligned well with the policy framework; however, there were some shortcomings in the design of the indicators.***

The ISP 2014-2020 provided the initial performance framework in justice and Anti-Corruption, with associated indicators, which were in turn reprised by the EU Anti-Corruption Sector Reform

<sup>14</sup> Please see details in Annex 8: PAR and GG Cluster Note

**Contract, and the National Strategy for Development and Integration.**<sup>15</sup> Indicators were established around identified priorities, with results based on indexes and ratings of international monitoring agencies, including the World Bank, Transparency International, and the World Justice Project. Both baseline and target values were provided. These indicators were subsequently integrated into both the Anti-Corruption and Justice Strategies.

Performance indicators of the variable tranches of the Anti-Corruption programme developed by the EU and GoA were aligned with the priorities and performance indicators of the strategy. However, the selection of indicators should have been based on the Indicator Passport, which was developed only after the complementary assistance had commenced. The Anti-Corruption intervention variable tranche targets for 2019 were adjusted with six corrections relative to payment targets, strategy objectives, and additional databases and revised calculation of targets. The programme outlined the mechanism for monitoring the implementation of the strategy, which was established under the IPMG Good Governance and Public Administration framework, with a dedicated thematic sub-group on Anti-Corruption. Stakeholders reported that, while Good Governance IPMGs were seldom organised, the Anti-Corruption Thematic Working Group met regularly, monitoring the strategy, and making use of the performance indicators.

**Stakeholders believed that partial achievement of certain Budget Support targets was to some extent due to the limited experience of the beneficiary and implementing institutions with the Budget Support programming modality.** They also noted the unavailability of proper tracing mechanisms for the indicator completion process. Staff of GoA recipient institutions expressed that it would have been helpful to have received more specific training on the use of the Budget Support modality.

*While the performance indicators for Employment & Skills and Social Inclusion BSPs were generally aligned with the sector strategies, the indicators of the more recent Social Inclusion BSP were better defined than the Employment & Skills ones.*

In the case of the intervention on Employment & Skills, of the 17 performance indicators under four pillars in National Employment and Skills Strategy, 11 are either partially or fully supported by the programme; however, in terms of quality, the indicators are not fully SMART, and some indicators were not totally relevant and time-bound. **The Social Inclusion intervention indicators framework is a good example of a very well formulated indicators matrix**, using a systematic bottom-up process of consultations, data collection and analysis amongst EU and the beneficiary institutions. The performance indicators and their targets are concrete, measurable, and flexible to the changing context. Adjustment of targets was done for both interventions, the major modification being to the Social Inclusion BSP to better address the COVID-19 response.

*The design of conditionality in the Transport Sector Budget Support programme was suboptimal.*

**The Financial Agreement covered some of the most important topics in terms of the EU acquis, but performance indicators were not comprehensive and many of the indicators have not been collected systematically.** While the transport programme results framework and Intervention Logic focused on important priorities within the roads sub-sector, such as accidents (including the identification of accident blackspots), intelligent transport systems and road conditions, the focus of indicators was on actions rather than results as no performance indicators refer to policy outcomes. The Albania Roads Authority was responsible for the achievement of seven of the eight targets (the exception being Indicator 2, which is the responsibility of the MoIE as it concerns legislation), which is a consequence of the operational focus of the programme and also suggests a certain disconnect between GoA central entities and the implementation agency. These design issues had consequences, as the non-disbursement of funds had a negative effect on the ongoing activities of the programme and led to a lack of success in achieving the expected results. More specifically, the formulation for indicator two was not in accordance with Albania Roads Authority responsibilities, and the respective Baseline Targets were not realistic. The Albania Roads Authority was penalised by non-disbursement of funds because of non-approval of the Public Procurement Law, which was not under its authority. This is in conflict with the Budget Support philosophy of rewarding the beneficiary's efforts. Additionally, indicator 6 (on road safety inspections) overlapped in intent with those of the World Bank Project; the two programmes were running in parallel, each with different monitoring indicators. This stretched the resources of the Albania Roads Authority and may have compromised the focus on some components of each programme. The importance of coordination between donors is highlighted by this experience.

<sup>15</sup> National Strategy for Development and Integration in Annex 2, *High-level development, and sector indicators*

## 4. Opportunities Created by Budget Support Direct Outputs (Level 2)

### 4.1. Disbursement of funds

#### 4.1.1. Effects on fiscal space

***The direct influence of EU budget support disbursements on GoA budget was limited, but strategic.***

The actual effect that can be expected from amounts disbursed by BSPs is limited, considering the size of Albania's budget. In BSPs, it is understood that EU resources are fungible and will blend with the rest of the national budget, potentially creating fiscal space for securing or increasing spending. Although EUR 203 million of Budget Support allocation is a substantial amount, if fully disbursed this would amount to a maximum of EUR 29 million per year on average between 2015 and 2024. A total of EUR 160 million were disbursed up to 2022, thus EUR 19.35 million per year, which equalled to 0.58% of annual GoA revenue. Divided by the Albanian population on an annual per capita average, this equates to slightly over EUR 7 in actual disbursements.

However, disbursements were strategic and relevant for MoFE. According to exchanges with MoFE, disbursements are directly devoted to reducing budget deficit. If BSP disbursements are used to improve the fiscal position of Albania, this does not increase budget availability in the short term. Nevertheless, reduced deficits could lead to improved ratings for GoA debt and to facilitate increased and/or cheaper access to financing in the future.

The analysis also confirmed the strategic influence of BSP disbursements on the GoA budgetary negotiation process, and the improved allocation of GoA budgetary funds to intervention -supported sectors or strategies. For details, please refer to chapters 6.1, 7.1 and 8.1 for the Rule of Law, social, and transport clusters respectively.

#### 4.1.2. Effects on predictability of assistance

Most EU BSP disbursements suffered delays, which were mostly short deferrals, but which pushed payments late into the same fiscal year. As the table below (which depicts a total of 27 disbursements for the nine programmes) indicates, only one of the disbursements was paid ahead of the set timeline. The majority of the payments (59%) took place within the relevant fiscal year, aside from the early payment in the case of the PAR programme, but there were 10 payments (37%) which were paid later than their allocated fiscal year, (see Table 4).

In most years, the overall amounts disbursed were close to the estimated amounts. Overall, BSP disbursement was around 80% of allocated amounts, which is considered a reliable performance, but a closer look at each programme does reveal uneven levels of both punctuality and predictability of disbursements<sup>16</sup>.

**TABLE 4: TIMELINESS OF EU BSP DISBURSEMENTS WITH REGARDS TO EXPECTED FINANCIAL YEAR**

Was the disbursement paid in the expected financial year?	N° of Disbursements	% of Total Disbursements
Ahead of expected financial year	1	4%
Expected financial year	16	59%
Delayed to next financial year	10	37%
<b>Total</b>	<b>27</b>	<b>100%</b>

Source: Disbursement Dossiers

<sup>16</sup> Please refer to Annex 6 for further details on the amounts allocated and disbursed in the frame of EU BSP for the period of this evaluation.



## 4.2. Partnership framework

### 4.2.1. Policy dialogue

***Overall, policy dialogue among the government, the EUD, donors, and IFIs in Albania is robust.***

There are regular, substantial, and structured exchanges in most concerned sectors covered by this evaluation. Dialogue is channelled through IPMGs, which in general terms proved useful and effective. Policy dialogue cuts across different BSPs, with strong synergies.

**As with the rest of Budget Support inputs, policy dialogue is an instrument that serves the higher objective of EU support to Albania's integration in the EU.** Policy and technical level dialogue platforms are functional and are linked to higher-level EU-Albania dialogue, as well as the continued alignment of the BSPs with sector priorities and emerging needs. An added value of Budget Support is related to the continued dialogue between EU and GoA on PFM reforms, which forms the bedrock of enabling sector reforms to work effectively, namely in the justice, employment, social protection, and transport sectors. Another contribution of BSPs is that its compliance review missions are identified as key inputs to effective dialogue, and this comes ahead as another strong connection between monitoring and dialogue processes in Albania (see chapter 4.2.2).

**Policy dialogue has evolved with GoA's institutional changes.** The use of the Budget Support modality and the centralisation of competencies increased GoA ownership and improved the interaction with the EU, but this happened mostly in relation to MoFE and some line ministries. The role of smaller sectoral entities in the policy-making process remains limited.

**The role of CSOs and social partners in policymaking and implementation is still not comprehensive enough.** These stakeholders still do not have a sufficient role in policy coordination, limiting participation in Budget Support-related dialogue. This is particularly the case in Employment and Skills, where the private sector and the social partners could have a stronger voice (although they are not part of the IPMG) and in justice (where CSOs are routinely invited to meetings of the Budget Support monitoring group for consultation).

***Policy dialogue on Good Governance has been effective, but was very centralised.***

**Policy dialogue framework around the sector policy issues within PAR, PFM and Good Governance was regular, structured, comprehensive, and overall functional, though with some limitations during the COVID-19 period and in light of the transfer of coordination function from the Prime Minister's Office to the Strategic Programming and Aid Coordination (SASPAC).** The dialogue is organised at all levels (from high political level to technical level) and engages, where relevant, various stakeholders across the EU (EC headquarters, the EU Delegation), government institutions, independent bodies, civil society (to a certain extent), and other donors and IFIs. However, as indicated in the document reviewed and corroborated by stakeholders, the IPMG meetings were infrequent since the pandemic started, which was considered as a limitation to the dialogue on the reforms.

Evidence confirms that the PAR Special Group was a useful venue to discuss the reform priorities and achievements and keep the momentum of the reform. The technical dialogue platforms feed into the high-level dialogue primarily through sharing conclusions as inputs for high-level dialogue, as well as the fact that the same institutions participate in both dialogue levels. The PAR BSP engaged in close interaction with policy dialogue taking place in the PAR Special Group, which was seen by stakeholders as a central policy (and political) dialogue venue to discuss strategic directions and next steps in the reform process. PAR and, subsequently, good governance issues are also discussed across other platforms such as the IPMG on Good Governance and Public Administration, with dedicated thematic sub-groups<sup>17</sup>.

**GoA leadership and coordination efforts were important,** including the participation of main coordination institutions (DoPA, Prime Minister's Office, MoFe), but there was not much participation of other smaller but also relevant institutions that could have probably further benefitted from and/or contributed to the dialogue (e.g., ASPA).

**The PFM BSP presented valuable opportunities for the EU to engage in policy discussions, particularly with MoFE.** Policy dialogue on PFM matters proved to be fruitful and effective, conducted both bilaterally between GoA and the EU, and through collaborative efforts with other donors and IFIs. One noteworthy example is the dialogue and assistance provided from 2017 to 2019 concerning the law on

<sup>17</sup> The IPMG Good Governance and Public Administration is composed of the following thematic groups: policymaking; civil service; public services; statistics; AC; public finance; decentralisation; regional development.

concessions and Public-Private Partnerships. This involved organising a series of roundtables with key stakeholders and establishing a clear baseline for further progress in these areas.

In the case of the Economic Recovery BSP, despite the challenges posed by COVID-19 and the 2019 earthquake, the Government of Albania maintained its focus on reforms. The Stabilisation and Association Council meeting took note of the progress made in reform areas and outlined the priorities for the coming years. However, it is crucial to enhance political dialogue on these matters to advance the reform agenda further.

***During the period of implementation, dialogue around Rule of Law issues worked reasonably well.***

Policy dialogue on priorities, planning, coordination and monitoring of the implementation of the Anti-Corruption strategy and action plan, and the alignment to the *acquis*, happened mainly under the Good Governance and Public Administration IPMG, with a dedicated thematic sub-group on Anti-Corruption.

**An important aspect of EU BSPs in the Rule of Law cluster was the EU-GoA dialogue**, with the EU undertaking regular political, policy and operational dialogue on the fight against corruption and reform of the justice system, tackling challenges at different hierarchical levels and in a coherent and complementary manner. Policy dialogue at the bilateral level and through specific meetings with donors and IFIs was considered useful, with stakeholders stating that donor coordination initiatives contributed to the quality and effectiveness of policy dialogue. Nevertheless, certain key stakeholders were more reserved in their view of the inclusiveness, quality, and related outcomes of political and policy dialogue.

Dialogue regarding corruption took place at several levels, including in the High-Level Dialogue launched in 2013, which provided a forum to monitor and discuss the roadmap developed by the GoA in 2014. Dialogue was also designed to move forward implementation of the five key priorities to open accession negotiations by defining the key deliverables (track record, human resources, statistics gathering, and inter-institutional cooperation). An Anti-Corruption Thematic Group was led by the responsible ministry and the National Coordinator against Corruption, and also included other line ministries.

**Justice reform was also a key topic of policy and high-level dialogue**, with six policy dialogue priorities in the BSP agreement. The Ministry of Justice coordinated and had a lead role in these processes. Similar mechanisms to those relative to anti-corruption were established under the Cross-sector Working Group for Justice Reform. A Technical Secretariat supporting the Cross-sector Working Group was managed by MoJ and met each month. The Secretariat prepared a report annually and biannually on the implementation of activities and the indicator level of achievement of the Strategy Action Plan and prepared an assessment report on its implementation. In addition, policy dialogue meetings on progress and monitoring were organised at least twice a year.

**Through the National Council for European Integration, CSOs were able to participate in dialogue in an institutionalised manner**, namely in the monitoring and consultation for the strategic documents related to justice reform and anti-corruption efforts. For example, CSOs representatives were appointed as members of the High Juridical Council and High Prosecutorial Council and of the Ad Hoc Parliamentary Committee for Justice Reform. However, CSOs believe that their involvement is at times only a formality.

***The EU BSPs have significantly contributed to policy dialogue in Employment & Skills and social inclusion, but GoA leadership and social partners' participation is still limited.***

**The content of IPMG discussions around Employment & Skills was comprehensive and substantial, including technical, strategic, and key policy issues.** Dialogue is structured around an agenda and reported in meeting minutes. The IPMG Thematic Working Group was regularly active between 2016 and 2019, with almost monthly meetings in the framework of the Employment & Skills BSP. The content of the dialogue included, as an example, the strategic priorities for drafting and monitoring the annual implementation of strategies such as the National Employment and Skills Strategy and the National Social Protection Strategy 2020-2023, as well as discussions around the BSP performance indicators. There was a particularly effective policy dialogue around the visits of performance review missions, as there was discussion on the indicators coupled with an assessment on the process.

**The use of Budget Support encouraged a structured and systematic consultation and coordination among sector stakeholders through the IPMG, which helped to push forward complex and inclusive reform processes.** Several essential developments can be at least partially connected to the EU-GoA high-level dialogue: for example, the adoption of the Law no 15/2017 "On Vocational Education and Training in the Republic of Albania" was one of the targets set by the National Employment and Skills Strategy and supported by the EU through the Employment & Skills BSP. The constant monitoring and dialogue/peer pressure have contributed to prioritising this legislative agenda (see section 7.1 for full details on improvement of legal and policy frameworks). Although in an earlier stage, the Social Inclusion intervention has facilitated policy dialogue with GoA, which reveals an increased political interest around social inclusion

topics. The Social Inclusion BSP-funded TA strengthened communication to solidify partnerships and coordination with the main beneficiary, the Ministry of Health and Social Protection (MoHSP), as well as the MoFE and MoES, and established relationships to the relevant Ministries' agencies to ensure correct and smooth technical coordination.

**While dynamics of BSPs contributed to making the policy dialogue structured, systematic, inclusive, and sustainable, some improvements are still possible.** Evidence confirms that policy dialogue has been functional and effective during the BSPs implementation, but the quality of contributions by the different stakeholders participating is not always good enough. In some cases, points of the agenda are used only to tick boxes to present the leading Ministry position on a certain policy document. There is thus some weakness in the processes. Meeting preparations are not yet systematic in informing participants in advance on the date and details of the agenda, and do not always provide them with relevant documentation on the topics to be discussed. Evidence also points out that both IPMG and Thematic Working Group meetings are quite donor-focused, instead of prioritising inter-ministerial discussion groups. A more refined methodology has been proposed by the Social Inclusion BSP TA.

**On another note, evidence shows that the participation of CSOs in dialogue was irregular and that neither social partners nor local authorities were included in the IPMG structures, nor in the Thematic Working Groups.** This is a relevant issue, as these sectors necessarily require the strong involvement of local authorities (due to the decentralisation process of social services) and social partners (such as worker unions and business associations) who have an important stake in labour market-related policies.

*The transport programme was important to enforce a functional dialogue around transport policy, namely through the sector IPMG, but this was reduced after the end of the Budget Support programme.*

The BSP contributed through its Technical Assistance by issuing the documentation suitable to initiate the policy dialogue in the Thematic Group of the road transport sector. MoIE Annual Progress Reports noted that the strategy and policy dialogue took place in close cooperation with other line ministries and institutions, with the support provided by many donors. Overall, the EU Transport BSP was clearly a catalyst for this, as were the Sectorial Strategy and Action Plans, whose timing matched that of the intervention.

**The end of the transport budget support programme, combined with the effects of the COVID-19 pandemic on institutional activity, caused delays in furthering policy actions and dialogue in the transport sector.** At the time of this evaluation's fieldwork (April 2023), a follow-on Sectorial Strategy of Transport and Action Plan had been prepared, and there have been no Transport Sector annual meetings since 2020. The MoIE noted that moving forward with a coordinated approach and further policy dialogue remains a priority, and that the change in status of EU accession negotiations is a facilitator for further action.

#### 4.2.2. Aligned and harmonised performance framework and other effects

*The performance and monitoring frameworks of EU Budget Support programmes in Albania worked well, with the exception of the justice sector, due to its complex institutional arrangements.*

**The PAR, PFM and Good Governance BSPs provided a momentum for all related institutions to come together and coordinate activities in a set of monitoring structures that helped steer the implementation and assess the progress of reforms.** Besides the DoPA PAR reports, the BSP compliance reports, EU country reports, and the SIGMA monitoring reports (published in 2017, 2019, and 2021 respectively) provided for ample scrutiny and evidence on the progress in achievement of results. The PAR Strategy underwent a mid-term evaluation in 2017. PAR, alongside other sectors, is also assessed in EC's annual reports.

MoFE co-ordinates PFM across participating institutions and internally within the Ministry. The PFM Reform Steering Committee was established in April 2015 and as noted in the Financing Agreement, was the main decision-taking body regarding PFM. The strategy revision is marked by a shift from action-orientation to focusing on results and outputs, including performance indicators and costing. Progress against the Economic Recovery programme measures is also provided in line with well-established reporting mechanisms and dialogue structures. Overall, the systems' structures and practices allow for a sufficient degree of monitoring and analysis of progress against Covid-19-related measures and expenditures.

**The coordination and monitoring processes of the Justice programme were particularly complicated given the independent nature of the majority of institutions involved**, which created challenges for the Ministry of Justice to obtain and compile data and information, ensure targets were met, and prepare and submit reports according to the deadlines outlined in the programme. Furthermore, stakeholders reported that the units responsible for development and monitoring within the MoJ are not in the same division, which created difficulties with implementation and monitoring. The MoJ ensured coordination with the establishment of the Sector Management Committee for Justice Reform (Sectoral Monitoring Committee for Justice) and its supporting secretariat. The implementation of the sectoral contract and justice strategy were monitored through a result-based performance assessment system based on the GoA Integrated Planning System. This monitoring and evaluation system guided the Mid-Term Budget Plan and annual budget processes.

***Compliance review missions emerge as a prominent and valuable contribution of EU BSPs***

**Independent Performance Review missions were regarded as especially useful, not only for BSPs monitoring purposes but also benefitting GoA's internal monitoring and capacity-building.** The PFM, Employment and Skills, Social Inclusion, and justice monitoring teams were particularly praised by stakeholders.

The work of the monitoring team contracted under the PFM programme has very been positive in terms of its credibility and high value-added. Additionally, monitoring missions in the transport sector have also helped gain key insights to the PFM situation, including with respect to procurement and the build-up of arrears. Monitoring reports enabled detailed understanding to be acquired regarding Albania Roads Authority procurement. Since procurement (as well as expenditure management including the incidence of arrears) is so central to Albania's PFM, this sectoral evidence contributes to a good read-across between the state of affairs in a real sector – transportation – from a PFM perspective.

The focus of monitoring missions for the Transport Sector was broader than roads alone, which was also helpful for policy dialogue. It incorporated railways, ports, and aviation, as well as transit arrangements. This was highly beneficial in enabling the EU to use the transport sector BSP, with its focus on roads, to develop a broader approach to policy dialogue with the GoA, including with the MoIE. The Rule of Law compliance review missions were crucial, since they ensured the drafting of performance indicators for the strategy, which facilitated the monitoring of progress. These missions provided valuable guidance and contributed to the revision of certain targets. They also increased the beneficiary's capacity to coordinate implementation of the strategy, and improved monitoring mechanisms and reports. There was also a particular effective policy dialogue around the visits of the Employment & Skills intervention performance review missions, as there was discussion about the indicators, and an assessment on the process.

### **4.3. Complementary Support (capacity development)**

***Channelling complementary support through a combined set of contracting arrangements has overall proven to be a good choice.***

**The variety of options available to channel complementary support (service contracts, twinning, contribution agreement, and grants for CSOs) allowed to adapt EU assistance to the needs for capacity-building, monitoring and communication and visibility of GoA policy and EU assistance.** Capacity-building actions have been useful to support the alignment of GoA strategies, the development of legal and institutional frameworks, and the development of GoA capabilities, although with different levels of success between programmes and, in many cases, with delays in implementation that limited their impact. The inclusion of funding for Grant Schemes for CSOs in two Budget Support operations (PAR and Social Inclusion) is a creative way to incorporate civil society into the programmes, although the evaluators were able to collect limited evidence about actual implementation of these grants.

***There is strong evidence that complementary support has been used efficiently and strategically to address key issues of Good Governance, including PAR, PFM reform and Rule of Law***

**Despite delays with contracting and start of the complementary TA support for PAR programme, the complementary projects managed to fulfil their purpose and deliver results.** The PAR Budget Support included three complementary support projects, including the STAR 2 Project, which was implemented by UNDP, in cooperation with the Ministry of Interior and 61 Local Government Units, Compliance Reviews, and the TA for Communication & Visibility. The linkage between the STAR project and broader PAR Sector Budget Support was made in terms of expanding the main principles of the PAR reform to the local level

through efforts to enhance capacities of Local Government Units (LGUs), although no other more general support to the decentralisation was programmed, as it was being conducted by another project (see section 3.4). Although not always timely, once contracted and implemented, the support was used efficiently and strategically for analytical and capacity-building work related to the formulation and implementation of public policies and in support of monitoring of EU support. Adding the STAR 2 project to the PAR BSP a sound decision as the investment in decentralisation and capacity-strengthening of local governments adds value to wider good governance reforms in Albania.<sup>18</sup> An illustrative example of this was the support to local public services (one-stop shops) and the piloting of integrity plans at local level. There were also delays in contracting the complementary TA of the Good Governance BSP, which was cited as a concern by relevant stakeholders. Effects of this TA are outside of the scope of this evaluation.

**Complementary support has been used efficiently and strategically to address key issues of the PFM reform strategy for 2014-2020**, especially related to the build-up of arrears, to improve budget forecasting and expenditure management and improve accountability and oversight through the support of the State Supreme Audit Institution. The PFM BSP itself was accompanied by a wide-ranging technical assistance programme implemented by Ecorys. Widely seen by GoA and EU stakeholders as being successful, the TA contract was extended. There is also evidence that some of the TA activities have contributed directly towards the achievement of key PFM BSP reforms.

**GoA beneficiaries have confirmed the usefulness of the TA to the justice sector provided both by EURALIUS and by the EU BSPs. However, policy development capacities are still dependant on technical assistance and/or donor support.** The EURALIUS IV mission, implemented in parallel but not as part of EU BSPs inputs, was responsible for drafting and preparing the justice reform package, with more than 30 laws having been revised, while EURALIUS V supported the legal sector in the establishment and operationalisation of the new governing institutions. The technical support also contributed to the elaboration and adoption of subsidiary acts crucial for these institutions to function. The Justice BSP-funded TA commenced in July 2022 after a substantial delay due to COVID-19. It is implemented by the German Foundation for International Legal Cooperation and is based on three components, which consist of improving management and strategic planning, monitoring, and reporting, and developing communication strategies. Other upcoming projects include a contribution agreement with the Austrian Development Agency, which will provide support to the vetting process through the International Monitoring Operation.

Complementary support to anti-corruption was provided through three direct management contracts. The service contract “Technical Assistance to the national coordinator against corruption,” which commenced in early 2020, is financed through a reallocation of undisbursed funds from the Anti-Corruption BSP. To date, this project has inter alia provided an assessment of the Law on Co-governance; a capacity assessment of Anti-Corruption functions performed by the Anti-Corruption Directorate; provided inputs on the draft Integrity Plans; developed an Integrity Risk Assessment Manual; and provided training.

***Technical Assistance provided by the Employment & Skills was not very effective and the TA of the Social Inclusion intervention has a challenging agenda ahead.***

**In the case of the Employment & Skills intervention, there was no clear connection between the TA and the programme’s objectives.** A EUR 3 million TA was initially launched but it had to be cancelled after the dismantlement of the Ministry of Labour and Social Welfare and Youth (MoLSWY). The Terms of reference had to be changed and the subsequent TA was awarded to WeGlobal Italy SRL which started in December 2020, at a time when the bulk of the Employment and Skills BSP was ending. This affected the results of the TA, which could not properly support the expected process of drafting the implementing legislation and capacity development of the stakeholders in charge of its implementation, particularly for the VET component. Its most significant achievements were drafting the National Agency for Employment and Skills communication and visibility strategy (see below) and supporting the Youth Guarantee Scheme.

**The Social Inclusion intervention includes an ongoing EUR 8.7 million TA “European Union Support to Social Inclusion in Albania (EU4SI)”.** Its implementation was delayed due to the elections and later by the pandemic. Finally, it was contracted to GOPA and initiated in June 2021, for 48 months. It is focusing on social care as this was identified as the sector that needed more immediate assistance. According to GoA sources, there were initially important challenges in the TA’s implementation, as its work plan was behind the MoHSP’s agenda. The main achievements so far are the Consolidation Plan for the Social Fund,

<sup>18</sup> See also European Commission (2023); Evaluation of EU local governance portfolio which included the STAR project under the scope of assessment.

the unit costing of social services and the in-depth review of the inclusive education quality assurance system to identify its strengths and weaknesses.

**An essential component of complementary measures that are expected to be delivered alongside the Social Inclusion BSP are two grant schemes with an EU contribution of EUR 9.3 million:** a) Municipal Level Service Delivery Partnerships and Inclusive pathways for Roma and Egyptians; and b) Grant Scheme for Teacher Training in new Competence-Based Learning Curriculum and Improved Inclusive Education. The Open Society Foundation for Albania implements the first grant in close partnership with the Municipality of Tirana and the Social Action and Innovation Centre. This “*Inclusive EduJobs*” project aims to improve the inclusion of women and men, boys and girls from Roma and Egyptian communities in Albania by strengthening municipal capacities to establish and deliver inclusive services to citizens in the area of employment and inclusive education. The second grant includes the *EU4 Inclusive teaching*, a three-year project started in February 2022 with EUR 2.3 million budget that is expected to improve quality and access to pre-university education in Albania by introducing modern competence-based learning and inclusive education methods. The project is implemented jointly by Open Society Foundation for Albania and Finland’s Tampere University of Applied Science, in close partnership with MoES, the Agency for Quality Assurance in Pre-University Education, and the Central Financing and Contracting Unit.

**EUR 2 million of the complementary support of the Social Inclusion BSP were implemented by GoA using indirect management, which proved inadequate.** The capacity of the Central Financing and Contracting Unit proved insufficient to manage such a significant intervention. The shortage of Central Financing and Contracting Unit resources and limited sector knowledge constrained the efficiency and effectiveness of its decision-making, negatively affecting the achievement of the programme objectives. This was specifically evidenced by serious delays in the approval of Progress Reports and project deliverables. Additionally, as per the nature of IMBC, the EUD did not have control over its implementation, as it was only an observer at the Steering Committee meetings, reviewing and giving ex-ante approval of the Progress Reports, but without having the authority to intervene in an opportune fashion during the implementation of the activities.

***Several TA initiatives and a Twinning programme financed by the transport intervention provided useful outputs for Albania Roads Authority and other GoA entities.***

Complementary activities in the Transport Sector BSP took place under three separate contracts: a twinning project to strengthen the capacity of the Albania Roads Authority (budget of EUR 1 million); a capacity-building project for Public Private Partnership Management Skills Development in the Albanian Transport sector (budget EUR 0.7 million); and a TA for “Monitoring Assessment, Communications and Visibility of Sector reform contract”. Continuity of staffing within the EUD enabled close follow-up on the twinning and TA operations.

**The EU management choice combining twinning, TA, and some equipment (e.g., for laboratory testing) to deliver programme objectives worked well.** The prime beneficiary of the complementary support was the Albania Roads Authority. Coherently with programme design, the focus of TA was more on how to delivery objectives more efficiently and effectively, rather than policy formulation and strategic aims. One focus, for example, was on addressing accident blackspots, rather than the more strategic objective of reducing traffic-related deaths and injuries (for which data is collected and which is an outcome indicator). The EU Budget Support capacity-building efforts only focused on accident blackspots. The “*Private Public Partnership (PPP) Management Skills*” contract was set up to improve the capacities of the MoIE and Albania Roads Authority by providing TA for developing skills and legislative framework concerning financing methods in road transport infrastructure construction, operation, and implementation. The TA was useful, but reforms remain “work in progress,” and further PPP strengthening is ongoing with World Bank and IMF support, and as part of the Single Investment Pipeline initiative.

**The twinning with the Polish equivalent of Albania Roads Authority was appreciated as “very helpful” to support Albania Roads Authority and MoIE, although its effectiveness and impact were limited by delayed contracting.** Starting in October 2019, Component 1 successfully helped to ensure the compliance of Albanian regulatory framework concerning public procurement of works in the road construction sector with EU rules and applicable standards. Component 2 provided support to Albania Roads Authority in the process of design of the road sector reform, but this only advanced partially. Component 3 was also useful in supporting Albania Roads Authority in developing solutions and tools to support the road safety management process, in particular decision-making and adequate technical solutions to strengthen the level of road safety in Albania.

***BSPs with funding for Communication & Visibility disseminated GoA initiatives and EU support in line with the EU guidelines, but overall, with modest results.***

**Communication & Visibility (C&V) actions were in line with the C&V Manual for EU External Actions, and Visibility Guidelines of DG NEAR.** Communicating the contribution of Budget Support operations is more complex than when support is provided through projects. When using Budget Support, the EU is aligning to government strategies, thus C&V acquires strategic and political considerations, especially when reforms touch on delicate issues and have the attention of the media (e.g., justice and anti-corruption reforms).

While EU-funded Communication and Visibility worked effectively with DoPA, awareness of EU support to PAR was hardly achieved. PAR is a technical, horizontal reform area for which the narrative is distant from the average citizen (apart from service delivery). Good Governance and PFM programmes did not include any specific resources for communication and visibility.

The Anti-Corruption intervention had a strong emphasis on Communication and Visibility in the implementation of the Action Plan, with the beneficiary having taken responsibility for these activities. The activities also highlighted the added value and impact of the EU's interventions and promoted transparency and accountability in the use of funds. In the case of the Justice intervention, unlike the Anti-Corruption intervention, GoA was responsible for delivering communication activities in the justice sector, since there was no complementary support envisaged in this regard to accompany reform implementation.

The visibility of BSPs and other EU assistance in the employment and social sectors remains weak. The fact that the Communication Strategy was delivered at the end of the Employment and Skills BSP, and not since the beginning, reduced its effectiveness. This Communication Strategy was nevertheless beneficial for the National Agency for Employment and Skills' dissemination efforts. However, the lack of dedicated communication staff in the National Agency for Employment and Skills did not allow to ensure synergies between BSP visibility deliverables and institutional awareness-raising actions. Therefore, the dissemination of Employment and Skills policy actions and their outcomes, and the assistance received via EU BSPs, was not very successful.

GoA did not take the lead as expected in communicating with regards to communicating the transport reform. The National Transport Sector Plan did not have its own Communication and Visibility plan. The monitoring consultant Terms of Reference included a component for dissemination of sector reforms, but the resources devoted to C&V were hampered by relatively muted sector leadership by MoE, some reluctance by the GoA to engage comprehensively with civil society actors and, latterly, by the COVID-19 pandemic.

#### 4.4. Donor and International Financial Institution (IFI) Coordination and Harmonisation

**EU interventions are well coordinated with other donors and IFIs.**

Concerning donor coordination, the EU and other international actors are making important efforts to promote synergy and complementarity among their interventions. Figure 5 demonstrates that a high number of cooperation partners are active in Albania in the sectors supported by EU through BSPs.

Particular coordination was made with the World Bank and UNDP, which are the two biggest donors and IFIs in the country aside from the EU. The Swiss Development Cooperation and the EBRD are also key players in the fields covered by EU BSPs.

**FIGURE 5: OTHER DONORS AND IFIS INVOLVED IN SECTORS SUPPORTED BY EU BSPS**

	 PFM	 Economic recovery	 PAR	 Good Governance	 Justice	 Anticorruption	 Employment & Skills	 Social inclusion	 Transport
World Bank	●	●	●	●		●		●	●
UNDP			●	●		●	●	●	
Austria (ADA)		●		●			●	●	
Italy				●		●	●	●	●
ERDB				●		●		●	●
Swiss Cooperation (SDC)				●			●	●	
GIZ							●	●	
IMF	●	●							
Dutch Embassy					●				
KFW									●
Czech Republic dev									●
EIB									●
WBIF									●
UNFPA								●	
Open Society Foundation in Albania					●				
US OPDAT					●				
SIDA				●					
USAID				●					
OSEC				●					
SIGMA									
OPEC			●						●

Source: Mancala Consultores with information from EU and listed donors

**Formal donor dialogue mainly takes place in the IPMGs.** As explained in section 4.2.1, these groups were formed in 2015 with the introduction of the Integrated Sector Management Mechanism, with the aim of developing, implementing, and monitoring sectorial reforms in Albania by focusing on a clear list of priority projects. The first IPMGs were focused on Integrated Water Management, Employment and Social Sector, Competitiveness and Innovation, and Public Administration. The groups allow for a better coordination of institutions involved in each sector and to provide consensus in decision-making, which is managed through periodic meetings. In 2018, the IPMGs mechanism was reorganised to also allow for a wide sectorial/cross-sectorial approach. The groups are also intended to provide support to the EU accession process as well as the fulfilment of commitments to achieve sustainable development objectives. However, due to the pandemic, these meetings have become less frequent. Additionally, it is also important to assess the level of involvement of all stakeholders in these meetings, including CSOs and social partners. As of 2022, the IPMGs structure is being revised by SASPAC to improve on the already existing structures and re-gain speed, as various IPMGs stopped meeting as frequently after COVID-19.

**Another structure which allows for an effective harmonisation of donors and IFIs is the Donor Technical Secretariat.** It is chaired by the EU and meets monthly. It allows for certain issues and concerns from the donor and IFI community in the country to be better addressed to the GoA. Currently, the Donor Technical Secretariat will be providing support to SASPAC and the GoA in the drafting of its new National Strategy for Development and Integration.

**The National Coordinator of Pre-Accession Instruments (NIPAC) served as the focal point for GoA during the period covered by this evaluation (2014-2020)** and had the responsibility of: i) ensuring the overall coordination of IPA assistance; and ii) strengthening the partnership between the European



Commission and the Republic of Albania, while ensuring that IPA funds are being used effectively and that they are aligned with European integration priorities in the country. To ensure that priorities are correctly identified, NIPAC works in consultation with key national bodies as well as with other key stakeholders in the country that may have an impact on the completion of the priorities in the country. Until 2021, the role of NIPAC was conducted by the Deputy Minister for Europe and Foreign Affairs.

**Since 2022, the Ministry of Europe and Foreign Affairs has been transformed into SASPAC.** This agency has the objective of coordinating foreign aid aimed at development projects in the country. It also has the role of aiding in drafting the national strategy for development and integration, subsequently monitoring its implementation and providing support to the development of cross-sectoral strategies. Altogether, it is hoped that this new strategy will allow for a more unified and consolidated strategy for donors and IFIs to follow. The new agency was put in place in November 2021, so it falls out of the scope of this evaluation.

Please refer to Annexes 7 to 12 for further cluster-by-cluster analysis of the complementarity, coordination, and synergy of Budget Support operations between them, as well as in relation to other EU operations and other external actors in Albania.

#### 4.5. Appropriateness of Budget Support compared with other assistance modalities.

*With its particularities, budget support is a highly suitable and significant to support Albania in its EU accession process.*

The analysis confirmed that many of the advantages expected from the use of Budget Support apply in Albania, particularly when compared to the traditional channelling of IPA funds through projects:

- **Ownership and Alignment:** Departing from the EU instrument regulation (IPA II) and programming documents (Indicative Strategic Programme 2014-2020), Budget Support encouraged national ownership and alignment with partner countries' strategies, ensuring sustainability and complementarity of national and sector agendas. This was the case in Albania, where the three kinds of inputs combined effectively (see overall assessment in section 10) to support GoA entities and officials in implementing the national and sector agendas.
- **Simplification and Efficiency:** This modality simplified processes, avoiding the use of Project Implementation Units, reducing administrative burdens and transactions costs, making it cost-effective. BSPs proved to be more efficient and effective than Indirect Management in committing and implementing EU funds, thanks to its ability to quickly channel substantial amounts.
- **Greater guarantee of macroeconomic, fiscal and PFM essentials:** Thanks to the continued reference to eligibility criteria, by definition all BSPs are expected to contribute to macro-fiscal stability, fostering capacity building within partner countries' financial management institutions and promoting transparency in the budgeting process.
- **Predictability and Long-Term Planning:** BSPs included the provision for multi-year disbursements, which provided GoA with predictability, allowing better resource planning.
- **Results-Based Approach:** BSP funds were linked to high-level policy and reform commitments, motivating GoA to achieve measurable results not only in terms of supporting or implementing specific activities within a reform process (e.g., drafting legislation, delivering a training), but also with reference to the overall and specific objectives of the supported policy as a whole.
- **Reduced Fragmentation:** Budget Support encouraged donor coordination, promoting collaboration of the EU with other external actors, and minimizing the risk of duplication of efforts. In the Albanian context this effect may be relatively obvious, considering that the EU is a privileged partner of GoA and the leading donor in several of the sectors covered, namely those related to Good Governance reform.
- **Trust-Building:** Choosing to use Budget Support instead of projects demonstrates EU's trust in the Albanian entities' capacities (especially MoFE's) to manage funds as part of their own budgetary process and implement reforms effectively.

However, as a modality that was only introduced in 2014 in the enlargement context for IPA, Budget Support had to be adapted in order to better suit the enlargement context. There are certain unique aspects regarding the first introduction of Budget Support in Albania that are worth noting:

- **In Albania, Budget Support operations largely focused on supporting legislative adaptation to the *acquis* and developing policy frameworks and institutional capacities, in line with the legal basis of IPA II.** While the declared objective of EU Budget Support operations was to support the

achievement of policy outcomes and impacts, these aspects were often not the primary focus of EU assistance to GoA reforms. This is a substantial difference from the way Budget Support is used in other contexts, where policy outcomes and poverty reduction are the main focus of BSPs.

- **Policy dialogue is not a new concept in the sectors**, as pre-accession dialogue existed even before the implementation of BSPs. Therefore, the role of Budget Support-related policy dialogue in Albania ranges from the rather technical and operational level to the wider, high-level EU-Albania political dialogue.
- **Disbursements of BSPs do not necessarily lead to an increase in fiscal space.** Budget Support payments are used to reduce the budgetary deficit in the fiscal year when funds are received. EU BSP funds can slightly contribute to improving the international ratings of Albania and thus balancing the Albanian budget eventually. This said, this is difficult to prove, and the capacity of the average annual disbursement of EU BSPs to have a significant impact on an economy the size of Albania's should not be overestimated.
- **Budget Support complementary support is centralised by the EUD through projects, which substantially differs from the project-based implementation of national IPA funds, often channelled via indirect management by GoA.** Centralised management of TA, Calls for Proposals, Communication and Visibility and monitoring services implies more workload for EUD, but in the case of programmes under the scope of this evaluation, it proved more efficient and effective than IMBC, which was used to channel part of the Employment & Skills BSP complementary support (see sections 3.2 and 4.3).
- **The fungibility and discretionary spending of BSP's money is not equivalent to the procedures governing the management of EU structural funds.** Once Albania joins the EU, the fungibility logic (by which EU disbursements mix with GoA own resources and are not traceable) will not be maintained, as structural fund implementations follow Joint Management and EU Member States are responsible for the implementation of traceable funds subject to specific audit and control.
- **A weakness of BSPs is its limited flexibility to quickly adapt to complex and evolving circumstances**, which have been persistent in Albania institutionally, economically, and even in the form of a natural disaster. Although there are exceptions to this, particularly when Budget Support is used in emergency contexts, in general, once signed, BSPs are binding agreements that can be amended, but the process can be slow and stressful, particularly if it relates to performance indicators and targets. This is an issue that is not easily resolved, as Budget support programming by definition comes with legal commitment to disburse against the achievement of detailed targets, which once missed can imply substantial reduction of disbursed amounts.
- **Finally, it is worth noting that only Sector Reform Contracts (SRCs) programmes have been implemented in Albania in the period under evaluation.** The design of the BSPs has evolved over time, moving from clearly sector-focused interventions like PFM, PAR, Employment & Skills and transport, to supporting multiple sectors and strategies under larger programmatic umbrellas, such as the Social Inclusion programme, which is multi-sectorial, and the Good Governance BSP, which resembles a Sustainable Development Goals (SDG) contract.<sup>19</sup>, more than and SRC. Additionally, the Economic Recovery BSP took the form of an SRC and may resemble more a State Building and Resilience Contract, which is a variation of Budget Support specifically designed for emergency contexts like Covid-19 and the 2019 earthquake.

These particularities of Budget Support in candidate or potential candidate countries might require considering some adjustments to the way the modality is used to channel IPA assistance (See Recommendation number 1 of this evaluation).

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<sup>19</sup> "it is expected that SDG-Cs support higher level, strategic development objectives that require a comprehensive and cross-cutting approach. An SDG-C will typically cover enabling areas such as macroeconomic management, public finance, including domestic revenue mobilisation, public sector/administrative reform, investment climate, inequality and domestic accountability" see page 20 of EU Budget Support Guidelines 2017.

## 5. Good Governance: Contribution of Budget Support to Policy Developments and Outcomes

### 5.1. Policy Milestones and Main Outputs (Level 3)

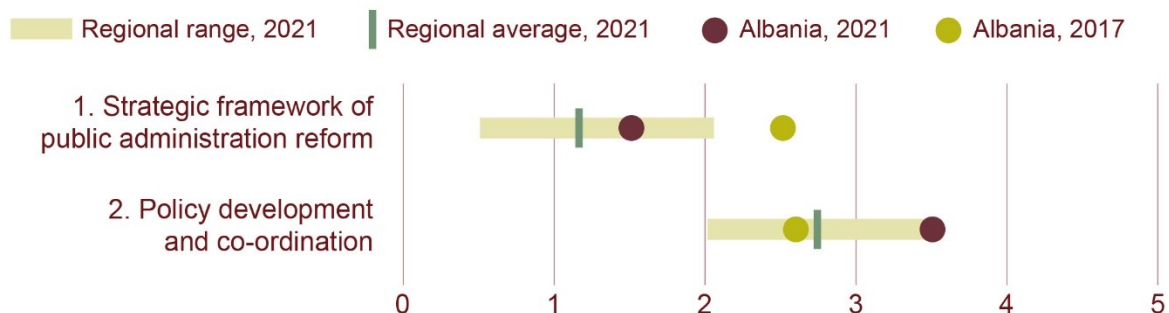
#### 5.1.1. Public Administration Reform

**Policy and legal frameworks in the PAR and Good Governance sectors are relatively solid, although SIGMA pointed out weaknesses in the consultation processes.**

The quality of GoA's PAR-related strategies was considered high by stakeholders, and there have not been significant changes in the policy framework over the reference period, other than extending the strategies in 2020. The strategies under the Strategic Framework of Public Administration Reform (i.e., the Cross-cutting PAR Strategy, the PFM Strategy, the Decentralisation Strategy, the Anti-corruption Strategy, and the Digital Albania Strategy) have all been extended for one to two more years without major revisions, except the PFM Strategy, which was newly drafted.

SIGMA's review of the Strategic Framework for Public Administration Reform from the 2021 Monitoring report showed that the strategic framework actually deteriorated between 2017 and 2021, despite still being better than regional average. Areas such as policy development and coordination, accountability, and PFM were assessed as having good progress, but the consultation with civil society was considered weak when it comes to the PAR strategy, despite stronger guidelines and an electronic web portal for public consultations. Some reasons mentioned by interviewed stakeholders included the situation whereby civil society organisations, citizens and businesses are not closely following PAR issues, which are perceived by these actors as very technical and oriented to public administration, or that they required a degree of web savviness. The stakeholder map conducted for the purpose of this evaluation also showed that not many CSOs deal with PAR issues.

FIGURE 6: SIGMA RANKING 2021



Source: SIGMA 2021 Monitoring report, p. 8

**The PAR strategy was adequately costed and financed by GoA, with external support.**

The review of the PAR funding over the reference period shows that the PAR strategy was adequately costed, which was considered as a good example by SIGMA and the EU. GoA mainly financed the strategy, amounting to 47.9% or ALL 944.3 million. External financing amounted to 44.4% or ALL 875.5 million, whereas the financial gap was 7.7% or ALL 152.2 million. Document review and stakeholder interviews pointed to the potential hindrances to the budget allocations for PAR considering the November 2019 earthquake and the pandemic. The 2019 Eligibility Assessment noted that the total cost and the financial gap increased compared to the 2018-2020 action plan, while the possible effects of the earthquake and the COVID-19 crisis on the GoA budget for PAR remain unclear.

Encouraged by the conditionality of the PAR BSP (performance indicator 1), total Budget Expenditures related to Management and Development of Public Administration programme saw a steady increase during the period 2014-2020. They accounted for only 0.03% of the total central budget in 2014, compared to 0.17% in 2020. Furthermore, the 2021 SIGMA report noted "a slight improvement in the assessment of the actual funding of PAR".

**TABLE 5: 2014-2020 FACTUAL BUDGET EXPENDITURES ON MANAGEMENT AND DEVELOPMENT OF PUBLIC ADMINISTRATION PROGRAMME**

	2014	2015	2016	2017	2018	2019	2020
<b>Total expenditure</b>	87,956.04	125,565.75	387,043.31	548,974.75	413,359.84	486,045.99	615,378.83
<b>Capital Expenditure</b>	-	24,263.60	205,402.21	306,888.72	147,393.92	186,833.45	319,136.77
<b>Current Expenditure</b>	87,956.04	101,302.15	181,641.11	242,086.04	265,965.92	299,212.54	296,242.06
<b>as % of total budget expenditures</b>	0.03	0.04	0.13	0.19	0.13	0.15	0.17

Source: Ministry of Finance and Economy

**Budget Support clearly supported the strengthening of the capacities of the Albanian public sector.**

Evidence points to improvement of the institutional structures and capacity of the public sector institutions over the reference period, inter alia with the contribution of BSPs that provided funding, conditionality, and targeted TA, accompanied by policy dialogue. National institutions related to PAR showed more dedication and willingness to cooperate and this was found to help promote institutional capacity-strengthening, including enhanced monitoring, reporting and accountability mechanisms.

**A comparative review of EU Country reports and SIGMA reports, confirmed by stakeholder interviews, showed that the country has been making stable progress across PAR in areas that were supported by the PAR programme.** The 2021 EU Country report noted some progress, part of which was supported by EU-funded TA, as also assessed by SIGMA 2021 monitoring reports. For instance, in relation to Human Resource Management System, which is targeted by the Good Governance Programme, SIGMA noted a high aggregate composite indicator of 3.6, among the highest in the Western Balkans (see

Figure 7 in the following chapter). Another example is the way PAR Sector Budget Support TA supported the improvement of the system of regulatory impact assessment, a key component of evidence-based policymaking which is relatively recent but is in place. The regulation requires impact analysis for all draft acts submitted to the Council of Ministers. The complementary support project “Technical Assistance for improving regulatory framework and public consultation in Albania” has provided a significant support to the preparation of 33 Regulatory Impact Assessments on different draft laws during the period November 2019-March 2021.

**Reforms out in place have been consistently improving institutional capacity of GoA entities,** though there are outstanding challenges when it comes to the selection of officials, their professional development, and service delivery. Stakeholders also noted that the EU contributed to the overall capacity-strengthening through continuous and stable support to PAR, including Budget Support programming, which targeted institutional capacity gaps across public administration areas.

However, significant changes and staff turnover in light of the government changes have affected national institutions leading or benefiting from PAR and Good Governance reforms (see pending challenges in section 5.3). The transformative effects of EU support were considered by interviewed stakeholders to be muted by persisting human resource, financial and political challenges, as well as changing government priorities. One example that was widely raised as an ongoing concern was a recent decision by the government to digitalise 95% of public services. In the view of interviewed stakeholders (donors, civil society, local governments, some government institutions, and the EU), this resulted in closing of the ADISA offices in 2022, which were supported for years by donors. It also threatens to diminish the EU and other donor efforts to strengthen local government services, which are intended to be centralised around the central government’s e-portal (<https://e-albania.al>). This is also a relevant change, as the Good Governance programme included performance indicator No. 9 on citizen satisfaction with ADISA services.

**The PAR programme was also helpful to maintain the coordination and cooperation efforts among agencies.** DoPA has human resource and institutional mechanisms to continue leading on the reform along with the Prime Minister’s Office and related public institutions, which were mentioned as important capacity-strengthening and institutionalisation factors. However, the 2021 SIGMA Monitoring report noted outstanding gaps, and some stakeholders observed that there are issues across these and other related institutions which sometimes create obstacles for coordination and coherence of activities. Frequent restructuring of government institutions was also described as a challenge in sustaining achieved results as detailed above.

**Capacity at the local level was developed with the support of the STAR 2 project implemented by UNDP** (See Section 4.3 for details). The Good Governance Programme Financing Agreement foresees the continuation of support through STAR. However, according to the recent Evaluation of EU local governance portfolio and corroborated by interviewed stakeholders, new challenges have arisen with the STAR project in light of the government's digitalisation agenda, as many achievements of the project pertaining one-stop shops for public services may be challenged by the decision to digitalise (and centralise) services at the government portal.

### 5.1.2. Macroeconomic stabilisation policies

*The PFM BSP played a role in consolidating economic management by MoFE. Albania's Organic Budget Law provides a solid foundation for tightly managed PFM.*

**Progress has been achieved in improving the Legal and Fiscal Framework** (performance indicator 1 of the PFM programme) with amendments to the Organic Budget Law, Improved Public Procurement review legislation and efficiency and the publishing of MoFE reports to improve transparency and accountability. Work has advanced in the improvement of planning and budgeting of public expenditure (indicator 2), through the updating of the public investment list and the preparation of regulations clarifying institutional responsibilities.

**The 2017 PEFA noted that the government's fiscal consolidation efforts, as well as wider PFM reform, had benefitted from strong support by Albania's donors and IFIs, including the EU.** During the period covered by the PEFA assessment, Albania had an active programme with the IMF and benefitted from EU Budget Support, as well as TA from multiple donors and IFIs, including the IMF, World Bank, EU, Swiss Cooperation and Swedish Cooperation. The PEFA report noted that the Albanian authorities had made extensive efforts to further PFM reforms. The implementation of these reforms is managed through the Albania Public Finance Management Strategy 2014-2020 (PFM Strategy) and, more recently, its 2019-2021 counterpart. Initial efforts were centred on laying the foundations for implementing reforms, such as establishing the structures for driving reform, drafting legislative amendments, and capacity improvements in key areas.

The GoA had a longstanding issue with the build-up of arrears, which undermines predictability of public financing and can damage the private sector and others to whom payments are due. After the adoption of the National Strategy for Development and Integration II, MoFE took measures to reduce the arrears (another indicator of the PFM programme), including the adoption of the Strategy for the Prevention and Reduction of Outstanding Obligations. At the Local Government Units level, significant steps were taken to adapt to the new framework established with the implementation of the new territorial administrative reform, including the consolidation of 373 Local Government Units during 2015. GoA implemented extensive support measures to reduce the social consequences of the COVID-19 pandemic.

**The Economic Reform Programme 2023-2025 envisages a gradual reduction of the public debt ratio and a return to a positive primary balance by 2024, provided the economic recovery is well entrenched.** After a high stimulus, which carried out a necessary yet unavoidable expansionary fiscal policy during the years 2020 and 2021 to mitigate the negative shocks (from the earthquake and especially the pandemic), the fiscal policy for the medium and long term will be reoriented again towards fiscal consolidation in accordance with the fiscal rules sanctioned in the organic budget law, as well as in accordance with the specific recommendations of the European Commission.

Fiscal consolidation and reduction of public debt continue to be the basic objectives of fiscal policy, in direct function of ensuring the macroeconomic stability of the country, as an essential premise for ensuring a sustainable and inclusive economic growth.

Fiscal policy will target a downward trajectory of the public debt, i.e., a gradual but annual downward trajectory, while the primary balance will return to a positive level (primary surplus) from 2023 onwards. Meanwhile, from the budget year 2024 onward, this target will also be legally binding.

In 2023, the primary balance is projected at around 0.3% of GDP, a clear improvement from the negative level of 1.2% of GDP expected by at the end of 2022 and will continue to expand further to a projected rate of 0.9% in 2024 and to 1.2% in 2025.

In the macroeconomic fiscal framework for the medium term, the gross public debt will follow the downward trajectory started in 2021 after the pandemic and in accordance with the respective fiscal rule. In 2022, public debt is expected to have been reduced to about 68.8% of GDP (from 73.2% in 2021) and to further

decline to around 67.5% in 2023. Under the baseline scenario, public debt is expected to fall to around 64.2% in 2026 and around 54.9% by 2031.

**The main GoA priority in the medium term remains clearing the stock of arrears and preventing their accumulation.** In recent years, this objective has been achieved, as the stock of arrears has followed a progressive downward trend. The setting of specific targets over the years (excluding Good Governance) has led to a reduction of the arrears stock in recent years, a trend which is set to continue even through 2022. For the FY2022, regarding the specific target for the general government arrears, the MoFE proposed reducing the performance indicator on Good Governance from 2% to 3%, and for the partial completion to be set at 3.5%. This has been approved and reflected in the targets set on Good Governance and PFM Strategy for the FY2022.

General government arrears as a percentage of total expenditures for FY2022 target was set to be below 3%. There is expectation for this target was met, taking in consideration that as of September 2022 general government arrears as a percentage of total expenditures (Normative Act no.17 dated 1.12.2022) were approximately 2.55%. The IMF in December 2022 welcomed the authorities' plan to reach a primary balance in 2023 and stressed the need for a more ambitious medium-term fiscal consolidation, underpinned by a sound medium-term revenue strategy which should be finalised and implemented without further delay. Such efforts would help rebuild policy buffers, reduce inflation, and facilitate external adjustment. Fiscal support to the vulnerable should be temporary and targeted, fully leveraging the existing social protection framework. The EU<sup>20</sup> and IMF also cautioned against the proposed tax amnesty given governance and money laundering risks.

**Public Debt Management has been strengthened and the general objective of the PFM Programme was achieved as the public-debt-to-GDP ratio fell from 70.5% (2013 baseline) to 68% in 2022.** While government plans remain ambitious, the 2022 IMF Article IV report anticipates that a small primary surplus is projected from 2024 and beyond as crisis-related spending is phased out. The public debt ratio is expected to be on a downward trajectory, declining to under 64% of GDP by 2027, fulfilling the target of a "positive trend in the consolidation of public debt". There is a new Mid-Term Debt Management Strategy in place for the period 2022-2026 and further reduction of refinancing, interest rate and exchange rate risk continue to be a priority for debt management as part of the Mid-Term Management Strategy of Debt.

**The credibility of the revenue and expenditure estimates in the annual budget was satisfactory.** The average difference between the planned revenue in the original annual budget bill and the actual outturn in 2018 and 2019 was 4.3%; for expenditures, the deviation was slightly higher (at 4.8%).

### 5.1.3. Domestic Revenue Mobilisation

***Tax reform efforts are being made by GoA, but informality and evasion hamper revenue collection.***

**The Albanian government intensified its efforts to improve tax administration, focusing on anti-informality, improvements in Value Added Tax administration, and strengthening operations.** The methodology used for forecasting revenue from the Statistical and Macroeconomic Department at MoFE was improved. Key reforms in the tax administration include the implementation of new rules in the information technology system, and comprehensive organisational restructuring focusing on compliance risk management. Sustained efforts have been made to expand the tax base and improve tax compliance.

The 2008 Law on Tax Procedures was amended in November 2016, reflecting the main changes regarding the structure of appeal, collection of tax liabilities and agreement in instalment payments. The new Customs Code came into force in June 2017. Albania adopted the law "On electronic invoice and the turnover monitoring system" (known as the law on fiscalisation) no. 87/2019, on 18 December 2019: its implementation was delayed due the necessary legislative regulations and COVID-19 implications, before becoming obligatory in January 2022.

A further important project was to build a fiscal land survey system to properly implement the newly approved property tax law based on value. It should be noted that the Economic Recovery BSP incorporated additional measures to improve tax administration. MoFE received donor and IFI support from Swedish Cooperation and the IMF, and Albania is joining the EU FISCALIS programme. Under the FISCALIS programme, the Commission develops and maintains interoperable and cost-effective IT solutions to support tax authorities in their efforts to fight tax evasion and tax avoidance.

<sup>20</sup> See Chapter 4 of the EU *acquis* and the Commission's 2022 enlargement package, and MoneyVal/FATF

Tax administration (Indicator No. 4 of the PFM BSP) improvements include progress in increasing the issuance of fiscal receipts and more comprehensive taxation of large taxpayers. Additionally, the Economic Recovery Programme included as indicator No. 3 (PI3 ER) that the Medium-Term Revenue Strategy was consulted, published, and adopted with an approved implementation plan. Although the disbursement dossier for the variable tranche of the Economic Recovery programme is not yet available, it has been noted that this Medium-Term Revenue Strategy is underway with the support of the IMF.

**Despite the increases in tax collection, revenues have persistently fallen short of budget forecasts.** There has been some modest progress: tax and social contribution revenues have been on an upward trajectory consistent with Albania's economic growth. On average, over the last 10 years, tax revenues underperformed relative to forecasts by close to 1.5% of GDP. Collection shortfalls against budget have continued into recent years and have been attributed to unrealistic forecasting. The IMF technical report argues that despite a strong focus on reducing informality in recent years, tax evasion remains rampant and ingrained in the national culture. Underpayment of tax is pervasive across all sectors of the economy, with the largest losses in construction, trade, and services, and thus the report argues that a different and more strategic approach is needed. A contributing factor may be excessive changes to taxable thresholds and the creation of exemptions that reduce the tax base, increase uncertainty on the side of taxpayers and put additional burden on the tax administration; in turn, negatively affecting potential tax collection rates.

With support from twinning projects, part of the implementation of the PFM Strategy included a focus on Customs Administration, including a new internet site and e-Customs Customs Portal.

#### 5.1.4. Improvements in PFM efficiency and transparency

*Budget credibility has moderately increased as results of the EU-supported development of institutional and technical Public Financial Management innovations*

**Enhanced budget credibility lies at the heart of the PFM reform process, prior to, during and since the completion of the PFM BSP. There has been progress, but challenges remain.** Overall, the value for the SIGMA indicator 'Quality of the annual budget process and budget credibility' is three. Although positive developments were observed in some of the sub-indicators, SIGMA did not raise the overall indicator value to a higher level in 2021 in comparison with 2017. Budget credibility and the quality of strategic allocation of resources and budget execution have been improved (see JC3.2.3)

**With the support of Budget Support-funded TA, the Medium-Term Budget Framework was improved** through the inclusion of the Programme and Budgeting Performance and MoFE's Performance Indicators. An assessment of PEFA scores between 2006 and 2017 indicated some technical progress, but as PEFA relies on evidence from prior years, it provides comparatively limited evidence that may be linked specifically to the EU PFM BSP.

**The AFMIS treasury system has been expanded to reach more spending entities.** At the time of this evaluation, work continues to set up another system: the External Assistance Management Information System (EAMIS). This is an automated system to support the GoA in effectively managing development finance and promote responsible and transparent use of resources. The system is intended to serve as a reliable and credible source of information for externally funded activities linked to Programme objectives with target indicators. It will also serve as a one-stop shop for information on financing and performance of donor, private and local investments in Albania's development and economic growth. It should provide stakeholders with facilities for data entry and analytic reporting, including chart, graph, and map generation to monitor vital trends, implementation progress, results and statistics, and production of progress reports on public development spending and its impact.

**Reform of PPP legislation is underway, related to the 2023-2025 Economic Reform programme to align it more closely with public investment prioritisation.** This was a specific recommendation of the 2022 EU Country report under Chapter 5 (public procurement) to "step up efforts to alignment of the legislative framework with the EU acquis in particular the area of concessions and public private partnerships (PPPs)". PPPs have been a source of concern in terms of distorting investment priorities and creating the potential for cost overruns and unrecognised risks to government finance.

Regarding the strengthening of the capacity of government to appraise public investment projects, MoFE and the Council of Ministers approved the decision No. 887 dated 27/12/2022 "On procedures for public investment management", which replaced the Decision of the Council of Ministers (DCM) no. 185, dated 29/03/2018. Full details have been included in Albania's Economic Reform Programme 2023-2025.

Finally, the Law on Public Procurement (2006) has been amended twice to further align the legislation with the new EU Directives, and this remains an area of ongoing reform under the 2023-2025 Economic Reform Programme.

***PFM reforms have improved the oversight processes of the Albanian budget.***

**OBI's Open Budget Survey report for 2021 observed that the legislative and the Albanian Supreme Audit Institution provide adequate institutional oversight of the budget process.** There has been progress in demystifying PFM and improving understanding by civil society and the public more broadly of issues relevant to PFM, but progress is uneven. CSOs believe that there is resistance in parts of government to measures to improve transparency. Access to information for CSOs remains challenging.

**The oversight function has been enhanced with considerable EU-funded support including twinning, PFM Budget Support-linked TA, and by SIGMA,** which strengthened oversight by Albanian Supreme Audit Institution. A positive contribution in terms of results achieved regarding budget oversight and budget transparency can be confirmed through the twinning projects for the State Audit Institution and support for budget preparation and expenditure management reforms. They represent a considerable endorsement of the effectiveness of the (EU, but non-Budget Support-funded) twinning projects and the (Budget Support-funded) TA capacity-building work, although the 2021 drop-off in scores for transparency is a reminder that PFM is never static and necessitates ongoing focus.

**Internal audit and budget execution systems are reasonably satisfactory and in line with international standards, as reported by SIGMA in 2021.** Legislative amendments have been introduced to enhance effective internal control, with the support of the PFM programme-funded TA. These included the amendment of the Law on Financial Management and Control (2010) in 2015 and amendments to the Law on Internal Audit, the Law on Public Financial Inspection, and the Law on the Organisation and Functioning of High State Control (in 2015). The State Audit Institution Law regulated new requirements based on International Standards of Supreme Audit Institutions, such as financial audit, performance audit, continuing professional development programme for auditors, and transparency and accountability safeguards. Although positive developments were observed, the overall indicator for Principle 6 value is unchanged since 2017. By contrast, the value for the indicator 'Adequacy of the operational framework for internal audit' improved to four in 2021, from three in 2017.

**Implementation of PFM reform has contributed to raising internal awareness at all levels of management on the role of Internal Financial Control in the public sector.** The reforms increase the use of Financial Management and Control instruments; increase professional capacities of internal auditors and financial inspectors; and improve the methodology for monitoring the performance of public entities as a support for a more efficient and realistic assessment of the performance of these units.

**Work has been undertaken to improve external public oversight and the dissemination of State Audit Institution's findings, particularly improving the legal and policy framework.** In line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI), Albania's constitutional and legal framework ensures the independence of the State Audit Institution. In accordance with its 2018-2022 strategic development plan, the State Audit Institution is implementing actions to improve its institutional capacity. The quality of audit work needs to be further improved to fully comply with the INTOSAI standards. The IPA 2017-2019 Communication Strategy was also adopted.

In 2020, the Albanian Supreme Audit Institution initiated audits of public expenditures and budget institutions related to COVID-19 and earthquake reconstruction and has been expanding its coverage of sub-national public entities. It is proposed that the State Audit Institution will monitor implementation of Integrity Reports, which are being introduced at municipality level.

***Relations between the Supreme Audit Institution and the Albanian Parliament have improved considerably.***

Two examples of this improvement are legal act no. 122, "On the implementation of the State Audit Institution obligations to the Albanian Parliament", which was approved in June 2017, and a Memorandum of Understanding, which was finalised in 2016 between INSTAT, Bank of Albania and MoFE for the compilation, distribution, transmission, sharing and exchange of data.

**There has been an increase in the degree of external control by Parliament** as evidenced by the reduction of the time gap between production of financial reports and legislative scrutiny and the capacity of Parliament to consume audits and follow up on recommendations. Progress has been made in making



the budget documentation that is submitted to the Parliament more comprehensive; however, the transparency of the budget process is hampered by the relatively large flexibility for re-allocations to the budget allocations without parliamentary approval during budget execution (more than 5%). A persistent shortcoming is that the time allotted to the Parliament to deliberate the draft budget is less than two months after it is presented. Nevertheless, the draft 2021 budget was discussed in six committees and resulted in written opinions and conclusions. The Mid-Term Budget Plan process has been improved by empowering Parliament to vote and approve the Mid-Term Budget Plan ceilings at the programme level, and to make ceilings for the three years of the Mid-Term Budget Plan, which helped to consolidate the Mid-Term Budget Plan process and provide discipline concerning the forecasts of liabilities (especially in multi-year programmes).

***The transparency of the Albanian budget has been improving but participation levels are very low.***

**Transparency has been improved through the publication of a citizens' budget (indicator 6 of the PFM programme)**, as well as the strengthening of external audit (indicator 8 of the PFM programme). The quantity and relevance of information has increased at both central and local level with the implementation of the PFM reform and the transparency road map, and the government now publishes all key budget documents in a period consistent with international standards. In OBI's Transparency rating, Albania scored 52 in 2021, compared to a Global Average of 45. Within the region, Albania came third; this was below Slovenia (which scored 66) and Croatia (64), but better than Serbia (46), North Macedonia (36) and Bosnia and Herzegovina (32). Overall, the trend on transparency of the Albanian budget has been good, rising from a score of 33 in 2010 to a peak of 55 in 2019 before slipping by three points in 2021 due to the delayed publication of audit reports. A key issue remains the varying level of transparency across government, which needs to be systematically addressed.

**There is considerable evidence of strengthened consultation processes within GoA, and with civil society and other donors and IFIs.** Overall, the OBI value for the indicator '*Inter-ministerial consultation on public policy*' is four, an overall improvement on the 2017 value of two. The score for the indicator '*Public consultation on public policy*' was three in 2021, an increase from one in 2017. However, although the public consultation practice has improved in some respects, its quality is still not sufficient. This finding is consistent with the low score (six out of 100) for public participation in the budget process, as per OBI 2021 results for Albania. Within the Western Balkans, in 2021, it came joint-fourth with North Macedonia, only beating Serbia which scored two. The Open Budget Survey made recommendations that Albania's MoFE should prioritise pilot mechanisms to engage the public during budget formulation and to monitor budget implementation, and actively engage with vulnerable and underrepresented communities, either directly or through civil society organisations representing them. Subsequently, concerns were expressed that there has been an attempt to roll back access to Information legislation. Although this is after completion of the PFM BSP, it is still relevant. Of particular concern, as highlighted by CSOs, was a proposed amendment that would give Ministries the right to reject Access to Information requests.

**A Citizen's Budget has been prepared and published.** This was a performance indicator of the PFM programme. In 2017, the Mid-Year Macroeconomic, Fiscal and Budget Performance of the government was published and submitted for approval to the Council of Ministers and for information in the Assembly for the first time. Furthermore, the establishment and implementation of the new Financial Management System has enhanced the monitoring process.

### 5.1.5. Strategic Resource Allocation and Results-Based Management

*EU budget support played a role in strengthening the focus of GoA resources and actions on policy results, and on Results-Based Management more generally.*

**The preparation of the budget is undertaken in an orderly manner.** There are 44 first-level budget organisations in the state budget, which provide comprehensive inputs both to the Medium-Term Budget Framework and to the annual budget proposal. Chapter IV of the Management of the Budgetary System clearly sets out the deadlines for the public expenditure management process, submission, and the publication of budget documentation, and these were met during the 2020 budget preparation process. As a result, the budget calendar was more reliable than in 2017. The Government Financial Information System was upgraded by having automated controls over budgetary commitments and the multi-year engagement record is now operational.

**Progress was made in 2017 to improve the scope of the sectoral strategies and the Mid-Term Budget Plan, after GoA adopted National Strategy for Development and Integration II in May 2016.** The ratio of the total funded funds allocated to the sectoral strategies for overall funding identified for the corresponding sectors in the Mid-Term Budget Plan increased (from 42% in 2014 to 56% in 2016). In addition to the legal framework, the Mid-Term Budget Plan was improved by introducing the Programme and Budgeting Performance. Although the process is clear and orderly and the aggregate ceilings approved in the Medium-Term Budget Framework are largely sustained, sector ceilings reflect substantial deviations for various ministries. This introduces uncertainty and instability into the budget process.

**Capital budgeting has been an integral part of the annual budget preparation process, although weaknesses persist in public investment, planning and management.** For the first time in 2015, as part of the Mid-Term Budget Plan documentation, the MoFE published the entire list of ongoing and new investments, with details including: the total cost of approved; the cost incurred to date; the budget; and multi-year commitments during the Mid-Term Budget Plan period at national, sector and programme level. In 2015, the Economic Reform Programme of Albania 2016-2018 was adopted, which outlines the main aspects of macroeconomic and fiscal policy as well as the priority structural reforms planned by the government in the medium term to strengthen the domestic economy and stimulate sustainable growth and increased competitiveness. Since the mandate for public investment planning was moved to the MoFE in 2016, capital project proposals are prepared and submitted by the budget institutions to the Department of Public Investment Management at the MoFE. Reforms with respect to investment management have been supported by the World Bank and IMF, especially with respect to PPPs which are vulnerable to unjustified prioritisation. These reforms remain work in progress.

**EU Budget Support, with its variable tranche indicators, appears to have supported the implementation of results-based management.** This has been further consolidated using compliance monitoring reporting, creating the space for regular consultations on performance. Clearly the SIGMA scores and OECD monitoring processes have similarly strengthened the focus on results, and it is not possible to disaggregate the relative importance of each driver.

## 5.2. Policy Outcomes and Impacts (Levels 4 and 5) and Determining Factors (Step 2)

GoA's efforts to reform Good Governance legislative, policy and institutional frameworks has contributed to cumulative enhancement of governmental frameworks.

**Albania has shown remarkable improvements in government effectiveness across the last 15 years, although with some deterioration since 2018, as shown by the World Bank's index.** While this evaluation has not been able to gather substantial information on the causes for such deterioration, it seems reasonable to observe that the 2019 earthquake and the socioeconomic hardships following the COVID-19 pandemic have negatively affected government effectiveness. Some stakeholders also raised political challenges and frequent government restructuring as key factors.

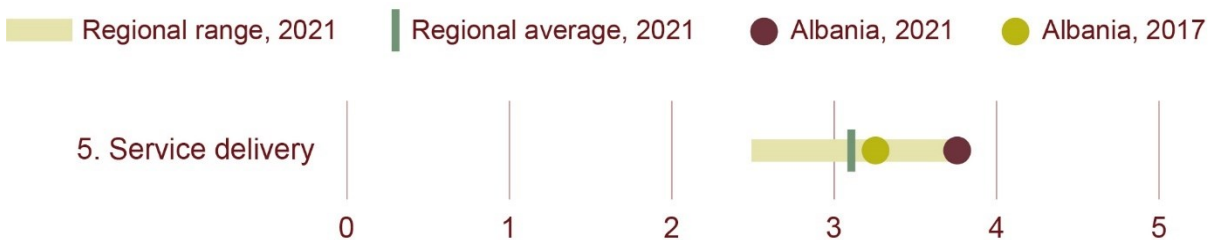
**TABLE 6: GOVERNMENT EFFECTIVENESS, WORLD BANK GOVERNANCE INDEX (RANKING -2.5 [LESS EFFECTIVE] TO 2.5 [MORE EFFECTIVE])**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Albania</b>	-0,28	-0,20	-0,27	-0,32	-0,05	0,06	0,06	0,13	0,11	-0,03	-0,12

Source: World Governance Indicators

**Available documentary evidence shows overall progress in terms of strengthening public service delivery; this also confirmed by interviewed stakeholders, who did raise challenges with digitalisation as noted above.** Albania has positioned itself as the lead performer across all key areas, as concluded by SIGMA in its 2021 Monitoring report.

**FIGURE 7: TRENDS IN SERVICE DELIVERY AS SIGMA RANKING 2021**



Source: SIGMA 2021 Monitoring report, p. 8

**Albania has been very successful when it comes to e-service delivery. This was made possible by important investments in enhancing interoperability among government systems and data bases, much of which was also supported by the EU.** The government portal “e-Albania” acts as a single access point for public service delivery that provided over 1,207 electronic services to around two million users (citizens and businesses) registered on the platform by end of 2022. The Regional Cooperation Council's Balkan Barometer<sup>21</sup> perception survey found that Albania has the highest number of users of digital services in the Western Balkans region. For tax-related services, taxpayers in Albania can now pay up to 13 different taxes online. More specifically, the trend since 2018 of satisfaction with online services for personal documentation provision has been remarkable; the percentage of respondents to the barometer having satisfactorily used the online services for the provision of personal documentation increased from 14% in 2018 to 56% in 2021, while the number of them that do not think that this service is available remains at just 7%. Satisfaction with this service is high, especially compared to the rest of the Western Balkans.

The Balkan Barometer also demonstrated that, in 2021, 61% of Albanian citizens switched to online services during the COVID-19 pandemic (by far the highest in the region), and 76% of them declared that the reason was that digital services were easier and faster to access than in-person ones. Another reason for this was the government's ambition to digitalise 95% of all public services, a sweeping change raised by interviewed stakeholders. Per feedback received by stakeholders, the government's ambition to digitalise services was considered a way to increase efficiency as well as mitigate corruption risk. However, interviewed stakeholders raised concern that the digitalisation of services may present a significant challenge in terms of access to rights for the most vulnerable groups, notably the elderly, minorities, or wider digitally illiterate groups, as well as government institutions (in particular, local governments).

<sup>21</sup> <https://www.rcc.int/balkanbarometer/home>

Considering these wide concerns, the Ministry of Interior asked the STAR Project to conduct an assessment of the readiness of local governments for digitalisation and an assessment of digital readiness of citizens. Stakeholders expected these assessments to provide much-needed evidence to inform possible adjustments (or changes) to this policy.

The PFM programme-funded 2021 survey “The perspective of Albanian citizens and Businesses, CSOs, and Media on awareness and impact of EU Support to Public Administration and Public Finance Management Reforms in Albania: General population, Businesses, CSOs and Media” showed increasing awareness of citizens about available online services. **While only 39% of citizens are aware of ADISA, more than half of those who have encountered the staff found the information received helpful and were happy with the service provided.** More than half of respondents are aware of ADISA and 60% of those who have met the staff found the information received helpful and were happy with the services provided. However, due to recent institutional changes, **ADISA was abolished** (JC3.1.2).

### 5.3. Pending Challenges

**It should first be noted that Albania has faced exceptional challenges in recent years** including the 2019 earthquake, the COVID-19 pandemic, and the consequences of the evolving Ukraine conflict. These exceptional challenges make it more difficult to identify the counterfactual of what would have happened if the PFM BSP and complementary capacity-building support had not been provided.

**The significant institutional changes and staff turnover across the institutions considering the government changes since 2017 have affected national institutions leading or benefiting from PAR.** As exemplified in previous sections, DoPA was under the Minister of State on Innovation and Public Administration. In September 2017, DoPA moved under the Prime Minister’s Office, more specifically under the Deputy Prime Minister. While no evidence of collaboration between the two institutions was found concerning the PAR BSP, the Prime Minister’s Office has been collaborating with DoPA on issues relating to the achievement of indicators related to PAR in the Good Governance programmes. Lately, as of 29 June 2022, the Ministry of State for Standards and Services took the lead in overseeing the Good Governance principles.

**Evidence revealed the challenge of high rate of staff turnover**, which is often a consequence of government restructuring or political factors (e.g., elections). Interviewed stakeholders noted that staff turnover presented a significant challenge both in terms of institutional memory and loss of staff who were trained or capacitated in specific areas, which is then lost once they leave.

**Other issues included fiscal and human resource challenges** across the Albanian administration more generally. A particularly critical challenge, in the view of interviewed stakeholders, is government’s difficulty to attract and retain Information Technology (IT) expertise, which is much needed to fulfil and operationalise the government’s digitalisation ambitions. Institutions encounter significant difficulties in attracting IT experts, due to low salaries (although wages of public officials were raised in April 2023) and, in many cases, outdated equipment or old systems. With EU and other donor support as well as government efforts, interoperability frameworks and mechanisms were put in place. However, their maintenance or upgrade is challenged by this lack of IT experts, who can land better jobs elsewhere.

**A study shows that Albania is the European country with the lowest costs for the provision of public services.** The publication “Cost and Effectiveness of Public Administration in Europe,” conducted by The KDZ Centre for Public Administration Research, analyses the relation between government effectiveness and the cost of public administration, comparing the final consumption expenditure of general government and the World Bank Effective Government Index. Public sector expenditure in Albania, with EUR 1.213 Purchase Power Standards per inhabitant (2020 data), was substantially lower than in its Western Balkans neighbours and very far from the EUR 7.142 Purchase Power Standards that the 27 countries of the European Union spent in average in 2021.

**Socio-political challenges caused by natural disasters (earthquake, COVID-19) and/or the war in Ukraine** were also cited to have affected the extent to which the government could maintain focus on its reform agenda.

**Despite the work done in the enhancement of expenditure control (Indicator 3, PFM BSP), the system in place is not yet strong enough to prevent the build-up of arrears.** More recent evidence highlights the fact that PFM reforms are not fully completed; notably, the issue with arrears re-emerged during the COVID-19 pandemic, reflecting exceptional circumstances, although it is once more under control. The specific objective of the PFM programme was partially achieved with the 2013 stock of arrears (ALL 72.57

billion or 5.3 % of the GDP) entirely cleared out by 2017; however, new arrears emerged resulting in a stock of central government expenditure arrears of ALL 6.5 billion (June 2019 data) and Value-Added Tax refund arrears of ALL 11.2 billion (December 2019 data), mostly to three large taxpayers.

The Sixth PFM Compliance Review report provides a less positive assessment of PFM, especially in public investment, despite the noted progress with capital budgeting and projects (see JC3.2.3). It highlighted an uncertain macro-fiscal outlook, delays in adopting a medium-term revenue strategy and reforming property taxation, emergence of new arrears, and public investment management weaknesses. These challenges are being addressed by the 2023-2025 Economic Reform Programme.

The IMF, in concluding its Article IV assessment (December 2022), emphasised that advancing structural reforms will be critical in unlocking Albania's growth potential and welcomed the opening of EU accession discussions, which should contribute to reform progress. In this direction, IMF Directors called for sustained progress in judicial reforms and Anti-Corruption and stressed the importance of an expedited exit from the Financial Action Task Force's grey list. The IMF observed that fighting informality would help reduce emigration pressures, although this causality is still unproven. Noting the seriousness of the climate change challenge, the IMF stressed the need to include concerted adaptation efforts within the budget framework.

The Economic Reform programme (2023-2025) represents a well-articulated action plan to address existing and evolving challenges at a time of considerable economic and political uncertainty internationally.

## 6. Rule of Law: Contribution of Budget Support to Policy Developments and Outcomes

### 6.1. Policy Milestones and Main Outputs (Level 3)

*Rule of Law-focused BSPs were important in supporting the update of legal and policy frameworks.*

The Anti-Corruption Budget Support programme supported the development of the Inter-Sectoral Strategy Against Corruption 2015-2020. Budget Support contributed to the improvement of frameworks for the prevention and suppression of corruption, with several successful policy and legal reforms including the development of whistleblower legislation (an Anti-Corruption programme indicator), amendments to the Criminal Code, and legal reform regarding the prosecution of financial crimes.

The Justice BSP supported the implementation of one of the most important reforms of the sector: the development of the Cross-sector Justice Strategy 2017-2021. It also supported the implementation of Law 115/2016 relative to the functioning and performance of five governance institutions, the efficiency of the High Court, the free legal aid system, and the use of alternatives to imprisonment. Justice programme conditionality was an important influence, as five policy indicators were directly related to the first specific objective of strengthening the independence, transparency, efficiency, accountability, and public trust in the judiciary, and two indicators were directly linked to the second specific objective of improving human rights protection.

The Justice BSP assisted GoA in improving the policy framework to directly target key fundamental rights aspects. Stakeholders indicated that the targets set by the programme placed positive pressure on justice institutions to further progress with reform implementation, with the objective of achieving an increased percentage of non-custodial sentences. Moderate progress was observed in relation to free legal aid services after GoA adopted all necessary bylaws.

GoA adopted a civil society roadmap, in line with the Guidelines for EU Support to Civil Society in Enlargement Countries 2014-2020. Civil society was consulted for the Anti-Corruption Strategy and Action Plan 2015-2017 and was involved in monitoring their implementation as a permanent member of the IPMG. Linkages with CSO initiatives were established in a number of areas. Similarly, in the field of justice reform and implementation of strategies, civil society played an active role.

*The increase of GoA's budgetary allocation to the justice sector has been remarkable.*

The justice system budget represents a significant percentage of the overall state budget, and has increased in recent years from 0.90% in 2018, when EU Budget Support to justice started, to 1.10% in 2020, and had a projected increase to 1.30% in 2023. Up to 2018, the justice sector budget comprised 0.27% of GDP while, in 2019 and 2020, it averaged 0.35% of GDP. The state budget share of the justice sector increased because of the need to establish and operationalise the new justice government institutions, and due to the increased salaries of justice officials. Indeed, during this period, there was an observable decrease of capital expenses and increase of salary expenses.

While the state budget has strongly financed the justice system in recent years, one of the most underfunded programmes is the Free Legal Aid programme, relative to its actual budget allocation and compared to the initial Mid-term Budgetary Programme allocations. Relative to policy priorities, the new Cross-Sector Justice Strategy 2021-2022 states that 64% of the Action Plan implementation will be supported by donors and IFIs, including the EU justice sector contract. In the mid-term state budget, however, it is anticipated that the growth rate for the justice system will decelerate.

Despite improved budget allocation, challenges remain in establishing a clear link between the national budget and policymaking, and its subsequent implementation, in strengthening the coordination between the Ministry of Justice, MoFE and the Prime Minister's Office, and in improving overlapping or inconsistent processes. In contrast, the capacity to cost sector strategies was improved.

The information provided above relative to financing of the justice sector is related to anti-corruption efforts, given that this area of support is directly under the purview of the Ministry of Justice.

*Albanian justice institutions have been strengthened, but important challenges remain.*

The justice sector institutional framework, including human and material capacities, was improved in the final years of the 2010 decade, with reform measures being linked to several performance indicators of the Justice BSP (Indicators No 1, 3, 4 and 5; see cluster note in Annex 10 for details).

All relevant institutions were supported to fulfil the impartiality and independence standards, in contrast with the old justice institutional framework. The Justice programme facilitated reforms not only through dialogue

and (indirectly) disbursements, but also through Technical Assistance to the new justice institutions and to some of the already-existing institutions, notably the School of Magistrates, which is one of five justice governing bodies that benefitted from capacity-building.

**Most of the newly established institutions started operations towards the end of 2018**, but encountered inadequate premises, human resources and capacities. This situation was resolved between 2019 and 2021, when new premises were built, and staff were hired and trained. These institutions now have the capacity to function according to the legal framework in place, and the High Council of Justice, High Prosecutorial Court and School of Magistrates are operating in the new Justice Palace (an indicator of the Justice programme).

**Only limited achievements were made to the improvement of the quality of performance of the School of Magistrates**, despite being a key objective of the EU programme, with two performance indicators. The School of Magistrates was very involved in the programme, and only a limited amount of information has been shared with the MoJ. This is a clear example of the difficulties that have been experienced with internal coordination during the implementation of the Judicial Reform Implementation Project (and the Justice BSP) due to the independence of justice sector institutions.

**The efficiency of the High Court was enhanced, but later than foreseen.** Only six of 19 High Court judges had been appointed as of 2020 (the BSP indicator target was not met). Nevertheless, the High Court became fully functional from 2021, though it still had three vacancies at the time of this analysis.

**While not a specific focus of the Justice BSP, one of the most principal elements of reform in the sector has been the vetting process**, entailing the re-evaluation of all judges, prosecutors, and legal advisors in office. This commenced in early February 2018 and is ongoing, with the aim of fighting corruption within the system, and restoring citizens' trust towards the judiciary. The vetting comprises an in-depth screening of all subjects based on three criteria: declaration of assets, integrity, and professional performance. To the end of the first quarter of 2023, the re-evaluation institutions, namely the Independent Qualification Commission and the Appeal Chamber, have made 651 deliberations, of which 499 were related to judges and prosecutors. The Independent Qualification Commission has dismissed 133 judges and 87 prosecutors from office, 49% and 41% respectively of the professional corps. The unwanted consequence of these dismissals, together with voluntary resignations in response to the vetting process, is that serious systemic difficulties were created, blocking the normal functioning of high-level courts for a significant period as well as creating a great number of professional vacancies and backlogs in the lower courts. The situation has stabilised but not yet improved, despite the governing institutions taking certain mitigating measures.

**The High Judicial Council undertook a revision of the judicial map that became effective from 1 February 2023**, to address the situation with the backlog (see also the following section). This revision was a provision of the law on the organisation of the judiciary, adopted as part of the justice reform legal package. According to the law, this map can be reviewed after five years, based on yearly evaluations of its effectiveness. The High Judicial Council and Ministry of Justice initially presented the current judicial map concept after two years of preparation. This proposal reconfigured the judicial map as follows: 22 first instance courts of normal jurisdiction into 12 courts; six first instance administrative courts into two courts; and six appeal-level courts of normal jurisdiction into one centralised court of appeal. The administrative court of appeal of normal jurisdiction, and the first instance and appeal courts on anti-corruption and organised crime, were not affected by the reorganisation. In early 2022 the new map went through a consultation process, with eight meetings having been organised with representatives of the Bar Association, civil society, the Chamber of Commerce, and other stakeholders. The draft concept was opposed by society organisations, including Bar Association representatives, who boycotted court hearings, a key concern being the direct impact that the new map would have on access to justice. Despite considerable opposition, the new map was adopted by a Council of Ministers Decision on 21 July 2022.

Although this reform falls outside the temporal scope of this evaluation, it has significant implications for past reform and the general population, nonetheless. Given the anticipated impact of the new map on overall access to justice, with the closure of a number of regional courthouses and the assignment to Tirana of all appeal procedures, the improvement and consolidation of free legal aid services will become much more important.

***The overall implementation of GoA's anti-corruption strategy remained on track, and EU support was a key factor, particularly through conditionality included in the anti-corruption BSP.***

**Successful reform measures were achieved in improving frameworks for the prevention and suppression of corruption, and several programme-induced outputs related to the institutional structure, capacity and monitoring, reporting and accountability.** These included the development (with support of EU-funded TA) of an integrity risk assessment methodology, and the conduct of inspections by the financial inspection unit, the targets for which were met.

The Anti-Corruption BSP conditionality pushed strongly for improved cooperation among law enforcement agencies, including through joint training, meetings and consultations conducted between the Prosecution Office and the State Police, among others. Collaboration between police and prosecution services was reinforced. The creation of a network of anti-corruption coordinators in 17 institutions is also considered a significant achievement.

Furthermore, the control of the regime for political parties' financing was partially strengthened, and the share of contracts awarded by negotiated procedure without publication of the contract was increased.

All achievements listed above were included in the indicators for the Anti-Corruption programme. Other induced output indicators of the Anti-Corruption reform (not linked to disbursements) included a strengthened regime of disclosure and control of public officials' wealth and conflicts of interest, and the public being encouraged to actively use the complaints mechanisms.

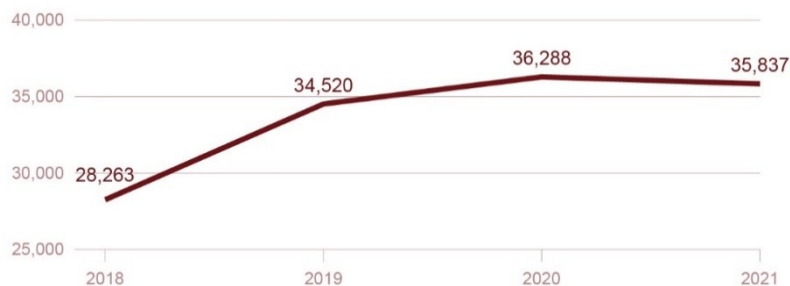
## 6.2. Policy Outcomes and Impacts (Levels 4 and 5) and Determining Factors (Step 2)

*While there have been recent improvements in access to justice, it is still less than satisfactory, and significant concerns for the future have arisen.*

**Access to justice was affected by several factors during the evaluation period.** The vetting process of judges and prosecutors created serious and ongoing inefficiencies and backlogs in the Constitutional Court and in the High Court (HC), as outlined above.

**As new judges were progressively appointed to the High Court from March 2020, the High Court commenced work behind closed doors on proceedings related to admission criteria, with the backlog slowly reducing thereafter.** The High Inspectorate of Justice indicated that the institution had progressed with backlogs despite human resource and infrastructure challenges.

**FIGURE 8: BACKLOG OF CASES AT THE HIGH COURT OF ALBANIA 2018-2021**



Source: High Court (data as of 30 June 2021)

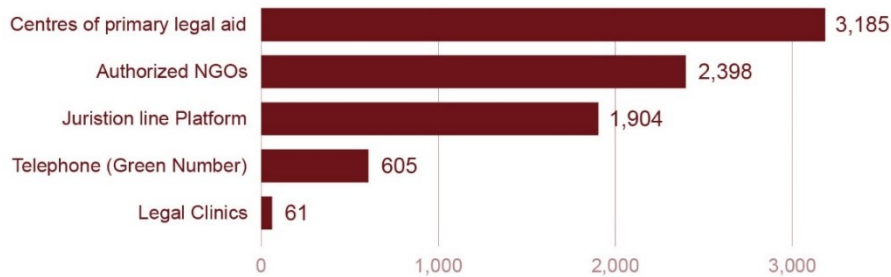
**In addition to such judicial backlogs, the length of individual proceedings has not been reduced. Over the past three years, the situation continues to be perceived by citizens as poor or very poor,** according to the Balkan Barometer. Shortages of personnel such as judges, prosecutors, and legal advisers in the justice system, as described above, have resulted in increased backlogs of the domestic courts at all levels, which directly affected the length of legal proceedings. New judges and prosecutors can only enter the legal system after attending the initial three-year training at the Magistrates School.

After the Free Legal Aid Law was included in the justice reform package, the Free Legal Aid Directorate was established, and nine Free Legal Aid Centres were opened. It is observed that **state services were more supportive of primary free legal aid (legal advice), compared to secondary legal aid (legal representation in courts), with the latter largely supported by NGOs, donors and IFIs.** The People's Advocate of Albania observed in its 2021 report a lack of collaboration between free legal aid providers and drew attention to the failure of regional Chambers of Advocates to provide lists of lawyers available to provide legal aid services as prescribed by law.



**FIGURE 9: OVERALL CASES OF PRIMARY LEGAL AID IN 2021**

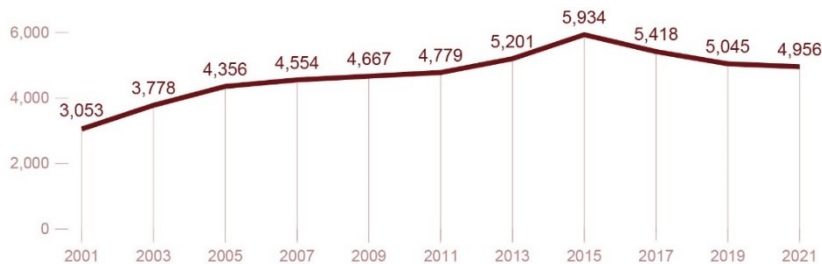
Source: Free Legal Aid Directorate 2021 statistics



Information on the indicator on enhanced processing of complaints against judges and prosecutors within the legal provisions was not available at the time of drafting this report. Target data for 2021 was 45% of complaints processed; the last known result is 23% (2018).

***Human rights protection in the penitentiary system has improved.***

**There was an overall decrease in the prison population since 2015**, supported by the Justice BSP and by the necessary changes in judicial approaches arising from the COVID-19 pandemic. The reform of the penitentiary system was a clear focus of the Albanian government, with the use of alternatives to imprisonment having increased in recent years, following recommendations made by the Council of Europe; this served as a strategy to decrease criminality and reduce the negative effects of incarceration. Data sources indicate that a steady increase occurred in the period 2001 to 2015, with a considerable reduction thereafter.

**FIGURE 10: TRENDS IN TOTAL PRISON POPULATION (2001-2021)**

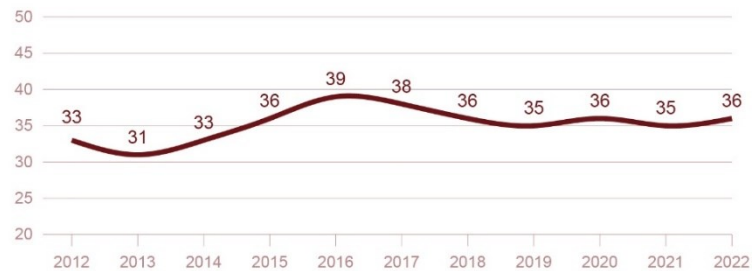
Source: GoA

**GoA had increased the use and number of non-custodial sentences in 2019 to a rate of 83%, compared with 70% in 2017. Despite this important achievement, the percentage of pre-trial detainees within the overall prison population has remained high (55.1% in 2022)**, an overall increase from 47.8% in 2001, and more than double the EU average. The reasons for this sharp rise appear to be based on the length of trial proceedings due to court and prosecutorial system vacancies. The professional evaluation procedures for judges and prosecutors were also considered a contributing factor, since this can result in decisions and approaches becoming considerably more cautious and, as a result, more time-consuming.

***Despite the reforms put in place, results in prevention and repression of corruption are missing.***

**Despite progress with the Anti-Corruption legal and institutional framework as indicated in the previous section, corruption remains prevalent in many areas of public and business life and remains an issue of critical concern.** A downwards trend is clear in the Transparency International Corruption Perception Index since 2016 (Figure 15).

Stakeholders considered the Anti-Corruption Task Force to have become less effective, and the impact of the Anti-Corruption Directorate in the Ministry of Justice is not yet evident. Convictions in cases involving high-level officials remain limited, and thus perpetuates a culture of impunity.

**FIGURE 11: Transparency International CORRUPTION PERCEPTION INDEX FOR ALBANIA (2012-2021)**

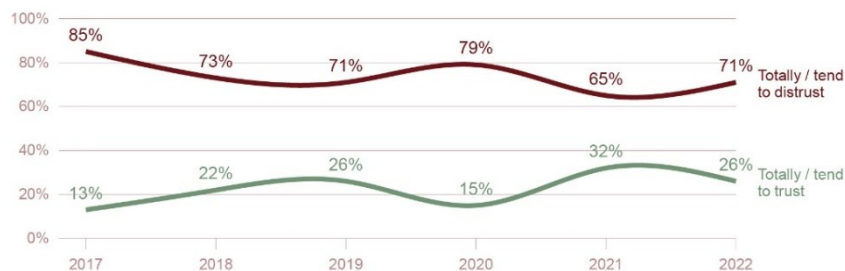
Source: Transparency International

While the Anti-Corruption programme did not include any outcomes as performance indicators, the Budget Support operation's results framework did include some outcomes, but only one was achieved: a total of 1,350,000 users of online services were registered in 2019 (the target for 2020 was 500,000), in comparison to the 2015 baseline of 169,918. Only 4,167 corruption-related cases were referred for prosecution in 2019, with the target for 2020 being 7,250, in comparison to the 2015 baseline of 2,922. Only 275 corruption-related citizen complaints were made online for 2016-2017 (the target for 2020 was 1,400) in comparison to the 2015 baseline of 1,121. This poor performance with the specific objectives of the Anti-Corruption programme can explain in part the low levels of citizen satisfaction and trust towards justice and Anti-Corruption reform, as discussed further below.

**On a more positive note**, according to the Albanian Centre for Economic Research's 2021 analysis of the EU-funded SELDI's Corruption Monitoring System between 2015 and 2017, **a very clear spike in the number of convictions for corruption was demonstrable following the approval of the Inter-Sectoral Strategy Against Corruption**, despite this not having been expressly targeted by the Anti-Corruption programme.

**Citizen perception of the Albanian justice system has improved, but remains low, and citizens declare that their exposure to corruption is rising.**

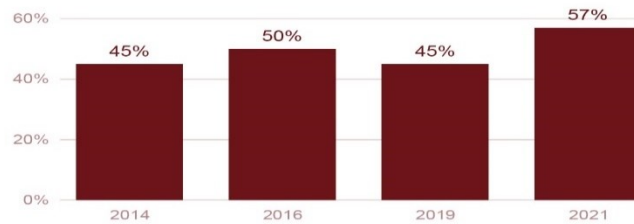
**Trends in citizen trust relative to the justice system show improvement**, as the percentage of citizens that express partial or total trust has doubled; however, it remains low as only one in four respondents provided a positive assessment. It is nevertheless important to highlight that there was a positive trend for the years 2019-2022 in comparison to previous periods.

**FIGURE 12: TRUST IN THE JUSTICE SYSTEM**

Source: Balkan Barometer 2022, Regional Cooperation Council

**Public perception of the independence of the justice system did not demonstrate very positive improvement**, with the 2022 Balkan Barometer indicating that 78% of Albanian citizens do not perceive the legal system as being independent from politics, only a slight improvement from 86% in 2017. 2022 data shows that Albanian citizens do not believe the justice system is transparent; however, information is only available from 2021, and the results are highly variable. Information from the same source regarding public opinion on the accessibility of the justice system is only available from 2020, with trends appearing too variable to allow any useful analysis.

There is no specific question in the Balkan Barometer directly addressing improvements in public satisfaction and trust regarding the Anti-Corruption system. **According to SELDI's Corruption Monitoring System, Albania exhibited the poorest results of the six Balkans countries examined**, both relative to corruption pressure (percentage of people who have been asked for a bribe) and corruption involvement (percentage of people that have given a bribe). Corruption pressure demonstrated a progressively worsening trend for the period between 2014 and 2021.

**FIGURE 13: CORRUPTION PRESSURE IN ALBANIA 2014-2021 (PERCENTAGE OF RESPONDENTS)**

Source: Southeast European Leadership for Development and Integrity

### 6.3. Pending Challenges

**Stakeholders indicate that challenges remain in establishing a clear link between the national budget and policymaking** in strengthening the coordination between the Ministry of Justice, the Ministry of Finance and Economy and the Prime Minister's Office, and in overlapping or inconsistent processes. While the state budget has strongly supported the justice system in recent years, one of the most fragile programmes relative to the actual budget compared to the initial Mid-term Budgetary Programme allocations is the Free Legal Aid programme. Regarding policy priorities, the new Cross-Sector Justice Strategy 2021-2022 states that 64% of the Action Plan implementation will be covered by donors and IFIs, including the EU sectoral contract in justice. In the mid-term state budget, it is anticipated that the growth rate for the justice system will decelerate.

**The justice system continues to struggle with a serious shortage of personnel**, in particular judges and prosecutors, as highlighted by the High Judicial Council. The vetting process, which was a key issue of EU-GoA high-level dialogue, has resulted in numerous vacancies in the courts and prosecution offices at all levels, with only 62.4% of judicial positions occupied in 2021, a figure that remained static. Importantly, a number of people who were subject to the vetting procedures chose to resign from office, which considerably worsened this situation.

**Concerning access to justice, the length of proceedings has not improved** and, as per the Balkan Barometer, over the last three years the situation continues to be perceived by citizens as poor or very poor. Vacancies created in the justice system, including of judges, prosecutors, and legal advisors, gave rise to an increased backlog in courts at all levels, which directly affected the length of judicial proceedings. New judicial members can only access the justice system after attending initial training at the Magistrates School which lasts three years. Considering this situation, where some courts do not have any judges whatsoever, the High Judicial Council adopted a new judicial map, which will be implemented from June 2023.

**There is concern among most stakeholders that the new judicial map will negatively affect access to justice of the most vulnerable groups.** The closure of courts in small cities will automatically increase the cost in time and money of court users, namely citizens (both accused and defendants), their lawyers, and local government officials, such as social services. This is expected to worsen access to justice of rural populations, vulnerable persons, including victims of domestic violence, persons with disabilities, and citizens whose lack of resources make it difficult to travel to courts, particularly those living in remote areas.

**The lack of a dedicated communication and visibility strategy, together with the politicisation of reform efforts, has resulted in a lack of consistency and understanding of sector progress by Albanian citizens.** A hallmark of the recent reform efforts has been the failure to communicate effectively and accurately about the crises in the justice sector, especially relative to judicial vetting and the judicial map, and to address concerns about ongoing corruption. This is likely feeding into the fluctuating levels of perceived corruption and public trust, as outlined above. It should be noted, however, that a comprehensive communication strategy will be developed and implemented with the support of Technical Assistance to Support the Implementation of the Crosscutting Justice Strategy TA, which presents a significant opportunity to address this gap, and hopefully improve these fundamental indicators of transparency.

**Human rights concerns relative to the penitentiary system remain**, centred on overcrowding and related poor conditions in specific prisons, as well as documented cases of torture, the risks of which have been aggravated by the percentage increase of pre-trial detainees and court backlogs, as outlined above. Such issues have been addressed by the Horizontal Facility of the Council of Europe, the Organization for Security and Co-operation in Europe and others but did not comprise a specific target of the BSP.

**Citizen perceptions relative to the independence, trust and transparency of the justice system remain variable and generally negative.** Citizens' awareness of the role and importance of justice institutions, and of completed, ongoing and planned justice reform initiatives is still scarce.

## 7. Employment, Skills, and Social Inclusion: Contribution of Budget Support to Policy Developments and Outcomes

### 7.1. Policy Milestones and Main Outputs (Level 3)

*Legal and Policy Frameworks in Employment and Skills and social protection have been substantially improved.*

**The policy and legal frameworks of the Employment & Skills and the Social Inclusion sectors have been gradually improved, approximated to EU standards, adopted, and implemented.** Several crucial pieces of legislation for the sector have been gradually approved in Albania in the period under evaluation, thus contributing to advancements under Chapter 19. Law no 15/2017 “On Vocational Education and Training in the Republic of Albania” (hereinafter the VET Law) aimed at modernising the legislative framework for VET. As a result of the new VET Law, a considerably large space was created for the implementation of reforms of the VET-Vocational Training Centres system in Albania. The important bylaws, such as the Decision of the Council of Ministers on the National Agency for Vocational Education and Training and Qualifications, as well as two by-laws on the implementation of the assessment and certification process, were adopted. Based on this legislation, National Agency for VET Qualification was entitled to improve the quality of processes of designing and developing qualifications. A second piece of legislation is the Law 23/2018, which boasts some changes and additions to the Law 10247 dated 04/03/2010 “On Albanian Qualification Framework (hereinafter Albanian Qualifications Framework Law), which contributes to Chapter 26. The adoption of the Law No 15/2019 (hereinafter Employment Promotion or EP Law) in March 2019 completed the legal framework related to employment policies/programmes and skills development.

**However, the adoption of implementing legislation for the implementation of the National Employment and Skills Strategy registered significant delays, which negatively impacted the pace and quality of the employment and VET reform.** At the technical level, the additional efforts needed to adopt the package of implementing legislation have taken place very recently, coinciding with the implementation of the second Budget Support operation in the sector, the Social Inclusion BSP. By the end of 2021, eight by-laws of the Employment Promotion Law and 13 by-laws of the VET Law were adopted and are in implementation. The implementing legislation on the Albanian Qualifications Framework has been also completed with the approval of the National Catalogue of Vocational Qualifications by MoFE.

**The VET strategy supports the upscale in the quality of teaching and skills for youth and adults,** along with quality assurance of VET providers. It also foresees the modernisation of the VET institutions (the National Agency for Vocational Education, Training and Qualification – National Agency for VET Qualification) and providers with the creation of new Multifunctional Training Centres to better match the needs of the local community. It also extends the access of technical education to the Albanian citizens, including marginalised groups, people at risk of exclusion, and residents of rural areas.

**Regarding Social Inclusion, the adoption of the new Employment Promotion Law was followed by with the approval of the Decree of the Council of Ministers (DCM) that formally established the Social Employment Fund** in early 2020 (DCM No. 177, dated 26/02/2020 “On the Social Employment Fund”). In 2021, the MoFE launched the process of amending the Employment Promotion Law (Law No.15/2019, dated 13.03.2019). The amendments in the Law entrust National Agency for Employment and Skills with the responsibilities and duties of the Technical Secretariat of the Social Employment Fund. The Law has extended the typology of beneficiaries and, in addition, the Policy Document 2020-2025 on disability was adopted in 2019. A de-institutionalisation plan was approved for 2020-2022.

**Another key development was the adoption of the new Law, 57/2019 on Social Assistance** in the Republic of Albania, under strategic objective 1 (poverty alleviation and mitigation) of the Nation Social Protection. This Law adjusts the modality of providing economic assistance, disability payments and baby bonuses, to guarantee social protection for all citizens. In 2016, GoA approved the Law on Social Care Services in Albania, but its implementation has been delayed by the limited ability of local government to plan and manage funds.

**GoA has prioritised spending in the employment and social care sectors, but the capacity of Albanian institutions to implement the resources is still low and underspending is high.**

**Budget Support positively influenced the increased financing of Employment & Skills reforms that were severely at stake due to limited GoA resources and capacities.** While the Employment & Skills BSP disbursements cannot be linked to the increased weight of Employment & Skills in GoA budget, policy dialogue and the Budget Support allocations, which served as an incentive that enabled MoFE to devote resources to attend policy priorities of the employment sector.

**The allocations to the GoA budget programmes in the employment sector have been increasing since 2016.** This coincides with the disbursement of the fixed tranche of the EU BSP in Employment & Skills. Table 7 below shows that the Employment & Skills budget has sustained a gradual growth trend, especially up to 2019. The Vocational Education programme has received a significant increase of resources, countering the previous slightly declining trends. This is mainly due to the on stream of capital expenditures for the renovation and refurbishing of VET schools, which is linked to performance indicator No. 6 of the Employment & Skills BSP. By the end of 2020, the restructuring process for 36 National Agency for Employment and Skills Regional Directorates and Local Employment Offices was concluded (the remaining 4 were finalised in 2021), including improved or new infrastructure, structural reorganisation according to the new national model of employment services consisting of unified standards, and instruments for service delivery at Central, Regional and Local levels.

**TABLE 7: ALLOCATIONS TO THE BUDGET PROGRAMMES WHICH FUND THE EMPLOYMENT SECTOR (000 ALL)**

Individual Programmes	2014	2015	2016	2017	2018	2019	2020	2021
Labour Market	1,556.87	1,621.63	1,803.26	1,803.3	1,227.36	1,544.57	13,704.90	2,463.52
VET	0	1,368.80	1,872.26	1,872.3	2,396.23	2,695.18	2,396.60	2,128.15
Labour Market & VET	1,556.87	2,990.43	3,675.51	3,675.5	3,623.58	4,239.74	16,101.50	4,591.67
Social Care	25,467.30	21,436.63	16,137.44	21,612.74	21,659.50	23,538.41	27,756.09	28,161.33

Source: Ministry of Economy and Finance, July 2022

**Low spending capacity was evidenced at the Labour Market & VET authorities.** While budget allocation has increased, expenditure has not been similarly executed for the two National Employment and Skills Strategy Budget lines, “Labour Market and VET” and “Social Care.” Large variations from the original planned expenditures to actual expenditures evidenced that during 2016-2018 period, reaching up to -41.8% in 2018 on the Labour Market sector expenditure. A likely factor of this low budget execution, though difficult to confirm with solid evidence, may be that the reallocation of the National Employment and Skills Strategy functions to MoFE came with a significant reduction of staff and a long transition process for the transfer of competences at both ministry and agencies levels.

It is difficult to argue that the Social Inclusion BSP had any influence on the trend in the last years as the first disbursement was released in 2021. Social Inclusion budget was reduced between 2014 and 2016 but has since increased. A positive note is that the Council of Ministers’ Decrees on the Annual National Budgets for the evaluation period demonstrates that Social Inclusion budgets responded to National Strategy for Development and Integration, Economic Recovery Programme and Annual Implementation Plans. In 2019 the Albanian administration set up a financial transitory measure to distribute funding from the State budget to municipalities to provide funds for the local social care plans.

**Some progress has evidenced regarding the increased number of municipalities that are using Social Fund resources, procedures, and systems** such as Needs Assessment and Referral Units, which deals with social care service referrals, as well as the National Electronic Register for Social Care Services. However, the full absorption/disbursement of the amount from the municipalities remains a concern, due to the lack of clear sectorial instructions.

**Component 2 of the Economic Recovery BSP contributed to improving businesses’ access to liquidity** (MSME financing) and to reimbursement by GoA for COVID-19 related expenses. A total of ALL 8.24 billion was disbursed by GoA to 318 companies and the Employment Benefit at the end of 2020, an increase by 65% compared to 2019. Detailed information on Performance Indicators 2 to 6 of the Economic Recovery programme is not yet available, nor is data on card payments and e-invoicing trends.

***The employment and VET institutional structure was transformed, and capacity was strengthened.***

**The Employment & Skills sector shows improvements in the institutional structures and increased capacity of the public sector institutions over the period under evaluation, despite suffering relevant changes in its institutional setting.** The new institutional framework has provided many competencies and power to MoFE, as key competencies and agencies like National Agency for Employment and Skills and National Agency for VET Qualification were moved there from line ministries (previously the ministries of Youth, Education, and Labour). This new institutional setting brings advantages and disadvantages.

**GoA's reorganisation of labour and social institutions conducted in 2017 amplified the level of complexity of decision-making, inter-ministerial consultation and sharing of information.** The Employment & Skills sector has increased its resources and power by being in MoFE. The linkages between the VET offer and the needs of the labour market in terms of skills and competencies are better assured within the new system, as the Ministry of Economy is better positioned than the Ministry of Education to establish linkages with the business community. On the other hand, within the current institutional settings, it is more challenging to provide an integrated approach between the social services delivered (by MoHSP) and the services related to employment promotion (under MoFE).

**Several achievements were attained in capacity-building and, in several instances, with the help of EU BSPs.** In the employment field, progress related to the implementation of the National Employment and Skills Strategy is reflected in the modernisation of the National Employment Service organisation and performance, both at central and regional level. Furthermore, a restructured and modernised National Agency for Employment and Skills, including headquarters and regional and local offices (linked to indicator No. 9 of Employment & Skills BSP) according to the New Service Model, is a significant achievement which has also led to improving the quality of services, providing equal access to individuals living in urban and rural areas, and improving the range and scope of active labour market programmes.

**The restructured National Agency for Vocational Education, Training and Qualification (National Agency for VET Qualification) resulted in the establishment of a new organisational structure,** composed by 30 staff (up from 16). The National Agency for VET Qualification functions were consolidated to assure quality and develop vocational qualifications, as well as to establish new competences. The Albanian Qualifications Framework that was developed and implemented with support from the Employment & Skills BSP contributed to the optimisation of VET providers, as well as training of National Agency for VET Qualification staff (among other officials). Currently, the referencing process establishes a clear and transparent relationship between the Albanian Qualifications Framework and the eight European Qualification Framework. However, some stakeholders expressed their concern regarding the level of importance given to VET policy by MoFE when contrasted to its treatment before 2017 in the Ministry of Labour, which was deemed to be clearer.

**The number of VET teachers/instructors trained was increased** (66.7% of the total in 2018), representing 95% of the overall total required to meet the BSP Indicator 4 target of 490 teachers trained. More recently, a Plan for optimising the VET network was developed and approved by MoFE on 29 June 2022. The operationalisation plan is based on a multi-dimensional analysis of the socioeconomic, labour market, and an assessment of VET providers in four geographical regions and their respective municipalities. This plan is expected to address the shortcomings registered in the equipment for VET schools and the quality of teaching.

Regarding the Social Inclusion programme, its Technical Assistance, *European Union Support to Social Inclusion in Albania* (EU4SI), seeks to strengthen the capacities of the three Ministries involved (the Ministry of Health and Social Protection, the Ministry of Finance and Economy, and the Ministry of Education and Sports) and reinforce the implementation of the strategies and coordination mechanisms on policy design, monitoring and reporting. It also aims to empower the municipalities and local-level administrations who have been given new responsibilities under the reforms to provide strong local responses to issues facing vulnerable populations in their communities. However, it is too early to assess results in this regard.

***Service delivery improved in employment and VET, but only in the big cities. Social services are still at earlier stages of development.***

The National strategies supported by the two BSPs (Employment & Skills and Social Inclusion) have led to improved service delivery. Budget Support conditionality appears as a contributing factor, as a number of BSP performance indicators are linked to goods and services provided in the framework of the national strategies. EUD disbursement assessments confirmed that, under the Employment & Skills BSP, some improvements in goods and services have been successfully achieved.

**Overall, performance in the implementation of Employment Promotion Programmes has improved.** Most of the public employment offices are now working according to the New Service Model, as promoted by Employment & Skills BSP Indicator No. 9. The National Agency for Employment and Skills is following up closely on the implementation of the on-the-job training and job-placement programmes which were fully revamped in 2020 and 2021. Eight active labour-market measures (on-the-job training and job-placement programmes) were under implementation and launched in 2021 and 2022.

**The National Agency for Employment and Skills has reconfigured the existing Employment Promotion Programmes to better respond to the needs of the unemployed jobseekers from populations at risk of exclusion.** National Agency for Employment and Skills has also started prioritising the social reintegration process, linked with the graduation of beneficiaries from the social assistance scheme. In close cooperation with the State Social Service and municipalities, a protocol for the labour-market integration of social assistance has been drafted. Many potential beneficiaries are long-term unemployed and/or have other vulnerabilities. This linkage poses some challenges to the system, primarily because the information and implementation of the two schemes are split between two ministries (currently MoHSP for the social assistance scheme and MoFE for employment).

**There have been some challenges regarding the adoption of the legal framework of the Multifunctional VET Centres (Employment & Skills BSP Indicator 6).** The schools therefore do not have the legal mandate to offer initial vocational training, post-secondary vocational education, vocational and further training for youth and adults.

**The Social Inclusion BSP is contributing to an important and challenging shift taking place in Albania in terms of social services delivery.** MoHSP started to operationalise the social fund by awarding 14 projects to support establishment of Social Care Services at the local level through the first Call for Proposals. Social Inclusion BSP support, recognised for its quality by MoHSP, included the design of the Social Care Service Optimisation Method providing the formula for the calculations, theoretical information on processes like budgeting, financing (which substantially facilitate the development of realistic standards for Social Care Services and allow for budgeting), and effective inspection services, which are the backbone for a realistic calculation of unit costs and a national budget formula for Social Care Services.

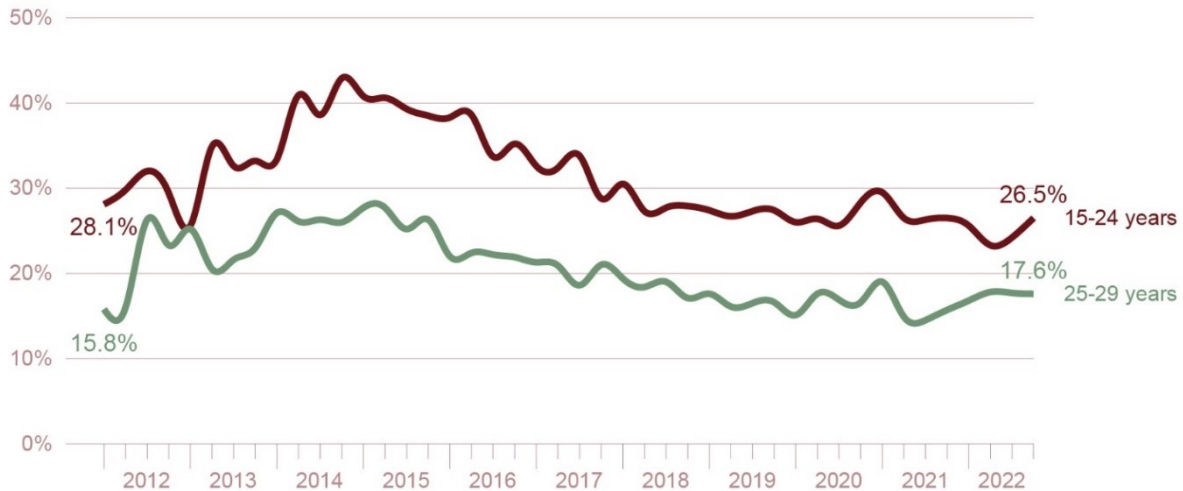
**The number of municipalities providing community-based social services for at least three categories (people with disabilities, children and youth at risk, the elderly, and women) has increased.** The municipal capacity to deliver social services has improved in the main cities like Tirana and Elbasan, while they are still at an embryonic stage in other places. A total of 21 social services supported by the Social Fund are active. These services had addressed the needs of about 7,338 beneficiaries by the end of June 2022. However, most of the social care services funded were project-based, posing some challenges in terms of sustainability. In the area of better inclusive services (which was an indicator of Social Inclusion BSP) there have been achievements, as 628 psychologists and social workers were recruited for the academic year 2021-22.

## 7.2. Policy Outcomes and Impacts (Levels 4 and 5) and Determining Factors (Step 2)

***Coverage and effectiveness of public employment service delivery has improved, especially among young workers, but the gender employment gap has widened.***

Improved coverage and effectiveness of public employment services delivery is observed in the period of evaluation, but the COVID-19 pandemic led to a deterioration in some indicators, and important challenges remain. Unemployment has been substantially reduced in the last decade. According to INSTAT, the Albanian unemployed rate was 11.5% in 2021.

**In terms of youth employment, substantial improvement was evidenced between 2014 and 2019.** Figure 14 depicts the youth unemployment rate (15-29 years) between 2012-2020. By the end of the Employment & Skills BSP implementation in 2018, performance for Employment & Skills indicator 1 – *Youth employment rate (15-29 years)* – was 33.8%, 5.6 percentage points higher compared to the baseline, and far above the target for that year. Over the past few years, unemployment among young people (aged 15-29) declined sharply from a high of 33.2% in 2015 to 20.8% in 2020 (INSTAT). Similarly, for the 25-29 age group, unemployment had declined from a high of 27.1% in 2014 to 16.6% in 2019.

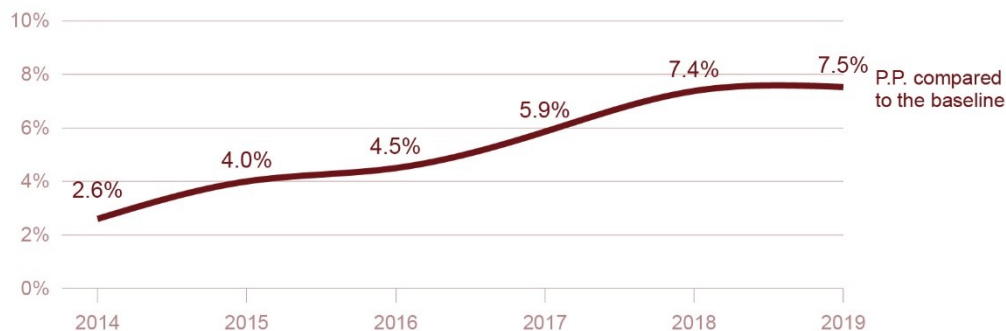
**FIGURE 14: YOUTH UNEMPLOYMENT RATE (15-29 YEARS) 2012-2020**

Source: INSTAT

**Nevertheless, a large share of young people is not in employment, education, or training**, particularly the most educated, although these figures have improved 10 percentage points since 2014.

**Notwithstanding the positive trend in both male and female employment, the gender employment gap has widened.** Whereas Albania has the highest employment rate of women among all countries in the Western Balkans, gender inequality in employment remains problematic. The gender gap in employment was 14.4% in 2021 (Labour Force Survey, LFS 2021), slightly up from the baseline (14.3%; LFS 2018). According to LFS, between 2014 and 2018, the female employment rate increased from 43.2% to 52.4% while, over the same period, the male employment rate increased from 58% to 66.7%.

**There was an improvement on the share of registered unemployed jobseekers benefitting from Employment Promotion Programmes**, as shown in Figure 15, coinciding with the period of the first BSP (Indicator 3 of the Employment & Skills BSP). The number of registered unemployed jobseekers participating in Employment Promotion Programmes and Active Labour Market Measures have increased from 16,490 in 2014 to 20,481 in 2019. Still, only 55% of the unemployed sought employment through public employment services in the last quarter of 2020, highlighting the need to improve the reach and scope of such services.

**FIGURE 15: REGISTERED UNEMPLOYED JOBSEEKERS BENEFITING FROM EMPLOYMENT PROMOTION PROGRAMMES 2014-2019 (PERCENTAGE INCREASE)**

Source: National Employment and Skills Strategy 2019 Annual Progress Report

**Vocational Education and Training services are now more inclusive but still have limited impact on the employability of VET graduates.**

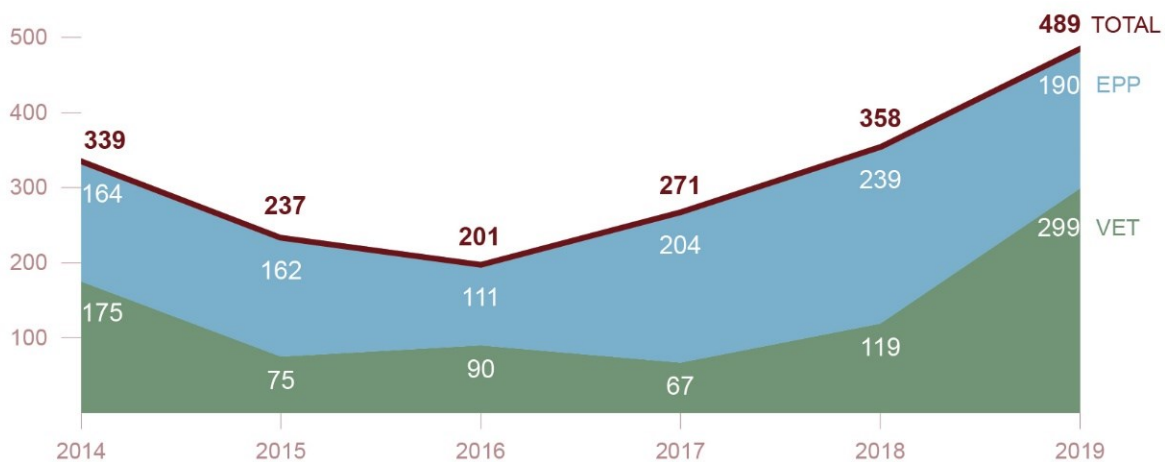
**With the reinforcement of the national agency in charge of qualifications (National Agency for VET Qualification), the quality of the VET has increased**, through improving both the VET curriculum and teaching materials, infrastructure (labs and equipment), and the competences of VET teachers through trainings. In 2020, Albanian Qualifications Framework designed 19 occupational and qualifications standards, while it developed 35 VET curricula during 2018-2020. The Albanian Qualifications Framework referenced to the European Qualifications Framework. However, challenges remain in terms of promoting



VET's prestige among youngsters, optimising the VET provider's network, strengthening the linkages between learning and work, and facilitating transition to work.

**VET is now more inclusive, as the number of Roma and Egyptians who participate in VET programmes and benefit from Employment Promotion Programmes has increased,** as reflected in Figure 16. The 2018 Progress Report on the National Employment and Skills Strategy implementation and statistics provided by the National Employment and Skills Strategy states that 239 unemployed jobseekers belonging to the Roma and Egyptian community have participated in Employment Promotion Programmes during 2018, exceeding the 234 targets at 102%. With regards to Vocational Training Centres programmes, 119 Roma and Egyptian-unemployed jobseekers completed the courses in 2018; representing 124% of the target. The Budget Support modality may have been a positive factor for the improvement on results for this target, as these were also targets of the Employment & Skills BSP (Indicator 5); this has enhanced a public dialogue and an increase in the involvement of these communities while communicating their own needs and specificities.

**FIGURE 16: NUMBER OF ROMA AND EGYPTIANS WHO PARTICIPATE IN VET PROGRAMMES AND BENEFIT FROM Employment Promotion Programmes**



Source: National Employment and Skills Strategy 2019 Annual Progress Report

**In contrast, the expected increase in the VET graduate employment rate was not achieved.** Despite the advancements in matching the VET offer and the employment opportunities at the local level, the effectiveness of the VET in increasing effective access to the job market seems limited. This was a target of the Employment & Skills BSP, Indicator 7, which was not reached.

#### **GoA's COVID-19 response plan strengthened businesses' resilience protected the unemployed**

**To mitigate the impact of COVID-19, the government provided about 2.6% of GDP to support businesses, households, and the healthcare sector in 2020.** This included minimum wages disbursed to 38,993 small businesses and self-employed people affected by the three-month lockdown, lump-sum grants to 172,890 retrenched workers of small businesses in sectors affected by continuing mobility restrictions (e.g., tourism), and double benefits to 60,788 recipient households of economic assistance or unemployed registered prior to the lockdown measures. The government encouraged informally employed people to register to receive support through active labour-market policies. It also provided liquidity to businesses in the form of sovereign guarantees, under which the equivalent of 1% of GDP was contracted by March 2021 through 850 loans via the 12 banks in Albania. They granted postponement or relief of profit and corporate income tax payments for affected business in 2020. The Ministry of Finance and Economy published the eligibility conditions for the support and the progress of disbursement. Applications were processed via established institutional channels and non-affected business and high-income individuals were excluded from the support.

#### **The coverage of Social Care Services at the local level improved but is still very low.**

Some progress has been evidenced in the provision of Social Care Services by municipalities. At the end of 2019, 34% of municipalities (21 municipalities) did not provide any Social Care Services. Currently, only two municipalities do not offer any.

**Social care coverage is still critically low, with only about 10,000 users in 2019 who could access Social Care Services (0.35% of the target population).** This is linked to the limited capacities of LGUs

and the slow and not service-oriented decentralisation process. 38 municipalities still do not have services for the elderly, and 37 municipalities do not provide services for people with disabilities. Many social services at the community level are provided by CSOs funded primarily by donors and IFIs.

**The number of families benefiting from cash assistance increased by 11% from 2019 to 2021;** in response to the COVID-19 crisis, the government temporarily doubled the amount of cash assistance for all households on the programme during March-May 2020, and again during January-June 2021. In December 2021, GoA permanently increased the benefit level, as an additional social protection measure to mitigate the effects of the war in Ukraine. However, challenges remain regarding the ability of local governments to manage these budgets.

**TABLE 8: NUMBER OF FAMILIES BENEFITING FROM CASH ASSISTANCE – INCLUDING COVID-19**

No/Year	2019	2020	2021	2022
Number of families benefiting from “ndihma ekonomike”	60,052	62,523	66,650	65,222

Source: Ministry of Health and Social Protection

**The new assessment model for disability supports the development of individual care plans for Persons with Disabilities and special needs, but it is too early to assess results on beneficiaries.**

The multi-disciplinary disability assessment commissions were established in 2020 and operate at the regional level. The reform of the disability assessment system was piloted in the Tirana region at the beginning of 2020, and it was replicated in four other regions (Korca, Lezha, Shkodra, Vlora) from September 2021 to the end of 2022. The rollout into all regions is planned for the end of 2023.

### **Quality learning and education are more inclusive.**

The Social Inclusion intervention includes “enhanced inclusive quality learning and promote educational attainment in pre-university education for all girls and boys” as one of its objectives, as well as a performance indicator on the number of girls and boys with disabilities attending mainstream public pre-university education. This indicator showed progress, exceeding the baseline for the 2018-2019 and 2021-2022 academic years. Of the 4,178 students with disabilities in public mainstream pre-university education in the 2021-2022 school year, 51% attended basic education, 36% lower secondary education and 13% upper secondary education. Participation of girls with disabilities in all levels is distinctly lower than boys (only 34% of students with disabilities are girls).

The Social Inclusion intervention’s complementary support, through the grant contract “EU 4 Inclusive Teaching” (EUR 2.35 million), is supporting the MoES in improving quality learning based on inclusive competencies in pre-university education in Albania that leaves no children behind, based on processes that equip teachers with inclusive teaching skills. Evidence at the output level shows that the training for 15,000 teachers is undergoing a rigorous accreditation procedure; the process of refurbishment the premises of psychologists and social workers of 320 schools and the transformation process of Institute of Deaf Children and Institute of Blind Children into resource centres are ongoing. Due to the period of the BSP it is early to assess its contribution to outcomes.

## **7.3. Pending Challenges**

**The key challenges of the Albanian labour market remain the same as before the pandemic.** These include elevated youth unemployment (almost 20% in 2021), high youth inactivity (28% of young people are in neither employment, education, nor training, compared against 14% in EU), high informality (57% of Albanian workers were in informal employment in 2019), and a gender gap that has worsened in the period under evaluation.

**Social Dialogue is a pending challenge of the Employment & Skills policy in Albania.** Social partners – employers and unions – are key stakeholders in the labour market, especially in the EU. Their involvement is crucial to ensure the workforce commitment to the training needs of each sector, and to ensure good working conditions and decent work. Unfortunately, in Albania, the National Labour Council has not been functioning effectively and is still considered a mostly formal entity. Its functioning was affected by MoLSW’s move to MoFE and MoHSP, and by long discussions on its composition and leadership among other issues. During COVID-19, the National Labour Council functioned apathetically (with a few meetings online). This facilitated that the view that national dialogue is politically driven, and the voice of social partners is not

sufficiently heard. Perspectives were slightly better once the National Labour Council was recomposed in 2022 and important reforms such as the minimum wage and some changes in the Social Insurance Law, among others, were discussed.

**Challenges remain in terms of promoting VETs among young people, optimising the VET providers' network, strengthening the linkages between learning and work, and facilitating transition to work.**

The last two issues require a work-oriented VET that cannot exist without partnerships between VET providers, the enterprises, and the workers.

**The de-institutionalisation of social services is a challenging process due to the lack of both a clear decentralisation policy and effective regional administration.** Albania is moving from a traditional institutional provision of social care services towards a more decentralised, community-based service. For the time being, although the social care services provided by the municipalities have increased, most of them are project-based, thus risking their sustainability. Limited financial sources, due the weak financial sustainability of most of the municipalities, is a key challenge for the decentralised services.

## 8. Road transport: Contribution of Budget Support to Policy Developments and Outcomes

### 8.1. Policy Milestones and Main Outputs (Level 3)

*Road transport policy and legal frameworks were partially improved and aligned to EU acquis.*

**In 2017, Albania partially aligned its legislation on the qualification of road transport operators with the EU acquis.** After the adoption of guidelines and certification for inspectors, road safety inspections and road safety audits are now obligatory. Pilot road-safety inspections and road-safety audits are now being implemented along the 'core' road network, and they should be extended to the entire network. Implementation of the legislation on roadside checks of commercial vehicles is at an initial phase. Improvements to the road network continued and a new railway law was adopted in early 2017.

Since then, Albania has made further progress in aligning its national legislation on road transport by adopting a piece of legislation on technical inspection of motor vehicles in November 2021; the 2022 Albania Enlargement report noted that this legislation is designed to fully align with the EU acquis. In April 2022, an agreement was signed with Germany on the mutual recognition of driving licences. The Road Code was amended in December 2021 to improve the procedures for obtaining a driving licence after rehabilitating from alcohol or psychotropic substances. Further efforts are needed to align with the EU acquis on electronic road toll systems and on road fee enforcement. Road Safety remains a serious concern. Although the number of fatalities fell between 2019 and 2021, work is needed to tackle the discrepancy between the national statistics and the significantly higher WHO estimate. The Albanian authorities have yet to prepare and adopt a new Road Safety Strategy, as well as an Action Plan for the period of 2021-2030, in compliance with the Transport Community Road Safety Regional Action Plan for the Western Balkans. Albania completed the alignment of its legislation on periodic roadworthiness tests.

Administrative capacity needs strengthening throughout the transport sector, particularly in the rail sector. Several capacity-building initiatives took place on transport of dangerous goods, railway, and asset management plans.

On combined transport, there is a slight improvement of legislation. The definition of multimodal transport in the 2016 Railway Code is partly in line with the EU acquis, but the National Transport Strategy 2021-2025, which contains parts of combined transport, is yet to be adopted.

**The legislation on intelligent transport systems has been partially aligned with the EU acquis.** It was reported in 2019 that Albania needed to improve the national system for continuous road-crash data collection, in line with recommendations given by BSP-funded Technical Assistance.

**,New amendments to the PPP law were approved by the government and parliament of the Republic of Albania, with the assistance of the transport BSP-funded PPP TA.** These amendments were limited and fell short of realigning with EU Directives. Further efforts are still required in terms of the adoption of other legislation. PPPs have governance implications: they provide an opportunity to circumvent the capital investment prioritisation processes developed within the MoFE, and this represents a threat to transparency by reducing opportunities for a level playing field. It is evident from the PPP consultancy Final Report that reforms to PPP design and implementation in Albania are still required and this topic remained work in progress at the end of the consultancy (see also JC2.3). These are aimed at aligning PPP legislation with the Public Investment Management approach adopted by MoFE. Concerns relate to challenges in creating a level playing field, ensuring that top priority projects are implemented, and that public sector costs and liabilities are contained. The MoFE is receiving support from the World Bank and IMF to institute these legislative and procedural changes (as of 2023); these include improving on the more relevant role of the Ministry of Finance, including proposals for the possibility of recruiting specialised assistance to develop projects, trimming the use of unsolicited proposals, and amending the conditions of the guarantees to be given to the contractors.

**The Ministry of Infrastructure and Energy approved the Order "On approval of Regulation on the Union guidelines for the development of the trans-European transport network,"** No. 196, in July 2020. It is important to distinguish between the road and rail sub-sectors where most funding is public sector (they are both, in the Albanian context, loss-making) and the aviation and ports sub-sectors, where PPP arrangements and private-sector mobilisation is much more important. This alters the nature of the regulations. Care should also be taken to distinguish between the providers of transport infrastructure and

operators (e.g., freight hauliers) for whom pan-European compliance of issues like axle-load controls is essential. A dispute between Albanian and Italian freight operators highlighted the importance of consistent approximation of standards and adherence to those standards.

**The transport BSP also focused on the network that was the responsibility of Albania Roads Authority and did not engage to a significant extent in municipalities.** Tirana Municipality is particularly important from a road transport perspective because of the rapid pace of population growth and urbanisation, resulting in increasing congestion. Legal frameworks to facilitate the development of bus rapid-transit corridors, for example, were therefore not the focus of support, although support was provided to establish three regional Albania Roads Authority offices (together with proposals for a fourth).

**Civil society is relatively disengaged with legislation and policymaking in the transport sector, certainly at the national level.** CSOs may be more engaged at municipal level but, as already stated, that was not the focus of the BSP; more could have been done to strengthen engagement with CSOs in the transport sector.

***GoA financing of the road transport sector has improved, but arrears are rising again.***

**It is of note that there was a shortfall of just over EUR 50 million of the estimated EUR 1 billion cost for the implementation of National Transport Strategy and Action Plan 2016-2020 (base scenario).** Donor and IFI support substantially contributed to financing the road transport sector investments between 2016 and 2020. The Transport programme may have contributed to improving the budgetary allocations to the transport sector, although rather indirectly, as EU disbursements do not flow directly to the sector (see section 4.1.1).

**According to MoFE budget reports, the allocations to the four budget programmes which fund the transport sector have steadily increased since 2017**, the first year of the EU Sector Reform Contract. Initially foreseen at EUR 201 million, the 2020 budget was reduced to EUR 184 million due to the fallout of the November 2019 earthquake and the COVID-19 pandemic in early 2020. Subsequently the budget was revised upwards during the year and the outturn reached EUR 239 million, representing a 13% increase from the previous year and almost double that of 2016. This was in line with the government decision to increase borrowing to protect the real economy during the pandemic.

**From a budgetary formulation and expenditure management perspective, the sector plans proved to be credible and realistic. This is a considerable achievement**, and the Ministry of Infrastructure and Energy and Albania Roads Authority were effectively supported in attaining this objective. However, within the sector the focus had been on capital projects and not on maintenance. Road-maintenance funding during the plan period was only 35% of the planned outturn, and investments in the roads sub-sector have been mainly concentrated on the Albanian Core Network.

The calendar dates for the transport sector in the public consultation for Mid-Term Budget Plan 2022-2024 are published on the MoFE website. These need to be published in the MoIE site too, as per MoFE Guidelines of 6/2/2012 *'On standard procedures for budget execution guidelines*. The 2020 Budget Monitoring Report for all transport programmes is published on the MoIE site, as well as the detailed medium-term investment programme 2019-2021. The MoIE four-monthly budget execution reports have been published regularly from 2018 to 2020.

**Arrears at the Albania Roads Authority were cleared but increased in 2021.** By end of December 2020, all but court-related arrears were cleared through the state budget, and arrears related to court decisions were half those of 2019. At the end of June 2021, the level of (new) arrears at the Albania Roads Authority amounted to EUR 27.3 million (including expropriation costs). Payment of arrears by the Albania Roads Authority relies on the realisation of the annual budget. At the end of each year, unspent funds from other investment projects are reallocated to address the arrears. It may be noted that this fungibility of Budget Support resources, while desirable from an arrears-management perspective, does raise some issues from a public expenditure management and control perspective, as additional funds may also be secured through state budget allocation (normative acts) enacted during the year.

***The capacity of the Albania Roads Authority was strengthened, especially through BSP-funded twinning support with Poland.***

As of 2015, when the programme was designed, there was no regular monitoring of asset conditions, which hampered the development of a professional approach to road-asset management and financing. In addition, until mid-2015, the absence of the requested technical standards left space for poor design and implementation of roads projects, and increased maintenance costs due to fast deterioration of completed

road schemes. The turnover caused by merging the Ministry of Transport and Infrastructure to MoIE in January 2019 affected the progress achieved up to that time on the BSP implementation.

**During the period of implementation, Albania Roads Authority's capacity has been strengthened with assistance from two parallel programmes: the EU Transport BSP and the World Bank Results-Based Road Maintenance and Safety Project.** Public procurement reforms supported by the EU PFM programme have also been of assistance, and this is an important gain.

**The EU-funded twinning supported the improvement of road-asset management,** including developing a methodology of network-level planning, a performance evaluation framework regarding road assets and organisational resources, improvements of the asset management information systems, and the optimisation of decision-making and life-cycle oriented management of assets. A catalogue of good practices and proven countermeasures included proposed measures to improve road safety in Albania in pedestrian safety, road access restrictions, road barriers, and roundabouts.

In the Roads Authority, workflow management processes were enhanced. However, there are still resource challenges and some aspects of the Albania Roads Authority reorganisation remain a work in progress.

***Conditions of Albanian roads improved moderately but sector data is not totally reliable.***

**While overall road conditions improved, this was a feature of the capital investment programmes rather than the result of adequate road maintenance.** There was no measured achievement overall in the average roughness index for the road network, as the value of 5.5 for the network was consistent in both 2014 and 2020.

**Accident blackspots have been addressed, and Albania Roads Authority has demonstrated a commitment to a programme of accident blackspot** improvement, with in-house expertise supported by external assessment reports and prepared by independent road accident investigators. The Ministry of the Interior and Albanian Police are also committed to reducing the incidence of road traffic accidents. Recent (2022-2023) steps include procuring vehicles and equipment for monitoring traffic speeds. Rather perversely, speed limits have been increased on some roads (from 110 to 130km) to reflect improved conditions, and the regime for vehicle testing has been made less frequent: once every two years, not annually, except for trucks and Public Service Vehicles.

**Progress has been achieved on implementing the tasks related to the establishment of joint road Border Crossing Points.** Construction of parking infrastructure in these points was completed at one of the four sites proposed. The convention between the Western Balkans 6 (WB6), a grouping of WB countries, and the EU Member States on the harmonised axle-load taxation on road transport has been completed. Notwithstanding this progress, improvements at border crossings, intended to create joint border posts with neighbouring countries, have not yet been mostly achieved; they also depend on EU accession progress and commitment by neighbouring countries.

**Roadside vehicle checks are being implemented, and the frequency has increased.** The delivery of the equipment is completed, and the foreseen task force is established. Concerning the promotion to establish road haulers' cooperatives and unions, associations of transport operators exist.

The process of having national transport sector meetings and reporting on those meetings, facilitated by the Ministry of Infrastructure and Energy, was positive, although it is disappointing that they stopped upon completion of the EU transport sector BSP. This suggests that the commitment was seen as a project-type commitment rather than a fully owned national process. While COVID-19 was a constraint; annual meetings might have moved online/been held remotely had there been sufficient commitment.

**"The conditions of regional and local roads are not fully known,"** according to the World Bank. The entire network is around 16,000 kilometres, of which about 4,000 kilometres are roads in cities, 4,500 kilometres are regional roads, and 7,500 kilometres are local/rural roads. These figures are approximate: individual inventories and databases are being prepared or updated by the Albania Roads Authority and need to be accompanied by a functional reclassification.

## 8.2. Policy Outcomes and Impacts (Levels 4 and 5) and Determining Factors (Step 2)

*The use of roads increased, although not as much as expected, and information on how improved infrastructure may have made road transport more cost-effective is not available.*

**Targets for the increase in road volume of passengers and goods were not met.** This was one of the Overall Objectives of the Transport BSP. According to the 2021 update of the National Transport Plan 3, the volume of passengers on the Albanian roads grew by 28.3% between 2014 and 2019, when the objective for 2020 was a 70% increase. Volumes increased again in 2021 but are still far from the target. The target for goods was increasing the volume by 61.1% but, in 2019, a 2% rise was registered, and 2021 data is still below the baseline. The actual volumes for 2020 needs to be discarded, as they were reduced because of the COVID-19 pandemic.

**TABLE 9: TRENDS IN ROAD VOLUMES OF PASSANGERS AND GOODS, 2019-2021**

BSP Overall Objective	2014 Baseline	2020 Target	2019 Actual	2020 Actual	2021 Actual
Passenger road transport volume	248,918	423,836 (+70%)	319,416 (+28,3%)	202,032 (-18,8%)	291,998 (+17%)
Goods road volume (000 ton)	17.655	28.450 (+61,1%)	18,008 (+2%)	16,102 (-8%)	17,411 (-1,4%)

Source: INSTAT

**Cost-effectiveness metrics were not clearly identified in the 2014 strategy nor reported** by the Transport BSP TA and, apparently, these statistics are not being gathered by the Albania Roads Authority. Cost-effective transport reflects different parameters such as trends in vehicle operating costs and travel/journey times. In traditional cost-benefit analyses in the transport sector, these factors are used to assess progress. Unfortunately, the BSP Financial Agreement did not include them, and no updated sources have been found to follow any of these indicators.

*Progress is observed in safer, cleaner, and more efficient use of the road network in Albania, although less than what was expected in the sector strategy targets.*

**Where statistics exist, the general level of achievement of policy objectives is below expectations, except for road injuries and road fatalities.** There has been no progress overall regarding network condition, as measured by road roughness, despite some increases in road maintenance per km, which may reflect the considerable backlog of deteriorating roads.

**Although the targets of policy objectives were not achieved, the trends in road accidents and fatalities have been positive overall.** The 2020 data is likely to have benefitted from lower traffic volumes during the COVID-19 pandemic. These trends reflect not only the accident blackspot programme (which was a key focus of the EU BSP), but crucially high levels of commitment by the Ministry of the Interior and Police, including steps to reduce the incidence of speeding, drink-driving, and support for better maintained vehicles. The causes of road accidents still are related to the lack of traffic regulation enforcement. According to an article released in May 2023, in over 80% of the accidents, the responsibility was with one of the drivers.

**FIGURE 17: ROAD ACCIDENT TRENDS IN ALBANIA**



Source: Albania Road Authority

**FIGURE 18: TRENDS IN TRAFFIC FATALITIES EXPRESSED IN TERMS OF VEHICLES AND INHABITANTS**

Source: Albania Road Authority

While road transport accounts for almost a quarter of greenhouse gases, the Transport Budget Support Programme did not make any specific reference to environmental indicators (see section 9.1), and the BSP-funded Technical Assistance did not report any data after 2016.

**Awareness of the population has surprisingly increased, which is not consistent with actual outcome achievement.**

According to the Balkan Barometer, the opinion of Albanian users regarding transport infrastructure (in general, not only roads) has improved. In 2017, twice as many respondents had a negative response (45% were very or mostly dissatisfied) than a positive one (22% were very or mostly satisfied), while 29% had neither a positive nor negative response. In 2022, the three levels of satisfaction were around 33%. The sharpest change occurred between 2021 and 2022. This increased satisfaction does not seem to be consistent with the actual available data on quality, safety, and efficiency of roads. It is important to point out that this poll refers to all kinds of transport (including public transport), although road transport is the most used category.

### 8.3. Pending Challenges

**Albania's transport infrastructure has made some progress but is still insufficiently developed.** Better connections to neighbouring countries and the EU transport network still need to be established to reduce transportation costs and facilitate trade.

**The budget for the transport sector continues to be largely driven by demands for spending, and to some extent seems detached from the planning process.** As happens with Public Investment Management more generally, GoA commitments and expenditures do not in practice consistently reflect planned implementation plans or work schedules. MoE/Albania Roads Authority budget requests must comply with the ceilings issued by MoFE, but ongoing projects are often not explicitly in line with the Mid-Term Budget Plan. Requests are made for funding late in the year, leading to the build-up of new arrears, which are in part also generated by court decisions reflecting contract arbitration. Key challenges remain in subjecting policy decisions, taken outside budget processes, to the discipline of Mid-Term Budget Plan, and in increasing effectiveness of expenditure control so that decisions are not undermined by overspending and the reallocation of funds during budget execution.

**It is not possible to monitor progress on four of the 16 items included in Albanian road strategy, due to lack of data<sup>22</sup>.** It suggests that not enough attention has been paid to the importance of monitoring progress in the way envisaged in the plan.

**Albania's access to the Western Balkans Investment Facility (WBIF) is still low.** This combines EU grant finance with IFI loan funds and is therefore cost-effective for beneficiary countries. One reason for the poor uptake by Albania (despite the efforts of the MoFE, Ministry of Infrastructure and Energy, and other stakeholders) is the lack of a Single Investment Pipeline to clarify investment priorities. This has been included in the GoA 2023-2025 Economic Reform programme as a national priority. It should also be noted that GoA stakeholders observed that WBIF is slow to reach investment decisions, so by the time a project

<sup>22</sup> Indicators that cannot be followed are: kilometers of road network; external audit recommendations achieved; Albania Roads Authority tenders with standard criteria; and CO2 emissions from road transport.



has been approved, it is often the case that the traffic forecasts and needs are out of date, and cost-benefit analyses may be obsolete.

**Transport sector management and coordination has deteriorated since 2020.** During the execution of the Transport programme, Transport Sector meetings were held and reported upon under the coordination of MoIE. This ceased when the BSP was completed, partly due the COVID-19 pandemic, although it could perhaps have continued in a more limited manner online. Sub-sector thematic groups were also discontinued. There is an urgent need to reinstate these meetings and thematic groups, especially due to the change in status of EU accession negotiations. While these negotiations provide a boost, it would be beneficial if GoA stakeholders recognised that it is only through coordinated actions that key objectives can be achieved, such as support in making transport greener and more environmentally sustainable while meeting climate change challenges.

**Further to road transport challenges, the bigger challenge for GoA is moving towards ways of transport that are cleaner, more efficient, better integrated with the changing Albanian society, and consistent with EU acquis standards.** The potential for encouraging modal transfer from road to rail, bus rapid transit and public bus transfers is substantial and can be stimulated by proactive management at both municipality level and on national roads. The use of dedicated bus lanes and active traffic management can help to optimise network use, while reducing congestion and its associated pollution. Similarly, further investment in rail transport can help strengthen regional connectivity, including better serving inland countries (especially Kosovo). Improved connectivity stimulates economic growth, a key objective of the Economic Recovery Programme, and is consistent with EU accession objectives. Strengthening rail transport is a key EU transport sector objective, due to its greater environmental, safety and connectivity potential, with support for harmonised rail standards and operating procedures. It has been prioritised in terms of regional connectivity with Montenegro, Serbia and Kosovo, as well as the potential to link to the rail network in Greece. As noted in the 2022 Albania Enlargement report, Albania needs to ensure full operability of the rail network and complete the institutional framework of the four new rail companies (infrastructure manager, passenger transport operations, freight transport operations and maintenance) based on the law adopted in July 2021. Rail transport is more efficient from an environmental perspective on high potential transport corridors and can also act as a catalyst for more balanced growth with less dependence on Tirana as an engine for economic growth. This in turn may help to reduce the inward migration to Tirana, with its adverse environmental consequences.

## 9. Other Important Criteria for the Evaluation

### 9.1. Cross-Cutting Issues

Despite cross-cutting issues being considered in their respective Action Documents, there is still a need for more comprehensive approaches, targeted efforts, and explicit measures to address them more effectively.

***Mainstreaming of gender has been uneven and mostly superficial.***

**While there are mentions of gender equality and rights in most of the EU Budget Support operations in Albania, efforts to address gender issues are discreet.** More comprehensive and systematic gender mainstreaming is needed across all sectors in EU Budget Support operations in Albania. In PAR and PFM reform, gender mainstreaming is limited, with no specific focus on gender or disadvantaged groups. The Transport sector lacked explicit mention of gender in its intervention logic and in its indicators. The Anti-Corruption programme acknowledged potential entry points to address inequality, but the Justice BSP was gender-blind and did not explicitly promote gender equality. While the Employment & Skills and Social Inclusion operations recognised the importance of gender equality, the implementation of the gender approach in complementary support was inconsistent. The Social Inclusion BSP considered the National Strategy on Gender Equality in its design, which shows that this is now a priority, but further efforts are still needed. Overall, it has been observed that gender appears to be absent from the programme log frames and ILs, and insufficient gender-sensitivity can potentially have a negative impact at outcome level analysis.

***Only some programmes focused sufficiently on Human Rights and minorities.***

**While Human Rights are a central aspect of EU-Albania political dialogue and of the programming of EU assistance, Budget Support has been limited in its ability to directly impact these issues.** Human Rights are central to the foundational values of the EU. They are particularly important in the enlargement context, and notably form part of the fundamental conditions for accession. Conditionality and policy dialogue of BSPs can potentially promote the Human Rights agenda, but in practice this is seldom a direct focus of Budget Support interventions, which tend to be more focused on policy formulation and implementation. The earlier PAR and PFM strategies (and their related BSPs) lacked strong references to human rights and minorities. Some broader concepts were included in the BSP for Good Governance. The Rule of Law strategies did not explicitly mention the interlinkages between corruption and human rights and, although the Anti-Corruption and justice BSPs aimed to promote equal opportunities and diversity for marginalised groups, the latest developments in the justice sector are concerning from a rights-based approach (see section 6.3). Human Rights were better addressed in social-oriented programmes: the Employment & Skills programme recognised the issue of minorities, and Social Inclusion BSPs focused on vulnerable populations. However, human rights in Albanian labour policy remain an issue due to the weak social dialogue and the lack of dedicated staff following the dismantling of the MoLSWY (see section 7.3). The exception to this is the grant schemes financed by the PAR and Social Inclusion BSPs, which suggest that project approaches, namely channelling funds to CSOs, were better suited for this purpose.

***Overall, while some recognition of climate change challenges existed, insufficient measures and safeguards were put into place to address this pressing issue across sectors were .***

**Although environment and climate change are addressed by important negotiation chapters and are expected to be mainstreamed in BSPs, findings indicate that these were not given sufficient attention in most Budget Support operations.** The Public Administration and Economy sector operations lacked specific details on climate change, although the implementation of the PFM Strategy aimed to improve the environmental regulatory framework. The Rule of Law sector acknowledged the linkages between environmental crime and corruption, while the Social Cluster considered the retraining of workers for the transition to greener economies. However, the Transport sector (which was expected to have the most impact in this area) had limited emphasis on environmental and social safeguards, and inter-modal transfers for sustainable transport were not adequately addressed (see section 3.1). The lack of focus on the environment as a cross-cutting issue was a relevant flaw of the transport programme design, given the very well-established links between vehicular use, pollution and, ultimately, climate change. This can partially be explained because those issues were not as high on the agenda at the time of programme formulation; if it had been prepared two or more years later, it would most likely have sought to address environmental challenges.

## 9.2. The Added Value of European Assistance

*The added value EU's assistance in Albania is high, as the principles of subsidiarity and complementarity of EU Assistance are confirmed, but not particularly due to the use of BSPs*

Subsidiarity is the principle whereby the EC aims to act only where it is necessary and where it delivers clear benefits over and above measures taken at national (i.e., Member States), regional or local levels.<sup>23</sup>

**A scenario where the EU does not intervene in the pre-accession context of a candidate country is not considered realistic.** The implementation of Article 49 of the Treaty places the implementation of accession process in the hands of the Commission, and decision-making in the Council. The EU is by far the most important external player in Albania. The status of Albania as an accession candidate country elevates the role of the EU from an external donor to an accession partner. The future accession of Albania is an enormous incentive for the country.

The EU's expertise, resources, and support are supporting Albania in its attempt to tackle complex challenges such as PAR, judicial reform, and anti-corruption measures more effectively. By leveraging the EU's collective knowledge and experience, Albania has been able to benefit from best practices and lessons learned from EU institutions and from Member States.

**The EU's influence is expanded through its position as the leading or co-leading stakeholder in many of the sectors that are part of the scope of this evaluation.** Moreover, the objective of EU integration is at such a high level of priority that it also heavily involves other (non-EU) donors and IFIs in the country; for instance, in the alignment with the accession chapters of donor and IFI strategies, as well as the Voluntary National Review of Sustainable Development Goals (see Annex 5 on high-level impacts of EU BSPs in Albania).

**Evidence demonstrates that the complementarity exists between EU assistance, particularly when delivered using BSPs, and Member States.** While accession is an exclusive competence of the EU, external action is not. Several States, such as Italy, Germany, the Netherlands, the Czech Republic, and Sweden also implemented relevant interventions in Albania in the sectors covered by this evaluation (see Section 3.4).

**While EU-added value is confirmed in Budget Support Programming in Albania, no particular evidence suggests that the Budget Support modality is more appropriate than others to promote it.** Subsidiarity and complementarity refer to EU assistance, regardless of the modality.

## 9.3. Contributions to Monitoring and Evaluation Systems

**The dynamics of BSP implementation have contributed to a gradual improvement of internal reform coordination and monitoring capacity of national institutions to report on the progress of reforms,** shifting from reports produced by outsourced experts towards stronger ownership and capacity to prepare quality analytical products. The need for GoA entities to report on their performance with BSP performance indicators in a regular and structured way was a clear incentive, together with TA support, to construct monitoring and reporting frameworks. MoFE's guidance during the preparation of disbursement requests was also useful. The Employment & Skills sector is a good example of contribution to M&E systems. However, capabilities are not yet fully operational, nor is sustainability guaranteed, particularly in the sectors.

**Despite these improvements, the lack of relevant detailed data is a very big challenge for policymaking and implementation in Albania.** Databases managed by GoA sector entities are not comprehensive or properly updated (see for example sections 7.2 and 8.2). The absence of adequate human and financial resources for monitoring and implementation of national policies at the central and local levels severely hampers policy impact assessment and the quality of decision-making across the policy cycle and at different tiers of government. Institutional arrangements are also a factor. In the justice sector, although MoJ established a Division for Monitoring, Priorities Delivery and Statistics (as anticipated by the Cross-Sector Justice Strategy), gathering and processing information is made difficult by the fact that some institutions (notably the School of Magistrates) do not share sufficient data and MoJ does not have the legal mandate to enforce this particular aspect on those entities.

<sup>23</sup> Source: EU, Better Regulation package

## 9.4. Trends in high-level indicators in Albania

Albania has experienced steady GDP growth between 2014 and 2019, dropping in 2020 and strongly bouncing back in 2021.

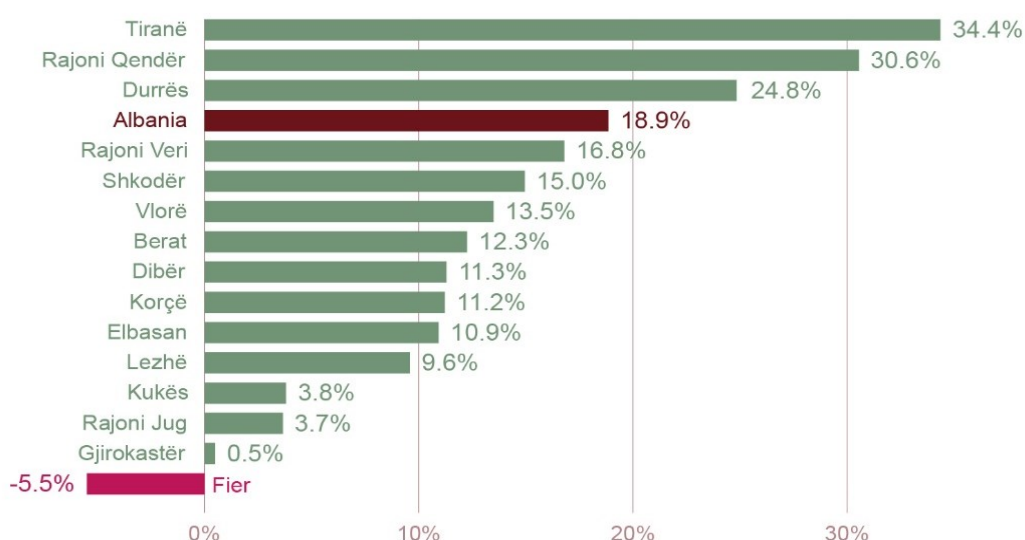
TABLE 10: ECONOMIC GROWTH DATA (2014-2021)

	2014	2015	2016	2017	2018	2019	2020	2021
Nominal GDP (MEUR)	1.395.305	1.434.307	1.472.479	1.550.645	1.636.730	1.691.903	1.644.077	1.795.305
GDP per capita (EUR)	3.450	3.560	3.730	4.020	4.475	4.813	4.605	5.101
GDP growth in %	1.8	2.2	3.3	3.8	4.1	2.1	-4.0	8.7

Source: MoFE, IMF, EU, World Bank

GDP progress has been primarily concentrated in major urban centres such as Tirana and Durrës. The regional disparities in economic development remain a challenge; rural areas continue to lag, exacerbating socioeconomic inequalities. Almost every region had a negative growth in 2020, as did national GDP. In contrast, household expenditure grew more in some areas outside the big cities, which could be an indicator of internal migration of workers who send remittances home.

FIGURE 19: VARIATION IN TOTAL GDP, PER REGION (2014-2020)



Source: INSTAT

The country made impressive strides in reducing poverty rates over the past decade, but it remains a persistent issue. The percentage of people living below the poverty line decreased from 25.3% in 2015 to 23% in 2019 and, according to INSTAT, it was drastically reduced in 2020 to 21.8%. Results for 2020 may be related to GoA social transfers in response to the COVID-19 pandemic, raising questions about the sustainability of this latest trend.

Albania has seen a consistent decrease in overall inequality, as demonstrated by its Gini index rating (30.8), which indicates a moderate level of income inequality comparable to the EU average. However, income inequality remains a concern, particularly the regional differences. The Human Development Index (HDI) has shown slow but steady progress, but Albania's Human Development Index score in 2019 (0.81) and 2021 (0.796) still lags significantly behind the average score of EU Member States.

TABLE 11: GINI AND Human Development Index INDICATORS

	2014	2015	2016	2017	2018	2019	2020	2021
GINI Coefficient	34.6	32.8	33.7	33.1	30.1	30.8	n/a	n/a
HDI	0.792	0.795	0.798	0.802	0.806	0.81	0.794	0.796

Source: MoFE, IMF, EU, WB

Please refer to "Annex 5: Trends in high-level impacts of Albanian policies" for more details on these and other impact indicators.

## 10. Overall Assessment (including Step 3)

### 10.1. Summary of Step 1 findings

EU Budget Support implemented in Albania during the period 2014-2020 was delivered in a context characterised by strong EU-Albania relations, with GoA displaying strong political leadership and public policies relying on robust national and sector strategies. While Budget Support was new in the EU enlargement context in 2014, this did not prevent EU services and their Albanian counterparts, especially MoFE, from demonstrating a good understanding of its specificities.

**Overall, the combination of conditionality, dialogue between the EU and GoA and, to a lesser extent, Technical Assistance, effectively supported reforms and capacity building.** Additionally, the EU's coordination with other donors and IFIs ensured coherence and synergies across various sectors.

**Although EU BSP's disbursements were not consistently punctual nor substantial in quantitative terms, the performance indicators, and the availability of the funds incentivised GoA to prioritise specific sector reforms.** This resulted in the securement of funding for numerous objectives outlined in the 2015-2020 National Strategy for Development and Integration, the different sector strategies, and the EU-Albania 2014-2020 ISP. Notably, significant budget allocations were directed towards justice reform, employment, and social inclusion, as well as the formulation of the PAR and road transport strategies. However, it must be highlighted that certain sector funding still relies heavily on external partners, and overall budget execution capacity remained a weakness in several GoA sectors.

**While EU-GoA dialogue in the supported sectors already existed prior to the implementation of BSPs, the additional emphasis put on policy dialogue in the context of BSPs contributed to pushing reforms** from within Albanian institutions and provided valuable content and support to IPMGs. This enriched high-level political discussions with institutional insight and technical expertise. An example of this is the Good Governance IPMG and its instrumental role in addressing the much-needed reduction of arrears, an issue targeted by several EU BSPs (PFM, transport, Good Governance).

**The contracting of complementary support suffered important delays, but capacity-development actions proved to be valuable in developing GoA capacities, especially when provided in a timely manner.** TA played a particularly useful role in driving and supporting the alignment of Albanian legal frameworks with EU standards. This led to the approval of extensive packages of laws and bylaws across all supported sectors. The Twinning with the Polish equivalent of the Albania Roads Authority for the transport programme also proved beneficial. Capacity-building efforts were undertaken by other EU projects (e.g., EURALIUS for justice) and by other donors, such as the World Bank for the transport sector. EU compliance review missions, especially in the PFM programme, received commendation from GoA and EU officials for their learning component and ability to provide policy advice that exceeded expectations. However, no significant effects were observed from BSP's communication and visibility actions.

**The introduction of grant schemes financed within Budget Support operations enhanced civil society's involvement and oversight role in reforms,** although this was limited to specific cases (PAR; Social Inclusion BSPs). Overall, public participation and the influence of CSOs and social actors (namely workers' unions and business associations) on Albanian policy has remained weak.

**Budget Support facilitated some improvements in policy monitoring,** leading to government entities to enhance the design of their frameworks to report on policy implementation and BSP's targets. TA from PAR, Justice, and Transport BSPs supported this process. However, the systematisation and disaggregation of sector-level outcomes remains unsatisfactory, posing challenges to evidence-based policymaking; a more comprehensive and analytical overview of results of public policies is still missing.

**Public service delivery in Albania has improved, and BSPs contributed to this, in service-oriented sectors.** Examples of effects fostered include the reduction of arrears (PFM and transport BSPs), the upgrade of VET and employment programmes (Employment & Skills programme), the development of e-services (PAR and Good Governance programme), the enlarged provision of legal aid (Justice BSP), and blackspot removal in Albanian roads (Transport programme). No influence on the coverage and quality of social protection and care could be evidenced, partly because the Social Inclusion intervention was only beginning at the end of the temporal scope of this evaluation (2020). It was also linked to the slowness of decentralisation reform, delaying outputs and outcomes in this sector, a factor that remained relevant at the time of drafting this report (end of 2023).

## 10.2. Summary of Step 2 findings

**The evaluation reveals a mixed picture of the results for the population of good governance and rule of law reforms in Albania.** GoA reforms have led to improvements in government effectiveness and in digitalisation, as recognised (e.g.) by SIGMA and the World Bank. Unfortunately, perception of and exposure to corruption in the Albanian society remain high, and tangible improvements in access to justice have not yet shown. Significant backlogs and lengthy procedures remain, and access to legal aid is still limited. The commendable judicial reform has not yet translated into results, mainly because of the understaffing of the system resulting from the slow ongoing magistrate vetting process. Subsequently, although the trust of Albanian citizens in the justice system has improved, it remains low overall.

**GoA efforts to enhance inclusion through increased access to vocational training and employment services have yielded some positive results.** Unemployment rates have declined, including among the youth population, suggesting a certain level of effectiveness of GoA measures such as the Employment Promotion programmes. However, challenges remain, such as high levels of migration, an expanded gender employment gap, and a significant proportion of workers remaining in the informal sector. Additionally, although VET services have grown, the employability of VET graduates has not shown substantial improvement, indicating a lack of connection between government, private sector, and workers to bridge the disparity between labour force training and labour market demands.

**The Albanian government's focus on reinforcing road controls and enhancing road safety measures has resulted in a moderate decrease in road accidents and fatalities.** While the main road infrastructure improved, the maintenance of secondary roads, the sustainability of road transport, and the enforcement of regulations remain significant challenges. Vehicle conditions, standards and driver training remain below standards. Accidents and fatalities during the 2017-2022 period exhibit a noticeable downward trend, but the behaviour of drivers is still prevalent as the major cause of crashes.

**Albania achieved notable reduction of poverty and inequality up to 2019**, albeit biased in favour of the main urban areas. Unfortunately, the economic capacity of citizens remains a concern, and the earthquake and COVID-19 pandemic have undermined the quality-of-life indicators.

## 10.3. Step 3: Overall synthesis and contribution analysis

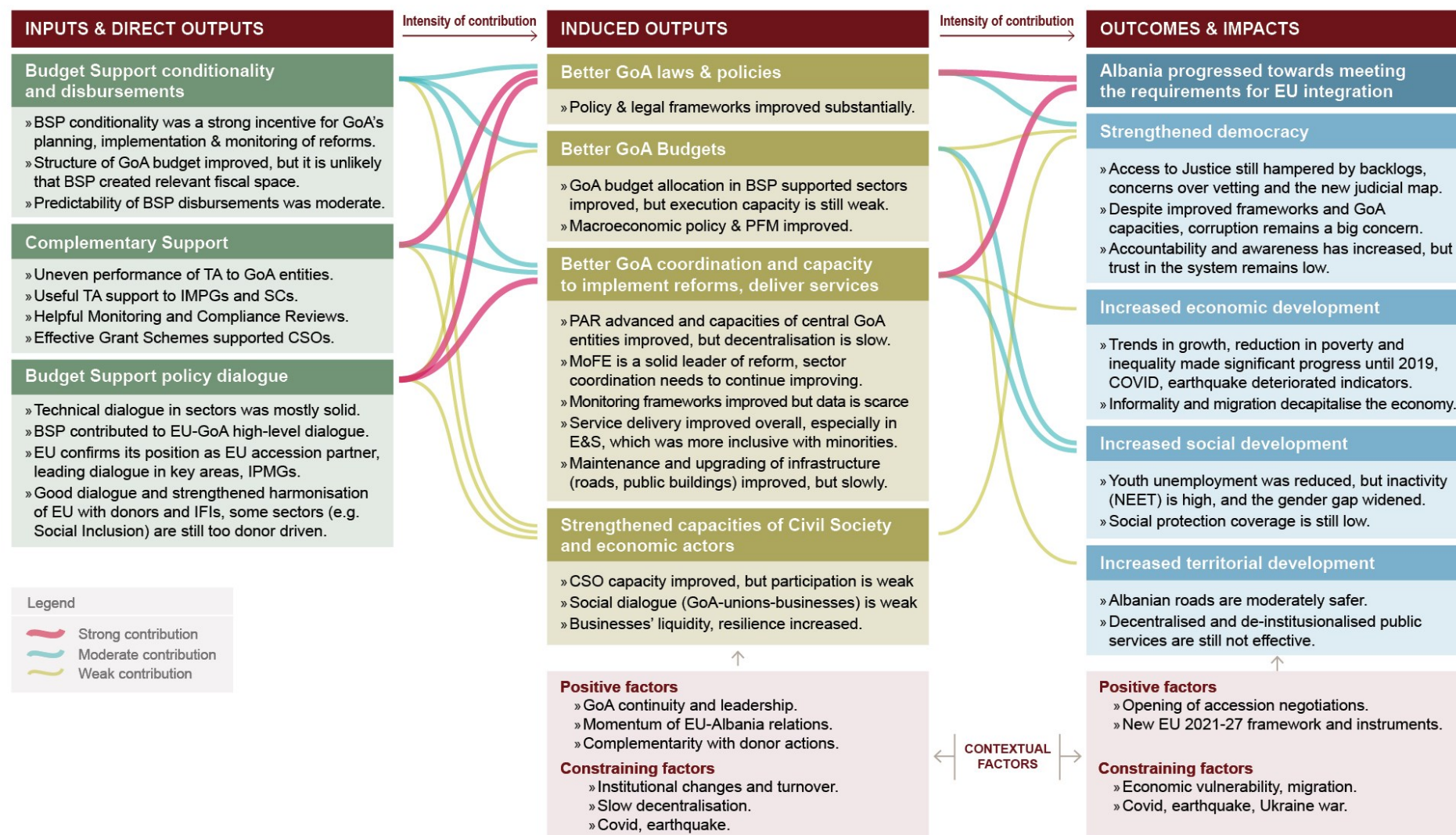
**The evaluation has confirmed the existence of a degree of positive influence of EU BSPs in Albania during the 2014-2020 period.** The analysis reveals that Budget Support has been instrumental in helping GoA advance with key, structural, and strategic reforms, surpassing the limitations often associated with project-based support. Some of these reforms have started yielding positive, but still modest, results.

**Budget Support programmes have been particularly successful in supporting the implementation of GoA reforms that improved Albania's readiness for EU accession.** EU conditionality frameworks and policy dialogue have played a crucial role in assisting GoA with the alignment of legal frameworks to EU standards, ensuring policy compliance, and enhancing the capacities of Albanian central entities to plan, increase or secure financing, implement and monitor reforms. PAR, PFM, Employment & Skills and, to a lesser extent, Anti-Corruption Budget Support operations have made strong overall contributions. More recent Budget Support operations continued contributing to reforms at the legal, policy and administrative level in the transport, justice, and social inclusion sectors.

**It is difficult to assess the contribution of Budget Support to the wellbeing of Albanians in the 2014-2020 period.** The effects of the analysed sector policies on the population have been modest, and the limited availability of comprehensive and disaggregated data at the sector level has restrained the evaluation's assessment of the factors that might have influenced the achievement of sector policy outcome targets. Out of the sectors assisted by Budget Support and that provide goods and services to the population (Employment and Skills, Social Inclusion, Transport, Justice and, to a lesser extent, Anti-Corruption), a moderate contribution was only evidenced in the Employment & Skills intervention towards unemployment rates and the use of VET services, as well as the inclusion of minorities (Roma, Egyptians). Contributions of EU BSPs to economic growth and poverty reduction may have existed, but the evidence gathered has not been sufficient to confirm that it happened, nor with what intensity.

In conclusion, as graphically represented in Figure 20, while EU budget support has played (and is expected to continue playing) a significant role in supporting Albania's EU integration process and facilitating important reforms, only a few examples of BSPs contribution to increased economic, social and territorial development have been found.

FIGURE 20: OVERALL CONTRIBUTION ANALYSIS OF EU BUDGET SUPPORT IN ALBANIA 2014-2020



Source: Mancala Consultores

## 11. Conclusions

One set of conclusions is constructed around how Budget Support was appropriate to respond to the Albanian context and GoA needs and contribute to the formulation and implementation of the targeted sector policies. The second set of conclusions refer to what extent the actual design of BSPs and the use of the modality was appropriate. .

Category	Conclusion
<b>On the responsiveness of EU Budget Support to the Enlargement context and main achievements</b>	<b>Conclusion 1:</b> With the help of EU Budget Support, GoA has made very substantial progress in approximating its legislative and policy frameworks to EU standards, and in strengthening the capacities of its institutions. Albania is closer to EU accession, but challenges remain.
	<b>Conclusion 2:</b> Budget Support has proven appropriate to channel EU assistance to Albania, but certain particularities of its design and implementation in accession candidate countries make the modality different to its use in non-enlargement contexts.
	<b>Conclusion 3:</b> Well-designed, implemented and Budget Support-supported reforms are not yet improving the well-being of Albanian citizens as much as expected.
	<b>Conclusion 4:</b> Budget support operations in Albania have limitations in effectively incorporating rights-based approaches, particularly in addressing the needs and rights of women and the most vulnerable populations.
<b>On the use of Budget Support in Albania</b>	<b>Conclusion 5:</b> The formulation of BSP was overall in line with good practice, but the design of some programmes showed some weaknesses, notably on conditionalities.
	<b>Conclusion 6:</b> EU-GoA dialogue is functioning effectively, primarily driven by MoFE and other central bodies, but still with little coordination with smaller stakeholders within GoA with and NSAs.
	<b>Conclusion 7:</b> Inadequate compilation, analysis, and availability of information on the results of GoA strategies undermine the effectiveness of reforms.

### 11.1. On the responsiveness of EU Budget Support to the Enlargement context and main achievements

**Conclusion 1: With the help of EU Budget Support, GoA has made very substantial progress in approximating its legislative and policy frameworks to EU standards, and in strengthening the capacities of its institutions. Albania is closer to EU accession, but challenges remain.**

*Albania has experienced a notable transformation of its legal and policy frameworks, a development of significant importance for its future EU accession. The country's institutions have undergone substantial improvements since 2014. All of this happened in the wider EU-accession context and with EU assistance, including to the instrumental role played by the EU Budget Support. Nevertheless, despite these advancements, persistent challenges in the sectors require further efforts from the government to have successful accession negotiations, consolidate capacity and enhance service delivery.*

*This conclusion is based mainly on EQ3.1, EQ3.2, EQ3.3, EQ3.4 and EQ3.5*

**Albania has benefitted from substantial assistance from the EU to upgrade its legislative framework.** Extensive work has been undertaken, resulting in the approval of a considerable number of legal texts. While progress with implementing legislation, such as Employment & Skills by-laws, has been slower, the overall advancement in legal reform is commendable. BSPs have been one of the instruments used by the EU to support this process.



**In addition to legislative improvements, Budget Support Programmes have played a crucial role in supporting the development and enhancement of strategies in the supported sectors.** Policy monitoring has also been improved through BSPs. The presence of a solid policy framework in Albania is of great importance, particularly in the context of EU accession negotiations. Furthermore, GoA policies have been adequately financed, with increased budget allocations observed in sectors and strategies targeted by EU, although some services (e.g., legal aid) still rely largely on donor funding.

**Reports from SIGMA, the EU, and international entities like PEFA and the World Bank evidence that the capacities of Albanian institutions and service delivery have been gradually improving.** These advancements bring Albania closer to EU membership, as they contribute to the preparedness of Albanian entities for the next steps of accession negotiations.

**While EU BSP disbursements do not appear as the primary driver of progress, Budget Support has been a valuable contributor through policy dialogue and conditionality,** although the targets set in some Budget Support operations (e.g., PAR) were not particularly ambitious. The dialogue around specific reforms facilitated by Budget Support helps to maintain momentum, especially during the programming of new operations, and at the time of submission of GoA disbursement requests. Capacity-building actions financed by Budget Support Programmes, such as Technical Assistance, have been beneficial in specific sectors (PAR, PFM, transport), although their overall impact has been limited due to their constrained efficiency.

Therefore, while notable progress has been made in legal and policy reforms, and in strengthening the capacity of Albanian institutions, several challenges persist:

**Core issues of good governance remain unsolved.** Public Administration Reform needs to continue. Anti-Corruption bodies have been strengthened, but capacities are still below what is required. Although there have been technical improvements in PFM, there are still pending matters to be resolved: these include enhancing budget credibility, establishing robust investment frameworks (including a single investment pipeline), and regulating Public-Private Partnerships.

**The decentralisation process has been slow,** leading to weak capacities of Local Government Units in formulating, financing, implementing, and monitoring their service provision. This weakness is reflected in the limited coverage of certain services delivered at the local level, such as social care.

**Justice reforms have progressed rapidly but, at the same time, with difficulty.** The vetting process and accountability of justice institutions require further attention and enhancement to ensure effectiveness. The new judicial map is a practical solution to the severe shortage of judges and prosecutors, but it poses new challenges to the delivery of justice in smaller cities and rural areas.

**The capacities of the Albania Roads Authority improved, but the narrow focus of the road transport Budget Support programme limited its capacity to reinforce the transport sector.** The BSP solely focused on roads and Albanian Roads Authority, and therefore did not adequately address critical issues like regional connectivity, climate change and enforcement of traffic regulations.

***Conclusion 2: Budget Support has proven appropriate to channel EU assistance to Albania, but certain particularities of its design and implementation in accession candidate countries make the modality different to its use in non-enlargement contexts.***

***Budget support is well designed to channel the implementation of EU assistance to Albania, with the country's future EU membership serving as the ultimate goal and primary incentive for reform. While the advantages of using Budget Support over project-based approaches are confirmed, certain features of the EU enlargement process make it different from the use of the modality outside of IPA: this includes the primary focus on legal, policy and institutional reforms and the pre-existing dialogue and monitoring mechanisms in EU-Albania negotiations.***

*This conclusion is based mainly on JC1.1 and JC1.2 of the Evaluation Matrix*

**Strong evidence confirms the advantages of using Budget Support over project-based approaches** to implement the objectives of IPA II as listed in the EU-Albania 2014-2020 Indicative Strategy Programme (ISP), particularly objective c) “*strengthening the ability of the beneficiaries listed in Annex I to fulfil the obligations stemming from Union membership by supporting progressive alignment*”

with, implementation and adoption of, the Union *acquis*".<sup>24</sup> Among other benefits, Budget Support Programming embraces a systemic governance approach, aligns with national strategies, promotes ownership, substantiates policy and political dialogue, and stands out for its efficiency and effectiveness in committing and implementing large amounts of EU assistance.

**The manner in which Budget Support is designed in an IPA beneficiary country has certain particularities from the way it is used by the EU in other contexts.** Budget Support was conceptualised in the early 21<sup>st</sup> century with the objective of making external aid more efficient and effective to help beneficiary countries achieve the expected outcomes (e.g., education or health indicators) and impacts (poverty reduction) of their development policies. Today, more than 20 years later, some adjustments in the way Budget Support is used in the Albanian EU accession context could be considered:

- **Budget Support has not been particularly focused on supporting outcomes and impacts of Albanian policies.** The Intervention Logic and the conditionality frameworks of most of the Budget Support Programmes are predominantly focused towards helping GoA upgrade its legal and policy frameworks and improve its institutional capacities. This is coherent with the 2014-20 ISP's approach, which states "EU financial assistance shall be concentrated on the areas where reforms or investments are most needed to meet accession criteria", and with IPA's support to "*implementing reforms with a view to Union Membership*".<sup>25</sup> Only some BSPs are also aimed at reforms that may directly generate effects on the Albanian population (e.g. the Justice programme seeks to improve access to justice; the Employment & Skills programme at improving employment rates; the Economic Recovery programme increasing business resilience; and the Social Inclusion intervention at reducing exclusion and improving education enrolment and performance).
- **Policy dialogue has been taking place in the context of the Stabilisation and Association Agreement and pre-accession negotiations, well before the introduction of Budget Support.** Budget Support-related dialogue plays a smaller but relevant role in pre-existing processes that are already well structured and count with the strong presence from DG NEAR, EUD and other European Commission services.
- **GoA policies and reforms, including Budget Support eligibility criteria, are already subject to detailed and systematic reviews by the EU and by SIGMA.** This happens whether or not the sectors are supported by Budget Support.
- **BSPs can effectively support for horizontal reforms in IPA, but the standard three-year duration of a programme does not necessarily match the sector reform agendas of GoA,** nor the evolving context and priorities of EU accession. For instance, stakeholders believed the PAR Budget Support to be too long, and, in contrast, the Transport programme to be too short.
- **The frameworks used in Albania for monitoring, policy dialogue, and dialogue with donors and International Financial Institutions are very closely related,** more than in a non-enlargement context, to the extent that it is challenging to differentiate them from each other. The close interconnection of IPMGs, Technical Working Groups, and BSP's Steering Committees further underscores this point.
- **The conditionality of Budget Support disbursements is a key element of EU programmes, but EU financial resources alone are not likely to significantly increase fiscal space.** This is particularly true given the size of the Albanian budget and the predisposition of the MoFE, supported by the organic Budget Law, to apply BSPs receipts to lower the public sector debt and consequent borrowing requirement, rather than raising sectoral budget ceilings.

Although the advantages of the Budget Support modality have overall been confirmed, it could possibly improve its performance with some adjustments.

<sup>24</sup> Revised Indicative Strategy Paper for Albania (2014-2020) adopted on 03/08/2018. Part I: Introduction.

<sup>25</sup> Idem

**Conclusion 3: While EU Budget Support effectively helped GoA to successfully design and implement reforms, the effects of targeted policies on the well-being of Albanian citizens are smaller than expected.**

*Despite successful legal, policy and institutional reforms, EU support has not yet translated into tangible results for the population. GoA reforms have brought some positive developments with economic capacity of Albanians and government effectiveness. Nevertheless, the contribution of Budget Support Programmes to the achievement of Albanian policy objectives in the targeted sectors is limited, mainly because the actual outcomes of GoA policies are still modest. The country continues to grapple with issues related to quality of living standards, fiscal discipline, access to justice, corruption, labour market dynamics, and public trust.*

*This conclusion is based mainly on EQ1, EQs4.1 to 4.4 and EQ5.*

**While Budget Support has been a relevant contributor in improvements in the Albanian public sector, the theory of change of EU Budget Support in Albania is incomplete.** There are some examples of improvement in policy outcomes and impacts, but overall, significant effects of GoA reforms on the wellbeing of Albanians are still to be seen.

**The economic situation of Albanians has improved; poverty and inequality were reduced remarkably** since the turn of the 21<sup>st</sup> century, and the economy has been relatively resilient. Nevertheless, Albania remains one of the poorest countries in Europe and recent events (the 2019 earthquake and the COVID-19 pandemic) have further exacerbated inequalities.

**With the help of the EU, Albania has made progress in many PAR-related areas** and, overall, fares better than its neighbouring countries in various aspects related to good governance. Most Albanians have a positive opinion of the latest implementation of e-services. Government effectiveness has improved, although it had a slight deterioration in the last years and overall remains low (-0.12 in World Bank's 2020 index). Additionally, the PFM 2023-2025 strategy highlights persistent issues surrounding fiscal discipline and the avoidance of arrears, which remain central concerns and are future sustainability risks.

**Perception and exposure to corruption remain high.** Despite the EU-supported improvements in the capacity and frameworks of the Government of Albania, according to international standards, the situation has been mostly on a downward trend.

**EU supported some progress of access to justice, but it is still restricted.** The unintended outcome of the vetting process for judges and prosecutors has resulted in a growing backlog, although recent efforts have prevented its further expansion, considerable time will be required to significantly reduce it. Despite some progress in enhancing access to primary legal aid (advice), notable gaps persist, especially concerning the bureaucratic procedures to access it, and the limited availability of secondary legal aid (free representation in court). Moreover, there are legitimate concerns regarding the potential impact of the new judicial map on access to justice and the rights of the most vulnerable individuals.

**EU Budget Support contributed to positive employment policy reform, but the actual situation in the labour market has not significantly changed** since the pandemic. Unemployment rates and informal employment remain high, and young people continue to migrate in search of opportunities.

**Several EU BSPs supported communication and visibility, but a generalised lack of trust prevails among Albanians.** GoA has struggled to effectively communicate the success of reforms, and the EU-funded Communication and Visibility efforts had limited impact on the perception of the population.

**Conclusion 4: Only the more recent Budget Support operations in Albania effectively incorporated rights-based approaches, particularly the needs and rights of women and the most vulnerable populations.**

*While the EU is a very strong advocate of Human Rights and the rights-based approach of public services, this was not properly reflected in most Budget Support programmes, especially the earlier ones. The gender approach was not effectively integrated into the majority of Budget Support Programmes, gender-related indicators and outcomes focused on women are present only in the most recent operations. Additionally, there is a need for Budget Support Programmes to improve their response to the challenges faced by vulnerable groups who are at risk of being left behind, particularly in the frame of the digitalisation of public services and justice centralisation processes.*

*This conclusion is based mainly on JC1.4 and, partly, EQs 4.2, 4.3 and 5.*

**In general, Budget Support programming in Albania fell short of fully integrating Human Rights and cross-cutting issues**, and establishing strong connections between the policies it endorses and overarching frameworks such as the SDGs. While HHRR concerns, including those related to minorities and gender (as well as climate change) are acknowledged in high-level political discussions between Albania and the EU, their integration into the strategic aspects of BSPs was consistently ensured only in one programme (Social Inclusion BSP). This limited the potential of the modality to contribute to the effective implementation of EU core values in Albania.

**Overall, several challenges were identified in addressing gender issues, ensuring inclusivity of the vulnerable layers of society, and safeguarding the rights and security of the population.**

However, a learning curve is observable: while the earlier programmes did not particularly mainstream these topics, the Anti-Corruption and Employment & Skills BSPs included some relevant elements (e.g., targeted stakeholders, disaggregated performance indicators). The more recent Social Inclusion intervention captures these issues much better, although it also has some shortages, as explained below.

**Some operations in Albania have demonstrated some positive developments in incorporating minority concerns**, specifically through the Employment & Skills and Social Inclusion interventions. An example of progress is the adoption of the National Action Plan for Equality, Inclusion, and Participation of Roma and Egyptians in Albania (2021-2025), an upgrade from the previous plan which highlights a commitment to improving conditions and opportunities for marginalised communities.

**However, there remains a significant gap in adequately addressing gender considerations.** While the design of the PFM, Anti-Corruption, Employment and Skills, and Social Inclusion programmes made some references to gender, other programmes did not address it. In most cases, the references made in BSPs to gender “checked the box” during the formulation process. The actual perspectives of Budget Support promoting change or achievements in this regard are limited. This is particularly concerning in the social sectors where, although GoA’s gender strategy has been considered in the design of the programme, the absence of gender indicators in the Social Inclusion BSP undermines efforts towards achieving gender equality and women’s empowerment.

**The digitalisation of services and the new judicial map raise concerns about their impact on disadvantaged individuals**, particularly the elderly, the poor, and the rural population. These groups may face more difficulties in using digital means to access essential services and exercise their rights. Furthermore, the extensive sharing of private information with various agencies for these initiatives raises data protection and privacy issues, further eroding the trust and security of the population.

**The linkages between anti-corruption measures and the promotion of human rights are not evident in the BSPs.** Strengthening these linkages is crucial to establish how transparency, accountability, and good governance can ensure the protection of human rights for all individuals. However, the Anti-Corruption and Good Governance programmes did not totally include this.

**Lastly, climate change and environmental concerns have been mostly disregarded in the Budget Support programmes.** This omission was particularly disappointing to observe in the road transport intervention. While some sectors may not prioritise the green agenda as a core element of reform, greater consideration could have been given through actions such as climate budget tagging, reducing emissions of public entities, addressing environmental crimes, and more.

## 11.2. On the use of budget support in Albania

**Conclusion 5: The formulation of Budget Support interventions was overall in line with good practice and the design of interventions, particularly of the performance frameworks, gradually improved.**

*The design of operations in Albania predominantly followed the EU Budget Support Guidelines, which should be appreciated given the complexities involved in formulating Budget Support Programmes, especially when introducing a new modality in the country and in the Western Balkans. The formulation of more recent interventions was sounder than the earlier ones. However, there are certain areas that still require attention to further enhance the formulation of programmes using this modality.*

*This conclusion is based mainly on indicator I-1.2.2 of the Evaluation matrix*

**Although Budget Support was a new modality in Albania and in the Western Balkans, the formulation of the programmes was in line with the EU Guidelines.** The learning process can be appreciated, as the design of more recent programmes is more thorough than the first ones.

**One challenge with EU Budget Support Programmes is their lengthy preparation phases, which often clash with rapidly changing contexts.** This issue is not unique to Albania. Although some streamlining has occurred (such as merging the Identification and Formulation phases into a single "Design" phase), the time required by the European Union and the Government of Albania to prepare BSPs means that circumstances frequently evolve before the programmes are even signed. As a result, Intervention Logics, indicators, and targets may reduce or lose their relevance.

**In Albania, only the sectoral variation of the Budget Support modality, known as Sector Reform Contracts, has been used and, for the most part, it was appropriate. However, two interventions did not strike the balance between ambitious design and simple implementation.** In some ways, these two operations did not fully align with the nature of interventions: The Economic Recovery programme could have been formulated as a State Building Resilience Contract, which is a more emergency-tailored type of Budget Support with less demanding conditionality; similarly, the Good Governance programme supports such a diverse range of strategies that it does not fit the usual framework of a BSP, but rather of a Sustainable Development Goals contract.

**Another aspect that deserves attention is that one-off Budget Support interventions rarely succeed in supporting comprehensive sector reform.** After the completion of the transport programme, there was a decline in engagement between the EU and sector bodies (MoE and Albania Roads Authority), which was further exacerbated by the COVID-19 pandemic. Annual sector meetings and thematic working groups were also discontinued, preventing the full consolidation of the potential benefits of the modality.

Finally, although the conditionality of the BSPs in Albania was reasonably well designed, there were certain shortcomings in the design of performance frameworks that could have been avoided:

- **Best practice in BSP design and implementation is to avoid overloading programmes in terms of conditions and indicators**, such as in the case of the Anti-Corruption intervention. While GoA has considerable capacity, this also applies to avoiding overloading Albanian stakeholders.
- **A learning curve can be observed between the first programmes and the most recent ones.** The Intervention Logics of more recent programmes were more detailed, and the performance frameworks included fewer indicators that were more "SMARTly" formulated (e.g., Social Inclusion intervention versus Employment & Skills intervention).
- **Performance indicators that are associated with reforms that are not under full control of the sector entities and/or sensitive to a changing political context may challenge predictability of disbursements.** For example, institutional transformation and the approval of laws and implementing legislation were an issue (e.g., transport programme).
- **In some programmes the quality of performance frameworks was hampered by the lack of experience of sector entities with the Budget Support modality, and/or because indicators were formulated via a top-down approach** (e.g., Justice programme).

**Conclusion 6: Budget Support related dialogue is functioning effectively, primarily driven by MoFE and other central bodies, but still with limited roles for smaller GoA stakeholders and little participation of non-State actors.**

*EU-Albania bilateral dialogue and, in most sectors, close GoA coordination with donors and IFIs are confirmed as key features of Budget Support Programmes in Albania. Dialogue in Budget Support-assisted sectors has proved an incentive for reform, together with conditionality and, to a lesser extent, capacity-building actions. Nevertheless, there is greater potentiality of BSP dialogue that has not yet been reached: the incorporation of smaller GoA agencies and civil society into internal GoA coordination and dialogue structures is still mostly pending.*

*This conclusion is based mainly on JC 2.4 of the Evaluation Matrix*

**Dialogue in the frame of Budget Support programming plays a double role: on one hand, it brings priorities to the table where GoA, EU and other actors sit; on the other, technical discussions feed into policy implementation and higher-level political dialogue.**

**Budget Support implementation includes some good examples of successful dialogue between GoA, EU and other international actors.** The PFM BSP was prepared largely to help GoA address the quick creation of government expenditure arrears up to 2015. The question of arrears was brought to the attention of GoA and donors at the time, and this has been a pillar of the past and actual PFM reforms. Policy dialogue was also crucial for the Employment & Skills sector to discuss and monitor the implementation of National Employment and Skills Strategy and National Social Protection Strategy. Extensive dialogue has also taken place in the Anti-Corruption and Justice interventions, including key issues such as the vetting process and the new institutional setting, and in the transport sector. Additionally, EU Budget Support compliance review missions have transcended their role, and, in several programmes, they were boosters of policy dialogue, which is an unexpected positive effect of EU BSP inputs.

**Budget Support has contributed to the centralisation of for EU-Albania dialogue and strengthened the position of MoFE.** The actors of BSP policy dialogue are mostly central GoA entities, and the use of this disbursement-based modality has increased MoFE's leadership. This is typical of Budget Support programming dynamics, and it is beneficial in terms of having an efficient dialogue mechanism, with clear leading counterparts in the sectors. MoFE naturally coordinates overall dialogue around Budget Support and, additionally, sector dialogue for PFM, Employment & Skills, and parts of the Good Governance (together with DoPA and Prime Minister's Office) and Economic Recovery (together with the Minister of State for Recovery) programmes. MoJ chairs Justice dialogue and MoIE chairs road transport dialogue, but the transport BSP counterpart was the Albania Roads Authority. Since 2022, SASPAC has taken over the coordination role, and the Ministry of State for Standards and Services is overseeing Good Governance reforms.

**Nevertheless, smaller GoA sector entities, such as agencies and Local Government Units, still have a limited understanding of the modality.** This disconnects them from the implementation of programmes and, particularly, from policy coordination and internal dialogue, leading to their lack of appreciation of the instrument, especially when compared to traditional project-based approaches. This is an issue of ownership and, in part, communication: In fact, Budget Support has effectively improved financing of the sectors and, in several cases, GoA agencies have been beneficiaries of BSPs complementary support.

**Lastly, participation is very low, and CSOs and other non-State actors still have a small role in the implementation of policies,** as reflected by the low score (6/100) in the 2021 Open Budget Initiative that assesses participation in budget formulation and implementation. The lack of social dialogue with business associations and workers' unions is a particular feature of the Employment & Skills sector.

**Conclusion 7: Despite some improvements in the design of Albanian monitoring systems fostered by Budget Support, the Albanian government's capacity to produce, analyse and disseminate data on the results of its policies is still weak.**

*Budget Support has helped the developing of Monitoring & Reporting frameworks in the Albanian entities, which have shown improved designs overall. Unfortunately, their implementation is still pending and the ability of the Albanian public sector to produce and incorporate comprehensive data sets it into its decision-making processes and make information available to the public is still insufficient, especially at the sector level. This impedes evidence-based policymaking and complicates the assessment of the effects of Albanian strategies and Budget Support operations.*

*This conclusion is based mainly on EQ3 (indicators I-3.1.3.2, I-3.2.3.2, I-3.3.3.2, I-3.4.3.2 and I-3.5.3.2 of the evaluation matrix)*

**Progress in Monitoring & Reporting (M&R) was significant, but mostly limited to the performance indicators of BSPs. GoA has not yet translated into a culture of systematic collection and processing of data on outputs and outcomes of GoA strategies.** Albanian entities have improved their monitoring, reporting and evaluation systems, incentivised by BSP conditionality and information requirements. However, a lot of monitoring and data gathering was led by projects (e.g., World Bank for the Albania Roads Authority) which is not sustainable and, in those cases, capacity does not remain within GoA.

**The lack of available comprehensive and detailed information on policy implementation is a severe constraint, especially at the sector level.** Series of data from the systems are not easy to access and are often outdated or incomplete; the disaggregation is limited to some standard criteria such as age, gender, or the geographical location of services or users, which often is limited to the regional level and does not include information per municipality, much less per household.

**The case of road transport BSP works as an example:** six out of sixteen indicators of the transport strategy were not reported on during the evaluation period. Data is missing or very scarce on (e.g.) the state of roads, the volume of vehicles, and the impact of road infrastructure on time and cost of travel. Information on accidents was aggregated, and limited geo-location information was available. Additionally, the Albania Roads Authority reportedly stopped tracking several of the strategy indicators after the end of the transport BSP. More detailed information would also be necessary on the characteristics of the users of VET services and their link with detailed employment data to be able to assess the impact of training on employability. In the justice sector, information from the courts and at the central level exists, although MoJ's sector monitoring has been irregular. The shortage of information in the justice sector is partly due to the institutional framework, as many of the sector institutions are independent and are not obliged to properly fulfil the requests for accountability and reporting (e.g., the School of Magistrates). Some of the new institutions are focused on fulfilling and reporting on indicators, but it is still at an early stage.

**The consequences of these absent or incomplete data sets affects the capacity of GoA and external partners to design and monitor policy implementation** and feed analysis into the next strategies and programmes. For this evaluation in particular, the lack of data did not allow the evaluators to run any econometric analysis that would allow to explain the determining factors behind unemployment (Employment & Skills intervention) and accidents (transport intervention), and thus apply the methodology to be able to quantify the strength of EU's contribution to these policy results.

## 12. Recommendations

The recommendations are split into two groups (see Table 12): The first one includes transversal and strategic recommendations that apply to the Budget Support modality with reference to programmes or clusters when relevant. These are presented in order of importance. The second group is formed of cluster specific recommendations. that apply only to the referred cluster and complement the general recommendations. They are presented following the outline of this report.

**TABLE 12: SUMMARY OF RECOMMENDATIONS**

Type	Recommendation	Importance*
Transversal and Strategic	<b>Recommendation 1:</b> Continue using Budget Support to back reforms aiming at GoA and EU policies common objectives, while considering adjustments that would allow a more flexible use of the modality and better adapt it to the EU enlargement reform agenda	4
	<b>Recommendation 2:</b> Substantially invest in improving data collection and analysis capabilities to enable evidence-based policymaking.	4
	<b>Recommendation 3:</b> Optimise the effectiveness of Budget Support operations in Albania, fostering sustainable and inclusive development for the well-being of Albanian citizens.	4
	<b>Recommendation 4:</b> Consider ways of increasing the efficiency and effectiveness of the capacity-building component of Budget Support operations.	3
	<b>Recommendation 5:</b> Increase the involvement of Albanian Ministries responsible for service delivery, and of civil society stakeholders, in the implementation of budget support. Particularly it is recommended to include them from the policy design phase to its implementation and monitoring, and make them participate in the coordination mechanism. .	3
Cluster-specific	<b>Recommendation 6 ('Good governance – PAR')</b> : Continue supporting Human Resource Management and ensure that the digitalisation process of Public Administration leaves no one behind.	3
	<b>Recommendation 7 ('Good governance – PFM')</b> : EU should support GoA in strengthening measures to control arrears and improve public investment management, including developing the Single Investment Pipeline.	3
	<b>Recommendation 8 ('Rule of Law')</b> : Support GoA efforts aimed at increasing the number and quality of judicial officers, maintain the focus on access to justice, and improve communication and visibility of sector challenges, reforms and achievements.	4
	<b>Recommendation 9 ('Employment, Skills and Social Inclusion')</b> : EU should continue working with Albania to make policy dialogue more inclusive, improve GoA's implementation and monitoring capacities and prioritise communication and visibility actions to attract young population to Employment & Skills services.	4
	<b>Recommendation 10 ('Transport')</b> : EU should use financial incentives to encourage GoA to continue working towards safer roads, more efficient and less polluting means of transport, while using EU support to shift to alternative and cleaner ones.	3

\*1 Low to 4 – high

Figure 21 graphically summarises how the conclusions are based on EQs, and how recommendations derive from conclusions.



FIGURE 21: SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS, LINK WITH EQs

Evaluation Questions		Conclusions		Recommendations
EQ1 – Relevance and quality of the design of Budget Support		EQ 3 (All) C1 – Good progress with legislative and policy frameworks, more readiness for EU accession		<b>Transversal and strategic dimensions</b> C1 C2 R1 – Continue using Budget Support to back GoA reforms while considering adjustments to the use of the modality in the IPA context C5 C7 R2 – Substantially invest in improving GoA’s sector policy data collection and analysis C3 C4 R3 – Optimise the effectiveness of BSP through more focus on policy outcomes and impacts C2 R4 – Increasing the efficiency and effectiveness of BSP capacity building component C4 C3 C6 R5 – Increase the involvement of smaller GoA entities and civil society in BSP implementation
EQ2 – Opportunity framework created by Budget Support				
EQ3.1 – Formulation and implementation of PA and Good Governance reform	»	EQ 1 C2 – Modality appropriate for EU assistance to Albania but enlargement context has particularities	»	
EQ3.2 – Effects on economic governance (Macro & PFM)				
EQ3.3 – Formulation and implementation of justice and Anticorruption reforms		EQ 1 EQ 4 EQ 5 C3 – Well designed, implemented and BSP-supported reforms not yet improving well-being of Albanian citizens		
EQ3.4 – Formulation and implementation of E&S and social inclusion reforms	»	EQ 1 EQ 4.2 EQ 4.3 EQ 5 C4 – Only the most recent programmes incorporated gender and rights-based approaches	»	
EQ3.5– Formulation and implementation of road transport reform				
EQ4.1 – Outcomes of PAR, PFM and wider GG strategies		EQ 1 C5 – BSP formulation was in line with good practice		
EQ4.2 – Outcomes of justice and Anti-Corruption policies				
EQ4.3 – Outcomes of E&S and social inclusion policies	»	EQ 1 EQ 4.2 EQ 4.3 EQ 5 C6 – EU-GoA dialogue functioning effectively, policy coordination needs to be more inclusive	»	
EQ4.4 – Outcomes of road transport policy				
EQ5 – Impacts of GoA policies		EQ 3 (All) C7 – Improved M&R but compilation, analysis and availability of data on policy remains weak		<b>Cluster-Specific dimensions</b> C1 C3 C4 R6 – Support HRM and and inclusive digitalisation process of Public Administration C1 C6 R7 – Support GoA in strengthening PFM to control arrears, improve Public Investment C1 C3 C4 R8 – Support GoA efforts to improve number and quality of judicial officers, access to justice, exposure to corruption, and public awareness C4 C6 C7 R9 – Expand dialogue in E&S, improve GoA capacities and push decentralisation C4 C6 C7 R10 – Promote more efficient and less polluting means of transport, while making roads safer

Source: Mancala Consultores

## 12.1. Transversal and strategic recommendations

**Recommendation 1: Continue using Budget Support to back reforms aiming at GoA and EU policies common objectives, while considering adjustments that would allow a more flexible use of the modality and better adapt it to the EU enlargement reform agenda.**

*Budget Support is confirmed as a highly suitable modality for channelling EU assistance to Albania and the EU should continue to use it as one of its main tools. It is nevertheless advisable to engage in discussions within DG NEAR and in the relevant EU Delegations in the Western Balkans to explore potential measure to fine-tune the design, implementation and evaluation of BSPs in the enlargement context. Such adjustments would aim to enhance the benefits of Budget Support Programmes in pre-accession countries, compared to its traditional application by the EU in non-enlargement contexts.*

*This recommendation is linked to conclusions 1 and 2*

**Main implementation responsibility:** DG NEAR, EUD

**Main associated actors:** MoFE and GoA entities

**What works and should continue?** Budget Support should continue to be used as a preferred implementation modality of EU assistance to Albania, if deemed appropriate by the EU and GoA

**What should be strengthened (or discontinued)?** Although the 2017 Budget Support Guidelines acknowledge some singularities of its use in the Enlargement and Neighbourhood regions, there is still a need to fine tune the use of the modality, particularly to adapt it to the particularities of EU pre-accession and accession. This could be done in the frame the actual Guidelines or eventually require their amendment, depending on the nature of adjustments than wish to be introduced.

**How should this be done?**

1. **Explore ways to simplify and introduce more flexibility in Budget Support operations.** While sticking to the EU Guidelines, allowing for greater flexibility in the implementation of BSPs can be beneficial in the unique circumstances of EU accession candidate countries. This can include (e.g.) considering longer or shorter programmes based on the specific sector strategies; reintroducing "floating" tranches for indicators related to the passing of legal acts and regulations; referring directly to SIGMA frameworks for Budget Support eligibility and/or conditionalities; or examining the alternative use that could be given to undisbursed amounts, on a case by case basis, and according to the applicable Budget Support Guidelines and EU rules.
2. **Clearly define and emphasise the role of policy dialogue** as a non-financial input of Budget Support. During programme formulation, detail how BSP-related meaningful discussions on policy priorities, reform agendas, and implementation strategies is expected to feed into the pre-existing dialogue structures (IPMGs, Thematic Working Groups, etc) and into EU-GoA higher level accession negotiations.
3. **Place greater emphasis on discussing the dynamics of budget negotiation processes and the strategic allocation of GoA resources** to support the achievement of policy objectives during the design phase of BSPs.
4. **Adapt the use of the standard Budget Support evaluation methodology to IPA contexts:** Prepare and deliver instructions on how to interpret OECD's evaluation methodology of Budget Support in the specific context of the IPA framework. This involves considering the unique challenges and objectives of IPA beneficiaries and aligning the evaluation criteria, indicators, and reporting accordingly.

## Recommendation 2: Substantially invest in improving data collection and analysis capabilities to enable evidence-based policymaking.

*Use Budget Support Programmes to further strengthen Albanian governmental data systems, especially at the sector level, ensuring data quality and availability, and utilising robust methodologies for analysis. This will provide a solid foundation for informed policy decisions, increasing the relevance, efficiency and effectiveness of policies and donor programmes, as well as improve accountability.*

*This recommendation is linked to conclusion 5 and, 7*

**Main implementation responsibility:** MoFE, SASPAC, Prime Minister's Office, INSTAT, EUD

**Main associated actors:** sector entities, donors and IFIs

**What works and should continue?:** M&R capacities have been reinforced. Technical PFM tools have been designed

**What should be strengthened (or discontinued)?:** Strengthen GoA's capacities to produce, monitor and analyse data to inform itself and external assistance partners of the results of policy implementation and take this into account in the formulation of GoA policies, budgets and EU programmes

**How should this be done?**

1. **Provide targeted TA to continue improving monitoring, reporting and evaluation frameworks**, particularly at the sector level. Increase the focus on building capacity for data compilation and analysis, establishing processes to make information available to decision-makers and the public. Promote coordination with key entities such as MoFE, SASPAC and INSTAT for data aggregation and publication purposes.
2. **Emphasise the effective improvement of links between planning and budgeting in BSP policy dialogue, conditionality and TA** by effectively implementing tools like Results-Based Budgeting and Medium-Term Expenditure Frameworks. These tools ease coordination between MoFE, Prime Minister's Office, SASPAC and sector entities, and facilitate the alignment of policy priorities, budgets, and results, fostering evidence-based policymaking and resource allocation.
3. **Ensure that Budget Support Programmes Results' Framework are supported by available and reliable sources** to track progress towards indicator targets. This will enhance accountability and reinforce performance indicators frameworks, which will be taken from these frameworks.
4. **Allow sufficient time for the process of defining performance indicators during programme formulation**, particularly involving those entities responsible for meeting the targets. This would ensure ownership and more efficient implementation of the programmes.
5. **Coordinate with other EU, donors and IFIs' initiatives that promote evidence-based policy**, such as EU's "ideAL" project (Dialogue for Inclusive Evidence-Based Policy Development in Albania).

## Recommendation 3: Optimise the effectiveness of Budget Support Programmes, fostering sustainable and inclusive policy results for the well-being of Albanian citizens.

*In addition to continuing supporting legal, policy, and institutional reforms, increase the use of EU Budget Support to further enhance outcomes and impacts of GoA policies, in order to contribute to the well-being of Albanian citizens, particularly by strengthening democracy and fostering sustainable economic, social and territorial development*

*This recommendation is linked to conclusions 3 and 4*

**Main implementation responsibility:** EUD, MoFE, Prime Minister's Office, SASPAC

**Main associated actors:** DG NEAR, sector entities, civil society

**What works and should continue?** The focus on improving legal and policy frameworks and GoA capacities should be maintained.

**What should be strengthened (or discontinued)?** Strengthen the Intervention Logics of Budget Support programmes to provide a clear picture of the expected contribution of the intervention to the achievement of desired sector outcomes and higher-level impacts of GoA policies.

**How should this be done?**

1. **Increase the focus on rights-based approaches within Budget Support Programmes, with particular attention to gender, youth, and the inclusion of vulnerable populations.** GoA and EU should collaboratively enhance the integration of gender and human rights-related indicators and approaches within sector reform strategies and implementation plans, and in particular within any future BSP to governance and social sectors. Incorporating these issues into BSPs' Results Frameworks, conditionality of disbursements, policy dialogue and tailored complementary support to GoA and NSAs would serve as an encouragement for Albanian stakeholders to ensure a more comprehensive and inclusive approach to sector policies. This should be particularly emphasised in relation to labour rights in employment and inclusiveness in social inclusion efforts.
2. **Complete the Budget Support Programmes' Intervention Logics and ensure a better link with the overarching objective of IPA II on "economic, social, and territorial development".** This will enable EU programmes to better respond to the long-term goals and priorities of the GoA, facilitating sustainable and comprehensive reform efforts.
3. **Strengthen the linkage between BSPs objectives and the SDGs** by identifying links between BSP's objectives, Accession Chapters and SDGs and aligning relevant BSP's results frameworks and indicators to track progress towards achieving the SDGs in Albania.

#### **Recommendation 4: Consider ways of increasing the efficiency and effectiveness of the capacity-building component of Budget Support operations**

**Make a better use of the capacity building resources of complementary support, strengthen coordination with other donors' technical support actions and provide targeted technical support to GoA entities to enhance the effectiveness and sustainability of Budget Support in Albania.**

*This recommendation is linked to conclusion 2*

**Main implementation responsibility:** EUD, sector entities

**Main associated actors:** -

**What works and should continue?:** The allocation of funds and the modalities used for capacity building of GoA, as part of complementary support, was overall appropriate, although delays hampered effectiveness.

**What should be strengthened (or discontinued)?:** Technical support should be channelled more timely and be more efficient in supporting GoA in strengthening institutions' policy-development capacities, ensuring they have the necessary skills and knowledge to effectively implement reforms

**How should this be done?**

1. **Initiate complementary support preparations earlier in the formulation process of Budget Support programmes.** Launch tenders at the end of formulation to ensure timely start of capacity-development interventions that align with the implementation period of BSPs. If necessary, consider incorporating suspensive clauses in the call for services, in case implementation of Financial Agreements is delayed.
2. **Promote more twinning arrangements and regional peer-to-peer experiences** (e.g., ResPA) to foster knowledge exchange and learning among relevant stakeholders, whether or not these are financed as part of BSPs.
3. **Strengthen the links with other types of EU assistance that do not use the Budget Support modality**, such as TAIEX, the SOCIEUX facility for social protection or the Integration Facility for CSO strengthening.
4. **Intensify close coordination with other donors**, IFIs and International Organisations operating in the same sectors to foster synergies and avoid duplication of efforts.

**Recommendation 5: Increase the involvement of Albanian Ministries responsible for service delivery, and of civil society stakeholders, in the implementation of budget support. Particularly it is recommended to include them from the policy design phase to its implementation and monitoring, and make them participate in the coordination mechanism.**

*GoA policies would benefit from an increased understanding and a greater role of GoA entities that are closer to service delivery, consistently with the decentralisation process that is ongoing in Albania. Additionally, increasing the support of Budget Support Programmes to civil society in GoA's policy process and debate, mainly through Non-State Actors and visibility actions, would raise participation and contribute to increased trust in the Albanian State institutions and in public services.*

*This recommendation is linked to conclusion 6 and, partly, 3 and 4*

**Main implementation responsibility:** EUD, GoA

**Main associated actors:** Albanian CSOs, donors

**What works and should continue?** BSPs should continue to be implemented under the leadership of MoFE and with SASPAC coordinating its integration with the rest of (non-BSPs) EU assistance. Allocation to Grant Schemes for NSAs should be maintained.

**What should be strengthened (or discontinued)?** The participation of smaller GoA entities, Local Government Units, civil society and social partners in policy formulation, implementation, and monitoring, and in Budget Support-related policy dialogue and access to funding.

**How should this be done?**

1. **More actively engage smaller GoA entities in operations**, such as agencies and LGUs, in BSP implementation, allowing them to play a more active role in defining and implementing public policies where they serve as key service providers. Support them through EU funding for NSAs and LGUs.
2. **Foster the participation of Civil Society throughout the entire GoA policy cycle**, including formulation, implementation, and monitoring. Involve CSO to bring diverse perspectives and ensure the inclusion of citizen voices, leading to more effective and inclusive policy outcomes. Support them through EU funding for NSAs and LGUs.
3. **Promote social dialogue, especially in the Employment & Skills sector**, as a platform where the needs and interests of the private sector, workers, and the Albanian State converge. Additionally, EU and donors should take a step back and give more relevance to GoA and social partners in leading on policy formulation and implementation.
4. **Increase the understanding of the Budget Support modality at the sector level by providing training to officials** and improve communication of sectors with MoFE and SASPAC. This includes fostering acceptance, generating commitment among line ministries and other entities within each sector and, especially, raising awareness on how BSPs can be beneficial for them compared to projects.
5. **Use Communication & Visibility measures more strategically** to disseminate information on reforms and EU's assistance, increasing trust in GoA and the EU among service users and the general public. This can be achieved by effectively communicating the benefits of reforms, sharing success stories, and promoting transparency in the policy implementation process.

## 12.2. Cluster-Specific Recommendations

### Recommendation 6: (Good Governance - PAR): Continue using Budget Support to improve Human Resource Management and ensure that the digitalisation process of Public Administration leaves no one behind

*Current and future EU Budget Support to PAR/Good Governance should further support national Human Resources Management processes and standards and continue assisting GoA's digitalisation of public services agenda, including stronger conditionalities that ensure that this process does not leave anyone behind.*

*This recommendation is linked to conclusions 1, 3 and 4*

**Main implementation responsibility:** EUD, DG NEAR

**Main associated actors:** Ministry of Interior, NAES

**What works and should continue?** The EU has provided continuous support to the strengthening of the regulatory framework and the Human Resources Management practices, and supported institutional capacity-strengthening for transparent and logical organisational structures in the public administration. As result of national efforts also promoted through EU support, Albanian public administration merit-based recruitment was improved, receiving the highest possible SIGMA rating. On digitalisation, support was given to strengthening interoperability among government institutions, which resulted in more efficient public services. EU and other donor support to e-services and one-stop shops at local level has brought significant improvements in terms of efficiency and transparency of government processes. These should continue as prominent interventions, using Budget Support as one of multiple EU tools to support Albania.

**What should be strengthened (or discontinued)?** EU should use Budget Support to continue policy dialogue and technical support focusing on further strengthening of merit-based employment system based on clear qualification and performance criteria (competence framework). EU BSPs should continue to promote transparent and logical organisational structures with clear identification of positions and descriptions of their role and work to be performed across public administration. Based on the prospective evidence to be gathered by STAR Project on the readiness of citizens and government units for digitalisation, the EU should continue and expand BSP-related policy dialogue (and BSP's conditionalities) on digitalisation of public services, to promote a phased approach of the government combined with significant investments in digital literacy and alternative (face-to-face) services to citizens that wish to receive them in such manner.

#### **How should this be done?**

The EU could consider the following areas of support to Human Resources Management practices:

1. **Support the government to further enhance their system and criteria for the creation of new positions in public administration based on functional needs.**
2. **Support DoPA to further strengthen a merit-based system that integrates specific, objective, and measurable criteria for selection linked to the specific tasks to be performed to help guide an objective selection and performance appraisal processes** (competence framework). Criteria may include categories such as specific abilities, skills, competencies, knowledge, expertise, experience, and education as well as teamwork, strategic thinking, management skills, and values (e.g., integrity).
3. **Support DoPA and other public institutions in making their full organisational charts open to public scrutiny.** This will help promote transparency and accountability of public administration.

Additionally, the EU could consider the following steps to promote appropriate phasing of government's digitalisation interventions:

4. **Maintain the issues with human rights (leave no one behind) aspects of the digitalisation process on the agenda through highest-level policy dialogue with the government.**
5. **Ensure that appropriate conditionalities (and performance indicators) are integrated in future Good Governance BSP Support and targeted PAR support relating to 'leave no one behind' aspects of the digitalisation of public services.** This is because the Good Governance BSP

includes Performance Indicator No. 9 on citizen satisfaction with ADISA services, which were consequently discontinued.

- 6. Generate evidence of working approaches to human rights-based digitalisation.** Provide close monitoring and learning from the application of such measures to inform future governments' directions in this domain.

### **Recommendation 7: (Good Governance - PFM): EU Budget Support should support GoA in strengthening measures to control arrears and improve public investment management, including developing the Single Investment Pipeline**

*EU BSPs should continue to help GoA to keep budget arrears under control with close adherence to multi-annual investment frameworks. PFM, including Public Investment Management and infrastructure initiatives (particularly transport) are mutually reinforcing and would benefit from even closer collaboration between the respective Ministries and Agencies. Additionally, GoA should further refine its capacity to secure funding from regional sources especially the WBIF, given its concessional/grant component.*

*This recommendation is linked to conclusions 1 and 6*

**Main implementation responsibility:** MoFE, MoIE, Albania Roads Authority, Albanian Railways etc)

**Main associated actors:** EUD, EIB, EBRD, WBIF, World Bank

**What works and should continue?** Arrears were substantially reduced with EU support, before rising again after COVID-19. There is still a need to sustain the focus on managing arrears in the public sector. Furthermore, support has been provided under the BSP-funded TA, and later with the World Bank TA, to strengthen Public Investment Management (PIM). Further strengthening of PIM is a priority for the EU, other partners and GoA, and priorities are articulated in the GoA Economic Reform Programme 2023-2025. One of the main objectives of GoA is the integration of SASPAC procedures for the evaluation of the list of strategic projects and the connection with the Medium-Term Budget Planning. This is covered under Reform measure 09: Public Strategic Investments.

#### **What should be strengthened (or discontinued)?**

While there is a role for PPP investment in Albania (including the granting of concessions), experience indicates that it can lead to an uneven playing field and a loss of transparency, as well as creating unforeseen public sector liabilities. Given these risks, it is appropriate to continue to reduce focus on PPPs, and to acknowledge that most relevant projects requiring significant public investment should be on-budget and subject to full public sector checks and balances (i.e., overseen by the Supreme Audit Authority). Cross-cutting issues (environment; gender) still need to be better incorporated into public investment management.

#### **How should this be done?**

1. **Arrears should be managed by ensuring that the medium-term investment framework includes realistic assumptions regarding implementation timelines, together with strengthened contract and risk management.** Where cases go to arbitration it is essential that these are resolved quickly and unambiguously, with limited scope for appeals which create further delays.
2. **Support clear prioritisation of investment projects by developing a Single Investment Pipeline,** with a focus on needs that are underpinned by rigorous economic analysis. The proposed reform measure on Public Strategic Investment will aim to a) develop a new Public Investment Management procedure, including PPP; b) strengthen capacity across government to appraise public investment projects; and c) improve monitoring of public investments including PPP projects and concessions.
3. **Strengthen inter-sectoral working groups to ensure that all investment screening incorporates environmental and climate change assessments,** and where appropriate includes prioritisation and facilitation of regional connectivity objectives.
4. **Protect non-wage recurrent expenditures** to ensure that asset life is optimised.

**Recommendation 8 (Rule of Law): Support GoA efforts aimed at increasing the number and quality of judicial officers, maintain the focus on access to justice, and improve communication and visibility of sector challenges, reforms, and achievements.**

*Attention should be paid by the EU and GoA in three key areas: Firstly, EU should warrant that GoA budget resources are sustained to ensure the implementation and sustainability of reform efforts, particularly training of judges and prosecutors, and legal aid; secondly, EU and GoA should maintain political pressure all relevant sector entities, particularly in relation to the vetting process and the training of magistrates, and on achieving significant improvements such as reducing the exposure to corruption, reducing backlogs, increasing access to legal aid, and adopting a rights-based approach throughout the justice system; lastly, GoA's communication of the reform should improve to continue improving the trust of Albanian citizens in the system.*

This recommendation is linked to conclusions 3, 6 and 7

**Main implementation responsibility:** MoJ, MoFE EUD

**Main associated actors:** School of Magistrates, other sector entities

**What works and should continue?** Legal and policy frameworks are solid. GoA capacity has been improved, but still faces significant challenges and is hampered by the consequences of the vetting process. The legal aid service has increased, especially for primary legal aid, and must continue to be expanded, to encompass both primary and secondary legal aid; the overall prison population has been decreasing and alternatives to imprisonment have increased.

**What should be strengthened (or discontinued)?** Ensure that future EU assistance promotes that the increased allocation to justice reform is maintained, both to continue improving access to justice of the Albanian population and to achieve the sustainability of present and future progress. Promote that internal sector coordination improves. Citizen trust remains low, so EU can help GoA to improve communication regarding justice reform, including Anti-Corruption issues, to raise awareness. The new judicial map raises questions of inequality in access to justice.

**How should this be done?**

**Use future EU assistance, whether or not using Budget Support, to:**

1. **Ensure that sufficient state resources are allocated to judicial and prosecutorial training**, and that developing strategies to address ongoing legal sector staff shortages remains a key priority in all political and policy dialogue.
2. **Promote that GoA allocates sufficient budgetary funds to encompass a full range of free legal aid services**, in particular to include secondary legal aid (legal representation in courts) and ensure that actual expenditure is in line with such allocations. The EU should provide technical support to such processes, and to the development of exit strategies with other donors, to reduce GoA's reliance on external support.
3. **Establish an EU-led independent monitoring mechanism of justice reform and all concerned sector government entities**, and in particular monitor the status of judicial backlogs, the role of the School of Magistrates, and the effects of the new judicial map on access to justice, especially for vulnerable, indigent and remote populations.
4. **Ensure the development and effective implementation of a comprehensive communication and outreach strategy** and action plan, in order to increase the public's awareness of key justice sector and anti-corruption institutions and issues, especially GoA's past and ongoing reform strategies, initiatives, challenges and outcomes.



**Recommendation 9 (Employment, Skills and Social Inclusion): EU should continue working with Albania to make policy dialogue more inclusive, improve GoA's implementation and monitoring capacities and prioritise communication and visibility actions to attract young population to Employment & Skills services.**

*Current and future EU Budget Support operations should encourage GoA to strengthen policy dialogue (particularly through incorporating social partners into national dialogue), continue improving its institutional capacities to implement and monitor policies, and raise awareness on VET and Employment Promotion Programmes, especially among the young population. Additionally, EU should further support decentralisation, institutional cooperation and the prioritising of gender and inclusion efforts to help GoA advance with the social agenda.*

*This recommendation is linked to conclusions 4, 6 and 7*

**Main implementation responsibility:** DG NEAR; EUD; MoFE; National Agency for Employment and Skills; National Agency for VET Qualification

**Main associated actors:** Social Partners, CSOs

**What works and should continue?** Dialogue with Roma and Egyptians worked well. Improved National Agency for Employment and Skills Offices and staff training functioned. The TA support to Communication and Visibility for National Agency for Employment and Skills (under the Employment and Skills BSP), although delayed, was effective. The continuation of TA in the Social Inclusion BSP is good, and National Agency for Employment and Skills is building on the TA outputs and knowledge.

**What should be strengthened (or discontinued)?** GoA should continue working to improve VET knowledge and appreciation among young populations. It should also continue support to unemployed job seekers through more employment programmes, full digitalisation of National Agency for Employment and Skills services, and continuous training of National Agency for Employment and Skills staff. There is need for sustained social dialogue between GoA, business associations and workers' unions; improving M&E under MoHSP; and empowering Local Government Units to provide social care services.

**How should this be done?**

1. **Use future assistance, including the continuation of Budget Support, to: revise the composition and terms of reference of the IPMG and the Thematic Working Groups**, reinforce internal central GoA bodies' coordination and dialogue with social partners and Local Authorities.
2. **Complete Human Resources vacancies in National Agency for Employment and Skills**, in the Employment & VET Directorate, and the Labour Rights body; the latter should contribute to effective Labour Rights policies to improve working conditions and enhance cooperation with Social Partners.
3. **Enhance training by civil servants on EU tools** for certain issues like VET, Social Dialogue (see available courses in EU Commission INTPA Academy and others).
4. **Promote the participation of unemployed youth in employment promotion programmes and VET** through enhanced awareness-raising; and encourage the National Agency for Employment and Skills to use alternative solutions to raise Communication and Visibility funds. Link the image of VET with the EU accession and enhance the image of National Agency for VET Qualification.
5. **Promote that the National Agency for VET Qualification improves the functionality and exchanges with the two established Sectorial Committees** (IT and Tourism & Hospitality) and promote establishment of others in order to enhance the impact on the work-oriented VET curriculum.
6. **Improve and facilitate procurement procedures for contracting CSOs as providers of social care services**, and support municipalities to explore alternative sources for funding social care.
7. **Enhance a dedicated structure for monitoring and evaluating the Social Protection strategy** and explore other sector strategies and actions plans inside MoHSP, at the central and local levels.
8. **Continue assisting the decentralisation process, enhance cooperation between labour offices and the municipal services**, which currently happen without sufficient planning and structure.
9. **Help GoA to consolidate and finalise the legal framework for Multi-Functional Centres** aiming to increase the number of Multifunctional Training Centres that offer initial vocational training, post-secondary vocational education, vocational and further training for youth and adults, to make Multifunctional Training Centres more accessible to young people throughout Albania.

**Recommendation 10 (Transport): EU should use financial incentives to encourage GoA to continue working towards safer roads, more efficient and less polluting means of transport, while using EU support to shift to alternative and cleaner ones.**

*Considering that Budget Support Programming to the sector has finished, EU must promote greater access of GoA to WBIF to put the focus on inter-modal transfer, rail and maritime transport as modalities that are cleaner and more efficient than road transport. Although EU support to road transport has ended, GoA should build on the progress already being made on road safety to continue reducing trends in accidents and fatalities on Albanian roads, improve road maintenance and evidence-based policy that incorporates environmental and value-for-money factors.*

*This recommendation is linked to conclusions 3, 5 and 7*

**Main implementation responsibility:** MoFE, MoIE, Albania Roads Authority

**Main associated actors:** Regional transport organisations, WBIF, EBRD, EIB, World Bank

**What works and should continue?** Trends in accidents and fatalities have been reduced; GoA capacities have improved; legal and policy frameworks have been approximated.

**What should be strengthened (or discontinued)?** Transport sector coordination under the MoIE took a step backwards when the transport intervention stopped, in part due to COVID-19. Inter-agency working is essential to create a coordinated transport system that serves Albania's growing population, especially in metropolitan areas. Data collection and management remains insufficient to ensure that investment and maintenance decisions are evidence-based, and to generate performance trends.

It is important for the future that Albania considers a shift in transport policy to increase the use of inter-modal transfer from road to rail, bus rapid transit and connectivity by sea. This is consistent with EU and GoA commitments towards green growth and climate change objectives. It also takes account of Albania's rapid urbanisation, and the need to find alternatives to the use of automobiles.

**How should this be done?**

**Use future assistance, whether or not using Budget Support, to:**

1. **Help GoA to strengthen the institutional relationships between sector stakeholders** (MoIE, Albania Roads Authority, Ministry of the Interior, Ministry of Transport Institute of Transport, etc.) under the leadership of MoIE. Further strengthen inter-agency working to optimise road safety progress, with better enforcement of the road speed limit and drink-driving measures to complement Albania Roads Authority and the police's good work on accident blackspots.
2. **Resurrect Transport sector meetings** and thematic working groups, with a particular emphasis on intermodal connectivity objectives. Encourage participation by civil society organisations, who have particular expertise in key areas including accident audit assessments.
3. **Promote that all investment projects are vetted on environmental grounds** and structured to ensure that they incorporate the latest green growth/climate change approaches.
4. **Encourage that road maintenance budget is prioritised and protected**, to ensure that the maintenance deficit is finally overcome, and Albania optimises the life-cycle costs of its infrastructure investments.
5. **Strengthen transport sector data collection and management**, including improving its availability to all key stakeholders. This will also help to build value for money in transport infrastructure.
6. **Strengthen engagement in regional forums** to ensure that Albania maximises its strategic connectivity links, and that where regional standards have been adopted these are consolidated into practice where appropriate in Albania.
7. **Actively engage with WBIF** to understand its investment processes more clearly and ensure that Albania maximises its access to this form of finance, including grant components through blending.