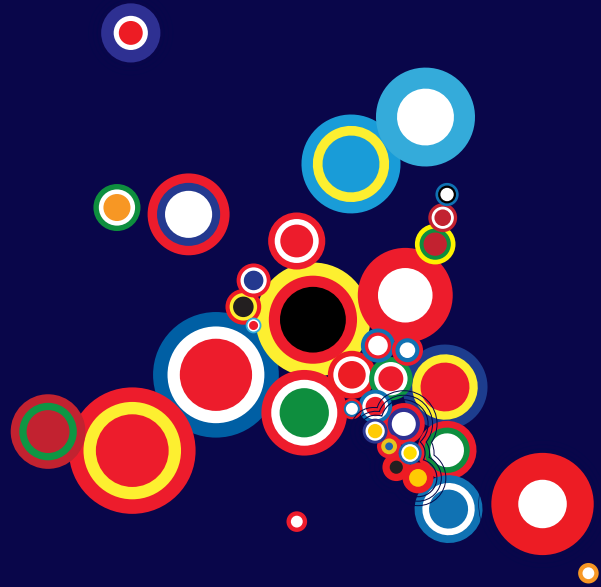




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

ALBANIA

SECTOR REFORM CONTRACT FOR PUBLIC ADMINISTRATION REFORM



Action Summary

The objective of this programme is to assist the Government of Albania in enhancing transparency, accountability and effectiveness of the public administration, with greater focus on the needs of citizens and business in view of creating a solid basis for the implementation of the EU acquis. The programme is expected to support the implementation of the Public Administration Reform Strategy and to contribute to improved transparency and management of public finances.

Action Identification	
Action Programme Title	IPA 2015 Action Programme for Albania
Action Title	Sector Reform Contract for Public Administration Reform
Action Reference	IPA 2015/ 038715.01 /AL/ Sector Reform Contract for Public Administration Reform
Sector Information	
IPA II Sectors	Democracy and governance
DAC Sector	15110 - Public sector policy and administrative management
Budget	
Total cost (VAT excluded)	EUR 32 million, including EUR 28 million for sector budget support and EUR 4 million for complementary activities
EU contribution	EUR 32 million
Management and Implementation	
Method of implementation	Direct management for budget support and services for monitoring Indirect management with UNDP for complementary technical assistance
EU Delegation in charge	EU Delegation to Albania for direct management
National authority or other implementing body	Other implementing body: United Nations Development Programme for indirect management
Implementation responsibilities	State Minister for Innovation and Public Administration Ms Milena Harito Coordination for all Sector Budget Support (SBS) for Albania: Ministry of Finance (MoF) Deputy Minister of Finance: Mr Erjon Luci
Location	
Zone benefiting from the action	Albania
Specific implementation area(s)	N/A
Timeline	
Deadline for conclusion of the Financing Agreement	At the latest by 31 December 2016
Contracting deadline	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
End of operational implementation period	6 years following the date of conclusion of the Financing Agreement.

LIST OF ACRONYMS:

ASPA – The Albanian School of Public Administration

CoE – The Council of Europe

CoM – The Council of Ministers

CSOs – Civil Society Organisations

CSL – Law on Civil Servants

DDPFFA – The Department of Development Programming Financing and Foreign Aid

DoPA – The Department of Public Administration

GDP – Gross Domestic Product

GoA – Government of Albania

HIDAACI – High Inspectorate of Declaration and Audit of Assets and Conflict of Interest

HLD – High Level Dialogue

HRMIS – Human Resources Management Information System

HSC – High State Control

IMF – The International Monetary Fund

INTOSAI – The International Organisation for Supreme Audit Institutions

IPA – Instrument for Pre-Accession

IPMG – Integrated Policy Management Group

LGUs – Local Government Units

MIPA – The Ministry(er) of Innovation and Public Administration

MoSLI – Minister of State for Local Issues

MTBP – Medium Term Budget Program

OECD- The Organisation for Economic Cooperation and Development

OLAF – European Anti-Fraud Office

PAF – Performance Assessment Framework

PAR – Public Administration Reform

PIFC – Public Internal Financial Control

PFM – Public Financial Management

PM – Prime Minister

SIGMA – Support for Improvement in Governance and Management

SEE – South-East Europe

SRC – Sector Reform Contract (budget support)

STAR – Support to Territorial Administrative Reform project

TACSO – Technical Assistance for Civil Society Organisations

UNDP – United Nations Development Programme

VAT – Value Added Tax

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

On 24 June 2014 Albania obtained EU candidate country status and the Commission identified reform measures under five key priorities which need to be implemented before accession negotiations can be opened. Under Key priority 1 Albania is expected to implement public administration reform with a view to enhancing professionalism and de-politicisation of public administration. The Government has developed a Roadmap for implementation of the key priorities and this budget support programme will contribute to the fulfilment of measures under Key priority 1.

The Commission has strengthened its focus on public administration in its communication "Enlargement Strategy and Main Challenges 2014-2015". It recognizes that public administration reform (PAR), as one of the fundamental pillars of the enlargement process, is a key challenge for enlargement countries and aims to better integrate public administration reform into the enlargement process. The Commission structures its work on PAR around six key issues outlined in the Enlargement Strategy: strategic framework of public administration reform; policy development and coordination; public service and human resources management; accountability; service delivery and public finance management. For each of the six key issues, the Principles of Public Administration, developed by the Commission in close cooperation with OECD/SIGMA, outline the main requirements to be followed by the countries in the EU integration process.

SIGMA assessments on Albania's public administration as well as the Commission progress reports and conclusions from Joint Working Groups and High Level Dialogue have pointed out a number of problem areas: the lack of a strategic framework and effective sector coordination mechanism for PAR; the need to strengthen the capacity to draft policies and legislation, which are effective and in compliance with the *acquis*; the need to establish a professional civil service, through proper implementation of the Law on Civil Servants at all levels of administration and the need to build a reliable and comprehensive reporting system to monitor the implementation of civil service legislation; the need to guarantee independent monitoring by the Commissioner for the Oversight of the Civil Service and ensure follow-up to the recommendations of the independent institutions; ensure transparency of the public administration; to establish adequate legal framework and institutional setups for the implementation of administrative procedures, and appropriate setups that ensure administrative and political accountability of the administration. The World Bank has also highlighted that improvement of service delivery and enhancement of the accountability of public officials should be considered in parallel with the capacity building of public administration.

In reply to these challenges, in April 2015 the Government of Albania adopted the Cross-Cutting Public Administration Reform Strategy 2015-2020 (PAR Strategy), along with the Strategy for Anti-Corruption (April 2015), the Strategy for Public Finance Management (December 2014), the Digital Albania Strategy (April 2015) and the Strategy for Decentralisation and Local Governance (July 2015). The PAR Strategy will address all the above identified problems.

The public administration reform is one of the most important horizontal reform areas because it provides the framework for implementing other policies. A well-managed public service system enables the state to reach an adequate level of professionalism, sustainability and quality of public service in all parts of its administration and to provide better services to the citizens and businesses. As a result, it is the society overall, including businesses, that will benefit from the reforms through a more efficient and transparent public administration and better access to public services.

The main institution leading the reform process is the Minister of State for Innovation and Public Administration (MIPA) along with the Department of Public Administration (DoPA) responsible for the civil service reform. Both institutions need to strengthen their capacity to lead and manage the reform process. The other institutions, such as, the Albanian School for Public Administration

(ASPA), the Minister of State for Local Issues (MoSLI), the Ministry of Finance, the Ministry for European Integration as well as Prime Minister's Office also have a key role to play. Due to the multitude of institutions and strategies linked to the reform process, robust and functioning coordination structures at both the political and administrative level are needed. A Strategic Planning Committee at political level already exists, but MIPA, in co-operation with the Prime Minister's Office, should more actively use this political-level forum to discuss the most important PAR issues, including in the public financial management area. The existing Inter-institutional working group on PAR will be replaced by an Integrated Policy Management Group for PAR. MIPA should ensure that the coordination structures meet regularly and that all the relevant stakeholders such as state institutions, independent institutions, municipalities, CSOs, international organizations and other participants are part of the reform process planning and implementation.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

This programme is fully in line with the objectives of the IPA II assistance and the Indicative Strategy Paper for Albania 2014-2020 which highlights public administration as a key issue to be addressed. It is envisaged that this programme will contribute to the achievement of the following expected results of the IPA II Indicative Strategy Paper for Albania 2014-2020:

- Civil service and public administration organisation, coordination, and functioning is fully defined, including the provision of services at all government levels for increased capacities in the delivery of services to citizens and businesses;
- A de-politicised, merit-based civil service system with integrity systems and ethical standards is in place;
- A sustainable policy making and legislative drafting system with the capacity to plan, implement and monitor public policies developed in an evidence based and inclusive manner;
- Decision making processes follow performance based monitoring and quality statistical data collected and analysed in line with the standards of EUROSTAT;
- Legal predictability and enforcement of laws and court decisions is improved in the interest of businesses and citizens;
- Sufficient capacities are in place for managing the EU accession process, including for policy development and preparing and implementing adequate legislation; and laws development and drafting in line with the EU acquis.

This programme is also in line with the objectives of the South East Europe 2020 Strategy which sets out "governance for growth" as one of the pillars of economic and political cooperation in SEE countries through enhancing capacity building of public administration, strengthening the rule of law and reducing corruption, creating a business-friendly environment and delivery of public services.

SECTOR BUDGET SUPPORT READINESS

MACROECONOMIC STABILITY

Albania managed to avoid recession throughout the global financial and economic crisis that has heavily affected its main EU trading partners and spilled over through trade, remittances and investment links. Nonetheless, annual economic growth slowed from 3.4 % in 2009 to 1.1 % in 2013, before marking an improvement to an estimated 1.9 % growth in 2014.

The 2014 budget performed well in comparison to disappointing revenues and missed deficit targets in recent years. The need to finance the budget deficit and the recognition of accumulated arrears, estimated at 5.3 % of GDP, pushed up the level of public debt to 72.6% at the end of 2014, from 70.5 % a year earlier. As a result of the weakening economy, poverty rates increased while unemployment remained high at around 18%. Per capita GDP in purchasing power standards was EUR 3600, slightly higher as compared to the estimated EUR 3500 in 2013. However it still remains below potential.

External imbalances remained large in 2014, reflecting a narrow production base, the overall low competitiveness of the economy and a large fiscal deficit. The current account deficit increased to more than 13 % of GDP in 2014. The modest increase in the exports of goods in 2014 has been affected by still subdued external demand and the sharp fall in the price of oil, one of Albania's main export commodities. A lower level of goods exports as compared to the previous year was observed in the first quarter of 2015, while imports were slightly higher. Remittances increased by 10.6 % in 2014 against 2013 although remaining substantially lower compared to 2012.

Monetary policy has been prudent and the stable exchange rate contributed to maintaining a low inflation rate. In February, a new central bank governor was voted in by the Parliament which marked the end of a period of uncertainty for the Bank of Albania, following the discovery of a cash theft from the Bank's treasury by a former employee, which led to the subsequent dismissal of the previous governor. The central bank's independence was maintained and its proper functioning ensured.

Fiscal consolidation remained high on the policy agenda. Fiscal imbalances, in particular revenue shortfalls in past years, have caused public debt to reach 72.6 % of GDP at the end of 2014, constraining the available fiscal space and constituting a key macroeconomic risk. Large accumulated government arrears reveal substantial weaknesses in public finance management and have sapped liquidity and confidence in the economy.

Albania's revenue and spending-to-GDP ratios (26 % and 31 % respectively in 2014) are low by regional standards, as is tax efficiency. The burden of the necessary budgetary adjustment primarily falls on revenues, including tax policy reforms and the strengthening of tax administration and collection. In 2014, following tax rises and tax collection improvement, revenues increased by 12.1% year-on-year. The IMF approved a 3-year EUR 330.9 million Extended Fund Facility arrangement in February 2014 to support a bold arrears clearance programme that aims to repay accumulated arrears. At the end of March 2015, the World Bank approved a USD 220 million Public Finance Policy Based Guarantee for Albania, which has enabled the country to tap international lenders at favourable terms and reduce its reliance on domestic banks for financing the deficit. Furthermore the WB has provided loans for investments and services in the sectors of water supply investment (USD 80 million) and environmental services (USD 10 million) as well as on road safety maintenance (USD 85 million), energy (150 million) and health (40 million). The conditions attached to the International Financial Institutions' loans concern significant improvements in public finance management to avoid the re-emergence of arrears and the resolution of bad loans and the strengthening of financial sector supervision to revive lending.

The IMF agreement is subject to periodical reviews, the latest of which was concluded in May 2015, and found the programme to be on track. It considered that economic recovery is underway in Albania, but growth remains below potential. High non-performing loans make banks risk-averse and credit growth remains sluggish despite monetary easing.

As jointly concluded in the Economic and Financial Dialogue between the EU and the Western Balkans, following the submission of the Economic Reform Program 2015-2017, Albania is encouraged to continue with reforms during 2015-2017, to focus on fiscal consolidation and to ensure that revenue performance remains on track.

According to the latest EU assessments, as well as the recent IMF programme reviews in 2015, the Albanian authorities pursue credible and relevant stability oriented macroeconomic policies aiming at supporting economic recovery and restoring fiscal stability and sustainability. The high level of public debt remains a key source of macroeconomic risk, but the authorities remain committed to addressing it. At the same time, fiscal consolidation should preserve space for growth-enhancing public investment by enhancing revenue collection.

PUBLIC FINANCE MANAGEMENT

The Government adopted a Public Finance Management Strategy 2014-2020 in December 2014 to address the current set of weaknesses, which paved the way for the approval of the IPA 2014 Sector Budget Support Program for PFM. The first High Level steering committee meeting for the

implementation of the PFM reform took place in April 2015, which mandated the relevant coordinating structures for the implementation and presented the action plan for 2015-2017. Further work on the annual action plan is ongoing. A new organisational structure was approved for the Ministry of Finance reinforcing its capacity by additional 45 staff in order to have sufficient resources to address capacity weaknesses and lead the implementation of the reforms. A further assessment of a functional review of the Ministry of Finance has also been agreed to be conducted in the second half of 2015.

At the end of 2014 the medium term budget program (MTBP) 2015-2017 was processed through parliamentary review together with the annual budget for 2015 setting out medium term ceilings. Preparations for the amendment of the Organic Budget Law to introduce medium term mandatory ceilings were ongoing. Analytical work for the future introduction of a fiscal rule and fiscal council started with the commissioning of an IMF assessment. The clearance of unpaid arrears progressed largely in line with the arrears clearance strategy. Paid arrears, including most of the VAT arrears, totalled EUR 241 million or 2.4% of GDP out of the total 5.3% of GDP at the end of 2014. The external audit of the arrears clearance process revealed numerous potential weaknesses mainly in the application of public procurement procedures and internal control procedures linked to the management and monitoring of the investment contracts. The auditors provided a draft list of recommendations in January 2015. As a response, the authorities published a summary of the way forward to address these challenges.

The system upgrade for recording multiyear commitments in the Treasury system was not completed. The further rollout of online access to the Treasury system from 5 to another 15 budget organisation was not achieved and access for the additional ten institutions may not take place before the end of 2015.

In December 2014, amendments to the Law on Public Procurement were adopted to allow for the use of modern procurement techniques, framework agreements, central purchasing and joint procurement. Also a decision was taken to conduct the public-private partnership procedures electronically.

Revenue performance in 2014 increased, also as a result of improvements in the tax administration. The tax administration developed a corporate strategy for 2015 - 2019. Detailed implementation plans remain to be developed over time for all strategic objectives, including the provision and securing of resources. A new IT platform and the roll out of new business processes for e-filing and other services were deployed although users faced difficulties in filing tax declarations online during the first quarter of 2015. A new strategic approach for the roll out of a rules-based tax risk model and the establishment of the Risk Management Directorate has been designed to address compliance weaknesses and target the tax gap. Coordination between the tax and customs administrations has been strengthened by ensuring the inter-operability of their IT systems, as well as the conduct of joint checks and audits. The number of disciplinary measures against tax inspectors also increased. The General Tax Directorate strengthened its cooperation with the High Inspectorate for Declaration and Audit of Assets and Prevention of Conflict of Interest (HIDAACI). Its internal anti-corruption directorate continued to refer to the Prosecutor's Office cases of tax inspectors suspected of abuse of office and of forging official documents.

Regarding public internal financial control (PIFC), although the legal framework is largely in place and in line with the *acquis*, amendments to the respective laws on financial control, internal audit and financial inspection have been drafted in consultation with DG Budget and OLAF (for Anti-fraud coordination service). It remains to be confirmed whether the final draft sufficiently take into account the comments provided. In the annual PIFC report, the Ministry of Finance notes shortcomings in control environment, application of risk management, asset management, budget planning and human resources control systems, highlighting gaps in procedural and regulatory framework. There is an increase of recommendations to heads of public units, who are highly accepted but lack implementation. Also there is an increase in sending cases of serious violations for penal proceedings. Internal audits tend to rather conduct inspection work and unevenly apply system based approach.

The Law on High State Control (HSC) was amended in January 2015 strengthening the alignment and the quality of audit with INTOSAI standards. The HSC updated its development strategy for 2015-

2017 for the gradual alignment of the standards. The High State Control published its 2014 report and it was discussed in the Parliament in July 2015. As regards follow up of 2013 audit report, the Ministry of Finance in consultation with the HSC, prepared a detailed action plan for the implementation of the recommendations at the end of 2014, the implementation of which is ongoing.

With respect to fighting corruption, the relevant Strategy and Action Plan have been adopted in March 2015. Efforts have been intensified to increase referrals to the Public Prosecutor's Office. However, efforts to bring cases of high-risk fraud, corruption and misuse of public funds to justice need to be substantially stepped up.

According to the baseline assessment of public administration principles carried out by SIGMA in May 2015, the weakest elements in public finance management are: the strength of the medium term budget program, the extent to which the annual budget proposal includes full information in the submission to the Parliament, quality of in-year financial information, quality of internal audit, comprehensiveness of the system for monitoring and reporting public procurement practices, low professionalization of public procurement officials. The Ministry of Finance is taking actions to address these findings.

The Public Finance Management Strategy 2014-2020 remains relevant since it has taken into account inputs of major stakeholders before adoption and latest findings confirm that dysfunctional PFM areas are currently addressed. However, some update may be needed to address latest findings and analysis. The related engagement of IMF and World Bank programmes also progressed.

The strategy is credible. Its implementation started in most key areas with strong political commitment. The coordination framework and monitoring structures were set up and the approval of the reinforcement of the Ministry of Finance was a right step to strengthen the capacity to lead the reforms. In general terms, there are considerable risks related to fraud and corruption and the enforcement of good financial management practices across the administration will require strong coordination with the public administration reform. An update of the action plan is necessary to address annual actions and should be appropriately sequenced with a well-developed policy performance assessment framework. Overall, the eligibility criterion to improve public financial management continued to be sufficiently met.

BUDGET TRANSPARENCY AND OVERSIGHT

Information regarding Albania's budget transparency and oversight is generally available. The minimum requirement of publication of the budget is met. The Government transparency roadmap for the medium term gives the right path to undertake improvements. The main challenges regarding full budget transparency are:

- The 2015 Open Budget Index ¹ for Albania shows that the country has scored 38 out of 100, which indicates that the Government provides the public with inadequate budget information. Albania's score is moderately lower than the global average score of 45 and is below the regional average for the Western Balkans countries. The Government of Albania has also fallen in the ranking with respect to the 2012 Open Budget Index, when the country has scored 47 out of 100.
- Many budget documents produced for internal use could be used for improving comprehensiveness of information published.

¹ Drawing on internationally accepted criteria developed by multilateral organizations, the Open Budget Index uses 109 indicators to measure budget transparency. These indicators are used to assess whether the central government makes eight key budget documents available to the public in a timely manner and whether the data contained in these documents are comprehensive and useful: (i) pre-budget statement; (ii) executive's budget proposal and supporting documents; (iii) enacted budget; (iv) citizens budget; (v) in-year reports; (vi) mid-year review; (vii) year-end report and (viii) audit report.

- A Citizens' Budget Guide, or simplified versions of budget documents using non-technical language and accessible formats, would facilitate citizens' understanding of, and engagement with, government's plans and actions during the budget year.
- While the MTBP provides detailed information on sector programs, there is no strategic overview of policy initiatives and major investments and their impact on public finances. Another deficiency in analytical procedures is the lack of distinction in the budget process between existing commitments and new policy initiatives.
- According to the annual Report Extractive Industries Transparency Initiative in Albania for the year 2012, published in November 2014, Albania stands among 31 countries complying with the Extractive Industry Transparency Initiative. The Albanian Government publishes informative report on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these incomes.

The SIGMA baseline assessment of May 2015 has the following findings regarding budget transparency gaps:

- In-year budget information is not available, monthly and quarterly bulletins are published but expenditure trends cannot be analysed against plans and institutions;
- The annual report on the execution of the budget is not in the same format as the budget which makes comparison difficult;
- There is no information on state assets;
- The monitoring and transparency on the financial situation of the state enterprises is limited;
- Public procurement plans are published but relevant search function is missing;
- Public consultation on draft legislations related to the sector are limited;
- The processing and analysis of public procurement market data is weak;
- All procurement review decisions are available on the website but without a user friendly search function;
- The share of negotiated procedures without publication is significant.

The main challenges regarding budget oversight are:

- The Government is expected to work on the recommendations of the Open Budget Survey 2015 to increase budget transparency and, therefore, its score and ranking.²
- Year-end audited financial statements should be submitted to the High State Control (HSC) by April 30th of the following fiscal year, i.e. 4 months after year-end. This deadline in the past years has not been met. The most recent audit reports on the execution of the budget for 2013, 2012 and 2011 are on the website of the HSC. The final accounts for 2014 budget were submitted to HSC for audit.
- The existing legislation and procedures do not establish any fixed deadlines for the review of the audit reports by the Parliament. The annual report of the HSC for 2014 was presented to the Parliament in July 2015, but it still pays limited attention to HSC reports. It also has little capacity to do so. The approval process for the HSC's report follows the same procedure as budget approval, but with fewer opportunities for input from the public.
- The impact of the HSC reports is low. There is no dedicated parliamentary committee as the Committee on Economy and Finance handles budget analysis, HSC reports and other topics.
- The HSC has a certain level of operational and functional independence. The legislative framework governing the institution has been revised to make it fully compatible with INTOSAI

² The recommendations of the Open Budget Survey 2015 are published at the following link: <http://internationalbudget.org/wp-content/uploads/OBS2015-CS-Albania-English.pdf>

standards. However, the available resources do not allow the HSC to deal with the high number of entities under its remit.

- The Parliament Committee on Economy and Finance has limited advisory and technical capacity to fully exercise its control powers and scrutiny over the budget and the use of public funds.

The government launched consultation with business community for the draft 2016 fiscal package in April 2015. Consultation with businesses through the National Economic Council took place but needs to be further intensified in terms of relevant draft legislations. The Government started preparations for the application of the World Bank's BOOST initiative to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability. The launch of a Fiscal Transparency assessment by the IMF is foreseen during the next year.

The eligibility criterion on budget transparency is met. The Government transparency roadmap for the medium term gives the right path to proceed further but it will be readjusted in light of the IMF Fiscal Transparency assessment, taking also into consideration the recommendations of the Open Budget Survey 2015. The role of the Parliament in oversight remains to be strengthened. Enhanced consultation with civil society, media, and public business community is also an angle to address and is supported by a complementary technical assistance in preparation.

PUBLIC POLICY

The main public policy document in this sector is the Public Administration Reform Strategy 2015-2020 and Action Plan 2015-2017 which was adopted in April 2015. It is in line with the National Strategy for Development and Integration 2014 - 2020 objectives under the pillar on effective governance and public administration reform.

The formulation of the PAR Strategy 2015-2020 took into account various assessments on the situation of the Albanian public administration. In addition to internal assessments and analysis of the situation conducted by the Albanian authorities, the PAR Strategy has also incorporated recommendations for improvements reiterated in recent SIGMA and WB reports and the EC Progress Reports of 2013 and 2014. This strategy has been consulted with a range of stakeholders including Government institutions, the European Commission, development partners and civil society organisations. SIGMA has provided assistance during the drafting of the Strategy aligning it as much as possible with the Principles of Public Administration. The Strategy is relevant as it addresses the main problem areas that have been pointed out earlier and is structured around four main pillars:

- Policymaking and quality of legislation
- Organization and functioning of public administration
- Civil service and human resource management
- Administrative procedures and oversight

While the focus of implementation of the PAR Strategy is concentrated mainly at central administration level, the Strategy also envisages actions to be taken to strengthen the administrative capacity of local government units, allowing them to exercise their authority and implement the legislation enforcing transparency, effectiveness and inclusiveness of public administration. Following the approval of the territorial administrative reform and start of the process of setting up new municipalities, the human resource capacities at local government level face considerable challenges and need further support, including for the implementation of the civil service law at local level.

The PAR Strategy is envisaged to be implemented in two phases. During the first phase (2015 – 2017) efforts will focus on improving the legal framework and procedures for drafting policies, strategies, action plans and legislation, as well as on building the capacity involved in these processes, including monitoring. The second phase (2018 – 2020) aims at consolidating the achievements of the first phase. It will be based on an assessment of the achievement of the objectives of the previous period and it may include new activities in key areas of administrative reform, or in areas where progress has not been sufficient during the previous phase.

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

The implementation of the Strategy will be funded through two main resources - the state budget and donors' assistance. The estimated financing needs for implementation of the PAR Strategy during the period of 2015 - 2017 have been initially estimated at EUR 77 million. Currently the estimated financing gap stands at 28%, but the figures will be updated in light of the 2016-2018 MTBP. Brief information on the Medium Term Budget Program 2015-2017 for the PAR strategy has been provided, however, the financial sustainability remains to be further examined and ensured through intensive policy dialogue between Ministry of Finance, EU Delegation and Minister of State for Innovation and Public Administration.

On the basis of this assessment, the public policy is considered relevant and credible for the envisaged sector budget support operation. Follow up on the preparations for the MTBP 2016-2018 for ensuring secured funding for the PAR Strategy implementation will be continued through policy dialogue.

LESSONS LEARNED, LINK TO PREVIOUS FINANCIAL ASSISTANCE AND INTERVENTIONS BY OTHER COOPERATION PARTNERS

The EU has provided substantial support to the Albanian authorities to assist in the reform of public administration, however, mainly supporting at the level of individual line ministries and/or state agencies. SIGMA has been providing guidance on drafting the PAR strategy, the drafting of the new Code of Administrative Procedures and in the implementation of the civil service legislation. Large-scale technical assistance projects have been and are on-going strengthening the relevant institutions e.g. DoPA, Ministry of European Integration, Public Procurement Agency, the National Agency for Information Society, High State Control and the Parliament (see Annex 7).

Overall, experience and lessons learned show that the horizontal aspects of public administration reform such as professional merit based recruitment, efficient service delivery or modernisation of administration could not be achieved by standalone interventions due to the complexity and inter-connectivity of the reform processes. The coordination between relevant implementing partners has been weak and the implementation was often jeopardised by limited funding to achieve transversal results. Due to the complex institutional setting and the cross-cutting nature of the public administration reform, sector approach is considered the most appropriate as it promotes structural reform that will help transform the given sector and ensure greater efficiency, sustainability and focus on results.

The findings of a synthesis of budget support evaluations in 2014 concluded that policy dialogue and capacity development have been the primary contributions in budget support to improve the capacity of partner governments to manage their public finances and to deliver services. In order to achieve the maximum impact with policy dialogue the evaluation recommends to have a strategic dialogue (not one based only on discussing indicators), framed within a medium to long term perspective, respecting country ownership and giving due attention to implementation capacities. Budget support can also be used to promote greater social accountability in relation to public budgets and public policy decisions. As a minimum, it is vital to ensure that civil society and the media are given systematic access to the policy documents, progress reports and conclusions emerging from the policy dialogue process, so as to be able to participate in this dialogue and assist in monitoring the implementation of agreed reforms and policy actions.

2. DESCRIPTION OF MAIN ACTIVITIES AND EXPECTED RESULTS

This programme will contribute to enhanced transparency, accountability and efficiency of Albania's public administration, by putting greater focus on the needs of the citizens and businesses, in view of establishing good governance practices and creating a solid basis for implementation of the EU *acquis*, thus addressing the developmental risks of government effectiveness. Through the support to the implementation of the PAR strategy, which will result in increased public sector transparency, this programme will also contribute to mitigating the corruption related risks in Albania.

The intervention logic of this programme tries to capture the interactions and the combined effects of the budget support programme. At input level, the transfer of funds will improve the financial space of the government to pursue PAR policy objectives. Provision of targeted complementary support will strengthen the institutional capacity to implement the reform objectives at local government level. At output level, the policy dialogue and focus on improved sector coordination will contribute, among others, to better policy planning and more inclusive system of drafting laws, and to improved sector monitoring and evaluation. At the outcome level this will form the basis for improved PAR sector governance, accelerating pace of reform, achieving better compliance with reform objectives, and resulting in higher quality and accessibility of public services.

The **overall objective** of this sector reform contract is to assist the Government of Albania in enhancing transparency, accountability and effectiveness of the public administration, with greater focus on the needs of citizens and businesses in view of creating a solid basis for the implementation of the EU *acquis*.

In line with the Public Administration Reform Strategy 2015-2020, the **specific objectives** of this sector reform contract are to:

- Improve the financial capability of the government to achieve PAR sector policy objectives;
- Promote PAR sector policies and reforms to:
 - Improve planning and coordination to draft government strategic documents;
 - Establish a transparent and all-inclusive system of drafting laws, which is based on agreed policies and ensures the alignment with the *acquis*
 - Establish a professional, impartial, independent and merit-based civil service
 - Reduce corruption opportunities through ensuring quality and accessibility of public services
 - Enhance accountability of public administration
- Improve PAR sector governance and institutional capacity at central and local level.

This action is expected to contribute to the following **expected results**:

- Fully aligned strategic planning and policy making to the medium term budget program of the Government;
- Inclusive, participatory and evidence-based policy making and legislative development;
- Efficient and effective implementation of the civil service legislation and management of human resources in full compliance with the law;
- Improved public services, provided at a higher level of automation;
- Enhanced accountability of public administration;
- Improved strategic management framework and performance monitoring system for PAR, and sustainable financial resources for implementation of the PAR Strategy.

Main activities of this action will include:

- A transfer of EUR 28 million to the beneficiary country in fiscal years 2016, 2017, 2018 and 2019 when disbursements are expected in accordance with Annex 1 and 2 of this sector reform contract;
- Complementary support to strengthen the capacity of the 61 new local government units for implementation of the reform;
- Political and policy dialogue with the Government of Albania in the area of public administration reform;

- Continued effort to reinforce Government's institutional capacities to implement the public administration reform;
- Donor coordination in view of further aligning development cooperation and relieving the Government from multiple reporting duties;
- Regular monitoring of budget support eligibility criteria.

SECTOR BUDGET SUPPORT POLICY DIALOGUE

The Public Administration Reform Special Group (PAR SG) under the Stabilisation and Association Agreement (SAA), is the key platform for taking forward work on PAR along the lines of the Principles of Public Administration, and will be the main policy dialogue forum for discussing the wider reform context relevant for this budget support programme. The PAR SG takes place twice a year and the results of the PAR SG feed into the SAA Council/Committee meetings, with a more structured, political discussion on key PAR issues. The PAR SG meetings are co-chaired by the DG NEAR Head of Unit and the Albanian Minister of Innovation and Public Administration.

The High Level Dialogue (HLD) between the Commission and Albania was launched in November 2013 to give impetus for the implementation of 5 Key Priorities. Discussions are chaired by the Commissioner for European Neighborhood Policy and Enlargement Negotiations and the Albanian Prime Minister. HLD meetings do not have a regular schedule and they are preceded by Joint Working Groups which discuss more technical aspects of each key priority.

The specific policy dialogue for this program was launched in 2014 through the inter-institutional working group which was mandated to elaborate the new PAR strategy. The inter-institutional working group will be replaced by the Integrated Policy Management Group for PAR (IPMG) as the main sector coordination mechanism for monitoring policy implementation and consultation with donors and civil society organisations. The IPMG will be chaired by the State Minister of Innovation and Public Administration.

Since autumn 2014, with the preparation of the Sector Planning Document for this programme, regular meetings took place between the EU Delegation/DG NEAR and State Minister of Innovation and Public Administration and the relevant PAR institutions, the Ministry of Finance, the Ministry of European Integration and other relevant stakeholders to discuss the public policy analysis, budgeting of the reform, monitoring of the strategy, visibility etc. The EU Delegation also consulted with relevant donors and civil society on the formulation of the sector budget support program. It is expected that this regular policy dialogue will continue during the implementation of the programme and will be complemented by the bi-annual assessment of the overall reform process during the PAR Special Group meetings.

RISK MANAGEMENT FRAMEWORK (ON PUBLIC POLICY)

Risk	Level	Mitigation measures
Political		
<p>Lack of commitment from the Government for undertaking targeted reforms in the area of public administration reform, rule of law, anti-corruption and respect of fundamental rights.</p> <p>Shortfalls in cross-party cooperation on key EU-related reform issues, political cooperation and the effective functioning of independent institutions.</p> <p>Lack of political support and ownership for strengthening decision and policy making processes and for enforcing the civil service law at central and local level.</p>	Moderate	<p>Continuous policy dialogue in the context of the High Level Dialogue and the EU support for the implementation of the Roadmap concerning the key priorities in view of the opening of accession negotiations.</p> <p>Guidance from EU through political dialogue on cross-party work on EU integration. EU support to the Parliament to fulfil its oversight role and to independent institutions to strengthen their monitoring role.</p> <p>Implementation of targeted and well-planned communication and visibility activities. A communication plan is being developed.</p>

Macroeconomic		
Further increase of public debt; increase of fiscal risks, non-completion of arrears clearance strategy and accumulation of new arrears; unbalances in the account deficit (import-export); fiscal buffers exhausted.	Moderate	The Government maintains a stability oriented macro-economic policy, which is being monitored under the PFM sector reform contract and also through the annual ECOFIN monitoring of implementation of the Economic Reform Programme 2015-2017. The IMF and the World Bank programmes are expected to act as an anchor for enhancing macroeconomic stability and implementing growth-boosting reforms, including liquidation and prevention of new arrears.
Public Financial Management		
Lack of commitment from the Government to ensure transparency of the budget; to enforce controls in revenue collection and budget execution; to review the public procurement system and respect the mandate of and cooperate with the High State Control (HSC).	Moderate	<p>Continuous dialogue with the Government on public finance policy issues and PFM reforms, use of the PFM budget support and complementary capacity building to facilitate and embed the reforms for budget transparency, tax administration reforms and budget planning and execution and public procurement system.</p> <p>Continuous dialogue with the Government, the Parliament and the HSC on public finance reforms and enhanced oversight and transparency. The EU to support HSC with twinning project in order to ensure compliance with international standards of external audit. Ongoing technical assistance.</p>
Developmental risks		
<p>Lack of commitment from the Government to implement the reform of public financial management, public administration reform. Lack of institutional cooperation, insufficient medium term funding perspective to implement the reform strategies. Weak co-ordination of the strategies with insufficient links to budgetary systems (for annual budget and medium term), coupled with growing constraints on public finances. Weak institutional capacity of the Government to increase overall effectiveness of public service delivery. There is also risk to overload capacities of current staff of the respective institutions.</p> <p>Weak political support and ownership for enforcing the Law on Civil Servants at all levels. Fragmented sector coordination and slow progress in setting-up the governing framework for the implementation and monitoring of the PAR Strategy (IPMG for PAR). Slow progress in the recruitment of qualified staff horizontally in the public administration.</p> <p>Complexity of the reform cannot be handled effectively and efficiently by the lead institution nor by the local government units following 2015 local elections and the subsequent administrative reorganisation.</p> <p>Disadvantaged groups are less likely to equally benefit from the PAR reforms and to benefit from digitalised services.</p> <p>Weak collection of data regarding the public administration and the quality of official general statistical data which if not accurate can have a negative impact on policy development/assessment based on regulatory impact assessment.</p> <p>Limited capacities for adequately absorbing the guiding</p>	Moderate	<p>Continuous monitoring and dialogue with the Government through economic dialogue and policy dialogue on PAR at PAR Special Groups, High Level Dialogue, budget support dialogue forums and the monitoring of conditionality and eligibility requirements. Support through ongoing or proposed complementary capacity building to facilitate the reforms. Engagement of all stakeholders to create a participatory policy framework with more demand and pressure for change through ongoing projects that help to address the risks, communication plans, policy dialogue</p> <p>Continued dialogue between the Ministry of Finance and Ministry of Innovation and Public Administration for the update of the medium term budget program for 2016-2018 in reflection of the adopted PAR strategy.</p> <p>Tailor-made technical assistance for integrating gender equality goals into reform, policy dialogue, and sector governance, targeting specific government institutions and bodies essential engaging in key reform areas.</p> <p>Ensuring civil society is associated to the sector coordination structures and has access to information about the reform implementation.</p>

EU principles of equality and accountability to female and male citizens throughout the civil service system, and for implementing the EU Gender Equality acquis in the design, implementation and monitoring of legislation, policies, programmes, budgets, and services		
Corruption and fraud		
Political resistance to implementing anti-corruption measures and increasing public sector transparency.	Substantial	<p>Rigorous follow up with the Government to apply the anti-corruption legislation and rules, as well as monitoring of track record related to corruption cases and their legal consequences, including fight against corruption in this action through indicators for variable tranches.</p> <p>Better engagement of all stakeholders (non-state actors, High State Control, Parliament) to create more demand and pressure for change, including through the ongoing technical assistance projects.</p> <p>Implement Roadmap for key priority 3 on anti-corruption and monitoring the implementation of Anti-corruption Strategy and Action Plan with possible EU support. Government to enhance inter-agency cooperation and efficiency of investigations through legal changes in the Criminal Procedure Code.</p> <p>EU to consider support to enhance the capacity of law enforcement agencies through sufficient resources and training.</p>

COMPLEMENTARY SUPPORT

The Government of Albania requires dedicated technical assistance at central level to implement the range of reforms envisaged under the the Public Administration Reform Strategy 2015-2020. EU support in this area has already been mobilized under the IPA 2014 action "Support to Public Administration Reform" (EUR 6 million). Two service contracts of EUR 3 million and EUR 2 million respectively and one supply contract of EUR 1 million will start from mid 2016 onwards.

The support targets the State Minister for Innovation and Public Administration, the Department of Public Administration, the Albanian School for Public Administration, the National Agency for Innovation Society and other related stakeholder institutions for the purpose of:

- Implementing civil service by-laws through increasing the human resource management arrangements and establishing a system to evaluate competences and professional development;
- Strengthening control and oversight mechanisms over the public administration, guaranteeing citizens' rights and access to information (focus on oversight by the Commissioner for the Oversight of the Civil Service, the High State Control, the Ombudsman, the Administrative Courts etc.)
- Digitalizing public services in an integrated manner (the Albanian Government Gateway platform will be consolidated).

In addition, an IPA 2012 twinning (EUR 1.8 million) is currently ongoing until April 2017 and supports the Department of Public Administration, the Commissioner for Oversight of the Civil Service, the Ministry of Justice, the Albanian School of Public Administration, the Ombudsman and line Ministries for the purpose of:

- Developing secondary legislation, practices, manuals with respect to the new legal provisions of the Civil Service Law and the new Code of Administrative Procedures;
- Assessing the organisational, managerial and control structures of the Civil Service Law and designing tools for its implementation;

- Strengthening the management capacities of civil service, providing training in line with the new legal provisions and devising plans, modules, books and materials for civil servants.

As a result, the EU Delegation already has in place effective policy instruments to facilitate the reform process at central level. However, reinforced and further assistance and complementary support is needed at local level in order to apply the civil service legislation and implement the PAR Strategy for the local government units (LGUs) and to ensure the improvement of their overall performance in line with the new legislative and operational framework as a result of the recent territorial administrative reform. Tailored support will be provided to the 61 municipalities for the consolidation of their newly reorganised structures and for improving service delivery.

The United Nations Development Programme (UNDP) has provided assistance for the municipalities during the past 4 years in the framework of the STAR (Support to Territorial Administrative Reform) project. The phase II of the STAR project is funded by a pool of donors with a total budget of around EUR 3.2 million and is ongoing until December 2015.

A third phase will be launched as of January 2016. The objective is to provide coherent support to the Minister of State on Local Issues and more specifically to the 61 municipalities to minimise time loss for the consolidation of new municipal structures, applying efficiency gains from earlier assessments and lessons learnt. This will ensure a more streamlined approach for donor coordination with the Minister of State for Local Issues through one support facility. Indicative areas of support include:

- Empowerment of local governments to respond effectively to the needs of their constituents;
- Streamlining procedures and enhancement of civil service sector capacities at local level;
- Support (manuals, information documents and trainings) for the newly elected mayors, local administrators and councillors to improve the implementation of the civil service legislation;
- Establishment of a permanent help-desk in DOPA for on line support to the LGUs for the implementation of the civil service legislation;
- Comprehensive performance management system for monitoring municipal performance against their competences and responsibilities, particularly in terms of measuring the quality of municipal services.

The expected results of this complementary support are:

- Improved efficiency, transparency, accountability and inclusiveness of local government structures;
- Strengthened local strategic planning, increased fiscal autonomy and improved management of financial resources;
- Enhanced responsiveness to citizens and strengthened business-friendly administration, thus improving the quality of local democracy and service delivery.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The leading role in implementation of the PAR Strategy is with the Minister of State for Innovation and Public Administration. Until recently, the preparation, implementation and monitoring of the PAR Strategy took place at the Inter-Institutional Working Group chaired by the State Minister of Innovation and Public Administration, composed of: State Minister for Local Issues; State Minister for Relation with Parliament; Deputy Minister of Internal Affairs; Deputy Minister of European Integration; Deputy Minister of Finance; Deputy Minister of Justice; Deputy Minister of Social Welfare and Youth; Prime Minister's Advisor for Public Law; Director of DoPA; Advisor to the State Minister of Innovation and Public Administration and Director of the Strategic Planning Unit, DDPFFA at Prime Minister's Office.

From 2016 onwards the policy dialogue for the implementation of the PAR strategy will take place in the framework of the Integrated Policy Management Group (IPMG) for PAR as a new approach to guide and monitor policy development, strategy implementation and evaluation and strengthen sector and donor coordination. The IPMG system aims to provide the Strategic Planning Committee (SPC) and other high-

level government committees e.g. the Inter Ministerial Committee on European Integration Coordination, with the necessary recommendations for key policy decisions affecting priority sectors and which require cross-ministerial cooperation. The IPMG will be supported by a Technical Secretariat under the leadership of the Minister of State for Innovation and Public Administration for technical, management, communication and administration.

Furthermore, the PAR Special Group, will remain the main policy dialogue forum between the Commission and the Government of Albania on public administration reform and this sector reform contract. The minutes and operational conclusions of the PAR Special Group will be accompanied by joint written conclusions for monitoring Albania's compliance with the general condition for this budget support programme of satisfactory progress in implementation of the public administration reform strategy.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Disbursement of sector budget support

The amount allocated for the budget support component is EUR 28 million. This amount is based on a combination of factors: a) costing of the strategy, b) financing gap, c) assessed level of funding sufficiently encouraging and supporting the reforms.

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

- Satisfactory progress in implementation of the public administration reform strategy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM strategy 2014-2020;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information as per transparency roadmap.

The specific conditions for disbursement for variable tranches are described in Annex 2. The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the National Authorising Officer may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties. In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

Details on complementary support

The amount allocated for the complementary support component is EUR 4 million.

It is envisaged to sign a delegation agreement with UNDP under indirect management for the implementation of the STAR project. This will capitalise on the existing efforts of other donors to move forward with the territorial administrative reform (EUR 3.5 million).

In addition, three service contracts under direct management by the EU Delegation are foreseen for monitoring purposes, communication and visibility, and audit (EUR 0.5 million).

4. MONITORING AND EVALUATION

MONITORING AND REPORTING

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

shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

A performance monitoring and evaluation system for the implementation of the Public Administration Reform Strategy has been set up by the country on the basis of the Action Plan 2015-2017. It includes a set of qualitative and quantitative performance indicators for each objective and activity with target values for 2017 and 2020. Not all indicators have an available baseline, but it is expected the first report on implementation will provide the missing data. The Action Plan will be reviewed annually with a view to adjust the timelines based on the rate of implementation. A mid-term evaluation of the Strategy will take place in 2017 and will serve as the basis to define the action plan for 2018-2020.

Reporting will be conducted by MIPA through annual reports on results achieved and quarterly reports on implementation of the Strategy (based on reporting of other institutions). In order to coordinate the implementation of those measures that belong to several national strategies (such as anti-corruption, digitalization and decentralisation), periodic meetings will be organised between the responsible institutions. The Integrated Policy Management Group for PAR, to be established in 2015, will report to the Strategic Planning Committee under the Prime Minister on the overall progress of reform implementation.

The monitoring and evaluation of the eligibility criteria related to the budget support programme will be monitored by the EU Delegation. The eligibility criterion related to macro-economic stability will continue to be monitored and assessed by the EU Delegation on the basis of annual assessments of Albania's macroeconomic and fiscal programmes taking into account the Government, DG ECFIN, joint ECOFIN Ministerial Meeting conclusions, IMF assessments and reports. Policy dialogue in the context of the relevant stabilisation and association agreement sub-committees with the Government of Albania will also assess overall macro-economic and fiscal performance. The eligibility criteria related to public policy in the area of PAR, as well as the triggers for the disbursement of the variable tranches, will be monitored by the EU Delegation using the annual monitoring reports of the PAR strategy. Performance reports will capture progress against the policy performance assessment framework developed in the annual action plan. Regular reviews from PAR Special Group and High Level Dialogue meetings as well as relevant DGs (NEAR, HR) will also provide information to assess the overall situation and progress made in the implementation of the strategy. Furthermore, SIGMA annual assessments of the PAR principles will provide additional information.

In addition, independent experts will be recruited directly by the Commission for independent monitoring of the agreed results.

EVALUATION AND AUDIT

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

For complementary support, the Commission may also carry out external evaluations as a final evaluation, at the beginning of the closing phase. The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country,

jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5. CROSS-CUTTING ISSUES

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

The policy dialogue on PAR and on this budget support programme, will allow absorbing and following-up on selected aspects of the EU Gender Equality *acquis*, in particular on gender mainstreaming. This could include (i) the operationalization of the national gender equality machinery in line with the law “On Gender Equality in Society”; and (ii) the establishment of structures and services legally foreseen to specifically respond to gender-based needs, for example, establishing mechanisms responsible for delivering adequate services to victims of widespread domestic violence.

UN Women provided a valuable contribution during the March 2015 consultation on the draft PAR strategy to ensure that the public administration reform supported through a sector budget support intervention is consistent with the principles of non-discrimination and gender equality. It is expected that implementation of the PAR Strategy will incorporate national commitments to gender equality and will take measures to ensure that women and men have equal access to all functions in the reformed structures; that promotions, salaries and benefits shall follow equal opportunities principles; that resources are managed for the benefit of women and men so that the goods and services are equally accessible to them, and cater for their diverse interests and needs; and that both women and men are represented in the consultation processes in order to guarantee accountability. Support from UN Women in applying these principles will continue.

This programme will also contribute to supporting the development, improvement and monitoring of implementation of gender mainstreaming actions. This will be done through the promotion of the establishment and use of sex disaggregated data and gender statistics in order to inform and guide the process; measurement and evaluation of the impact of concrete PAR measures on women and men, and through monitoring service delivery.

MINORITIES AND VULNERABLE GROUPS

Reform and capacity development measures will be guided by the principles of equality, accessibility, inclusion and social responsiveness, in particular to minorities, vulnerable and marginalised groups. In line with EU diversity policy, the participation of female and male public servants from minority groups in decision-making processes needs to be increased through affirmative action measures.

ENGAGEMENT WITH CIVIL SOCIETY

According to the 2013 Needs Assessment carried out by TACSO in Albania, the non-governmental sector in Albania is small and relatively underdeveloped. There is a need to provide a structured approach to creating a more favourable environment for developing and empowering the civil society in Albania. The Government recently adopted a Roadmap for Albanian government's policy towards a more enabling environment for civil society development. It sets out a targeted programme of priority areas of action to improve environment for cooperation with the civil society, including through involvement of CSOs in policy making process. The involvement of the civil society in the monitoring and implementation of the PAR strategy should be part of this process in the framework of the IPMG.

In March 2015 the Government consulted the civil society on the draft PAR strategy. The following NGO's took part: FLAG Albania, IDM Albania, and IP3, Urban research institute (URI). In addition two representatives from the academia were also present. However, the CSO feedback was limited and showed the need to support the involvement of CSOs in participatory governance and sector policy making/monitoring as well as to build their capacity and knowledge base in the field of PAR.

In addition, CSOs already engage significantly in service delivery, in particular in the areas of social services and human rights in the framework of territorial administrative reform, public-private partnerships or outsourcing of services. Enhanced cooperation with CSOs is therefore paramount in

establishing the legal framework and defining the terms and conditions of CSO involvement in service delivery.

The EU delegation involved the civil society also in the process of elaboration of this programme. A consultation meeting on the draft sector budget support operation for PAR took place in July 2015 which mainly focused on discussion regarding the role of the civil society in policy making and monitoring of the PAR strategy implementation.

ENVIRONMENT AND CLIMATE CHANGE

This action is not expected to have a direct impact on environment and climate change, however, the PAR Strategy envisages gradual introduction of ex-ante impact assessments when drafting any new legislation, and potentially this could have a positive effect in ensuring compliance with EU *acquis* in the area of environment and climate change. These and other aspects related to the functioning of the public administration (such as waste management, energy efficiency etc.) could potentially be targeted through the policy dialogue to encourage that relevant PAR structures develop special measures into the future PAR action plans.

6. SUSTAINABILITY

The sustainability of the results of this action will be ensured by closely following-up on government's work on increasing the links between the medium-term policy priorities with the medium term budget funding. Also the complementary support and ongoing technical assistance to build up the capacity of the relevant institutions and to improve sector coordination will contribute to increased sustainability of the results of this action.

An interim evaluation of the PAR strategy will be conducted at the end of 2017, to analyse the results achieved, the management of resources and the quality of implementation of the strategy. This analysis will help to assess whether the policy objectives are still relevant and to measure the progress. It will assess the success of the measures undertaken, the resources invested and the extent to which the expected impact has been achieved. Data from various sources, including the findings of performance monitoring and impact evaluation of PAR programmes, including the use of SIGMA's qualitative and quantitative indicators for PAR principles will also be used for this purpose.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the action. The Government is in the process of developing a communication action plan accompanying the PAR strategy. A component of the communication action plan shall describe the communication foreseen in relation to this action.

The implementation of communication activities shall be the responsibility of the beneficiary, and shall be funded from the amounts allocated to this action. All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds. It is the responsibility of the beneficiary to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. In addition the EU delegation will engage in a specific contract to further support the visibility of the Action.