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Project against Corruption in Albania (PACA)

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Fourth Progress Report (September 2011)

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Abbreviations

AASCA	Agency for the Administration of Seized and Confiscated Assets
ACA	Albanian Competition Authority
ACAP	Anti-corruption Action Plan
ACS	Anti-corruption Strategy
AKKP	Agency for Restitution and Compensation of Properties
AKShi	National Agency for an Information Society
ALUIZNI	Agency for Legalization, Urbanization and Integration of Informal Zones and Buildings
AML/CFT	Anti-Money Laundering/Counter-Terrorism Financing
ASP	Albanian State Police
BoA	Bank of Albania
CC	Competition Commission
CoE	Council of Europe
CoM	Council of Ministers
DGPML	Directorate General for Prevention of Money Laundering
DIACA	Department of Internal Administrative Control and Anti-corruption
DNFBPs	Designated Non Financial Businesses and Professions
DPA	Department of Public Administration
EU	European Union
EURALIUS	European Assistance Mission to the Albanian Justice System
FSA	Financial Surveillance Authority
GDC	General Directorate of Customs
GDTS	General Directorate of Transport Services
GRECO	Group of States Against Corruption
HCJ	High Council of Justice
HIDAA	High Inspectorate for the Declaration and Audit of Assets
IMWG	Inter-ministerial Working Group responsible for the preparation, drafting and follow-up of the implementation of the Anti-corruption Strategy
IPRO	Immovable Property Registration Office
KNAB	Latvian Bureau for Preventing and Combating Corruption
LPO	Local project Officer
LTA	Long Term Adviser
MoE	Ministry of Education
MoF	Ministry of Finance
MoI	Ministry of Interior
MoJ	Ministry of Justice
MONEYVAL	The Council of Europe's Committee of Experts on the Evaluation of Anti-money laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
MPWT	Ministry of Public Works and Transportation
NIPE	National Inspectorate for Pre-university Education
OLA	Office of Legal Adviser[s]
OPDAT	US Office of Overseas Prosecutorial Development, Assistance and Training

OSCE	Organisation for Security and Cooperation in Europe
PACA	Project against Corruption in Albania
PEPs	Politically Exposed Persons
PG	Prosecutor General
REDs	Regional Education Directorates
SIGMA	Support for Improvement of in Governance and Management
TIPA	Training Institute for Public Administration

1. DESCRIPTION

1.1 Contact person

Ivan Koedjikov, Head of the Department of Information Society and Action against Crime, DGHL, Council of Europe.

1.2 Name of Partners in the Action

Council of Europe and European Union.

1.2 Title of the Action

The Project against Corruption in Albania (PACA).

1.4 Contract number

2009/212-599

1.5 Start Date and End Date of the Reporting Period

1 September 2010 – 28 February 2011

1.6 Target country:

Albania

1.7 Final beneficiaries

The project beneficiaries are the following: High Inspectorate of Declaration and Audit of Assets (HIDAA); Ministry of Education and Science of Albania; National Institute for Curricula Development and Teacher Training (now the Institute for Development of Education); Ministry of Justice; General Prosecutor's Office; High Council of Justice; School of Magistrates; State Police; Ministry of Finance – Directorate General for the Prevention of Money Laundering, Agency for the Administration of Seized and Confiscated Assets (AASCA); Ministry of Interior – Department for Public Administration (DOPA); Training Institute for Public Administration (TIPA).

1 EXECUTIVE SUMMARY

This report summarizes project activities implemented during the six months of the project from 1 March to 31 August 2011. During this period 27 activities were conducted that contributed directly to achieving project results as envisaged under the Workplan. Major progress was made towards the implementation of activities to assist a visibility strategy for DIACA – activities that were in addition to the PACA workplan. Key activities in the period were:

- the completion of the remaining three corruption risk assessments (on the Healthcare System, Social Housing Allocation and the Albanian Competition Office); a risk assessment of the Albanian education system and human resources system, plus an assessment of the private education system;
- an intensive training of trainers program for police, prosecutors and judges producing a core of local trainers and training materials;
- development of tools to improve information exchange between key institutions with databases of significance to the detection of corruption; and
- key NGO events to encourage more active civil society engagement in monitoring of anti-corruption policy implementation and conducting institutional corruption risk assessments.

Concerning project benchmarks set out in the workplan – six of them with reporting dates between March and August 2011 - one became redundant as a result of the activity being changed, two had already been fulfilled, and reporting dates for three others were postponed due to circumstances beyond the control of the project team.

Impact of the technical assistance provided:

- PACA assistance has enabled a significant improvement in the regulatory framework for the coordination of anti-corruption policy of the Government and monitoring its implementation, although the framework requires further clarification to ensure that it works efficiently and consistently.
- The authorities approved a new three-year Anti-corruption Action Plan which was drafted with PACA's expert assistance provided in late 2010 and early 2011. However, the Action Plan had still not been published at the end of the reporting period. Nor had the authorities publicly released specific data on the implementation of all Action Plan policies, as recommended by PACA in successive technical papers.
- Corruption risk assessments - though it remains too early to judge the future impact on policies to address corruption in the institutions selected, the indications are that the impact will be significant in the area of social housing allocation and possibly in the education sector, while first reactions from the Albanian Competition Authority indicated that they were cooperative. On the other hand, PACA has deep concerns that its assessment of the immovable property registration system – which is regarded as possibly the area of most fundamental importance to underpinning anti-corruption policy in general – has gone without any significant reaction.
- Concerning legislative assistance, a first event and PACA contribution on the subject of immunities culminated in an encouraging level of broad agreement between all of the

important stakeholders on the desirable direction of reform needed. Concerning assistance on legislation regulating political party finance and on the criminalisation of corruption, at its March-April 50th Plenary GRECO evaluated Albania very positively on the former, with all recommendations implemented except one.

During the next reporting period, PACA will focus primarily on follow up to the PACA risk assessments, including the assessments of the education system, in particular by securing specific written feedback from the institutions concerned about the policies that they intend to pursue in line with PACA recommendations. PACA will organise public events to present and discuss the risk assessment findings, and such policies will also be advocated as changes/additions to the 2011-2013 Anti-corruption Action Plan. A fundamental project objective will be to secure agreement between all stakeholders on specific proposals to reform the system of immunities in Albania.

2 CURRENT STATUS: COUNTRY SITUATION

2.1 Anti-corruption policy

Implementation of the National Anti-corruption Strategy's Action Plan for 2010

At the Fourth PACA Steering Committee held on 4 March 2011, DIACA presented its report on implementation of the Anti-corruption Action Plan for 2010 (see Annex 3). Like the previous six-month implementation report for January-June 2010, the report is of a largely statistical nature. According to it, of the 154 objectives of the Action Plan, 70% were fully achieved, 13% partly achieved and 17% were not achieved. Of the 385 measures in the Action Plan set out to achieve these objectives, 70% of the measures were fully implemented, 18% were partly implemented and 12% were not implemented.

The report follows an identical format as the previous six-month implementation report, and PACA continues to have serious doubts about the information provided. Doubts appear justified regarding the claims of the report that certain objectives have been fully achieved, doubts that are compounded by the fact that many of the objectives claimed to be implemented remain vague. A few examples of vagueness (among many) are 'Increase of the level of fight against organised corruption' and 'Prevention of infringements and abuses and control of financial-economic activity' (Ministry of Interior), 'Adjustment of the issue of informal payments and institutionalisation of the payment of the real costs of service (apart from the emergency payments)' (Ministry of Health), or 'Facilitation and encouragement of funding ensured over movable properties [and] Provision of applicability of the law on the property claims over movable properties' (Ministry of Economy, Trade and Energy). Objectives whose actual full implementation may specifically be doubted include 'Separation of the financial inspection activity from internal audit' (Ministry of Finance) or 'Compiling of regular statistics of the progress of criminal prosecution' (Ministry of Interior).

The key reason for concerns over the 2010 report is that it does not include the specific reporting by line ministries in table form on the implementation of each of their measures. This means there is no relevant information available to justify the claims made in the report. PACA has repeatedly raised concerns over the fact that the authorities have not publicly released any implementation reports on the Council of Ministers website.

Approval of the Anti-corruption Action Plan for 2011-2013

On 6 June 2011 the Inter-ministerial Working Group responsible for the preparation, drafting and follow-up of the implementation of the Anti-corruption Strategy (IMWG) approved a new Anti-corruption Action Plan for 2011-2013. The Action Plan was formulated following intensive PACA assistance from November 2010 to February 2011 (see 3rd Progress Report). However, according to DIACA the Action Plan was approved including some minor changes, which had to be inserted in the document itself. As of 31 August 2011, PACA had still not been provided with the final version of the report, nor had it been released publicly.

Coordination mechanism for formulating and monitoring implementation of anti-corruption policy

On 6 June 2011 the IMWG approved three regulations on the functioning of the IMWG itself, the Inter-sector Technical Working Group (ISTWG) responsible for policy drafting, and the Secretariat of the IMWG (SIMWG) responsible for policy and logistical coordination. The final regulations represented a large improvement on an earlier draft regulation (see reporting on Activity 1.1.9, Section 3 of this report). However, in the opinion of the PACA Team significant problems remain, especially the following:

- The involvement in the anti-corruption policy framework of independent institutions. The new regulations do not provide for any process to initiate the inclusion (for example by inviting the signing of memoranda of understanding) of independent institutions with key roles in anti-corruption policy - notably the High Inspectorate for the Declaration and Audit of Assets, Office of the Prosecutor General, High State Audit and Public Procurement Agency/Commission. According to the official record of the IMWG Meeting on 6 June 2011, none of these institutions was present, despite the willingness expressed to PACA by both HIDAA and the Office of the Prosecutor General to participate in the Action Plan framework. PACA remains equally concerned by the total absence of the High State Audit from involvement in anti-corruption policy, given the fundamentally important anti-corruption role played by supreme state audit institutions in democratic countries.
- The role of the IMWG vis-à-vis line ministries. The regulations appear to confirm the fact that the IMWG plays a formal rather than substantive role in the formulation of anti-corruption action plans and especially monitoring of their implementation. It is composed of deputy ministers, whereas at line ministry level Secretaries-General are responsible for coordination of action plan formulation, and the approved regulations clearly require ministerial approval for draft action plans and implementation reports submitted. In particular, practice to date appears to show that the coordination mechanism relies entirely on information provided by ministries to assess the level of implementation of the Anti-Corruption Strategy (i.e. specifically, the annual Action Plan), with no process of verification envisaged.
- The practical functioning of the Secretariat. The precise responsibilities of each of its members (representatives of DIACA, the Department for Strategies and Donor Coordination and the Cabinet of the Minister for Innovation and IT who chairs the

IMWG, the Ministry of Integration and the Ministry of Justice), its meeting schedule and the commitment in time required by its members are not specified.

Law enforcement

In May 2011 the General Prosecutor's Office provided PACA with its Report on the State of Criminality for 2010. The Report indicates both an increase in enforcement levels in terms of numbers of cases, as well as improvements in the level of detail of the statistics. The report showed the following changes from 2009 to 2010:

- An increase in the number of registered cases under investigation from 86 in 2009 to 112 in 2010, a 23% increase.
- A 130% increase in the number of persons under investigation, from 44 to 101.
- A 116% increase in the number of cases in which charges were filed by the Prosecution, from 25 in 2009 to 54 in 2010
- A 126% increase in the number of defendants sent to court for trial, from 53 to 120
- An 11% increase in the number of final convictions from 36 in 2009 to 49 in 2010.

PACA had expressed the hope in its 3rd Progress Report that statistics on criminal cases would be improved in the 2010 Report, and specifically that statistics would be provided on the number of cases referred to the prosecution (with further sub-division into cases referred by the police and referred by citizens) and the number initiated *ex officio*, the number of cases filed in the courts, the number of convictions and sanctions imposed, in order to establish a baseline on which to measure progress in the coming years. However, the figures in the 2010 Report on investigations were not broken down into cases referred and cases initiated by the Prosecution *ex officio*, which prevents any judgment being made on the performance of the prosecution on the one hand, or the police in detecting and notifying suspected cases on the other. Also, no information was provided on the type and level of officials that have been prosecuted and/or convicted, nor is any information on sanctions imposed by the courts on those found guilty – two key indicators of the real significance of cases.

PACA noted in its 3rd Progress Report that the six months up to February 2010 were marked by the involvement of the Prosecutor's Office in the investigation of allegations of corruption at higher levels, culminating in the request in February 2011 for the lifting of the immunity of two former Cabinet ministers who had served in the Government that took office in September 2009. As of 31 August 2011, one of the cases was in court (the first corruption case involving a former minister to be heard in court in Albania) and one was under investigation.

3 MARCH 2011-AUGUST 2011: ACTIVITIES AND BENCHMARK FULFILLMENT

3.1 Activities implemented

During the reporting period, the following activities were conducted in order to fulfil the Workplan.

Result 1.1: Tools and mechanisms available to ensure the implementation of the anti-corruption strategy and action plan in line with GRECO recommendations and good practices

Activity 0.6/1.1.6	Assistance with an Anti-corruption Visibility Strategy for the Department of Internal Administrative Control and Anti-corruption
Actions	<p>During the first half of 2011, PACA conducted two main activities to assist DIACA in raising the visibility of the Albanian Anti-corruption Strategy.</p> <p>Awareness-raising leaflets</p> <p>Following the finalisation of three corruption/anti-corruption awareness-raising leaflets in January 2011, PACA completed the layout and printing of the leaflets during March-April. In June 14,500 copies of each leaflet (i.e. a total of 43,500) were disseminated countrywide as an insert to <i>Celesi</i>, the most widely distributed Albanian paid advertising gazette (and in fact the most widely distributed regular publication of any kind), one leaflet in each successive week. In addition, approximately 330 copies of each leaflet (1000 leaflets in total) were distributed in May by the Organisation for Security and Cooperation in Europe (OSCE) through local NGO assistance projects financed by the European Union.</p> <p>Anti-corruption website</p> <p>In May PACA signed a contract with a web provider to design an anti-corruption portal for DIACA. The purposes of the website are to be the following:</p> <p>Improving communication with general public, civil society and internal and external partners anti-corruption policy and its implementation, <i>inter alia</i> by raising societal awareness of strategic documents and institutions.</p> <p>Providing relevant policy information from and on different line ministries and institutions through a single website in order to improve access to information.</p> <p>Facilitating monitoring of the implementation of anti-corruption policies, in order for different NGO's working in this field to conduct monitoring.</p> <p>Creating for citizens a discussion forum and a channel for reporting suspected corruption.</p> <p>During July and August the provider secured feedback from DIACA on its preferences for website appearance and content. The provider proposed alternative design choices in July, and DIACA selected one. As</p>

	of 31 August the provider was waiting for DIACA to confirm the site structure and provide content. After receiving this information, the site will be built and installed within weeks.
Objectively verifiable indicators	N/A
Progress	Previously, citizen awareness of the Anti-corruption Strategy has been low. It is hoped that the leaflets have contributed to increasing awareness among the Albanian population of the Anti-corruption Strategy, the criminal law relating to corruption, and the duties of public servants (the subjects of the three leaflets). Once completed, the website can be a key means for disseminating information on anti-corruption policy and its implementation and creating an on-going tool to ensure visibility and transparency of anti-corruption policy efforts.
Activity 1.1.3	Conduct risk assessments and analyses of the institutions and sectors identified
Actions	<p>Following the completion during the previous reporting period of corruption risk assessments on Administrative Complaints Against Judges and on the Immovable Property Registration System, during the current reporting period the remaining three risk assessments were completed:</p> <p>Healthcare System</p> <p>In In May 2011 PACA finalised its 'Risk Assessment: Corruption in the Health Sector'. The risk assessment (see Annex 4) focused primarily on the system of healthcare financing and its impact on corruption. The main findings of the report are the following:</p> <ul style="list-style-type: none"> • Albania appears to retain the highest levels of informal payments for healthcare among Balkan countries, and it is unclear whether such payments have fallen as a result of recent reforms as claimed by the authorities. • The process by which hospital budgets are established is unclear and does not take into account the actual cost of providing quality care, and the lack of transparency runs the risk of funds being spent in ways that favour the priorities of individual service managers rather than health needs. • While the Health Insurance Institute has taken important steps to tackle healthcare fraud, measures to inform patients of the system for reimbursement for drugs are not sufficiently simple to educate patients adequately.

- The government does not have an updated national essential medicines list (EML), and criteria for membership on commissions are lacking or unclear, creating high risks of conflict of interest and resultant corruption. This may be further exacerbated by politicisation of appointments within the Ministry of Health and other healthcare institutions.

The report provides the following recommendations (the full length versions of which include specific sub-measures for the Government and other stakeholders including donors, together with timelines).

- Reinforce Ministry of Health stewardship (leadership and governance) and monitor reform towards a one-payer system in which the HII will be able to contract selectively with providers to pay them adequately for delivering high-quality health care services. Monitoring should be conducted using the recently developed Monitoring and Evaluation Plan (Ministry of Health 2010) and with the active participation of external watchdogs such as the media and NGOs.
- Promote patient information – particularly on drug benefits and prices/reimbursement, and increase insurance enrolment, *inter alia* by encouraging the latter at points of admission to healthcare institutions.
- Collect household-level data on informal payments to monitor reform progress through a survey of patients at home following discharge from hospital.
- Strengthen hospital board governance by widening representation on Hospital Boards to beneficiaries and funding organisations, and strengthen surveillance of cash collection, *inter alia* by limiting fee collection points and installing electronic point of purchase cash registers, as well as by other measures such as testing the integrity of the system using ‘mystery patients’.
- Enhance transparency in drug selection, spending, stock movements and reimbursement. This should be achieved *inter alia* by completing standard treatment guidelines and using them to finalise a national Essential Medicines List, and making use of the indicators in the Ministry of Health Monitoring and Evaluation Plan, and reviewing the composition of drug commissions for conflicts of interests.
- Perform external audits and assure that actions are taken to address findings. Such audits should also include reviews by independent agencies (such as the Public Procurement Agency, High Inspectorate for the Declaration and Audit of Assets and High State Audit) of i) Ministry of Health procurement boards for conflicts of interest and ii) past Ministry of Health audit findings to determine whether actions have been taken to address problems identified.

- For the Health Insurance Institute, continue investing in fraud control, with special emphasis on control of fake enrolment and utilization figures and inappropriate referral of patients to specific pharmacies.

In June 2011, the Ministry of Health provided comments on the Risk Assessment methodology, expressing agreement with most of the recommendations but disputing certain factual elements within the report. During August 2011 PACA drafted a response to this feedback, including a small number of changes to the report, which was sent to the Ministry.

Social Housing Allocation

In June 2011 PACA completed its Risk Assessment on Provision of Social Housing in Albania (see Annex 5). The main conclusion of the Assessment was that the system for provision and allocation of social housing in Albania remains poorly consolidated and the capacities of local governments insufficient. As a result, three main corruption risks were identified:

- Insufficient provision/availability of information on social housing programs
- Poorly designed criteria/rules for selecting beneficiaries of social housing
- A process for selecting housing beneficiaries that is vulnerable to manipulation

The assessment provides a set of broad recommendations that include not only 'anti-corruption' measures but also broader recommendations to address these deeper problems, the implementation of which will also reduce risks of corruption. The recommendations, in summary form, are as follows; the full recommendations include recommended timelines for implementation.

- By the end of 2012 the Ministry of Public Works and Transportation (MPWT) should develop and regularly update a comprehensive database of people in need of social housing, possibly using the 2011 census data as a starting point.
- Local governments should prepare ten-year comprehensive social housing strategies according to the requirements of the Social Housing Law, as the basis for all social housing provision at local level. These programs should include specific elements to ensure that social housing policy is an instrument to benefit those in need of social housing rather than (either by design or default) those who do not.
- The MPWT should formulate a policy for disseminating information

on the national housing policy framework and ensure that all target groups are reached.

- Municipalities should adopt comprehensive strategies for ensuring that citizens in general, and target groups in particular, are effectively informed about local social housing policies and their opportunities to benefit. This should include both comprehensive information on municipality websites and proactive strategies to reach target groups.
- The MPWT, in cooperation with the Ministry of Finance and the Ministry of Interior, should revise the system for allocation of national funds for social housing to the municipalities to ensure *inter alia* that municipalities do not receive financial support unless they have prepared their 10-year social housing strategies, and that allocation of financial support to municipalities is competitive and conditional on municipalities' own financial contributions and is linked to the results of MPWT monitoring.
- The MPWT should clarify/establish deadlines for the provision of a social housing solution following the submission of an application and the selection of the applicant as a possible beneficiary in one of the existing social housing programs.
- Local Housing Committees should include not only public officials, but representatives of target groups and civic society as well. Rules on the composition of Housing Committees and operational procedures should include rules to address risks of conflicts of interest affecting Committee members.
- The MPWT should ensure that the Social Housing Law or other relevant legislation on local government underlines clearly the Municipal Council's responsibility for setting clear criteria for allocation of social housing and procedures for assessing applicants as well as monitoring implementation of the selection process by the housing units/department and Housing Committee, but allows the Council to change the order of beneficiaries proposed by the Housing Committee only under strictly defined circumstances and with specific written justification/reasoning.
- The criteria for selection of beneficiaries for social housing (derived from the Social Housing Law, with municipalities attaching their own weights to each criterion) should be clearly coordinated across different social housing programs.
- In local loan subsidy programs, municipalities should ensure that the decision-making power to select beneficiaries remains with local councils and that banks do not distort allocation towards higher-income groups than the targets of the program. The final municipal council decision on beneficiaries should be binding for banks.

- If low-income groups are not intended as targets for loan subsidy programs, this should be made explicit in those programs, and – crucially – other programs that are more suitable for lower-income families (especially housing with social rent) should be designed to ensure that they are appropriately structured for that purpose.
- The MPWT should ensure that levels of social rent are calculated according to a methodology that ensures they are appropriate for the income levels of the intended beneficiaries.
- The MPWT should assess the performance and progress of social housing programs and strategies, as required by law, to assess whether the major municipalities are implementing their housing programs in compliance with their strategies and the Social Housing Law (for example in the setting of criteria and selection of beneficiaries), how effectively they are using government funds and providing their own contribution, and how they are contributing to the fulfilment of national social housing needs.
- The MPWT should monitor the dissemination of information and outreach by municipalities to monitor its effectiveness and identify where complementary efforts/assistance are needed.
- MPWT should issue a National Annual Report on Social Housing Programs, to measure performance and identify problems (including possible corruption issues).
- The MPWT should issue regulations to mandate the allocation of apartments to families in need prior to the completion of construction, to enable beneficiaries to monitor the quality of construction.

The MPWT provided feedback on the Risk Assessment in July 2011. The Ministry was in agreement with the recommendations, with a few minor suggested changes, and a more important request to move the deadlines for implementation back by one year.

Albanian Competition Authority

In June PACA finalised its Risk Assessment of the Albanian Competition Authority. The main findings of the Assessment (see Annex 6) are the following:

- The formal legal framework is largely in line with the EU acquis.
- However, certain aspects of the legal framework contain risks of corruption – specifically:
 - an appointment process that does not sufficiently guarantee the

independence of the Competition Commission (CC), the ACA's decision-making body;

o provisions of the Competition Law that are too vague and insufficiently clarified in subordinate legal acts or guidelines – unnecessarily providing room for corrupt behaviour, or the appearance thereof. These include the rules that:

- restrict the application of the law to those undertakings that have or may have an influence on the market, rather than the easier to distinguish category, undertakings, defined in the law as persons performing economic activity;
- exclude from the definition of “economic activity” – and thus coverage by the Competition Law – the purchase of services;
- provide a complex combination of general prohibition of anticompetitive agreements, the possibility of exemption, the possibility of applying for exemption ex post, and the possibility of leniency.

o rules on notification of concentrations that require notifications where a concentration would not harm competition in Albania but where the notification and authorization procedure generate unnecessary corruption risks.

- The most serious shortcomings in the functioning of the ACA and CC however lie in an apparently high degree of impotence. The Commission appears wary of issuing legal strong decisions that would affect powerful economic interests. The Government appears able to ignore its recommendations, and almost none of the sanctions (fines) imposed by the CC to date have been enforced. While collection of fines may significantly improve with implementation of the latest amendments to the law, the ACA will be unable to perform its role optimally without a significant/radical change in the attitude of the Government and other institutions.

The recommendations of the Assessment are the following:

- The Competition Law should be amended to apply to all undertakings rather than just those that may have an influence on the market, and also to apply fully to services, while retaining the exemption for relations between employers and employees and trade unions.
- Merger notification rules should be amended to require that at least

	<p>two parties to a transaction must have turnover above the defined threshold in Albania.</p> <ul style="list-style-type: none"> • The rules for the setting of fines should be clarified, and the potential for leniency should be restricted to agreements among competitors to fix prices, share markets or rig bids. • Reforms of the appointment process for the CC should be considered that would allow a broader range of institutions to propose members. Also, to reduce the ability of Parliament to infringe on the Commission’s independence, changes in compensation approved by Parliament should be lagged (i.e. they should take effect with a time lag), and more objective criteria for removal should be considered. • The regulations on conflict of interest and asset declarations that currently apply to Albanian civil servants should be extended to apply also to members of the CC and ACA professional staff. • A clear interpretation of the Code of Administrative Procedure should be reached that will protect ACA members and employees from civil lawsuits for decisions taken in good faith in the course of their duties. • An archive of intermediate internal work should be established to ensure an adequate record of all proceedings. • The Competition Law should establish that all legal acts and Commission decisions come into force only after publication in the Official Gazette, and that all CC decisions should be made public in their entirety (with appropriate redaction to protect commercial secrets). • The Government should issue a general statement or commitment to – in cases where the ACA has issued a recommendation to it - provide a public response within the deadline established by the ACA that explains how the competition concerns will be addressed, or why it believes the public interest to be better served by not doing so. <p>The Risk Assessment was provided to the Albanian Competition Authority and DIACA in June 2011, and in July the Head of the Authority committed to providing PACA with feedback on the Assessment.</p>
<p>Objectively verifiable indicators</p>	<p>Risk assessments completed by month 25</p>
<p>Progress</p>	<p>All PACA risk assessments were completed as of June 2011 (month 22). PACA believes that the assessments are high-quality policy documents</p>

	<p>which serve as an excellent basis for the formulation or alteration of anti-corruption policies for specific sectors and institutions, as envisaged under Activity 1.1.7 of the PACA Workplan. Feedback from the institution assessed has been highly variable, however, and PACA has particular worries – given the fundamental and overarching importance of property registration - about the failure of the Ministry of Justice or Immovable Property Registration Office to respond in writing to the Immovable Property Registration Risk Assessment.</p> <p>The implementation of this activity is also a direct contribution to the further/continuing implementation of Recommendation iii) of the First Round GRECO Evaluation, namely ‘to systematically collect and process in a coherent way data concerning corruption, in particular in fields where there are particular corruption problems encountered.’</p>
Activity 1.1.9	<p>Assisting DIACA in improving the existing standing interagency coordination mechanism by developing and providing methodologies and standardised templates for public administration institutions on the formulation of anti-corruption action plans (including performance indicators), and reporting on implementation of specific anti-corruption related reforms.</p>
Actions	<p>In April PACA completed an opinion on a draft Regulation on the Functioning of the Inter-ministerial Working Group responsible for the preparation, drafting and follow-up of the implementation of the Anti-corruption Strategy (see Annex 7). The main recommendations of the assessment were the following:</p> <ul style="list-style-type: none"> • The Anti-corruption Action Plan/s was not mentioned anywhere in the draft Regulation, and it is essential for the Regulation to elaborate in detail the roles/duties of the bodies established by the September 2010 Prime Ministerial Order on the Inter-ministerial Working Group in coordinating, formulating and monitoring implementation of the Action Plan/s. • The Regulation should clearly specify the inclusion, and procedure for inclusion, of independent institutions within the activities of the IMWG. • The leadership and duties/functions of the Inter-sectoral Technical Working Group should be elaborated in more detail, especially regarding discussion of draft action plans and agreement on an integrated Action Plan for finalisation by the Secretariat of the IMWG and submission to the IMWG for approval. • Most important, it is vital that the composition, functions/duties, division of responsibilities between members, and time commitment of members of the key SIMWG are clarified/elaborated; if this is not

done, the expert believes that effective coordination and monitoring of Action Plan implementation will be practically impossible.

At its meeting in June the Inter-Ministerial Working Group for the preparation, drafting and follow-up of the implementation of the Cross-cutting Strategy for the Prevention of, Fight against Corruption and Transparent Governance (IMWG) approved three separate regulations on the functioning of the IMWG itself, the Inter-sectorial Technical Working Group (ISTWG), and the Secretariat of the IMWG.

PACA produced an assessment of the final regulations, in particular of the extent to which they reflected PACA recommendations provided in its April 2011 opinion on the (then) draft Regulation on the IMWG (see Annex 8). The main findings were the following:

- The Regulation on the IMWG now includes a statement that the Chair of the IMWG will *inter alia* 'support the preparation of the cross-cutting strategy and its Integrated Action Plans (annual or multi-annual)'. However, there are no provisions to facilitate or ensure (for example through memoranda of understanding) the inclusion in the deliberations of the IMWG and ISTWG of other institutions which do not fall under or clearly under the Executive hierarchy – in particular the High Inspectorate for the Declaration and Audit of Assets, Office of the Prosecutor General, High State Audit and Public Procurement Agency/Commission. According to the official record of the IMWG Meeting on 6 June 2011, none of these institutions was present, despite the willingness expressed to PACA by both HIDAA and the Office of the Prosecutor General to participate in the Action Plan framework.
- The recommendations of PACA on the clearer definition of the functions of the ISTWG concerning preparation and proposal of integrated Action Plan have been adopted in their entirety in the Regulation on the ISTWG. The Regulation on the ISTWG also establishes its obligation to report to the Secretariat of the IMWG on implementation of the Action Plan on a quarterly basis. However, the Regulation still does not define who will be the Chair of the ISTWG nor any procedure for the appointment of one. This is a serious remaining gap, as it is simply unclear how the ISTWG will function without a person being designated to chair/coordinate its meetings. As PACA already noted previously, it would seem logical for the ISTWG to be chaired by a member of the Secretariat of the IMWG, and the obvious candidate would be DIACA's representative in the Secretariat.
- The third Regulation defines much more clearly than previously the role and duties of the Technical Secretariat of IMWG, including regarding the integrated anti-corruption action plans. It also defines more clearly the composition of the Secretariat of IMWG, as

	<p>composed of representatives of DIACA, the Department for Strategies and Donor Coordination (DSDC) and the Cabinet of the Minister for Innovation and IT (who chairs the IMWG), the Ministry of Integration and the Ministry of Justice. The Regulation states that DIACA will play the 'key role' in the Secretariat and that the latter will be chaired by the DIACA representative.</p> <ul style="list-style-type: none"> • The approved Secretariat of IMWG Regulation includes additions that are almost identical to those recommended by PACA in the previous Technical Paper – namely by adding to the Secretariat's more secretarial/logistic duties a detailed list of duties relating to the preparation of action plans and monitoring of their implementation. • However, the Regulation does not define clearly the specific responsibilities of each of the members of the Secretariat, for which the previous Technical Paper even suggested a specific breakdown of responsibilities. It is not clear how the functions of the Secretariat of IMWG listed above will be performed efficiently if it is not clear what each of the members of the Secretariat will do precisely. In addition – and PACA has the most serious concerns on this issue – it is not clear what the commitment of each of the Secretariat of IMWG members will be in terms of working time.
Objectively verifiable indicators	Quality of functioning of interagency coordination mechanism
Progress	PACA's assessment of the draft Regulation was followed by substantial improvements in the final regulations. If the remaining details of the functioning of the Secretariat are resolved – particularly the responsibilities of individual members and working schedule, the regulations can provide the basis for a functioning coordination mechanism. However, the fact that the 2011-2013 Anti-corruption Action Plan had not been released as of 31 August 2011 indicates that the mechanism is not yet functioning in practice.
Benchmark progress	N/A

Result 1.2: Proposals available for more efficient anti-corruption legislation in line with international standards

Activity 1.2.1	Review the situation and applicable legislation of Albania and provide a comparative analysis of options for addressing the lifting of immunities and privileges of elected officials in cases of corruption allegations in order to yield recommendations to ensure conformity with international standards and GRECO recommendations.
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<p>Actions</p>	<p>On 12 April 2011, PACA organized a Roundtable on ‘The System of Immunities in Albania: Comparative Analysis and Assessment of Stakeholder Positions’. Prior to the Roundtable PACA prepared and distributed a Technical Paper titled “A comparative overview of the regulation of immunities in Council of Europe member states” (see 3rd Progress Report), the author of which (a German expert) attended the Roundtable to summarise the options for regulating immunities. The Roundtable managed to bring together all stakeholders together, specifically the Prosecutor-General’s Office, High Council of Justice, representatives of the Parliamentary Legal Commission from the main governing and main opposition party, the Office of the Prime Minister, DIACA, other donors/projects - Euralius III and the US Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), and NGOs (in particular the Open Society Foundation Albania and the Institute for Policy and Legal Studies).</p> <p>The PACA expert introduced the audience to the technical solutions and trends that characterize the regime of immunities in Council of Europe members states, in order to provide a framework for discussing the Albanian case. The main outcomes of the event were the following:</p> <ul style="list-style-type: none"> • The Prosecutor-General provided comprehensive information on the way in which the current immunities regime blocks effective prosecutions of high-level officials – due to the wide coverage of immunity in terms of both officials and acts and burdensome/unclear procedures for lifting immunity. Equally important, the Prosecutor-General and also other donor projects highlighted the fact that immunity also covers preliminary investigations, effectively preventing the collection of evidence necessary to file a proper request for the authorisation of criminal proceedings/prosecution. The Prosecutor-General recommended changes to the Constitution to limit immunities of Members of the Parliament (MPs) and members of the government to legislative and some political actions, and to abolish immunities altogether for judges. In addition – and also as a partial alternative – the Criminal Procedure Code should also be amended to enable preliminary investigations of officials who enjoy immunity. • The High Council of Justice was in favour of amending the Constitution to abolish immunity of judges from criminal prosecution, but also argued for the retention of judges’ immunity in a number of areas including private lawsuits over actions of judges taken during the performance of their duty, detention and arrest, criminal acts for which proceedings are initiated by private parties, and criminal acts committed by judges in the process of rendering justice.

	<ul style="list-style-type: none"> Both MPs from the main ruling party (Democratic Party) and the MP representing the main opposition party (Socialist Party) agreed that amendments to the Constitution should be passed to restrict immunities, including of MPs. Democratic Party MPs distributed proposed amendments elaborated in 2008, which were never passed. <p>In August PACA finalised a draft final version of a second paper entitled 'Recommendations for the Future Regulation of Immunities in Albania'. An event is planned to be held jointly with the Euralius III project in October 2011, with the aim of securing agreement on a concrete proposal for amendments to relevant legal acts.</p>
Objectively verifiable indicators	2 workshops Relevant recommendations submitted and included in revision of immunities regime by month 25
Progress	The first workshop produced a clear positive result – broad agreement among all relevant stakeholders on the desirability of amending the Constitution and other key regulations. The event held is a direct contribution to full implementation of Recommendation ix) of the GRECO First Round Evaluation - 'to further consider a reduction in the list of categories of officials covered by immunity and/or to reduce the scope of immunity to a minimum.'
Benchmark progress	<p>Benchmark: After the completion of second workshop/roundtable, Council of Ministers undertakes its policy position with regard to whether it will include legislative changes or policies as concrete steps in resolving the issue of immunities and privileges.</p> <p>Timeline: December 2011</p> <ul style="list-style-type: none"> PACA believes that the benchmark may easily be fulfilled within the timeline. However, the benchmark does not actually require a commitment to any reforms. If all relevant stakeholders attend the second workshop in October 2011, the best possible opportunity will have been created to achieve consensus of some kind on a solution to the immunities issue, which would in turn provide a natural basis for the Council of Ministers' policy position.
Activity 1.2.2	Provide a review of the legal and institutional framework for regulating and supervising the financing of political parties and elected representatives, including recommendations for amendments to the Law on Political Parties, and the Electoral Code as appropriate, <i>inter alia</i> in the light of Third Round GRECO Evaluation recommendations, as well as training to the future oversight body for political party finances.

Actions	<p>At the PACA Steering Committee Meeting in March 2011, it was agreed that an additional activity would be carried out under Activity 1.2.2, namely assistance to the Central Election Commission with templates for political party financial reporting and audit reports, in order to fulfill the recommendations of the GRECO Third Round Evaluation on Transparency of Political Party Financing, together with training to the CEC on how to fulfil its oversight obligations regarding political party and election campaign finance. These actions were incorporated into the PACA Workplan document that was provided with the 3rd Progress Report.</p> <p>On 20 May 2011 PACA provided proposed templates to the CEC for the annual financial reports of political parties, the election campaign finance reports of parties, and guidelines for independent auditors on auditing these financial reports. The adoption of the templates/guidelines for auditors would mean the fulfilment of the last of the seven GRECO Third Round Evaluation recommendations not yet fully implemented by Albania.</p> <p>In addition, in May 2011 PACA completed the preparation of documents that can be used to training CEC staff on political party and election campaign finance oversight. However, due to the tense political situation and controversy surrounding the CEC at the time, the training – which was originally planned for 14-15 June 2011, was postponed.</p>
Objectively verifiable indicators	<p>CEC template for audits of political party election campaign finance reports available by month 22</p> <p>2 trainings of CEC staff on training of political parties and independent auditors and on verification of audits of political party accounts, by month 22</p>
Progress	CEC templates for reporting by political parties and electoral subjects, as well as templates for independent auditors, provided in month 22.
Benchmark progress	N/A
Activity 1.2.8	Provide a methodology for screening proposed or valid legal acts for provisions that create risks of corruption ('corruption proofing')
Actions	PACA had completed a proposed 'Addendum to the Albanian Law Drafting Manual: Avoiding Corruption Risks in Draft Legislation' and submitted it the Ministry of Justice in June 2010. Following a considerable delay in implementation of this activity, due to the unresponsiveness of the Ministry, during the first half of 2011 the Ministry (assisted by the Euralius III project) provided comments on

	the methodology. In April PACA completed the final text of the Addendum, which was approved by the Ministry of Justice representative on the PACA Steering Committee in June. The Addendum (see Annex 9) was printed in July.
Objectively verifiable indicators	Methodology Paper submitted Draft of Legal Act introducing the corruption proofing tools/obligations Legal working group meetings held 2 workshops held
Progress	1 workshop completed, two meetings held with Ministry of Justice Department of Codification. Addendum to Law Drafting Manual completed.
Benchmark Progress	Benchmark (June 2011): Within 7 months of completion of second workshop, Methodology is incorporated into existing legal drafting guidelines and used by the Government bodies or its working groups when drafting legal acts. <ul style="list-style-type: none"> The benchmark is expected to be fulfilled in September 2011, following a planned meeting of the Ministry of Justice with line ministry officials with law drafting responsibilities in order to introduce and distribute the Addendum. PACA also expects to provide training on the Addendum as part of a joint training with the Euralius III project in late September.

Result 1.3: Proposals available to improve legislation and practice and increase the efficiency of the key institutions with regard to the search, seizure and confiscation of proceeds from crime and prevent money laundering and the financing of terrorism

Activity 1.3.1	Review the new legislation related to money laundering/financing of terrorism, and seizure and confiscation of proceeds of crime for its internal consistency and functionality in the light of relevant treaty obligations and Albanian judicial practice in the interpretation of search and seizure of crime proceeds and their procedural provisions.
Actions	Following PACA's January 2011 assessment of the implementation of the Law on Prevention and Striking at Organised Crime (Anti-mafia law), on 22 June 2011 PACA submitted to the Prosecutor General a proposal to adopt a Guideline for adoption by the Serious Crimes Prosecution Office for its activities in implementing the law. The proposed Guideline would incorporate the recommendations of the previous PACA assessment, namely to provide the following: Clarify the extent of the meaning of 'reasonable suspicion based on

	<p>indicia’ (the basis upon which an application for civil forfeiture of assets may be initiated).</p> <ul style="list-style-type: none"> • Clarify the extent of the meaning of ‘reasonable suspicion based on indicia’ (the basis upon which an application for civil forfeiture of assets may be initiated). • Provide guidance concerning the use of intelligence reports as a source of indicia. • Provide guidance in relation to the criteria and dynamics for the transfer of the burden of proof in the context of the non conviction based forfeiture proceeding; • Specification of which assets may be seized under the Anti-Mafia Law. • Guidance for situations when non-conviction based forfeiture under the Anti-mafia Law takes place before or in parallel to the criminal proceeding. • Provide guidance on the use of special investigative techniques in the context of the non conviction based proceeding. <p>A reminder was sent to the Prosecutor General’s Chief of Staff on 20 July 2011. The Prosecutor General responded positively to the PACA enquiry on 5 September 2011 (see below).</p>
Objectively verifiable indicators	Legal amendments or other recommended policy changes proposed/approved by month 20
Progress	Policy change in the form of a guideline completed (month 22)
Benchmark progress	<p>Benchmark (February 2011): Within 6 months of completion of second workshop, recommendations from legal opinions/review report are included within proposed legislative changes or policies of relevant line ministries.</p> <ul style="list-style-type: none"> • The deadline for benchmark fulfilment had moved from February 2011 to April 2011, following the postponement of the second workshop (see 3rd Progress Report). Following the January paper and after consultation with the Ministry of Justice, PACA concluded that the recommendations should be implemented in the form of guidelines for prosecutors on interpretation of the Anti-mafia Law; one recommendation had been effectively been implemented through a Constitutional Court decision (No. 4, 23 February 2011). In early April 2011 PACA requested a meeting with the Serious

	<p>Crimes Court, Serious Crimes Prosecution Office and Ministry of Justice to discuss the assessment findings and agree on the best way to do this. None of the stakeholders replied, and due to the resulting delay PACA's proposal was not submitted until June 2011.</p> <ul style="list-style-type: none"> • In late August 2011, the Office of the Prosecutor General replied to the PACA enquiry expressing her willingness to adopt a guideline along the lines of the PACA recommendations. PACA will submit a draft of the Guideline during September 2011. PACA therefore believes that the Benchmark will be fulfilled by the end of October 2011 at the latest.
<p>Activity 1.3.4</p>	<p>Support the development of guidelines on the detection of money laundering (including typologies of operations) involving persons and institutions subject to duties to report suspicious transactions, including private accountants and auditors as provided through MONEYVAL recommendations.</p>
<p>Actions</p>	<p>During the previous reporting period the General Department for the Prevention of Money Laundering (GDPML) prepared in cooperation with PACA six guidelines/typologies on the detection of money laundering.</p> <p>A proposed set of guidelines for accountants and auditors was also prepared. During the first half of 2011 PACA finalised the proposal for this guideline based on feedback from the first presentation event held in October 2010 and the evolving understanding of PACA and the GDPML. On 28 July 2011 PACA organised an event to present the enhanced Guideline (see Annex 10) including additional guidance on risk identification and categorization, prevention measures to be adopted by the members of the profession and rules for reporting suspicion transactions. The event was held also to contribute to the implementation of training of private accountants and auditors on their role and responsibilities in the detection and reporting of corruption (Activity 1.5.7, see reporting on that Activity below), due to the fact that the target audience for both guidelines was the same (private accountants and auditors), and the strong overlap in the overall theme of the two activities.</p> <p>The event was attended by 22 participants from the GDPML, Institute of Authorised Auditors, Institute of Chartered Accountants, Accountants National Council, Public Supervising Board of Accountants, and Centre for Accountancy and Audit Studies. On the basis of the feedback from the meeting, PACA finalised the draft and submitted it to the GDPML. The GDPML has assured the project that it will officially endorse and send the Guideline to the Institute of Authorised Auditors, Institute of Chartered Accountants, Accountants National Council and the Public Supervising Board of Accountants as</p>

	well as post it on the GDPML web page.
Objectively verifiable indicators	Draft guidelines provided by month 12 2 trainings provided by month 14 Guidelines available by month 16
Progress	Draft Guideline for private accountants and auditors presented, discussed and finalised. The implementation of this activity during the reporting period is also a direct contribution to the implementation of Recommendation xiii of the GRECO Second Round Evaluation to develop 'guidelines and training for private accountants and auditors on how to identify signs of corruption and its proceeds as part of their professional activities and to report their findings'.
Benchmark progress	Benchmark (December 2010): Within 5 months of completion of training, Guidelines are adopted by Ministry of Finance and used in practice. <ul style="list-style-type: none"> • Since the second training was delayed from July 2010 to October 2010, a corresponding date for benchmark fulfilment of March 2011 is implied. • It was agreed at the PACA 3rd Steering Committee of September 2010 that the nature of the benchmark for this activity would be endorsement of the guidelines by the GDPML Director rather than the Ministry. The three guidelines for financial businesses (banking, insurance and money exchange) were endorsed and officially sent to the regulatory authorities of the businesses and professions in August 2010. The three guidelines for non-financial businesses were adopted as formal Ministerial guidelines and publication in the Official Gazette in August 2011. • PACA expects the GDPML to adopt the final guideline during September 2011, which will complete benchmark fulfilment.
Activity 1.3.5	Support the development of guidelines on the implementation of MOUs for persons and institutions subject to duties to report suspicious transactions and those of the Politically Exposed Persons (PEPs) category when conducting financial and economic crime investigations, to enable improved implementation of the Memorandum of Understanding between HIDAA and the FIU and in line with MONEYVAL recommendations.
Actions	From 28-30 March 2011 PACA organised a Study Visit in the United Kingdom, hosted by the United Kingdom Financial Services Authority (FSA) and attended by 6 officials of the DGPML, HIDAA and Bank of Albania plus two commercial bank compliance officers. The visit focused on the transfer of knowledge regarding the monitoring of politically exposed persons. The program introduced the Albanian

	<p>participants to the most advanced standards on PEPs employed by the financial industry, the roles of regulatory authorities such as the Central Bank, Financial Services Authority as well as the reporting entities with regard to PEPs, and national and international cooperation on this issue.</p> <p>PACA has secured the agreement of GDPML and HIDAA, the main beneficiaries under this activity, to produce a draft GDPML guideline (supported by HIDAA) for the management of PEPs by the reporting entities under the anti-money laundering system and to do a specific training with the reporting entities on the subject matter. Preparatory work for the implementation of these activities is under way.</p>
Objectively verifiable indicators	<p>MOU Guidelines report submitted</p> <p>1 training event held</p> <p>1 study visit organised</p>
Progress	<p>Study visit completed. Preparation of draft Guidelines underway. The implementation of this activity will contribute directly to the implementation of Recommendation 6 of MONEYVAL “ to detail in sectoral rules as appropriate, the requirementson politically exposed persons” with a view to securing enhanced due diligence in the dealings of financial institutions and DNFBPs with PEPs.</p>
Activity 1.3.6	<p>Provide training to entities with obligations to report suspicious transactions on the detection of suspicious transactions, with particular emphasis on developing a risk-based approach and client profiling techniques in accordance with the DPML Action Plan.</p>
Benchmark Progress	<p>Benchmark (December 2010): Number of suspicious transactions identified and reported in comparison with 2008 and 2009 years.</p> <ul style="list-style-type: none"> According to the Annual Report of the General Department for the Prevention of Money Laundering for 2010, 211 suspicious transactions reports (STRs) were submitted to GDPML during that year, marking a 13.5% increase in the number STRs as compared to 2009. A similar increase was observed in 2009, to 186 STRs compared with 152 in 2008. The benchmark for this activity is therefore fulfilled.

Result 1.4: Participation of civil society organizations in the promotion and monitoring of the implementation of anticorruption initiatives, and conducting independent periodic and thematic surveys is increased

Activity 1.4.1	Provide recommendations and facilitate public consultations and
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	<p>debates organized with NGOs on anti-corruption reforms aimed at supporting legal and institutional anticorruption initiatives</p>
<p>Actions</p>	<p>Following the 4 NGO fora held during the project up to February 2011, (on institutions/areas to be selected for corruption risk analysis, on corruption and anti-corruption reforms in the education sector, on the Anti-mafia Law, and on the legal requirements to prevent NGOs being used for money laundering and terrorism financing), PACA organised two key NGO fora in June 2011:</p> <p>16 June 2011: Forum on the role of NGOs in relation to the Anti-corruption Action Plan of the Albanian Government</p> <p>This event was attended by 24 participants, representing 12 NGOs (Open Society Foundation Albania, Centre for Parliamentary Studies, Forests and Meadows National Federation, Institute for Urban Research, Centre for Transparency and Free Information, Albanian Helsinki Committee, Akcion Plus, Institute for Public and Legal Studies, Institute for Democracy and Mediation, Sustainable Economic Development Agency, Akses), DIACA, EU Delegation, OSCE, USAID Rule of Law Program and SNV. The event involved discussion and feedback between the representatives of DIACA and NGOs, with attention focusing on the fact that neither the new Action Plan for 2011-2013 nor the Implementation Report for 2010 had yet been made public; the DIACA representative stated that the report on implementation of the Action Plan for 2010 will be put on the Council of Ministers website together with the individual reports of ministries on their implementation.</p> <p>PACA presented to NGOs the various roles that they may perform in relation to anti-corruption policies, in particular advocacy (input into Action Plan content). The most important focus of the presentation was on how NGOs may and should monitor Action Plan implementation. The Open Society Foundation presented a project it is implementing to monitor the implementation of the 2010 Anti-corruption Action Plan by four ministries (Ministry of Interior, Ministry of Justice, Ministry of Health and Ministry of Economy, Trade and Energy), and highlighted problems in the Action Plan content and reporting on implementation, namely that:</p> <ul style="list-style-type: none"> • The Action Plan did not include all anti-corruption related policies, yet on the other hand did include a number of policies that should be regarded as the routine fulfilment of already existing policies. • The project experienced serious problems in obtaining information/responses from certain ministries regarding their policy implementation, with certain exemptions (for example the Ministry of Interior Internal Control Service).

PACA Team Leader concluded the meeting by recommending that NGOs conduct monitoring by comparing the summary implementation report on Action Plan implementation with the detailed table reports of ministries, and requesting further information from ministries.

24 June 2011: Forum on Corruption Risk Assessment Methods and PACA Risk Assessments

On 24 June 2011 PACA organised and held an NGO forum on 'Corruption Risk Assessments'. The event was attended by 19 participants representing seven NGOs and one international donor/project implementer (SNV).

At the event PACA presented to NGOs the guidelines on conducting corruption risk assessments completed by PACA in January 2011 ('Corruption Risk Assessment Methodology Guide'), together with the results of three of the most important risk assessments conducted by PACA (on Immovable Property Registration, Healthcare and the Education Sector). The emphasis was on explaining to NGOs how risk assessments may be conducted, in order to provide them with ready tools to use. Although the feedback from NGO representatives was limited at the event, PACA's Corruption Risk Assessment Methodology Guide was distributed to all participants. Representatives of the three institutions on which risk assessments were presented also provided their initial responses to the risk assessment findings and recommendations.

On 5 July 2011, PACA also coorganised with SNV and the Korca Forest Users Federation a **Forum (Conference) on Lessons from Local Initiatives for Combating Illegal Logging and Corruption in Forestry through Collaborative Partnerships**. The event was attended by around 80 people from the Ministry of Environment (including the Minister), the Regional Forestry Directorates, SNV, SIDA and the EU Delegation.

On the basis of a presentation of the lessons from SNV's project against illegal cutting and corruption in forestry in Korca, and feedback and discussion from the invited participants, the conference highlighted the importance of collaborative partnerships at the local level between government agencies as well as with local communities and their representatives.

The PACA representative present presented the objectives and activities of the Project, especially PACA activities to assist the development of the 2011-2013 Action Plan for the Ministry of Environment, and expressed the hope that NGOs will take the opportunity to monitor fulfilment of the Action Plan that was approved. PACA also moderated a round table on the Implementation of the Ministry of Environment's Anti-corruption Action Plan, which

	<p>was attended mainly by the directors of the Regional Forestry Directorates. However, the participants were not even aware of the existence of the Ministry's Action Plan, either for 2010 or 2011-2013. Following the ensuing discussion, the representative of the Ministry of Environment invited by PACA to join the round table said that the Ministry will publish the Action Plan on its own website and distribute it to all the Regional Directorates.</p> <p>In addition, on 18 July 2011 PACA organised an event to disseminate and discuss a Guideline for NGOs on the Prevention of Terrorism Financing, which were initially drafted by the Ministry of Finance General Department for the Prevention of Money Laundering and then finalised in cooperation with PACA (see Annex 11). The event follows a previous event held on 21 December 2010 by PACA and the Open Society Foundation for Albania in cooperation with the GDPML and Agency for the Support of Civil Society (ASCS), which had concluded that guidance for the NGO sector was needed so that the latter could meet the applicable legal requirements emanating from the Law on Prevention of Money Laundering and Terrorism Financing. The event was attended by 8 participants from the GDPML, OSFA, ASCS, Albanian Helsinki Committee, Partners Albania and the Institute for Policy and Legal Studies. At the event, the GDPML agreed to adopt the Guideline and post it on its website, while the Open Society Foundation Albania also agreed to post the Guideline on its own website.</p>
Objectively verifiable indicators	Recommendations and Consultations Reports submitted 10 public debates held.
Progress	Four events held during the reporting period, eight events in total as August 2011 Concrete recommendations/results yielded by all events.

Output 1.5: Human capacities of anti-corruption and law enforcement agencies and the judiciary enhanced to ensure that they efficiently meet their obligations under applicable laws and apply international best practices.

Activity 1.5.3	<p>Support HIDAA on elaboration of guidelines which will lead to improvement in the maintenance, management and/or sharing of public databases and enhanced cooperation with the FIU and other relevant agencies and/or databases (including international as appropriate) in 3 areas (Components) selected from the following and other relevant areas:</p> <ol style="list-style-type: none"> 1. Immovable Property database 2. Customs database 3. Tax database 4. Vehicle registration database 5. Database of ALUIZNI (Agency for Legalisation, Urbanisation
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	and Integration of Informal Zones and Buildings)
Actions	<p>Following agreement with HIDAA to select the Immovable Property Registration Office (IPRO), the Agency for Legalisation, Urbanisation and Integration of Informal Zones and Buildings (ALUIZNI) and the General Directorate of Transport Services (GDTS), PACA organized 3 roundtables between HIDAA on one side and GDTS, ALUIZNI and IPRO on the other, on May 23, 27 and 31. The aim of the Roundtables was to discuss the current state of information exchange between HIDAA and those agencies concerning the property and assets of officials subject to monitoring by HIDAA under the Law on Asset Declarations. Each Roundtable was attended by approximately 20 officials from HIDAA and the relevant agency, and in every case included senior representatives of the agency concerned.</p> <p>HIDAA-GDTS Roundtable (23 May)</p> <p>The two agencies have a Memorandum of Understanding between them signed in 2004 that is intended to facilitate the exchange of information and other forms of cooperation. Despite the overall satisfaction with the level of effort that the GDTS seems to have put into the cooperation with HIDAA, officials from the latter noted the following difficulties and problems in the provision of information the GDTS:</p> <ul style="list-style-type: none"> • The GDTS database and program are built on a DOS platform, making the insertion of data into the HIDAA Windows-based systems difficult. • The software used by GDTS also makes it difficult for HIDAA (or any other agency) to conduct any meaningful search in the database. For example, a search by vehicle plate number does not yield the name of the owner; a search by owner yields a registration plate number with no further information on the vehicle. This prevents HIDAA using the information to establish the expenditure incurred. • The GDTS database is often out of date, for example failing to reflect that a vehicle no longer exists or is not in circulation. <p>The GDTS Director acknowledged the aforementioned problems. He noted that a full scale process of equipping GDTS with adequate IT systems will make possible the sharing of all information, and invited HIDAA to indicate which specific pieces of information they would like to see inserted into the database. Agreement was reached that information provided should allow HIDAA to establish the full cost of vehicles, include information on the users of vehicles acquired through leasing contracts or for temporary use. On 2 June, 2011, a HIDAA team of inspectors visited GDTS.</p>

HIDAA – ALUIZNI Roundtable (27 May)

The two agencies do not have a MoU between them for the facilitation of exchange of information and other forms of cooperation. The legalization process involves 270,000 items of immovable property (buildings). HIDAA evaluated cooperation between the agencies to date as generally satisfactory, but noted the following problems:

- The information provided by ALUIZNI often only indicates that an official has an application with ALUIZNI, with no information on the nature, size, location etc of the property.
- The legalization file includes numerous documents which would enable HIDAA to do a profound analysis of a particular case, but typically not all of these documents are provided to HIDAA, with ALUIZNI determining at its discretion which documents HIDAA 'needs'.

In the light of these issues the two agencies agreed that a Memorandum of Understanding for the facilitation of the exchange of information and cooperation should be prepared and signed. It was agreed that the MoU should *inter alia* ensure the periodic matching of the list of subjects subject to HIDAA oversight with persons registered as applicants by ALUIZNI, limited direct access by HIDAA to ALUIZNI's database or provision by ALUIZNI of all information contained in legalisation files concerning persons on the list provided by HIDAA (with provisions to exclude certain personal data of third parties).

HIDAA – IPRO Roundtable

The two agencies have an MoU between them since 2004 that is intended to facilitate the exchange of information and other forms of cooperation. The following fundamental problems in information exchange were revealed by the discussion:

- HIDAA noted that IPRO sometimes caused long delays (often 3 months rather than the legal deadline of 15 days) and sometimes there were inaccuracies in the provided information.
- More seriously, it became clear that since IPRO's database consists of paper files – even for cadastre zones (such as Tirana) whose files have been digitalised, as this was done only up to 2009 – in order to meet a HIDAA enquiry concerning property registered to a specific person requires a manual search of all of its approximately 3 million files. The Deputy Chief Registrar of IPRO stated that the partial digitalisation of the Tirana and Durres databases has also been suspended by the Ministry of Justice due to uncertainty over the legal basis for digitalisation and the specific solution to be implemented. On this basis it was concluded that for full information exchange, the

digitalisation of the land register including regular updating is essential. To the extent that the undeclared assets of public officials are in the form of real estate, the Roundtable showed that HIDAA is effectively unable to perform its function of auditing the declarations of such officials.

The discussion focused on possible interim solutions prior to full digitalisation of the IPRO database. It was agreed that scanning the IPRO database to reveal assets held in the names of all the approximately 4500 officials with obligation to declare assets, plus their family members, would be physically impossible. Even creating such a registry, for example for politically exposed persons (some 400 officials), would be impractical as this would still mean some 2000 persons when family members are included, and the register would need to be updated regularly.

Preparation of draft MoUs

Following three roundtable events held in May 2011, during June PACA drafted proposals for i) a MOU on information exchange between HIDAA and the Agency for Legalisation and Urbanisation of Informal Zones and Buildings (ALUIZNI), ii) an improved MoU on information exchange between HIDAA and the Immovable Property Registration Office (IPRO), and iii) an improved MoU on information exchange between HIDAA and the Ministry of Public Works and Transportation General Directorate for Transport Services (GDTS).

The proposed MoU between HIDAA and ALUIZNI would provide for the following:

- The two agencies agree periodically to cross examine the lists of the respective subjects with a view to identifying a list of persons that are subject to verification by HIDAA ('HIDAA subjects') and are also in the ALUIZNI database.
- Following the identification of the HIDAA subjects in the ALUIZNI list, the latter will provide HIDAA with all the information on those subjects that is in the ALUIZNI database.
- ALUIZNI will assess the feasibility of providing HIDAA with direct access into their database following the scrutiny of this move by the Commissioner for Protection of Personal Data.

The revised MoU between HIDAA and GDTS would provide for the following:

- GDTS would follow the amendments to the legal framework on the registration of vehicles to ensure that in the future the vehicle registry features the names of the owners of the vehicles;

	<ul style="list-style-type: none"> • GDTS will push for the revision of legislation on deregistration of vehicles so that vehicles which are no longer in circulation do not appear in the GDTS database; • GDTS pledges to provide more accurate information that would enable HIDAA to establish the real costs incurred by its subjects when purchasing a vehicle. The information will include, in addition to the sale price, the taxes paid by the subject. • GDTS pledges to provide information on the year of production of the vehicle and other characteristics. • The two parties pledge to explore the possibility of providing HIDAA with direct access into the GDTS database. • The two parties pledge to promote with the relevant agencies/institutions further regulation of leasing procedures in order to enable the identification of the users of vehicles that are purchased through a leasing contract (rather than merely the lending financial institution, which currently appears as the owner). • The two parties pledge to promote with the Minister of Justice and the Minister of Public Works and Transport the need to take necessary steps to ensure that notaries report on the issue and use of permits whereby a vehicle owner authorised another person to use his/her vehicle. <p>The revised MoU between HIDAA and IPRO would provide for the following:</p> <ul style="list-style-type: none"> • HIDAA pledges to conduct a risk assessment every year with a view to identifying a limited number of selected cadastre zones corresponding to areas with development plans and in high demand as lucrative locations • IPRO pledges to physically control their database corresponding to the cadastre zone identified by HIDAA to ascertain whether any HIDAA subjects hold property and provide such information to HIDAA. <p>During July 2011, PACA received feedback from HIDAA on the proposed MoUs. As of the end of August 2011, PACA was in the process of fine-tuning the texts of the three draft MoUs.</p>
<p>Objectively verifiable indicators</p>	<p>3 Working Groups by month 21 Draft Guidelines on at least 3 selected Components by month 23 Guideline available by month 25.</p>

Progress	Working groups active (month 20). Three events completed. Three initial draft MoUs/Guidelines completed (month 24).
Benchmark progress	<p>Benchmark (September 2011): Within 6 months of completion of working groups, Guidelines (in the form of MoUs) are adopted by the relevant agencies and applied in practice.</p> <ul style="list-style-type: none"> As the roundtables took place in May 2011, this implies a benchmark reporting date of November 2011. PACA believes the benchmark will be fulfilled before then.
Activity 1.5.4	<p>Support the School of Magistrates (SoM), the Police Formation Centre (PFC) and other relevant training units in the elaboration and implementation of training plans for the law enforcement agencies, prosecutors and judges on Investigation of Corruption, Investigation of Money Laundering, Tracking Proceeds from Crime - Search and Seizure of Crime Proceeds aspects, and International cooperation on these matters</p>
Actions	<p>Following the finalisation of a Training of Trainers Program in January-February 2011, three trainings were provided by experts from the Basel Institute on Governance commissioned by PACA:</p> <ul style="list-style-type: none"> 14-19 March 2011, Pogradec, Albania: a first training session of 17 prosecutors, judges and police officers nominated respectively by the School of Magistrates and the General Directorate of Police. 25-30 April 2011, Pogradec, Albania: a second training session of another group of 28 prosecutors, judges and police officers, including the 17 participants from the first training who attended as observers. <p>The first two trainings were built around a simulated case and aimed to enhance the skills of the participants to organize and perform criminal investigations of corruption and money laundering by using special investigative means, indirect methods of proof, financial analysis, mutual legal assistance and asset tracking mechanisms. Theoretical presentations on the same issues were also provided in order to enhance the skills of the participants in formulating charges and successfully litigating cases in court. Both trainings were evaluated very positively by the participants, as detailed in the PACA Monthly Reports for March and April 2011.</p> <ul style="list-style-type: none"> May 2011, Strasbourg, France: nine selected trainees received 3 days of training on professional/adult training techniques in Strasbourg, at which they conducted mock presentations to the instructors.

	Following the completion of the trainings, the PACA experts finalized the training materials, the training program and an Instructor’s Manual (see Annex 12) that will be used in the future by the SoM and PFC. Between October and December 2011 PACA will support two four-day trainings by the trained trainers for trainees of the SoM and PFC.
Objectively verifiable indicators	6 training events held by month 28 Training program and set of training materials completed by month 28 Training materials adopted by School of Magistrates by month 30
Progress	Training programme clarified and agreed, including production of training modules. Two 5.5-day trainings were provided, plus a 3-day training of local trainers including preparation and presentation of training presentations by them. The implementation of this activity will contribute directly to further implementation of Recommendation iv) of the GRECO First Round Evaluation – ‘that specialised education and training of police, prosecutors and judicial police on corruption (in particular its typologies and the international dimension) and its links to connected crime be arranged’, as well as Recommendation i) of the GRECO Second Evaluation Report to “develop clear procedures to be used by police officers and prosecutors concerning financial investigations in respect of offenders’ assets... Furthermore, specialisation, resources and training in this area should be increased”.
Activity 1.5.7	Training of private accountants and auditors on their role and responsibilities in the detection and reporting of corruption.
Actions	<p>In July 2011 PACA finalised a draft Guideline on the Detection and Reporting of Corruption by Private Accountants and Auditors. The Guideline is intended to assist private accountants and auditors in spotting indicators of corruption (or ‘red flags’, signs that would indicate that companies are engaging in bribery) when conducting a standard audit. It describes indicators of corruption (including examples of circumstances that indicate the possibility of corruption), the ethical and legal obligations of private accountants and auditors relating to the detection of corruption, the practical role and responsibilities of private accountants and auditors relating to the detection of corruption, and guidance on how and to whom to report corruption (including the content of reporting).</p> <p>On 28 July 2011 a roundtable/training was held to introduce the draft Guidelines and discuss them with the beneficiaries (Institute of Authorised Auditors, Institute of Chartered Accountants, Accountants National Council, Public Supervising Board of Accountants). The participants provided active feedback, on the basis of which PACA finalised the Guideline during August 2011 (see Annex 13) and submitted it to the beneficiaries and the Training Institute for Public</p>

	Administration (TIPA).
Objectively verifiable indicators	Guidelines available by month 19 1 training held by month 20 Guidelines are approved and incorporated in TIPA curricula and used in practice
Progress	Draft Guidelines completed in month 23. 1 event/training held to discuss Guideline.
Benchmark progress	Benchmark (August 2011): Within 4 months of completion of training Guidelines are approved, incorporated into TIPA curricula and used in practice <ul style="list-style-type: none"> The beneficiaries of this activity (private accountants and auditors) are governed by professional associations, which <i>inter alia</i> perform training for their members. PACA has therefore submitted the guidelines to these associations and will seek written assurances that they will be disseminated by them and used for training. In addition, TIPA endorsed the guidelines in August 2011 and committed to using them in any future trainings of civil servants that involve audit issues, and also for any trainings that might be requested by professional associations of accountants and auditors. PACA therefore regards this benchmark as fulfilled.
Progress	Working groups functioning (month 20). First draft of Guidelines available (month 22).
Activity 1.5.8	Provide training to local government officials on ethics and implementation of the Law on Conflict of Interest through the Training Institute of Public Administration (TIPA) curricula.
Actions	Following five trainings provided in 2010 to selected municipalities across Albania, a final training of local government officials on conflict of interest and ethics took place in Tirana on 14 July 2011. The event was attended by 12 officials from the boroughs 1, 3, 4, 5, 8 and 11 of the Municipality of Tirana and from TIPA.
Benchmark progress	The benchmark for this activity was already fulfilled in May 2010.

Output 2: Risk Analysis of the Education System (2.1); Assistance on Mechanisms to raise Integrity and regulate Conflicts of Interest (2.2); Development of anti-corruption education modules for primary and secondary schools (2.3)

Activity 2.1.1, 2.2.1	Conduct risk analysis to identify corruption risks within the education system (2.1.1); Identification of policy options for
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	<p>introducing criteria and standardised procedures for the recruitment, appointments and promotion of teachers and other educational staff (2.2.1)</p>
<p>Actions</p>	<p>In April PACA experts commissioned from the General Teaching Council of Scotland finalised a 'Risk Analysis of the Albanian Education System (incorporating Analysis of the System for the Recruitment, Appointment and Promotion of Education Teaching Staff in the Compulsory Education System)'. The Assessment is provided in Annex 14.</p> <p>The main findings of the Assessment criticise the tendency in Albania to tackle corruption in (and not only in) the education system through 'mechanistic' top-down measures based on prohibitions and instructions, rather than through a broader, inclusive and more positive approach, based on the objective of creating and maintaining a community of professionals. The recommendations of the Assessment are summarised as follows:</p> <ul style="list-style-type: none"> • The Government of Albania should ensure commitment to ethical principles in the education sector, <i>inter alia through</i> the confirmation and dissemination of a Code of Conduct and Professional Standards for school teachers by Spring 2012. • The Government of Albania should i) launch a high profile publicity and marketing campaign to stress the importance of school teaching as a career and attract the best students into initial teacher education (2011-2012 school year); ii) engage with university teacher education staff to consider how programmes and programme pathways can be developed to ensure the highest quality entrants to school teaching (2011-2012, with implementation 2012-2013, and with the high school sector to provide positive careers guidance on school teaching as a career for the most able students (full implementation from 2012-2013). • The Government of Albania should collaborate with universities over the further development of initial teacher education, ensuring equality of consideration to the needs of Grade 9 and high school teaching, and to the needs of areas outside Tirana, as well as Tirana itself (2011-2012). If a separate professional examination for entry to school teaching is to be developed, this must be coherently linked with university initial teacher education courses, and involve university staff in its planning. • The Government of Albania must ensure public school teachers' salaries are sufficiently high to attract the best entrants to the profession and that there is clear public understanding that teachers' core salaries are at such a level (2011-2012).

- The Government of Albania should commit to all necessary teacher recruitment and school building programmes to reduce class sizes in high schools to a maximum of 30 (planning in 2011-2012, implementation from 2012-2013), and undertake a comprehensive national teacher workforce planning exercise (2011-2012) to ensure that much closer parity in teacher/student ratios is achieved (2012-2013).
- The Government of Albania must ensure as soon as possible that recruitment and appointment to teaching posts in public schools requires the open advertising of all posts (2011-2012). A new system should devolve recruitment and appointment to teaching posts in public schools to Principals and School Boards. Procedures should mandate the assessment of applicants solely on merit in open competition, using clearly established professional criteria, and first teaching appointments should make systematic use of evidence on initial teacher education performance provided by the public universities (development 2011-2012, implementation 2012-2013).
- The Government of Albania should establish the framework for a clear, consistent and stable approach to obtaining and retaining a permanent teaching post based on individual permanent contracts, by clarifying i) the relationship between probation and the process for appointment to a permanent post, and ii) requirements of teachers to retain permanent posts, including commitment to Continuing Professional Development (development 2011-2012, implementation 2012-2013).
- The Government of Albania should introduce a new appointments process for school Principals based on open competition and merit, not political and personal connection (2011-2012). Criteria should include demonstration of successful completion of advanced leadership study on an accredited public university course. Principals should be accountable for their ongoing performance against objective professional criteria (development 2011-2012, implementation 2012-2013), and an inclusive review should be held with all relevant stakeholders on whether fixed-term appointments should be introduced (2011-2012).
- The Government of Albania must co-ordinate a multi-pronged strategy to end private tutoring of their own pupils by public high school teachers, based on i) a national publicity campaign and national discussion (2011-2012); ii) specific practical initiatives to eliminate private tutoring of own students, for example by raising teachers' core salaries, reducing high school class sizes and extending class teaching hours, offering free additional tutoring in public high schools provided by teachers under their contract, and ensuring a clear basis in a Code of Conduct and legislation for robust action - including dismissal - to be taken against inappropriate

private tutoring (development 2011-2012, implementation 2012-2013).

- In addition to implementing more effective punitive and monitoring-based approaches, the Government of Albania must co-ordinate a national campaign to persuade Albanian society that the credibility of Albania's high school examination system (in particular internationally) depends upon the removal of cheating, including cheating involving corruption, in the final State Matura examinations, and upon addressing potential unreliability with the State Matura's internally assessed 'average grade' system (2011-2012).
- The Government of Albania must ensure all funds allocated to public universities actually reach them, and should have full dialogue with university leaders on the level and methods of funding necessary to fulfil their mission (2011-2012). The Government must undertake a national dialogue with the senior leadership of the public universities to establish honestly the extent of corruption among university teaching staff, and to initiate major staff development to ensure all embrace the ethical principle that corruption within the university is the antithesis of the values of a community of scholarship (2011-2012). The Government must also co-ordinate an equivalent initiative with university students and their parents. In both this and the campaign on the State Matura, the Government of Albania must emphasise that the international opportunities of young Albanians will be prejudiced if the credibility of their examinations and public university qualifications is undermined due to corruption.
- If continuing, the Alvertekst system should be kept under on-going review by the Government of Albania for possible further refinements, for example to widen membership of the Textbooks Approval Commission, anonymise texts presented to school commissions, and simplify the distribution and payment system. More fundamentally, the Government should consider whether the Alvertekst system does not involve a disproportionate amount of time and resources spent on a process whose relevance is questionable as teaching and learning approaches are increasingly based on a variety of resources, and whether this time and energy is better spent on combating other forms of corruption within the education system.
- The Government of Albania should commit fully to differentiated social policies for the Roma community, spending on the Roma all external funding provided for this purpose, giving priority to the development of social centres for the Roma, opportunities for pre-school education, supportive contexts for school attendees, and adult literacy support. Free provision of school textbooks should also be

	<p>fully guaranteed for Roma families (2011-2012).</p> <p>The PACA event on Corruption Risk Assessment Methods and PACA Risk Assessments held under Activity 1.4.1 included a presentation by PACA of the Education Risk Assessment findings and recommendations, and at the event the Ministry of Education representative provided initial verbal feedback on the Assessment.</p>
Objectively verifiable indicators	<p>2.1.1 Risk assessment report finalised and available by month 20</p> <p>2.1.2 2 public events held by month 25</p> <p>2.2.1 Policy Options Paper submitted 2 workshops held Working group meetings held</p>
Progress	Risk assessment report completed, including policy recommendations (month 20). One public event held (month 22).
Benchmark Progress	<p>Benchmark (2.2.1): Within 6 months of completion of workshops Ministry of Education includes a specific policy option within its proposed legislative changes or policies</p> <p>The original month selected for this benchmark was October 2011. However, the analysis was completed in April 2011 due to a change in Activity schedule (previously reported). The Ministry of Education committed at the 4th PACA Steering Committee Meeting held on 28 June 2011 to submit written feedback on the report within two weeks; however, as of 31 August 2011 no feedback had been received. The fulfilment of the benchmark depends on written feedback or a written policy commitment by the Ministry.</p>
Activity 2.2.2	Providing a review of the draft Code of Conduct for Teachers and as relevant the draft Order of Teachers in the education sector and assessment on disciplinary measures for educational staff.
Benchmark Progress	<p>Benchmark (October 2011): Within 6 months of completion of workshops, the Draft Code of Conduct (and Order of Teachers as relevant) adopted by Ministry of Education.</p> <p>Following PACA's review of a Draft Code of Conduct for Teachers conducted in September 2010, the Ministry of Education had informed PACA in September and November 2010 that its priority is to complete the draft Law on Pre-University Education that is currently under</p>

	<p>preparation, and that it would move to finalise and approve the Code of Conduct after this. Although PACA believes that the Code of Conduct should be finalised independently of the Education Law, the fulfilment of the benchmark by October 2011 continues to depend upon the completion and/or approval of the draft Education Law. The Law was submitted to the Council of Ministers in May-June 2011, and PACA will seek a clear statement from the Ministry of Education and Science regarding its intentions for the Code of Conduct.</p>
Activity 2.2.3	Elaboration of preventive anti-corruption legislation/secondary legislation and guidelines for licensing, regulating and controlling private education institutions including private tutoring (2.2.3)
Actions	<p>In June PACA completed the Assessment of the Licensing, Regulation and Inspection of Private Education Institutions in Albania (see Annex 15). The Technical Paper follows and is intended to be read together with the previous Technical Paper entitled 'Risk Assessment of the Albanian Education System (incorporating Analysis of the System for the Recruitment, Appointment and Promotion of Education Teaching Staff in the Compulsory Education System)' – see reporting on Activity 2.1.1.</p> <p>The paper argues that it is essential for the reputation of the Albanian education system that any private education which exists is of an appropriate standard, and subjected to meaningful regulation and quality assurance. The Government must clarify its underlying policy position on the role of private education within Albania, including a positive commitment to ensuring that regulatory mechanisms are robust and transparent for the private provision that exists. Any system developed and implemented for the licensing, regulation and inspection of private educational institutions addresses the existing quality weaknesses in Albanian private education, including: inconsistent standards across private schools, with weak practices and approaches in some; standards in private higher education which generally do not match contemporary European and wider international benchmarks; unclear public understanding of the criteria for university status, with many higher education institutions making inappropriate claims to university status; and the general threat to social cohesion and international reputation associated with the perception that much of Albanian private education operates as a 'business' in which those with money can simply buy qualifications. The following are the 10 more specific recommendations of the paper:</p> <ul style="list-style-type: none"> • The Albanian Government should review all core legislation covering the pre-university school system to ensure that it is unambiguously clear which provisions of the legislation apply to private schools and which do not. For example, it should be made

clear which regulations govern private schools regarding the evaluation of school performance, review of school syllabi, role of school boards, conditions for the appointment and performance evaluation of school principals and teachers, and procedures of school inspection.

- When the Albanian Government establishes a Teachers' Code of Ethics and Standards for Albanian public school teachers, it should ensure that the Code and Standards are also fully binding on teachers within private schools.
- The Government should review the system for the initial licensing of private pre-university schools to ensure that the system avoids unnecessary bureaucratic processes, with the potential for associated delays and increased opportunities for inappropriate conduct (including corruption) in the licensing process. In particular, the Government should provide a transparent description of the role of the National Licensing Centre (NLC) in this area of specialist educational decision-making, and - if the role of the NLC is to continue - make a clear case for (i.e. justify) the NLC playing a role in addition to the Directorate of Private Education Development (DPED).
- The Albanian Government should review the position of the National Inspectorate for Pre-university Education (NIPE) relative to the Minister of Education and Science, to ensure that NIPE is able to operate as a genuinely independent inspection body for both private and public schools.
- The Albanian Government should clarify further the relationship between NIPE and local government, specifically the regional education directorates (REDs), in the quality assurance of private schools. In particular, the Government should ensure there is appropriate complementarity of roles between NIPE and REDs, and sufficient use of expertise available within REDs, to ensure that quality assurance of private schools is as robust as it is for public schools.
- The Albanian Government should ensure that NIPE's inspection procedures are applied systematically across the private school sector, and clarify exactly how negative NIPE inspection findings lead to the suspension or revocation of private school licences and what precise role is played by the MoES and the NLC in this process.
- Extensive and detailed national documentation appears to exist describing the system for initial licensing of private HEIs, including clear criteria which seem designed to ensure that any Albanian private HEI aspiring to university status will be operating on approaches consistent with contemporary European and wider

	<p>international standards. However, it appears that many Albanian private HEIs are claiming university status without meeting the appropriate criteria. The Albanian Government should review its system for the initial licensing and on-going quality assurance of private HEIs to ensure – through staff development training at the MoES (DPED), Public Agency of Accreditation for Higher Education (PAAHE) and the Accreditation Council - that all individuals and organisations involved apply in practice the detailed criteria which exist in national documentation to ensure that Albanian standards are in line with contemporary European and wider international standards.</p> <ul style="list-style-type: none"> • In addition, the Albanian Government should review the specific details of its system of initial licensing of private HEIs to ensure that it eliminates unnecessary bureaucratic complication and duplication and the resulting potential for inappropriate conduct within the licensing process. In particular, the Government should provide a transparent description of the respective positions of the DPED, PAAHE, the Accreditation Council, and Ministers, and a clear justification for the continued involvement of all of these institutions in licensing. Even when this review is concluded, no new private HEI licences should be issued until a comprehensive inspection of all existing private HEIs has been completed (see Recommendation 12 below). • The current national system for on-going quality assurance of private HEIs does not seem robust. The Albanian Government should review the specific details of its system for on-going inspection of private HEIs, with associated powers for the suspension and removal of licences. In particular, the Government should provide more detail on the precise methodologies for this inspection, including how the MoES, PAAHE and the Accreditation Council work together on inspection. The Government should also clarify how negative findings from such inspection will be linked to the suspension or removal of private HEI licences, and how the HEIs which have had licences suspended are judged to meet the criteria for the licence to be restored.
Objectively verifiable indicators	<p>Legal opinion on legislation and guidelines for licensing, regulating and controlling private education institutions available by month 24</p> <p>Working group meetings held</p>
Progress	<p>Legal opinion completed, and written feedback by Ministry of Education received.</p>

Activities 2.3.2/2.3.3	Developing modules of anti-corruption education for inclusion in civics education at primary and secondary schools study programmes (2.3.2) Piloting the use of the anti-corruption education module/s (2.3.3)
Actions	Following the development of the outline framework under Activity 2.3.1, and training to teachers and education officials provided in October and December 2010, in May 2011 PACA completed in cooperation with the Institute for Development of Education (IDE) a draft Manual entitled 'Education Against Corruption'. The Manual provides a guide to primary and secondary teachers on general techniques for integrating anti-corruption issues into school lessons, together with a set of model lessons. On the basis for a schedule of implementation agreed with the IDE and Ministry in August 2011, the Manual will be piloted from September to December 2011, and following feedback from teachers in January PACA will commission printing of a final version of the Manual for use across all schools.
Objectively verifiable indicators	2.3.2: Manual on anti-corruption education available by month 21 2.3.3: Manual approved by Institute for Development of Education and/or Ministry of Education
Progress	Proposed curricula components developed (month 21) and approved by Institute for Development of Education and Ministry of Education (month 24). Schedule for piloting, and a schedule for piloting agreed.
Benchmark progress	Benchmark (February 2012): Modules are piloted in 2012 school year <ul style="list-style-type: none"> • Schedule for piloting agreed with the Ministry of Education and Institute for Development of Education (month 24).

3.2 Benchmark fulfilment

Concerning benchmarks, of the seven benchmarks contained in the PACA Workplan (including the benchmark for Activity 1.3.1. which had already been moved from February 2011 to April 2011) whose month for assessment came within the reporting period:

- One benchmark became redundant (Activity 1.5.1, where HIDAA training was replaced by a Study Visit as agreed at the March PACA Steering Committee Meeting).
- Two benchmarks had already been fulfilled during the previous reporting period (Activity 1.2.2 – the use of PACA assistance to amend legislation on political party financing, and

Activity 1.3.2 - the use of PACA recommendations to redraft the Anti-money Laundering Law).

- As reported previously, the fulfilment of one benchmark – 1.2.5, PACA’s review of civil service legislation – depends on the activities of SIGMA, to whom the assessment was provided in April 2010 as an input to SIGMA’s broader civil service assessment.
- Reporting dates for three benchmarks (for activities 1.2.8 – use of PACA’s methodology for screening draft laws, 1.3.1 – the adoption of policies on implementation of the Anti-mafia Law, and 1.5.7 – the adoption and use of guidelines for accountants and auditors on the detection of corruption) were moved by: three months for activity 1.2.8; five months for activity 1.3.1 and three months for activity 1.5.7 respectively due to delays beyond the control of the project.

4. COOPERATION WITH OTHER STAKEHOLDERS

Cooperation between the PACA Team and the relevant state authorities on daily project work (implementation of workplan activities) has continued to be excellent in almost all cases. Cooperation on the use of PACA assistance (for example the use of risk assessment findings) has been more varied, although the final six months of the project will be the key period in this respect.

4.1 Counterpart and beneficiaries

Cooperation and communication between the PACA Team and its main counterpart, DIACA has been excellent during the reporting period. DIACA and the Inter-ministerial Working Group has responded positively to PACA recommendations on draft regulations on the anti-corruption policy coordination mechanism, adopting many of them directly.

Cooperation with the Ministry of Education – the other main counterpart has also been excellent. The Ministry cooperated fully and efficiently during the conduct of the PACA risk assessment, assessment of private education institutions and in the preparation of anti-corruption modules. The extent to which the Ministry is prepared to translate PACA recommendations into concrete policy commitments remains to be seen, however.

The level of cooperation from the beneficiaries of PACA Risk Assessments has varied considerably. Although a confident assessment on this is premature, cooperation and responsiveness from the Ministry of Public Works and Transportation has been very good, and initial communication from the Albanian Competition Authority indicated a positive approach to the risk assessment. However, the responsiveness of the Immovable Property Registration Office has been poor.

Cooperation with the General Prosecutor’s Office (GPO) and the School of Magistrates on the implementation of PACA’s largest training activity (from March to May 2011) has also been very smooth. After some delay, the GPO has also agreed on the adoption of a PACA-proposed guideline for the implementation of the Anti-mafia Law.

Cooperation with the General Department for the Prevention of Money Laundering (FIU) remain active, with close cooperation on the development of money laundering guidelines, FIU efforts to ensure the presence in PACA events of all relevant stakeholders and regulatory bodies, and FIU involvement in two study visits.

Cooperation with the High Inspectorate for the Declaration and Audit of Assets (HIDAA) continues to be excellent, with HIDAA participating very actively in PACA efforts to assist the drafting or improvement of memoranda of understanding to improve exchange of information with the databases of other key institutions.

4.2 Other third parties

PACA has been especially active in pursuing cooperation with other donors involved in anti-corruption related work. In particular, PACA and the OSCE cooperated effectively to ensure the distribution of anti-corruption leaflets. Cooperation with the Euralius III (Consolidation of the Albanian Justice System) project has been particularly intense, both on the completion of the PACA addendum to the Law Drafting Manual and especially on assistance to reform the system of immunities in Albania. Cooperation with NGOs also continued actively during the reporting period, with PACA striving to give civil society organisations appropriate tools both to monitor the implementation of anti-corruption policy and make institutional corruption risk assessments.

5. PROJECT ACHIEVEMENTS, CONCLUSIONS AND RISKS

5.1 Achievements

Project implementation has proceeded according to the Workplan. Major progress has been made towards the achievement of project results, as elaborated below. However, significant efforts are necessary by the main counterpart and beneficiaries in order to ensure the proper use of PACA assistance on anti-corruption policy formulation and coordination, including the use of risk assessment findings.

Expected result 1.1: Tools and mechanisms available to ensure the implementation of the anti-corruption strategy and action plan line with GRECO recommendations and good practices

- The completion of the remaining three of the five PACA corruption risk assessments provides an excellent basis for the authorities to develop focused policies to tackle/prevent corruption in these areas.
- Assistance to the main counterpart, DIACA and line ministries has resulted in the development of what is believed to be a radically improved multi-year Anti-corruption Action Plan for 2011-13 – although this will only be confirmed when the Action Plan is finally released. Significant progress in implementation of a Visibility Strategy has been made.
- Assistance on regulations governing the mechanism for coordination of anti-corruption policy (the Inter-ministerial Working Group) has resulted in important improvements in those regulations, although the effectiveness of the practical operation of the mechanism

remains questionable in light of the failure to release the Action Plan or proper detailed reporting on implementation of the 2010 Action Plan.

Expected Result 1.2: Proposals available for more efficient anti-corruption legislation in line with international standards

- Following PACA's previous assistance in the areas of legislation on political party finance, incriminations, conflict of interest and asset declarations, during the reporting period PACA assistance in the area of immunities yielded agreement across the political spectrum on the broad contours of necessary reforms to bring Albania into line with international best practices. Guidance was provided to the Central Election Commission in order to fulfil one remaining GRECO recommendation. In addition, an addendum to the Ministry of Justice Law Drafting Manual was completed, which will assist law drafters to avoid provisions in draft laws that might facilitate corruption.

Expected Result 1.3: Proposals available to improve legislation and practice and increase the efficiency of the key institutions with regard to the search, seizure and confiscation of proceeds from crime and money laundering and the financing of terrorism

- Previous PACA assistance already contributed in key aspects to amendments to the Anti-money Laundering Law, together with a core Manual for Prosecutors on the Investigation of Economic Crime – contributing to the implementation of MONEYVAL and GRECO recommendations respectively. During the reporting period extensive guidelines of the General Department for the Prevention of Money Laundering for reporting entities were already completed and training provided. PACA developed and agreed a proposal for the General Prosecutor's Office to ensure efficient and consistent implementation of the Anti-mafia Law, as well as finalising a guideline for accountants and auditors on the detection of money laundering. Training and assistance on due diligence and monitoring of Politically Exposed Persons was also provided to assist with the implementation of MONEYVAL recommendations.

Expected Result 1.4: Participation of civil society organizations in the promotion and monitoring of the implementation of anticorruption initiatives, and conducting independent periodic and thematic surveys is increased

- Two key NGO fora organised during the reporting period provided tools to civil society organisations in Albania to conduct risk assessments to identify corruption vulnerabilities and to conduct effective independent monitoring of the implementation of anti-corruption policy. Two other fora promoted anti-corruption initiatives in the areas of environmental policy and prevention of terrorism financing.

Expected Result 1.5: Human capacities of the of the anti-corruption and law enforcement agencies and the judiciary enhanced to ensure that they efficiently meet their obligations under applicable laws and apply international best practices.

- During the reporting period PACA completed its largest package of training to increase the capacities of the institutions responsible for the investigation and prosecution of economic crime through an intensive program of training trainers from the police, prosecution and judiciary. In addition, assistance has been provided (through draft

memoranda of understanding) to improve information exchange between the High Inspectorate for the Declaration and Audit of Assets (HIDAA) and other key institutions, the implementation of which will be a necessary condition for HIDAA to meet its obligations effectively.

Expected Result 2.1: Risk analyses carried out and awareness raised with regard to opportunities of corruption in the education system

- The completion of two key risk assessment documents on the education system has provided the Ministry of Education and Science with extensive materials on which to base reform policies.

Expected Result 2.2: Mechanisms available to increase integrity and regulate conflicts of interest with regard to the administration of staff in the education system

- The completion of PACA's main risk assessment on the education system includes extensive analysis and recommendations concerning the administration of staff in the education system. These recommendations are a key contribution to improving the integrity of human resource management in the education system.

Expected Result 2.3: Development of anti-corruption education modules for primary and secondary schools

- An anti-corruption curriculum manual has been completed for piloting during the 2011-2012 school year. The manual provides Albanian teachers with tools to raise awareness of and resistance to corruption among pupils of primary and secondary schools.

5.2 Conclusions

To summarise, the project has completed activities that contribute directly and considerably to the achievement of all eight project expected results, and thereby to the two main project purposes, namely to: 'enhance the implementation of anti-corruption policies and strategies (Anti-corruption Strategy and Action Plan 2007-2013) in line with GRECO and MONEYVAL recommendations and European Partnership commitments' (Purpose 1); and 'contribute to the prevention of corruption in the education sector by improving transparency, accountability and social participation in the education system' (Purpose 2).

During the next reporting period – the final six months of the project – activities will focus primarily on the completion of assistance to resolve the issue of immunities in Albania, and on follow-up to the PACA risk assessments, including the assessments of the education system. PACA will continue with its key package of training trainers for law enforcement and the judiciary, and will also propose training to the Secretariat to the Inter-ministerial Working Group in order to enable the Secretariat to optimally perform its function of coordination and monitoring of the implementation of anti-corruption policy.

In the final reporting period, it should be noted that the level of achievement of project results will depend crucially on the actions of the authorities, and specifically willingness to do the following:

- Release the approved Anti-corruption Action Plan for 2011-2013 together with detailed reporting on implementation of the 2010 Action Plan.
- Complete the proper constitution of the anti-corruption policy coordination mechanism through more detailed guidelines and rules of engagement for the Technical Secretariat to the Inter-Ministerial Working Group.
- Commit to and adopt policies based on the recommendations of the PACA corruption risk assessments.

5.2 Risks

Following the municipal elections held in May 2011 and subsequent tensions (as noted in the 3rd Progress Report), PACA team retains its opinion that the resulting absence of political consensus represents a continuing high risk to the achievement of key project results. This concerns not only ongoing project activities, in particular resolving the issue of immunities in Albania, but also the impact of activities already completed. The most obvious example of the latter is the passage of amendments to the Criminal Code, where although the project benchmark was achieved in the form of the completion of a draft law, the passage of the law in Parliament is blocked due to the need for a three-fourths majority.

7. VISIBILITY

Project news, upcoming events, and outputs/deliveries (e.g. expert opinions on legislative and other draft regulations and policy advice papers) are reported on a section of the Council of Europe Economic Crime website (www.coe.int/economiccrime) and the section of which is exclusively dedicated to the PACA project (www.coe.int/paca). The website report on project activities and ongoing public events is frequently updated. Furthermore, as the Council of Europe's main partner/counterpart in the PACA Project, the Department of Internal Administrative Audit and Anti-Corruption has created the link to the project web address on its webpage.

To date, PACA has produced and disseminated four quarterly newsletters with relevant information on the project, its activities and other relevant news. Moreover, the project has continued to disseminate the following publications in Albanian, which were compiled and produced in 2010:

- a compilation of all GRECO evaluations and compliance reports ("Albania in GRECO");
- a compilation of relevant CoE and EU anti-corruption and anti-money laundering treaties and their protocols;
- a compilation of European Standards and Instruments in the fight against Economic Crime, Corruption and Money Laundering;
- a Guidebook on Corruption and Financial Crimes Investigation (jointly drafted and published in Albanian and in English with the US Department of Justice Office of Overseas Prosecutorial Development Assistance and Training).

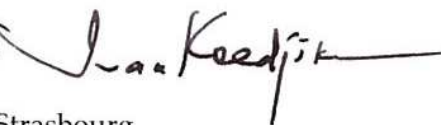
As part of PACA's assistance for an anti-corruption visibility strategy for Albania, the project designed, produced and disseminated three sets of approximately 15,000 copies each (45,000

in total) of three leaflets ('Zero Tolerance to Corruption' 'Say No to Corruption' and 'Public Officials at Citizens' Service') aimed at raising public awareness and interest in anti-corruption policies and mechanisms, with the objective of stimulating support for the government's anti-corruption efforts and increasing civic resistance to corruption. Preliminary work for the launching of the Council of Ministers website has been finalised, and the website is expected to be fully operational by the end of October 2011.

The project ensures the visibility of the EU's contribution at all stages of its activities. All reporting, printing materials and information used and disseminated acknowledge that actions as such have been carried out "with funding from the European Union", and display in an appropriate way the European Union logo.

Name of the contact person for the Action: Ivan Koedjikov

Signature:



Location: Strasbourg

Date report due: 1 October 2011

Date report sent: 4 November 2011

8 LIST OF ANNEXES

Annex 1: PACA Workplan

Annex 2: PACA Benchmark Status, September 2011

Annex 3: Attainment of Objectives and Implementation of Measures of the Anti-corruption Strategy according to the Action Plan 2010, January-December 2010

Annex 4: Risk Assessment: Corruption in the Health Sector in Albania

Annex 5: Corruption Risk Assessment: Provision of Social Housing in Albania

Annex 6: Corruption Risk Assessment of the Albanian Competition Authority

Annex 7: Opinion on the Draft Regulation on the Functioning of the Inter-Ministerial Working Group for Preparation, Drafting and Follow-Up of Implementation of the Anti-Corruption Strategy

Annex 8: Opinion on the Regulation on the Functioning of the Inter-Ministerial Working Group for Preparation, Drafting and Follow-Up of Implementation of the Anti-Corruption Strategy

Annex 9: Addendum to the Albanian Law Drafting Manual: Avoiding Corruption Risks in Draft Legislation

Annex 10: Guideline on the Role and Responsibilities of Private Accountants and Auditors in the Detection of Money Laundering and Terrorism Financing (in Albanian)

Annex 11: Guideline on the Role of NGOs in the Prevention of Terrorism Financing (in Albanian)

Annex 12: Training Manual for Law Enforcement Agencies, Prosecutors and Judges

Annex 13: Guideline on the Role and Responsibilities of Private Accountants and Auditors in the Detection of Corruption (in Albanian)

Annex 14: Risk Analysis of the Albanian Education System (incorporating Analysis of the System for the Recruitment, Appointment and Promotion of Education Teaching Staff in the Compulsory Education System)

Annex 15: Assessment of the Licensing, Regulation and Inspection of Private Educational Institutions in Albania