

Sida Albania Anti-Corruption Study

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Rambøll Management
Norregade 7A
DK-1165 Copenhagen K
Denmark

Phone: +45 3397 8200
www.ramboll-management.com

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1. Executive summary

Corruption is a **widespread phenomenon** in Albania, and is quite common in almost all parts of the public sector. Albania is perceived to be possibly the most corrupt country in the region, though its standing in global surveys such as Transparency International's Corruption Perception Survey has slightly improved in recent years. Most Albanians have extensive experience with corruption and businesses report corruption as one of their five most urgent problems. The public institutions that are perceived to be most corrupt are the customs and tax administrations, the health sector, as well as key anti-corruption institutions such as the judiciary and prosecutors, signalling a low level of trust.

A very large percentage of Albanians has experience with corruption in the **health sector**. Typically, patients pay the doctor before operations or other major treatments to ensure enhanced treatment, or any treatment at all. Patients' fear of non-treatment in case they cannot or will not bribe. There are also cases of embezzlement of public funds and corruption in procurement of medicine and equipment. In the health sector, a necessary first step to eradicate informal payments to doctors would be to improve salary systems or allow for alternative means of income, such as private work using hospital facilities, or even formalising patient payments systems.

The Albanian **judiciary** is considered a very corrupt institution, and over half of judges report that lawyers approach them with offers of bribes. Apart from outright bribery, outside interference in the judges' decision is a major problem in Albania. Judges generally feel unsafe and vulnerable to pressure from politicians and organised criminal groups. Priority should be given to ensure judges' safety, and to strengthen their professional associations. Moreover, increasing transparency in court decisions and strengthening the system of internal control would be steps in the right direction.

In the **public administration**, customs and tax officials are considered the two most corrupt groups of public officials. The very large informal sector in Albania means that there are both good opportunities for corrupt gains and pressure on the officials to accept bribes. Most corruption cases in Albania, however, involve public procurement, where bidders will conspire or propose bribes for favourable evaluations. Reforms of the salary system are needed in the public administration, as is enhancement of existing complaint mechanisms. With regard to procurement, capacity in procuring entities as well as the need for a stronger audit system are key issues to be addressed.

The Albanian government has recently published a draft new **anti-corruption strategy**, which includes a number of initiatives that could have a strong positive impact if it is able to translate this into concrete action. Amongst other positive developments should be noted the fact that the new joint police-prosecutor unit for corruption cases has been very successful in arresting high-ranking officials in a number of clear-cut corruption cases. Other dedicated anti-corruption institutions so far look promising as well. Recent initiatives to ease the procedures for setting up businesses and raise transparency in public tenders are major steps forward.

For **Sida**, anti-corruption in Albania offers a window of opportunity, but also considerable risks. Public demand for change is very high, and the government has pledged quick action in the fight against corruption. Meanwhile, the entire topic is extremely politicised and many key institutions quite recently established. Both dedicated anti-corruption projects and the incorporation of anti-corruption into various sector programmes is feasible.

2. Introduction

The report is structured as follows:

- In **chapter 1**, we provide an executive summary
- In this **chapter 2**, we describe our methodology and approach to the assignment, as well as the work plan and purpose of the report
- **Chapter 3** focuses on corruption in Albania, including the overall level of corruption and analyses of corruption within the sectors specifically chosen for this study: the health sector, the judiciary and the public administration
- In **chapter 4**, we analyse the national strategies to fight corruption, key pieces of legislation and the institutions involved in the fight against corruption as well as civil society organisations
- **Chapter 5** provides an overview of donor activities in the field of anti-corruption in Albania
- In **chapter 6**, we provide recommendations for the anti-corruption strategy in Albania and specific recommendations for Sida.
- **Annex 1** includes an overview of the persons interviewed in Albania
- **Annex 2** is a detailed analysis of available survey data
- **Annex 3** includes a selected list of literature consulted

2.1 Methodology and approach

This section provides an overview of definitions, our methodological approach, the principles of our work, analytical methodology, and work plan.

2.1.1 Definitions

<i>Definitions of key corruption concepts:</i>	
Corruption	We use the definition of the word used by the World Bank, Transparency International etc: "Abuse of entrusted power for private benefit"
Bribery	Compensating a public official to break rules
Facilitation payment	Payment to secure or expedite a routine action
Extortion	Public officials extracting money, goods or favours by coercion, violence or threats
Embezzlement	Theft of public resources by public officials
Petty corruption	Small-scale bribery, typically to low-level public officials
Grand corruption	Large-scale bribery, often involving policy or major administrative decision-making
Systemic corruption	Society in which corruption has become pervasive throughout most parts of the public sector

2.1.2 *Literature and references*

Footnotes are used throughout the text in cases where it has been deemed necessary to document claims, either by referring to reports and documents or interviews with respondents in Albania. However, the report is based on a much broader range of documentation and interviews, of which some are included in the list of literature in Annex 3.

2.1.3 *Principles*

Our approach to the study is guided by three basic principles:

Priority to the corruption analysis

Many corruption assessments focus more on the institutional framework for fighting corruption than on corruption itself. Instead, our priority of the corruption assessment is analysis of corruption. The institutional framework for fighting corruption is obviously of great importance, but a prerequisite for assessing this is that one has a solid understanding of the nature and dynamics of corruption.

Focus on the nature and dynamics of corruption

Our approach to analysing corruption focuses on assessing the nature and dynamics of corruption, rather than merely how prevalent it is (i.e. the level of corruption). Corruption exists almost everywhere, in every country and every sector, and it varies extensively within a given country. Therefore, it often makes little sense to ask "how much" corruption there is. Rather, one should ask "what kind" of corruption it is. Specifically, this includes examining questions such as:

- Who is involved in corruption?
- Where does it exist?
- What forms and types does it manifest itself in?
- How are corrupt deals made?

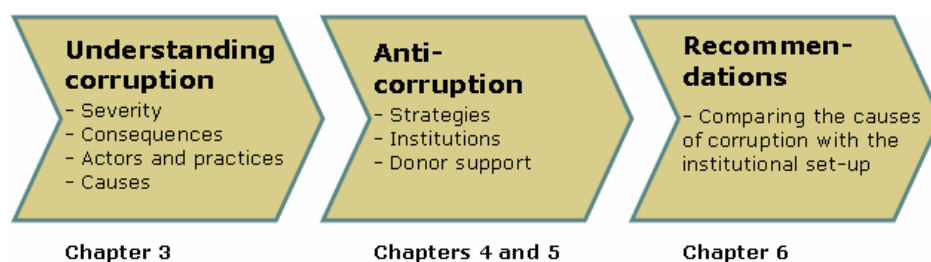
The information needed to answer these questions is, alas, usually very difficult to obtain. Therefore, some analyses will have to rely on standardised models of corrupt behaviour and dynamics, which can then be applied to the Albanian reality. Basically, this is a means to guide questions for key interviews and a way to structure the analysis of corrupt behaviour within specific sectors.

Analysis based on review of causes

Once the fundamentals of corrupt behaviour in a given context have been established, we can then focus on defining the causes of this. This means locating the weak points of the institutional, organisational and societal set-up, which allows corruption to exist, as specific and realistic as possible. Based on this, we define brief recommendations (objective statements), i.e. outline the changes needed to address the root causes of corruption given the current institutional set-up and national strategies.

2.1.4 Analytical methodology

Our approach can be illustrated as a three-step analytical framework:



Firstly, in chapter 3 we analyse the **nature and dynamics of corruption** in Albania, trying to answer who, where, what, how etc. We initiate this analysis by reviewing the overall level of corruption in Albania. Since most studies of corruption in Albania are from the late 1990s onwards, we have found it imperative to describe the historical background, including the rise of corruption during the Communist period and the early years of post-communist Albania. The main focus of the analysis, however, is on the three sectoral analysis of corruption in the health sector, the judiciary and the public administration. Our analysis focuses on four characteristics of corruption in that particular sector, namely:

- Overall level and severity
- Consequences that corruption in this sector has
- Actors involved and the practices encountered
- Main causes of corruption

Throughout the analysis, we have provided examples of corruption cases taken from our interviews or from the open media.

Thirdly, in chapters 4 and 5 we compare the causes of corruption with the **strategies and institutional set-up** to fight corruption. We start this analysis by providing an overview of the national strategies adopted, relevant national legislation and international conventions ratified. Following this, we assess the adequacy, strengths and weaknesses of the key institutions involved in the fight against corruption, including the civil society. Finally, we provide an overview of donor support to Albania in the field of anti-corruption. The analytical methodologies for each of the three steps are described in greater detail in each of the chapters 3.3, 4 and 6.

Finally, in chapter 6 we formulate **recommendations** for the enhancing the fight against corruption in Albania. This is formulated by comparing the causes of corruption identified with the institutional set-up and strategies. As such, the recommendations represent an indication of the change of the situation needed to effectively combat corruption. These recommendations for Sida can be used for programme identification at a later stage.

2.2 Work Plan

The analysis was carried out in October, November and December 2007 by Mr. Jeppe Kromann Haarsted from Ramboll Management, Denmark, and Mr. Artan Hoxha, independent consultant, Albania, with great assistance from Ms. Lisa Mossberg from Sida as well as Mr. Ralph Monö from the Swedish embassy Rome (office in Tirana) and colleagues.

The first stage, in October 2007, involved a preliminary desk study based on openly available sources and information provided by Sida and the Swedish

embassy in Tirana. On 31 October 2007, a meeting was held with Sida in Stockholm discussing the methodology of the study, planned meetings and interviews in Albania, and preliminary conclusions.

The second stage, in early November 2007, included a fact-finding and research mission to Albania to interview key stakeholders from government agencies, international donor institutions, civil society representatives and others. The consultants had a pre-briefing meeting as well as a debriefing at the Swedish embassy in Tirana.

The third stage, in mid/late November and early December 2007, focused on the drafting of the study report, including a presentation and discussion session in Stockholm planned for mid December.

2.3 Purpose of the report

According to the ToR to the assignment, the purpose of the report is to:

“(...) produce a corruption analysis which will serve as an input into the new Swedish co-operation strategy for Albania. The study is to be perceived as an instrument in identifying areas that require our attention, but also as an input into overall dialogue with the Albanian government on this important but sensitive issue”

Thus, while Sida has allowed the consultants considerable freedom in designing the methodology and analytical framework of the report, the outcome should be a clearly structured analysis that will provide Sida with enhanced understanding of the need for Swedish assistance in the field of anti-corruption and enable it to strengthen its dialogues with the Albanian government.

3. Corruption in Albania

In this chapter, we outline the nature and dynamics of corruption in Albania. Firstly, we briefly describe the historical background that allowed corruption to flourish. In section 3.2, we then review the available survey data sources and combine these to a common conclusion about the overall level of corruption in Albania. A much more detailed analysis is included in Annex 2. Following from this, we turn to the detailed analysis of the three sectors covered by this analysis: the health sector, the judiciary and the public administration.

3.1 Historical background

Though corruption in Albania did not become a prominent political issue until the 1990s, it is by no means a new phenomenon. Corruption has been a **common fact of life** for citizens and rules alike throughout the history independent Albania and during Ottoman occupation. An indication of the ancient origins of corruption in Albania is the fact that the most common words currently used to describe corruption in Albanian – “bakshish”; “rryshfet”; “qelepirt” – all have a Turkish origin.

Corruption was a prominent feature of **Communist Albania**, primarily in the form of exchange of favours, typically non-pecuniary, but occasionally also pecuniary. For example, at the hospital, many patients would give tips to the doctors, though in sharp contrast to the situation today, this was almost solely provided in kind. Farmers would give a chicken, eggs or raki (Albanian liquor), while city folks would offer a fancy dinner or even small sums of money. In principle, almost all services were paid for or provided for by the public in Communist Albania. Any acceptance of tips was in principle considered a form of corruption, because it was considered a capitalist pathology, but in practice it was tolerated. Tipping was almost as widespread as in Western societies, and it was normal practice to tip the barber, shoe repairer, waiters, tailor etc.

We have no firm data to confirm this development, but it is the impression of the authors that during the latter part of the **1980s**, corruption became a much more widespread phenomenon in Albania. In particular, bribery emerged in the central employment distribution and appointment systems², in customs and at certain institutes at universities. By the late 1980s, pragmatism had become the new primary societal value, and public property and traditional moral values were closely associated with the hollow slogans of Communism. Thus, looting and pillage of public property became widespread. At the same time, an informal private sector emerged and rapidly grew to become one of the largest in Europe³. The state was largely incapable of fighting this phenomenon in any meaningful way.

After the fall of Communism in the first half of the **1990s**, corruption in the sense of bribery and facilitation payments increased severely in the entire public sector. Albanians embraced the new ideals of democracy and the free market, but generally interpreted this as complete and unrestricted freedom. In this way, citizens would try to get a piece of the public property left over by the state by any means possible, including corruption. At the same time, the newly democratic state structures quickly started to adopt laws and strategies for fighting corruption. Initially, this was almost solely based on

¹ This characterizes a person that benefits from others without any contribution on his side, e.g. someone that never pays in a restaurant but enjoys only when others pay for him

² These offices were called “Zyrat e kuadrit”

³ “The Informal Economy in Albania: Analysis and Policy Recommendations”, OECD December 2004

punitive methods rather than prevention and educational methods. No detailed sociological studies are available for this period, but it is the consultants' impression that during this period, corruption was largely considered as necessary "oil to reduce the friction of bureaucracy", a term that was also commonly heard amongst foreign investors coming to Albania during that period. Corruption was largely present in the process of privatisation, in the customs service and tax administration, within the judiciary. In the political sphere, anti-corruption was gradually becoming a political instrument to pressure opponents, and sometimes it was unclear whether the allegations were true.

The collapse of the so-called **pyramid schemes** and the following turmoil in 1997-98 created a severe crisis for the Albanian state as well as a huge moral shock for the public⁴. It is not an exaggeration to classify the period 1997 to 2002 as the "period of a weak state". At the same time, frustration and desperation emerged in the population, since up to half the population had lost all their life savings at the expense of a few lucky ones. The moral of the state apparatus deteriorated and in addition to petty corruption, cases of grand corruption began appearing too. Powerful politicians at the time were seen as strong businessmen simply exploiting their position to make money while they had the chance. Some of the ministers and high-level public officials who had been running small business activities before 1997 started to expand their businesses extensively after 1997. Other preferred to accumulate wealth and/or to provide preferential treatment to distinguished businesses in exchange of material or political support. Many of the businesses founded by politicians at the time also started media activities (TVs, news papers etc). At the same time, strong businessmen linked with the government started to enter politics. By the end of 2004, an established group of oligarch had started to take shape, closely associated by the public with the socialist party. Furthermore, an internal conflict emerged inside the socialist party. In particular, disagreements between key leaders of the socialist party were largely perceived as reflections of parallel oligarch conflicts.

At the same time, Albanian **civil society** started to mature and react, mobilising against the growing oligarchy phenomenon. This included NGOs working on an anti-corruption platform, such as the Albanian Coalition Against Corruption (ACAC), Citizen Advocacy Office (CAO) and Mjaft! (*Enough!*). Meanwhile, some media outlets also started to address corruption, putting forward severe criticism of political and business leaders. In some cases, successful investigative journalism helped raise public awareness of the issue, such as the tv programme "Fiks Fare". At this time, the public was fed up with corruption, and the new government led by the former President Mr. Sali Berisha won the parliamentary elections in July 2005 by campaigning on an anti-corruption platform. Thus, the current government is facing the very high public expectations for the reduction of corruption.

⁴ The Pyramid crisis in March 1997 was caused by the collapse of the pyramid schemes which arose during 1995 and flourished during 1996. The basic idea of the pyramid schemes was to collect deposits from individuals and paying back high interests rates (10-30%) per month. This system could sustain itself as long as new the growth of new deposits outweighed the payments of interest. By November 1996, however, no new deposits were being filed, since almost all Albanians had deposited their savings. Thus unable to pay interests, the firms behind the pyramid schemes started to collapse one by one, causing troubleshoots and public protest, often targeted at the government. No credible evidence was ever presented proving that the government and high level officials were directly implicated in the schemes, but it is clear that it had tolerated them. In March 1997, the government resigned and new elections called.

⁷ See e.g. Harald W. Mathisen: "Donor roles in face of endemic corruption – Albania in the policy debate", 2003 and Irrera, Daniela: "The Balkanisation of Politics: Crime and Corruption in Albania", European University Institute (EUI) Working Papers RSCAS No. 2006/18

In the view of many of the interviewees, Albanians have changed their **attitude to corruption** over the years. In the early 1990s, the average Albanian was likely to consider corruption a tool for his or her own benefit, or even for the country. Today, most people think of corruption as a cost or barrier to prosperity. If true, this change of attitude represents a crucial positive factor in the fight against corruption. No government initiative to fight corruption is likely to be successful unless action is demanded by the public.

At the same time, the **current government** has a double challenge. On the one hand, it must fight corruption to satisfy public expectations. On the other hand, for historical reasons it is extremely cautious not to be perceived as authoritarian. This discussion is also reflected in public debate and civil society, where some argue that the government has made substantial progress, while other think that authoritarianism has increased dangerously.

3.2 Level of corruption in Albania

It was not until after the crisis of Albanian society and politics in 1997 that the first comprehensive studies of the level and typology of corruption were initiated. Below, we have included an overview of the main general corruption surveys available for Albania. In addition to this, a few surveys targeting specific sectors, such as the health sector, are available.

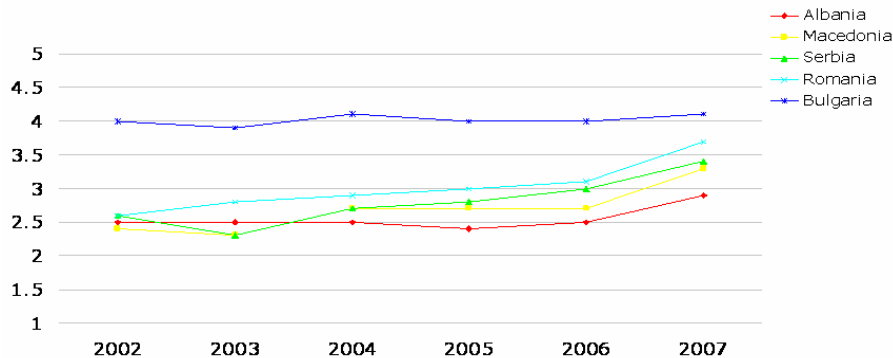
<i>Overview of corruption surveys in Albania</i>	
World Bank	First survey on corruption in Albania in 1998
Business Environment and Enterprise Performance Survey (BEEPS)	World Bank survey focusing on the cost of corruption for businesses. Surveys conducted in 2002 and 2005
Doing Business	Worldwide World Bank Survey covering also Albania. Latest edition 2008
Corruption Perception Index	Transparency International's (TI) worldwide index for perceived corruption levels. Latest 2007
Global Corruption Barometer	Transparency International's worldwide in-depth survey on corruption. Latest 2006
National survey on Perception of Corruption (IDRA survey)	USAID-funded survey of corruption in Albania. Conducted 2004, 2005 and 2006 by the local NGO IDRA (in 2004 by MSI International)
Early Warning Reports	USAID reports from 2004 and 2005 covering, amongst other things, corruption

Based on these sources, it is unquestionable that corruption is a widespread phenomenon in almost all parts of the public sector in Albania; whether surveyed as the perceived level or as peoples' personal experience it remains very high. This general trend is further qualified below (please refer to Annex 2 for a much more detailed analysis).

Overall, the available corruption surveys provide **quite good information** for further analysis. In particular, the IDRA surveys provide useful yearly updates and this survey will continue to be conducted for three years.

In all surveys, Albania is characterised by **very high perceived levels of corruption**. As illustrated by the comparison of Transparency International's Corruption Perception Index below (0 is most corrupt; 10 no corruption), Albania is considered more corrupt than neighbouring countries. Though this and other surveys report a slight improvement of the situation, the perceived level seems to have stagnated at a quite high level.

Corruption Perception Index

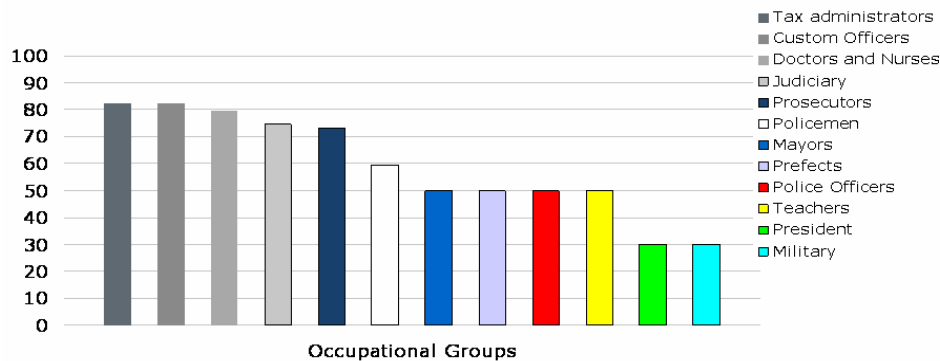


Rambøll Management:

Source: Transparency International's Corruption Perception Index, 2002-2007

As illustrated below, there are major differences in the perceived level of corruption of various groups of public officials. The institutions considered most corrupt include the customs and tax administration, the health sector, the judiciary and prosecutors.

Corruption Perception on 0-100 scale



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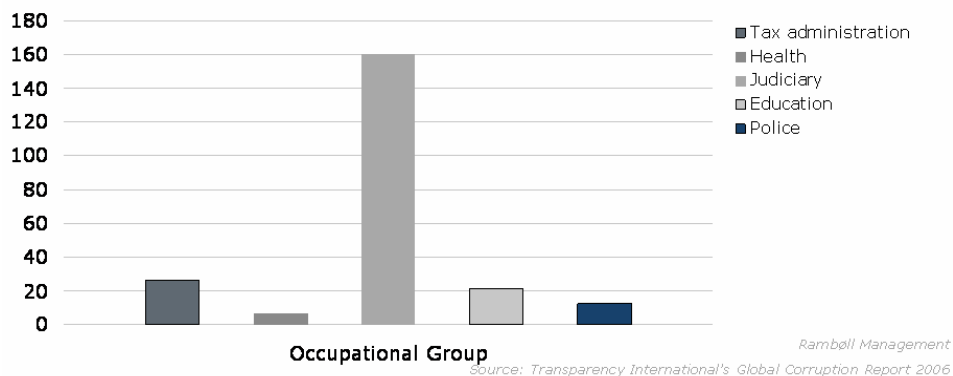
Source: USAID/IDRA survey 2006

Furthermore, most Albanians have **extensive personal experience with corruption**. When asked questions such as "have you been asked for or paid a bribe during the last 12 months?", responses are invariably high, within the range of 50% (IDRA 2006 survey) to 66% (Global Corruption Report 2006). Most people have experience of bribe-paying from the health sector (40% of incidences in the IDRA 2006 survey), followed by the civil registry, the immovable property register, and the road police. Overall, the frequency of bribe-paying is higher in those parts of the public sector that the public uses and has direct contact with. Other parts of the public sector usually linked with narrower groups of society (such as the judiciary or pub-

lic procurement institutions) could well be reported as less corrupt simply because the average citizen has less direct experience with them.

Furthermore, **corruption is a serious problem for businesses**. In the BEEPS survey 2005, approximately 70% of business respondents ticked corruption off as a problem, indicating that corruption is among the top five problems of businesses in Albania – a considerably higher score than in neighbouring countries. Businesses report that they primarily pay bribes to the tax administration and customs service, when obtaining government contracts and licenses, and to the courts. Finally, as illustrated by the Global Corruption Barometer 2006, the size of bribes paid varies greatly as well:

Average size of bribe (USD)



Under all circumstances, **some signs of improvement can be observed**. In the last two years, Albania's perceived level of corruption has improved somewhat. For example, the score for Albania on the Corruption Perception Index improved from 2.4 to 2.9 from 2005 to 2007. Moreover, the reported experience of corruption in some sectors is falling. Most notably, in the IDRA 2006 survey, people report considerably less experience with bribes paid to the police and the general category of "public officials". However, at the same time the perceived level of corruption has hardly changed at all.

All available surveys conclude that **corruption has undermined trust in public officials and institutions**. In particular, key anti-corruption institutions are seen as very untrustworthy, and there is very little confidence among the public that they will be successful in the fight against corruption.

Finally, the IDRA survey illustrates that there is **widespread confusion of the definition of corruption** in Albania. When asked to define a range of different situations as corrupt or not, a majority of Albanians labelled it as "corruption that should be punished" when a flower shop owner increases the prices during a national holiday. In Albanian, the distinction between the word for "bribe" (*rryshfet*) and the word for "tip" (*bakshish*) is quite unclear. While the two words involve very different moral connotations (*rryshfet* is negative, *bakshish* can be positive), they are often used synonymously. *Rryshfet* denotes an informal payment made to encourage an official to break the rules, while *bakshish* normally is reserved for a gratitude or token gift. However, since traditional Albanian gift-giving customs have changed, *bakshish* is now often a monetary gift, which has arguably introduced some of the confusion between the two words.

3.3 Anatomy of corruption in Albania

In this section, we firstly provide a brief overview of the characteristics of corruption in Albania. Following this, we describe in detail the characteristics of corruption within the sectors in focus in this report: the health sector, the judiciary and the public administration.

3.3.1 Overview

While the array of perception surveys on corruption in Albania provide a relatively coherent picture of the situation, opinions vary greatly in the academic literature. On one hand, some articles paint an extremely disturbing picture of a political system and a state administration almost completely engulfed in corrupt practice and infiltrated by organised criminal groups⁷. On the other hand, a number of studies describing the situation in specific sectors underline that very substantial positive developments have been achieved in for example the civil service system, the public procurement system, politicians' conflict of interest etc⁸. In a way, both views are correct. Thus, while corruption is certainly still a considerable issue and a widespread phenomenon in Albania, quite substantial improvements have been achieved in particular sectors. However, it is also clear that some sectors, such as the health sector and the judiciary remain characterised by a high degree of corrupt practices that have become systemic and which have not been dealt with to any substantial degree.

There is very little information about the **gender aspect of corruption** in Albania. However, male dominance of politics and society continues to be the norm in Albania and this situation may be exaggerated by widespread corruption. Corruption often excludes women from power and wealth, because they have less access to informal networks and favouritism, and presumably this is also the situation in Albania. Thus, the widespread corruption in Albania risks intensifying gender discrimination as well. At the same time, there is no evidence that women in general are less corruptible than men. In other words, it is unlikely that women will act as political cleaners⁹.

⁸ See e.g. "Judicial Reform Index for Albania", 2006, "Political Economy of Civil Service Reform in Albania", Reid 2005, "Evaluation Report on Albania. Second Evaluation Round", GRECO 2005 and "EU Progress Report on Albania 2007"

⁹ Goetz, Anne-Marie: "Political Cleaners: How Women are the New Anti-Corruption Force. Does the Evidence Wash?", Development and Change, Volume 38, Number 1, January 2007, pp. 87-105(19)

The following three sectoral analyses are based on the common analytical framework outlined below.

<i>The five analytical characteristics used in the analysis are:</i>	
Severity	Overall estimate of the level and severity of corruption, including considerations regarding available data and sources
Consequences	Consequences of the corrupt practices
Actors and practices	Persons and institutions involved in corrupt practices, and information about how corrupt deals are made
Causes	Immediate and underlying causes of the corrupt practices
Examples	Detailed cases of corruption taken from open media or from the study interviews, inserted as text boxes as illustrations of the study conclusions

3.3.2 Health sector

The health sector is unusual in Albania because it has remained largely unreformed since the socialist era. While almost all formerly state-owned enterprises in Albania have been privatised and an almost entirely new civil service system established, the health sector has barely been touched. Basically, government after government in Albania has refrained from reforming the health sector radically, and changes so far have been limited in scope and success. The result of this is basically a largely tax-funded free health care system that is severely underfunded. The funding gap that this creates has resulted in a situation in which doctors, hospitals and health sector administrators are in many cases in need of additional income to make a standard living. Since demand for informal payments for patients is a relatively easy way of generating additional income, this situation can create a suitable ground for corruption. Once informal payments have become a systemic occurrence, it will be seen as normal behaviour and things may not automatically improve even if salaries are substantially increased.

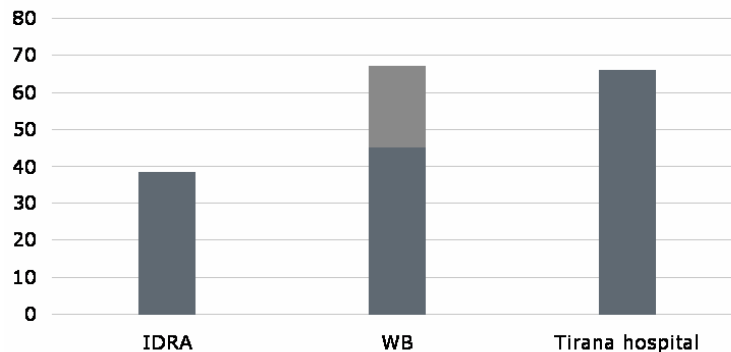
- **Severity**

With regard to the health sector, we have quite good survey evidence and studies outlining the situation. Apart from the general corruption surveys, a major survey of informal payments in the health sector was done in 2004 by a team of researchers from Boston University and Bridgewater State College, USA¹⁰. A simple patient survey from a major Tirana hospital provides valuable insight into the issue as well.

Survey data from Albania reports rather universally that corruption is very common in the health sector. Thus, according to the IDRA 2006 survey, 38.6% of respondent report having paid a informal payment to a doctor or nurse in the last 12 months, while other studies report that an even higher rate (45-67%) of respondents have ever done so. In a recent survey of a Tirana hospital, 66% of respondents reported that they had "paid under-hand".

¹⁰ Vian, Taryn & Lydia J. Burak: "Beliefs about informal payments in Albania", 2006

% of respondents report informal payment in the last 12 months



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Source: USAID/IDRA survey 2006, World Bank, University Obstetrics and Gynecological Hospital, Tirana

Even more worryingly, patients seem to perceive that the informal payments have a huge impact on the treatment they receive, to the extent that it is considered a bare necessity to be treated at all. Thus, the Boston University study indicated that on average, around 60-70% of respondents believed that informal payments would improve the quality of the health care they received or give them quicker treatment. Furthermore, no less than 81% of all respondents in this study believed that informal payments were necessary to get any attention at all. Similarly, in the Tirana hospital survey, 63% of respondents report that the informal payments affect the treatment.

With regard to corruption in the procurement of drugs, infrastructure and equipment for hospitals, available data and information is much scarcer. Interviewees and anecdotal evidence, however, indicate that this is also a serious problem in Albania. One possible indicator of the problem is that several interviewees reported that the prices of drugs are generally higher in Albania than in comparable countries in the region. Though there is no solid data to support this claim, it is clear that because the prices of essential drugs are not indexed to inflation, pharmacists informally pass on the extra cost for essential drugs to the buyers¹¹. This could very well be an indicator that kickbacks and collusion schemes amongst pharmaceutical companies push prices upwards, though other factors can also influence the price level of these drugs (e.g. inefficient management and procurement capacity in the relevant public agencies).

- **Actors and practices**

In the Albanian health sector, there seems to be three main manifestations of corruption: i) informal payments to doctors and nurses; ii) doctors' and nurses' misuse of power and iii) corruption in the procurement of drugs and equipment.

Informal payments to doctors and nurses are arguably the single type of corruption that most Albanians are familiar with and have engaged in. As indicated above, some 81% of Albanians believe that informal payments are necessary to get any attention at all, and that paying will generally improve the treatment a patient gets¹². According to a KPMG report on Albanian health care from 2001, at least some 29% of total health care expenditures in Albania were out-of-pocket household expenditures, of which 23.3% were

¹¹ Health Care systems in Transition: Albania (2002), pp. 63

¹² Vian and Burak (2006) p. 397 and GCR 2006, p. 64

service provider fees, including under-the-table-payments¹³. This figure is in stark contrast with the fact that Albania has a health care system that is formally largely free.

However, there seems to be considerable difference between hospitals/polyclinics and primary healthcare centres (PHCs). In hospitals, patients must generally pay informally to get any treatment at all. Generally, it is standard practice to agree with the doctor of a price for the treatment as soon as the patient is hospitalized. While the informal payment is usually provided after the treatment (e.g. an operation), patients consider it vital that they agree on a price beforehand. There is even a standard phrase for this specific situation – “can I buy you a cup of coffee, doctor?” – which is presumably used to loosen up a situation that must be very intimidating for the patient. For example, 60% of patients report that they felt informal payments in the hospitals was a humiliating experience, while 81% felt uncomfortable with it¹⁴. News stories and word of mouth in Albania report numerous horror stories of poor patients being admitted to hospital but largely ignored by the medical staff because of their inability to pay informally. According to the interviewees, however, informal payments at PHCs are comparable to tipping rather than outright bribing. For example, prices are rarely agreed before visiting the doctor in PHCs. Instead, most patients leave a small sum of money at the doctor’s desk after consultation. At PHC level, then, it makes sense to characterise informal payments as gratitude gifts, rather than payments considered necessary for any treatment at all. Under all circumstances, there are clear indications that Albanian citizens strongly prefer hospitals and will travel far to get treatment at a hospital, even for minor injuries, because the quality of service at PHCs is considered very low¹⁵.

No one wants to use primary health centres

The Albanian Deputy Health Minister Sinojmeri recently commented on an survey conducted by the ministry: “Fifty per cent of people circumvent the primary health centres and seek services in the polyclinics, hospitals, or private clinics in Tirana by paying underhand, losing their working days by travelling to the capital, or spending [money] in private clinics”.

Source: Korrieri Newspaper, Tirana

Anecdotal evidence suggests that in most cases, the doctors accepts the informal payments themselves, but in some cases nurses get smaller-scale informal payments as well, primarily in order to attract their attention whilst hospitalised. On the giver side, both the patient and, to a largely extent his or her relatives are engaged. The prices vary considerably from hospital to hospital, from doctor to doctor, and from patient to patient. Thus, when agreeing on a price before treatment, the patient and the doctor seems to take into consideration the prestige of the hospital and the doctor, as well as the financial means of the patient. For example, one interviewee noted that in the process of negotiating a price, doctors would usually ask the patient to “pay what you can afford”.

There are also cases of **medical staff misusing their position** in other ways. For example, two interviewees noted that one of the reasons for the extraordinarily high number of conic sections in Albania was the fact that the informal price for this relatively complex operation was much higher than for a natural delivery. This indicates that some doctors are suggesting overly complex operations in order to attract higher informal payments from the

¹³ Health Care systems in Transition: Albania (2002), pp. 31-33

¹⁴ Vian and Burak (2006), pp. 396-98

¹⁵ Health Care systems in Transition: Albania (2002), pp. 41-42

patients. In other words, some doctors are exploiting the fact that power relations are naturally in the doctor's favour and that there is a high degree of information asymmetry between them and their patients. Similarly, many specialists are trying to attract patients directly, circumventing general practitioners as the first contact point for patients, for the simple reason that this provides the specialists with improved opportunities to attract large informal payments¹⁶. Finally, some doctors, in particular specialists, use hospital facilities for private purposes outside formal working hours, treating patients willing and able to pay directly. While this is potentially a useful alternative means for doctors to supplement their insufficient formal income, it carries the risk that they simply spent less time on the formal job and the non-private patients¹⁷. Furthermore, cynical doctors could use their formal employment at primary health centres, polyclinics and hospitals as "catchment areas" for getting patients to their private health care services, even suggesting unnecessarily complex treatment.

Health care corruption case

General Manager of Insurance Institute of Health Care, Elvana Hana, is under investigation for exploitation for her governmental post and exploitation of medical funds. Her file was transferred from the Tirana's District Attorney's office to the General Prosecutor's office. Everything started after a daily paper published an article, which accused Hana of taking money from the funds set up for medicine purchase.

Finally, there are good opportunities for corruption in the process of **procurement of drugs and equipment** in Albania. This includes bribing of the evaluation committee / tender board in cases of pharmaceutical contracts or by undue influence on the drafting of the call for proposals in a certain bidder's favour. Another corrupt practice is the use of bribes to politicians or public officials to get a drug approved or, in particular, get in on the national list of essential drugs, which are eligible for substantial subsidies, thereby boosting sales. For example, in 2003, a Ministry of Health official claimed that companies had offered him bribes in order to get access to the list of members to the National Committee for Drug Nomenclature and Reimbursement. The companies presumably wanted the list of members in order to influence individual members to take decisions favourable to the companies themselves¹⁸. Little hard evidence is available of corruption in the procurement process, but several interviewees suggested that this is still widespread, even if the situation has improved after public pharmaceutical procurement was centralised with the Ministry of Health's central procurement unit in 2003. Since then, the Ministry has indeed filed a small number of pharmaceutical procurement fraud cases with the prosecutor's office, but so far none of these have resulted in convictions¹⁹. Finally, there is anecdotal evidence that corrupt influence of politicians' decisions in the health sector, e.g. on drug subsidies and funding of various hospitals etc. exists in Albania as well. However, it has not been possible to determine how prevalent this is, and so far the only publicly known relevant case is the investigation of Ms. Elvana Hana described in the box above.

¹⁶ Ibid.

¹⁷ Interview with Mr. Hasim Kosova

¹⁸ Global Corruption Report 2006, p. 51

¹⁹ Interview with Mr. Petraq Mersini

- **Consequences**

The consequences of corruption in the health sector are serious and very damaging for the sector as a whole. With regard to patients' informal payments to doctors and nurses, this seriously **undermines the public's trust** in doctors, which is already very low²⁰. One indication of this low level of trust is the fact that during the widespread civil unrest in Albania in 1997-98, looting of drugs and hospital equipment was widespread, and a number of rural medical facilities were destroyed by angry citizens²¹. Furthermore, since poverty and extremely poverty is still common in Albania, a substantial proportion of the population simply cannot afford to pay the informal fees necessary to get proper treatment, or to get treatment at all. Therefore, it is likely that the prevalence of informal payments in Albania has a direct **negative effect on the general health** of the population, in particular the poor.

Corruption in the procurement of drugs and equipment has a direct **negative effect on the quality of patient care**. Procurement fraud and embezzlement means that less funding is available for salaries, hospital maintenance, subsidies of drugs etc. This means lower-quality health care service, in particular for the poor. There is clear statistical evidence that corruption in the health sector has a negative effect on key health indicators such as infant and child mortality²². Corruption in pharmaceutical procurement furthermore carries the risk that substandard or even harmful drugs enter the market.

- **Causes**

There is little doubt that the Albanian health sector is in a sorry state when it comes to the prevalence of corruption. While the phenomenon has seemingly always existed in some form, the situation appears to have deteriorated considerably during the early 1990s, when the state financial crisis meant that a number of hospitals were unable to pay doctors' salaries for several months. Since then, several attempts have been made to reform the health sector, but in reality the changes have been relatively modest, focusing mainly on decentralisation of health care provision, management and financing. How has it come to this? Below, we describe what we consider are the main causes for this.

Firstly, partly because of the Communist legacy, doctors have **low salaries and relatively low status**. In Communist Albania, medicine was a high status profession and doctors received quite good wages. However, this situation deteriorated substantially in the early 1990s, when the state financial crisis meant that a number of hospitals were unable to pay doctors' salaries for several months. This situation continues to this day, where a hospital doctor is paid around 300 EUR a month, which is insufficient for normal living expenses in Albania²³. Without adequate pay, doctors are currently pushed to seek some sort of alternative income. The easiest way to do this is to extract informal payments from the patients, who generally fear for low quality or non-treatment in case they refuse to pay. Taking private patients outside normal working hours seems to be an increasingly popular way for doctors to generate additional income, but there is no indication that patients' informal payments at hospitals are decreasing for that reason. Another indication of the importance that informal payments play for doctors is the fact that the Ministry of Health finds it very difficult to attract doctors to remote rural areas despite the financial incentives offered for positions in these areas²⁴. Pre-

²⁰ Interview with Mr. Isuf Kalo and Mr. Hasim Kosova

²¹ "Health Care systems in Transition: Albania ", 2002, pp. 11-12

²² "Corruption in the Health Sector" (2006), U4, p. 5

²³ Interview with Mr. Isuf Kalo

²⁴ Ibid, p. 24

sumably, since income levels are considerably higher in urban areas, the income from informal patient payments in urban areas outweighs these financial incentives. This is also an indication that simply raising salary levels for doctors without further control measures is unlikely to improve the situation in itself. Furthermore, the health care system in Communist Albania was highly centralised, with hospitals and polyclinics having very little power in terms of budget utilisation and personnel management, and this have changed little.

Secondly, the system for **financing of the health sector** corresponds poorly with the current realities of the sector. Overall, funding for the health sector remains very low compared with other countries in the region, and doctors continue to have little influence over the utilisation of funds at their place of work. Private providers of health care, primarily pharmacies, specialists and dental clinics are now allowed in Albania, but few of these are so far licensed and monitored by the public authorities²⁵. Government funding has decreased while private out-of-pocket expenditure has increased. In principle, only Albanian citizens who have paid their insurance contributions via their wage and other personal income are eligible for free health care. However, large parts of the population live in poverty or extreme poverty and cannot afford to pay the insurance contributions, and an estimated 23.4% of GDP is generated through the informal economy²⁶. Meanwhile, in practice people not covered by the insurance scheme are not refused treatment and the scheme still only covers very limited services. Thus, there are few incentives for people to enrol in the scheme. This has created a vicious circle in which the health sector is underfunded by an insufficient insurance scheme, halting the rise of doctors' wages and modernisation of health facilities. To make up for the shortfall in funding, out-of-pockets expenditure has risen substantially. Thus, because of the dysfunctional insurance scheme, patients end up paying out of their pockets, which in turn creates much better opportunities for doctors to extract informal payments.

Thirdly, the state system for **control of drugs is inefficient**. Reimbursements for drugs absorbed some 70% of the national health sector budget in 2000, and only drugs on the list of essential drugs are subsidised. The management of the list of essential drugs and the regulation of pharmacists is therefore of crucial importance. However, this system is current rather inefficient and there continues to be problems of reimbursement of outdated, unregistered or low-quality drugs.

Finally, the **awareness of health-related issues** amongst the public is generally very low in Albania and few patients are aware of their rights and obligations. Thus, doctors and nurses can easily exploit the knowledge gap to suggest unnecessarily complex treatment and thereby extract larger amounts of informal payments.

3.3.3 *Judiciary*

In many ways, the Albanian judiciary is a recent invention. During Communism, the Judiciary was largely subject to the will of the communist party and so-called "telephone justice", where Communist party officials would call judges and tell them what to judge, was common. Following the fall of communism in 1992, a large number of judges were dismissed and replaced with law graduates provided with a 6-months training course. Though the ideal of an independent judiciary is established by law in Albania, the institution remains weak and vulnerable to outside interference and corruption. The wide-

²⁵ "Health sector assessment & evaluation of Sida funded health support in Albania" (2006), p. 22

²⁶ "The Informal Economy in Albania: Analysis and Policy Recommendations", OECD 2004, p. 12. However, if the agricultural sector is included, the informal economy is estimated to represent around 30-60% of GDP

spread public image of the judiciary as a very corrupt institution prone to outside interference contrasts with the fact that dismissals and prosecution of judges is extremely rare. In recent years, some progress has been noted, but it remains limited and largely elusive.

- **Severity**

In perception surveys, the judiciary ranks as one of the most corrupt institutions in Albania. Thus, in the most recent IDRA survey from 2006, judges were seen as the fourth-most corrupt group of public officials, only surpassed by customs officers, tax officials and doctors. In a worldwide survey of corruption in the judiciary made by Transparency International in 2006, nearly 60% of respondents in Albania described the judiciary in their country as corrupt²⁷. The World Bank's BEEPS survey from 2005 concluded that with regard to Albania, 56% of firms noted that corruption in the judiciary was a problem for them. In the IDRA survey from 2005, 53% of the judges surveyed assessed that courts were vulnerable to corruption, while 51% admit that lawyers have approached them offering them a bribe, and 33% admit that litigants have done so²⁸.

Of the three surveys, the last one covering the judges' own experience with corruption is the most useful, since it includes data on the judges' and lawyers own experience with corruption. The two first surveys covers the general public's perception of corruption in the judiciary and are thus of limited value, since only a part of the population is ever in contact with the judiciary.

The interviewees largely support the perception of the judiciary as a quite corrupt institution. Thus, several interviewees noted that it was common practice to provide informal payment to the court staff, and that at least some judges in first and, to a lesser extent, second instance court were susceptible to bribery.

Similarly, public trust in the judiciary is very low, with only 37.5% reporting in a 2005 survey that they trust the courts will punish criminals²⁹. Furthermore, in recent years, other public institutions have on several occasions directly attacked the judiciary along with the General Prosecutor's Office as one of the main obstacles to improving the fight against corruption in Albania.

- **Actors and practices**

In Albania, we have noted three types of corruption in the judiciary: i) Undue outside interference in the judicial process, ii) bribery of judges; iii) bribery of court staff.

As noted above, the Albanian judiciary remains a quite weak institution, which struggles to retain the independence formally provided for it according to the law. It is therefore not surprising that **outside interference in the judiciary process** continues to be a problem. A recent OSCE report concludes that the most common form of undue interference is from private sources, such as businesses, private persons or criminal groups, trying to influence the judge directly to take a certain decision. Interference by other public officials or institutions, or by superior judges, is less prevalent. Both various reports and interviewees have noted that in Albania it is not rare to spot a judge communicating or socialising with parties to a case, prosecutors

²⁷ "Global Corruption Report 2006", p. 13

²⁸ "Corruption in Albania: Perceptions and Experience", IDRA, 2005, p. 15; Judicial Reform Index for Albania 2006, American Bar Association, October 2006, p. 44

²⁹ "Corruption in Albania: Perceptions and Experience", IDRA, 2005, p.14

and defence attorney outside the courtroom³⁰. With no stigma against this kind of behaviour, there are ample opportunities for outsiders to try influencing the case and the judge is only protected by his or her own honesty.

Unwarranted release of dangerous criminals on "health grounds"

In a recent case, no less than 55 judges were found in flagrant breach of the law in a report on an inspection carried out on the country's courts made public by the Justice Ministry in October 2007. According to the report, no less than 27 individuals convicted of serious crimes were released on suspicious grounds and in open breach of the law by judges in collaboration with doctors and other persons

It is likely that the judges were under heavy pressure from criminal groups to release the criminals, but conclusions have yet to be made as to whether or not judges have also received bribes. Following the claims that convicted criminals had secured illegal early release from prison, Albania's Justice Minister Ilir Rusmajli announced his resignation in November 2007.

According to the Justice Ministry, some judges have gone to such lengths as to rig trial proceedings in violation of the law in order to release the criminals.

Source: Gazeta Shqiptare, Tirana

Approximately one third of judges admits that litigants have approached them with bribe offers. Several of the available sources confirm that **bribery of judges' decisions** is indeed relatively common. A recent OSCE report on the Albanian criminal justice system describes no less than 20 case stories of corrupt judges³¹. According to our interviewees, bribes are normally given directly to the judge some place outside the courtroom via a middleman, typically the lawyer of one of the parties. Usually, lawyers are aware which judges can be approached with offers of bribes, and which ones are incorruptible. Interestingly, bribes are reportedly now so common in certain first instance courts that they almost resemble a standard "processing fee" for the judge. Thus, some interviewees noted that bribes were not only paid to ensure a favourable verdict. Given that judges in some courts are completely overloaded with cases, the judicial investigations can be very superficial. However, by presenting the judges with a "processing fee", the lawyers ensure that the case is dealt with in sufficient detail, knowing that if properly investigated, their client is likely to win it. The typical cases where bribery is involved in court decisions include those involving major sums of money, such as property and procurement disputes, and restitution of property. There are also reports of corruption involved in the enforcement of judicial decision, with bribes being paid to bailiffs to slow or avoid enforcing a court decision.

³⁰ "Judicial Reform Index for Albania 2006", p. 44; "Analysis of the Criminal Justice System of Albania", OSCE (2006), pp. 175-76

³¹ "Analysis of the Criminal Justice System of Albania", OSCE (2006), pp. 170-73

The Lawyer's Case

On 12 September 2005, the Tirana District Court rendered a decision in a case where a defence lawyer had been charged with "passive corruption by persons who exercise public functions".

The investigation of the case was initiated after the television programme Fiks Fare had broadcast a conversation between the Lawyer and the mother of one of the Lawyer's clients, where the Lawyer appeared to have explained that he had offered the judge 6000 EUR.

In the end, the defence lawyer was found *not guilty*, with the reasoning that his client or rather the parents of his client had voluntarily given him a sum of approximately 6000 EUR and that he had later returned the money.

Source: "OSCE criminal justice system analysis 2006"

Finally, **bribery of court administrative staff** seems to be very common. In contrast to judges, the court staff is poorly paid. Many lawyers therefore view the payment of bribes to the court staff as a simple processing fee or tipping necessary for the court staff's survival. The situation varies greatly from court to court. In some certain courts it is reported to be more or less mandatory, while in others it is a rare or non-existing occurrence. In the 2005 IDRA survey, 25% of judges respond that the court staff accepts or requests bribes. Typically, the court staff is paid directly and, in contrast again with the judges, sometime quite openly in the court buildings before the hearing of the case.

- **Consequences**

The judiciary is in many ways the last line of defence against any kind of corrupt practice. If the judiciary is not able or willing to sentencing corrupt officials, the anti-corruption efforts of the police and prosecutors in investigating and trying corruption cases will be fruitless. If the courts do not try corruption cases fairly, it makes no sense for citizens or institutions to file them in the first place. Therefore, a corrupt judiciary is extremely damaging for other anti-corruption efforts. It **undermines the rule of law** and the principle of equality before the law, and weakens the public's and businesses' trust in the judicial system and the judges. If that trust is severely eroded, parties may well choose to **solve their dispute alternatively**, including by the use of force. This is particularly the case if corruption affects the courts' ability to fairly try cases of property rights and procurement, which seems to be the case in Albania.

Increasingly dependent on outside support and subject to outside influence, a corrupt judiciary will gradually **lose its independence**. Finally, corruption in the judiciary naturally **limits the access of the poor** to the justice system.

- **Causes**

We have identified five main causes for corruption in the Albanian judiciary, which are described below in turn.

Firstly, while Albanian judges in principle enjoy wide independence, they are in reality often quite vulnerable to pressure from outside. One of the main causes of this seems to be **insufficiently security and safety** for the judges. With regard to security, there are several cases of judges being threatened in or near court buildings, and the security provided by the state

police continues to be inadequate, even if there have been improvements lately, notably in the important Tirana District Court³². In a country where strong and violent organised criminal groups operate, physical security is a complete prerequisite for judges to conduct their work. Judges can therefore easily end up in situation where they are forced to accept bribes. Apart from the physical safety, judges in the first instance courts and courts of appeal are in well protected in their jobs, because their lifetime tenure is guaranteed by law.

Secondly, the low level of trust in and respect for Albanian judges results in a profession which does not enjoy the high status it was supposed to have. When large numbers of judges were dismissed after the fall of Communism, new young judges had attended just a 6-month training course. Though most new judges today have gone through an intensive education at the Magistrates School, judges are seen as **unprofessional and not trustworthy** by the public. This in turn leads to a profession with low self-confidence, whose internal organisation and association is in its infancy.

Thirdly, a further possible cause for corruption in the judiciary is **low accountability** and a seemingly **low risk of consequences** in cases of misconduct. While an institution is in place to discipline judges found guilty of misconduct (The High Council of Judges), the number of cases remain very small and the decision-making procedures are kept secret. The overlapping authority of the two inspectorates charged with judicial oversight – under the Ministry of Justice and the High Council of Judges, respectively – hinders an efficient oversight of judges' actions. Judges are currently in majority in the High Council of Judges, which is in principle a sensible situation, but the inactivity of the council has meant that it has been accused of being a forum for judges to cover each other. Furthermore, the career path of an Albanian judge is not first and foremost dependent on his or her performance and ethical standards.

Fourthly, the **low level of transparency of court decisions** and procedures means that there is limited public scrutiny of court decisions and that parties' possibilities to complaint. In principle, the Criminal Procedure Code guarantees the right to a public trial. In practice, however, the limited space and facilities available at court buildings means that access is limited, especially in high-profile cases. Most importantly, however, the access to court decisions is inadequate, and only a handful of first instance courts actually publish their decisions³³. There have however been encouraging signs that this is improving, partly due to the activities of a recent USAID project in this particular field.

Finally, there appears to be a substantial degree of **social tolerance** of the judges socialising with parties, prosecutors etc. outside the courtroom. Overall, this is regarded as normal practice in Albania.

³² "Judicial Reform Index for Albania 2006", p. 33

³³ According to the knowledge of the consultant, this includes specifically the districts courts in Tirana, Shkodra, Fier and Vlora, see "Analysis of the Criminal Justice System of Albania", OSCE (2006), pp. 160

3.3.4 Public Administration

Public administration naturally encompasses a very broad group of public institutions and officials. In the following we have therefore focused on some of the groups of officials typically associated with opportunities for corrupt behaviour. Survey and anecdotal evidence from Albania suggests that civil servants employed in policy-formulating and implementing positions are not considered corrupt, presumably because there are few opportunities for corrupt gains in these positions. We have therefore focused the analysis on some of the groups that work in an environment favourable to corruption:

- **Tax administration and customs**, where the potential gains from corruption are major and often easily accessible
- The system of **public procurement**, including procuring officers, tender boards and the central procurement agency
- Officials involving in **licensing and registration** of businesses.

▪ **Severity**

According to perception surveys, all the three groups are indeed considered corrupt by Albanians, though **tax and customs** officials are seen as particularly problematic. Thus, the results of the IDRA survey from 2006 emphasizes that customs and tax administration personnel are considered to be the two most corrupt groups of Albanian public officials, overall scoring 82.5 in the survey. These conclusions are supported by the BEEPS survey from 2005. In this survey, 66.4% of international companies surveyed reported that they had paid informal payments to the customs and import departments, while 60.5% noted that they had paid the tax administration. Furthermore, according to international companies surveyed, some 38.7% of the informal payments they pay in Albania are paid to the customs and tax departments.

Public procurement is traditionally the part of public administration that is most vulnerable to corruption. This is certainly true for Albania as well, and most of the major criminal cases about corruption that have been publicised involve rigged tenders, colluding bidders, payments of kickback in connection with big public contracts etc. In the 2005 BEEPS survey, 41% of international companies reported that corruption was frequently necessary to obtain government contracts – a figure that is almost twice as high as the average figure reported for South Eastern Europe. On average, 18.7% of the informal payments they pay in Albania were paid in order to get government contracts. Similarly, in the 2005 IDRA survey, no less than 65% of public officials reported that it was necessary to pay bribes to get government contract, usually less than 10% of the entire contract value³⁴. Albania is interesting, however, because the country has in recent years made huge progress in its public procurement system, which is now one of the most transparent in the region³⁵. However, it is yet unclear to what extent this has had an effect, and as the figures above indicate corruption in public procurement is still regarded as a major problem.

Licensing and registration for businesses is another traditional high risk area of the public administration. Though we have little concrete survey evidence on this field, it does not seem to be a major issue for Albanian and international companies. According to the international companies surveyed in the BEEPS survey 2005, around 32% note that corruption is a problem in obtaining licensing and registrations – an indication of a serious problem, but

³⁴ "Corruption in Albania: Perceptions and Experience", IDRA, 2005, p. 16

³⁵ According to the World Economic Forum's "Global Competitiveness Report 2007-2008" a small improvement was detected in Albania regarding 'favouritisms in decisions of government officials' compared to the year before

still substantially lower than e.g. public procurement. Furthermore, it should be noted that Albania has made some huge positive steps in the business registration process and administration. For example, in September 2007, the National Registration Centre for Businesses (QKR) was established as a one stop shop service with outlets in Tirana and other major cities. This is a huge step forward, which has diminished the bureaucracy for setting up businesses and resulted in a dramatic increase in the number of registered businesses. The transparency measures that accompany the QKR will presumably also have a major positive effect on corruption in the process of registration of companies.

- **Consequences**

The high level of corruption within **customs and tax administration** has severe consequences for the Albanian economy in at least two ways: i) increased tax evasion; ii) intensified smuggling of goods to avoid additional expenses; iii) an increase in the country's import due to the better bribe opportunities. Albania is estimated to have one of the largest informal sectors in Europe, and as long as corruption is prevalent in tax administration and customs, this is unlikely to change. If tax and customs officers are vulnerable and susceptible to corruption, it is easier for informal businesses to remain outside the formal economy. The result of this is widespread tax evasion and thus a deterioration of Albania's financial capacity, which affects the provision of public goods in a negative way for the majority of the Albanian population. Albania's revenue collection has increased a lot in recent years, though from a very low point³⁶. The presence of corrupt customs officials also makes it easier for criminals to smuggle products across the border. Since Albania recently entirely banned the use of small ships and speedboats, a previously major route of smuggling has been stopped. However, this could potentially increase the size of the bribes that smugglers are ready to pay customs officials to get products across land borders. The uncertainty related to the questionable practices within this area will likely also have a negative effect on foreign direct investments due to the unstable economic environment.

Tax police extortion scandal

The General Prosecutors Office recently arrested the Director the Tirana Tax police along with several of his employees on allegations of extortion. The **gang of tax police officers** had visited a small business in Tirana on the pretext of checking tax documentation, but had instead simply stolen the manager's laptop, which included all vital data about his business.

The gang of tax police officers then let the manager know that they would return his laptop in exchange for 3000 EUR. However, the police's special corruption crime unit had **received a tip** of the case and was recording the gang's telephone conversations. When sufficiently evidence had been collected, the police arrested the entire gang as well as a number of suspects.

Source: Interview at General Prosecutor's Office

Corruption in **public procurement** involves mishandling of very considerable sums of money and the possible misallocation of resources from long term to short term investment opportunities. Thus, there are few sectors where the potential gains of combating corruption are as substantial as in public procurement. Fundamentally, a corrupt public tender process means that public funds will not be awarded to the most competitive tenderer, but

³⁶ "EU progress report for Albania 2007", p. 20

rather to the tenderer most willing to bribe in order to get contracts. Thus, corruption in public procurement makes public contracts more expensive, and thus lowers the value-for-money of the tax paid by citizens and businesses.

A public procurement collusion scheme

In a recent case, a number of high-ranking officials from the Ministry of Labour and Social Welfare were arrested along with some businessmen in a public procurement collusion scheme. Eight businesses bidding for a big contract had secretly pre-selected a winner amongst themselves and agreed to share the surplus of the highly inflated prices they provided. This was done in cooperation with an collaborating public official in the ministry.

One businessman, however, approached the police while he gave the other bidders the impression of taking part in the fraud. With the help of this businessman, all conversations amongst the involved were taped and filmed and sufficient evidence collected to arrest the involved officials and businessmen.

Source: Interview at General Prosecutor's Office

Finally, corruption in **licensing and registration** of businesses naturally has a deteriorating effect on the development of new businesses. In Albania, however, this type of corruption does not seem to be the most pressing issue for businesses, and the interviews conducted in Albania largely confirmed this view.

▪ ***Actors and practices***

The corruption within **customs and taxation** involves customs and tax-administration officials, private businesses and criminal groups involved in smuggling activities. The most common practice is that private companies pay bribes to the officials, which is large enough to ensure that the officials do not report the violation, but lower than the actual custom or tax expense. Also, in Albania there are examples that applicants for jobs in the customs and tax administration have paid to get the job, presumably because of the benefits associated with a position in these departments. There are also examples of tax and customs officials misusing their position to extort informal payments from businesses.

We have access to a large number of cases of corruption in **public procurement** that has been investigated by the prosecutor's office and thus quite good information. In Albania, collusion schemes involving several bidders and typically also a conspiring official seem to be quite widespread. The bidders collude to agree upon an inflated price, promotes one of the companies to win the contract and each company in the collusion gets a share of the surplus. Often, the conspiracy of an official is needed for this to be possible, which can in some cases be secured with a bribe or kickback. Judging by the cases put forward by the prosecutor's office, collusion schemes seem to be the most common form of corruption in public procurement in Albania. In Albania, there are many allegations of undue political interference in the evaluation of major public works and procurements. This is illustrated by some of the public outcries against major construction projects such as the Dürres-Morines road case described below. However, unclear whether these cases reflect actual corruption problems or simply are attempts to discredit political opponents.

Highway Scandal?

The **Dürres-Morine highway** is considered one of the most important public investments in Albania, using a total investment capital of 400 M EUR. The four-lane highway will be constructed by the US-Turkish consortium Bechtel & Enka. The project has been marred by allegations of questionable procurement practices involving the minister of Public Works Transport and telecommunication. The opposition is accusing the government for corruption while the **previous General Prosecutor Theodhori Sollaku** asked the parliament to withdraw the immunity of the minister of public works. Meanwhile, the government has claimed that the procedures were fair and transparent and that the opposition and the former General Prosecutor are just exploiting the case for political purposes. The case is still open but it demonstrate how highly politicised is the topic of judiciary reform and anti-corruption is in Albania.

Sources: Interviews, Southeast European Times (Tirana), Shekulli (Tirana)

Corruption in **licensing and registration** of businesses typically involve public officials of business registration offices, as well as law enforcement agencies and health, safety, environmental, sanitary or fire inspections. Of these, the obtainment of business licenses and permits was considered the most corrupt in the 2005 BEEPS survey with 35% reporting it as a problem, whereas corruption in the various inspections services was considered a much more limited issue (5-10% mentioned it as a problem).

- **Causes**

One of the main causes for the high level of corruption within **customs and taxations** in Albania is low wages. Customs officers in particular have for many years since 1992 had to supplement their wages quite substantially in order to make a living. Smugglers will have an incentive to bribe illegal goods through customs, while legitimate companies may have an incentive to bribe to speed up the process. Temptations for the custom officers are therefore likely to be considerable, because taking bribes is an easy way to secure an additional income. Even if the situation has improved in recent years it has become an institutionalised practice to accept informal payments, so a salary rise alone is unlikely to solve the matter at this stage. Furthermore, job insecurity is an issue, with major changes in the staffing of tax and customs administration in connection with changes of power. This has nursed a culture where exploitation of alternative sources of income for as long as it is possible is considered a part of the game. The capacity of the tax and customs authorities to monitor the performance of employees and conduct internal control and audit is very limited, which means that the risk of being caught is quite low. Furthermore, whereas bribery of officials of foreign states is clearly illegal in most jurisdictions of major world exporters, facilitation payments in order to get a legitimate service is often considered at least partly legal. Finally, the fact that the informal economy is immense in Albania means that there is presumably a major push for customs officers to accept bribes for allowing illegal goods across the borders by criminal groups.

In Albania, **public procurement** offers a rare opportunity for public officials to administrate huge funds with relatively large discretion. This is basically a problem of low institutional and management capacity, and the low level of integrity. In Albania, political interference in the public procurement process is at least to some extent still possible, and the complaint and review functions remain very limited in scope, though this may well improve once a Procurement Ombudsman institution has been established as recently announced. Audit of procurement processes remains almost completely obso-

lete, thus making it a low-risk activity for bidders and public officials to engage in corruption in public tenders³⁷.

Finally, corruption in the **licensing and registration** of business is typically made possible first and foremost by complex and bureaucratic regulation. Albania has taken major steps to streamline and simplify the relevant rules, with the establishment of the QKR in 2007 underlining this tendency.

³⁷ "Country Fiduciary Assessment Albania", World Bank 2006, p. 13

4. Anti-corruption in Albania

4.1 Introduction

Although corruption clearly remains a significant problem in Albania, the country has seen notable progress in recent years. The Albanian government has with some success followed the recommendations made by a number of international organisations and associations, including the European Union and the Group of European Countries against Corruption (GRECO). In particular, Albania's public procurement system has improved considerably, the system for checking conflict of interest of politicians and high-ranking public officials is quite advanced, and procedures for establishment of new businesses have eased considerably, thereby limiting the scope for corruption in business registration and licensing. At the same time, the health sector and the judiciary, possibly along with the education sector, have proven to be some of the most vulnerable to continued high corruption levels.

4.2 International anti-corruption conventions and organisations

Albania has ratified several international treaties and conventions related to corruption and is member to some of the major international organisations and programmes dealing with corruption and/or organised crime.

The **Civil Law Convention on Corruption (Council of Europe)** was ratified by on 7 June 2000 by the Albanian parliament with the passing of Law No. 8635. The duties and liabilities of this convention are partially adopted in the internal legislation. However, some amendments are still pending, including some involving the Civil Code, the Code of Administrative Procedures, and the Status of Civil Servants, because they have not yet been approved by Parliament. All these laws require a voting majority of three-fifth of all members of parliament, so passing them demands cross-party consensus, which hardly seems likely in the current political environment.

The **Criminal Law Convention on Corruption (Council of Europe)** was ratified by the Parliament with the passing of Law No. 8778 on 26 April 2001. This has been changed with Law No. 9369 from 14 April 2005, which has removed all reserves. The definitions includes in these convention have already been adopted as amendments in the Penal Code and the Penal procedure Code.

The **Additional Protocol to Criminal Law Convention on Corruption (Council of Europe)** was ratified by the Albanian Parliament with Law No. 9245 from 24 June 2004, but it has still not been fully implemented in the national legislation.

The **United Nations Convention Against Corruption (UNCAC)** was ratified by the Albanian Parliament with Law No. 9492 on 13 March 2006. Most of the provisions of this convention have now been adopted in the national legislation, but a few still remain to be incorporated.

Albania has also ratified a number of key conventions in the broader field of economic crime, including the **Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime** (since 2001), the **Convention on Cybercrime** (since 2002).

Albania has been a member of the **Group of States Against Corruption (GRECO)** since the ratification of the Criminal Law Convention on Corruption

in 2001, and is also member to the **Stability Pact Anti-Corruption Network (SPAI)**.

4.3 Albanian legislation

Albanian legislation relevant for anti-corruption has improved substantially in recent years.

The **Criminal Code** criminalises both active and passive bribery and undue influence of public officials (articles 244, 245, 245/1, 259 and 260). The **Criminal Procedural Code** was amended in 2004 to include enhanced regulation of financing of political parties, conflict of interest, rules of ethics in the public administration, criminalisation of active and passive corruption, and the use of special investigation means and further improvements are in the pipeline. The **Law on the Prevention and Combating Organised Crime** adopted in September 2004 provides the legal basis for combating economic crimes performed by organised criminal groups.

Albania took a huge step forward when it adopted the **Law on declaration of Properties by Officials** in 2002 and the **Law on prevention of Conflict of Interest** in 2005. Both laws provide comprehensive regulations, clear rules and duties, strict limitations of personal interest of politicians as well as mid- and high-level officials in relations their duties, severe administrative penalties and linkage with the criminal laws. As a result of the two laws, the High Inspectorate for Declaration and Auditing of Assets (HIDAA) is currently in a quite strong position to fulfil its mandate.

Furthermore, a number of recent laws have focused on simplifying the administrative procedures for businesses, such as the new **Law on Public Procurement**, the **Law on Registration of Businesses** as well as numerous amendments to various laws which has abolished some licenses and simplified remaining procedures to obtain the necessary ones.

The government's current draft anti-corruption strategy ("the Cross-cut Strategy for Prevention, Fight on Corruption and Transparent Governance 2007-2013" described further below) includes a pipeline of further suggested legislative changes. This includes a **Law on Limiting the Immunity of Members of Parliament and Ministers** as well as amendments to the Civil Service Law, Civil Code and Civil Procedural Code.

4.4 Recent assessments of the European Commission

In January 2006, the European Council adopted a revised **European Partnership** for Albania. The European Partnership lists a number of short and medium term objectives by which Albania's progress towards membership of the European Union is measured, including key measures on anti-corruption and a number of closely related issues. The progress assessment also provides guidance for assistance provided by the European Commission under the Instrument for Pre-Accession (IPA). Albania drafted a national action plan for fulfilling the objectives in July 2006.

The European Partnership identifies anti-corruption as one of the key priorities³⁸. In particular, the most recent version calls for Albania to implement the 2007-2013 anti-corruption strategy as well as the recommendations made by GRECO in 2005. Furthermore, Albania should ensure that cases of corruption in the police and judiciary are investigated and prosecuted with

³⁸ Proposal for a Council Decision on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC, Brussels 6 November 2007, COM(2007) 656 Final

due rigour. In addition, the European Partnership notes a number of other key measures for the short term, including amongst other things strengthening of institutional capacities to investigate and prosecute corruption, enhance inter-institutional coordination, ensure proper enforcement of the Law on Declaration of Assets, clarify rules of conflict of interest and reduce the list of officials covered by immunity.

In early November 2007, the European Commission published a **progress report** reviewing the progress that Albania has made so far on the objectives³⁹. Key elements of this report is used as background documentation a number of places in this report, but the overall assessment of the report is that although corruption remains a significant problem in Albania, noted progress has been achieved in recent years. The assessment report particularly note that Albania has implemented a number of the recommendations from the GRECO report from 2005, including enhancement of a better, more transparency public procurement system and the establishment of a public procurement Ombudsman institution. Albania's ratification of key international conventions, the establishment of the Joint Investigative Unit against corruption and economic crime and the High Inspectorate for Declaration and Audit of Assets (HIDAA) are also pointed out as major improvements.

4.5 National strategies to fight corruption

In 1998, the Albanian government published its first comprehensive anti-corruption strategy, the "**Action Plan of the fight against corruption**", and set up the Government Commission of the fight against Corruption in 1999⁴⁰. This set-up was changed in 2002, after which the strategy was reflected in the **National Anti-Corruption Action Plan** (widely referred to as "the Matrix"), which included a set of elaborate progress indicators. These progress indicators were monitored by the so-called Anti-Corruption Monitoring Group. The idea with this strategy was that it would be updated each year and its carefully elaborated indicators monitored continuously. Efforts were also made to include civil society organisations in the process of consultation for designing and reviewing annually the action plan. While basically a good idea that received support from Sida, the Anti-Corruption Matrix turned out to have less impact than was anticipated. One of the reasons for this was that it was largely a technocratic tool enabling the government to monitor progress on its own key indicators for development of an effective anti-corruption regime. Thus, with the Anti-Corruption Task Force as a monitoring mechanism with no investigative powers and no real policy-making influence, its impact was limited. In addition, the Anti-Corruption Matrix was targeting the development of new legislation and procedures while the problem was rather weak implementation and enforcement of legislation.

In July 2005, a new Albanian government came to power on a campaign based on a promise to fight corruption. The new government presented a new government policy on anti-corruption reforms. The **Action Plan for the Prevention and Fight against Corruption** is broad and comprehensive, including a range of specific measures in the areas of economic policy, rule of law, public administration, procurement, audit, and public awareness. However, implementation of the program to date has been mixed.

Meanwhile, the government has just released a new draft National Strategy for Development and Integration 2007-2013, which is an elaborate overview of the government's vision for developing all parts of the Albanian society. As part of this strategy, the draft **Cross-cut Strategy for Prevention,**

³⁹ Albania 2007 progress report, Brussels 6 November 2007, SEC(2007) 1429, COM(2007) 663 Final

⁴⁰ "Republic of Albania: Public Administration Country Profile", United Nations, DPADM/DESA, February 2004, pp. 13-14

Fight on Corruption and Transparent Governance 2007-2013 (henceforth the "Cross-Cutting Anti-Corruption Strategy") serves as the government's new anti-corruption vision. At the time of writing, a budget for implementation of the initiatives contained in the strategy was under preparation, and it was noted that international donors would soon be contacted with requests for specific support for the strategy's implementation.

While not yet enacted, the Cross-Cutting Anti-Corruption Strategy is a comprehensive vision, which covers almost all conceivable fields of anti-corruption reform in Albania. Thus, the strategy provides insight into the government's objectives in the fight against corruption, including the measures it finds important to fight corruption in various sectors such as the health sector and the judiciary. In its current form, it remains a largely declaratory document, with no Action Plan attached, no clear deadlines and no indication of the resources needed to implement the plan. However, according to the Cabinet of Ministers a comprehensive Action Plan is indeed being drafted. In some ways, the Cross-Cutting Anti-Corruption Strategy seems overly ambitious, since the catalogue of initiatives is truly immense, while very little prioritisation has been done and few considerations about the practical implementation of the measures taken so far. Finally, while the strategy suggests some anti-corruption measures within the judiciary, it does not seem sufficiently ambitious in this particular field given the crucial importance of this sector and the corruption problems it faces⁴¹. A possible reason for this is the fact that the highly politically sensitive issue of judiciary reform would demand a three-fifth consensus vote of all members of parliament.

One way forward is to make the state more effective in **prevention and penalization**. If the state improves this role, the number of officials that will dare to be involved in corruption practices should fall, while on the other hand there will be less temptation for citizens and businesses to bribe or to accept to paying a bribe. The continued involvement of politicians and senior government officials in corrupt behaviour, and the lack of commitment of public officials/institutions in implementing anti-corruption measures can jeopardize its implementation. A positive step is the law underway for narrowing the immunity of members of parliament, ministers and other high positions, which Parliament is going to discuss soon and in all probability approve.

Moreover, more cooperation need to be established between the public institutions involved in designing and implementing anti-corruption policies, and **civil society** institutions, which are expected to generate civic support for these policies. The Albanian civil society is growing and improving but is still far from being a strong actor. Public support for reforms coming from a broad range of societal actors, involving major public and private actors can only be enlisted in this process if society has a clear view of the severity of the problem. It is important to have the population turned to discussing institutionalised corruption rather than scandals involving individual public figures.

4.6 Government institutions involved in the fight against corruption

In the sections below, we describe the institutions charged specifically with fighting corruption, as well as the anti-corruption initiatives and capacities of the key institutions of the health sector, the judiciary and the public administration. Finally, we outline relevant actors within the civil society.

⁴¹ "OSCE presence comments on the draft inter-sectoral strategy for preventing and combating corruption and a transparent government", OECD Albania 2007

The current government has set up an inter-ministerial **Anti-corruption Task Force** headed by the Prime Minister. This structure replaced the former Anti-Corruption Monitoring Group, which was primarily a technocratic institution charged with monitoring the government's compliance with the Anti-Corruption Action Plan Matrix. According to key members of the government, the new task force has more policy-making powers, and it is charged with coordinating the anti-corruption efforts of various government agencies. Most importantly, however, the Anti-Corruption Task Force is supported by the Department of Internal Administrative Control and Anti-Corruption (DIAC). In contrast with the former Anti-Corruption Unit that merely provided administrative support to the Anti-Corruption Monitoring Group, DIAC has relatively wide-ranging powers to investigate allegations of irregularities by public officials. Apart from the Prime Minister, the Anti-Corruption Task Force consists of representatives from key line ministers and heads of sensitive government agencies including, somewhat puzzling, the Director General of the Albanian Energy Corporation, but excluding representatives of the General Prosecutor's Office⁴². The task force is charged with analysing and assessing corruption problems in specific sectors and formulates strategic priorities and practical measures to be taken, including action plans. According to the law, it gathers monthly and serves as a coordinating body for sectoral anti-corruption initiatives. The seniority of its membership gives it the authority to make real changes.

On the technical level, the **Department of Internal Administrative Control and Anti-Corruption (DIAC)** serves as an Inspectorate for all central executive public institutions. DIAC reports to the Prime Minister and is mandated to investigate allegations of procedural irregularities and irregularities in the handling of public finances. DIAC acts primarily on the basis of signals in the form of letters, emails, phone calls and text messages sent to the Prime Minister's office. According to DIAC, most allegations are currently received from public officials, but the amount received from the general public is steadily increasing. The Prime Minister's office filters the signals and forwards to DIAC all allegations that falls under its mandate⁴³. Having received the allegations, one of DIAC's 10 inspectors interviews relevant parties to the case and review relevant documentation. If an offence is evident, DIAC can require that the offence is reversed, propose to the relevant central executive agency disciplinary action, or forward the case to the prosecutor's office as a case of criminal offence. According to DIAC interviewees, their recommendations are normally applied to by the central executive agencies. For example, of the close to 300 cases so far this year where disciplinary action has been requested, an approximate 80% has actually been followed by the ministries or agencies. Almost all cases where the offence is requested reversed has been applied with. However, of the 75 cases so far forwarded to the prosecutor's office, only one has so far been opened for investigation and thus no public official has been sentenced so far based on signals sent to DIAC. Most of the cases forwarded to DIAC concerns wrongdoings in public procurement, registry of immovable property, restitution of property, or delays and problems with receiving licenses⁴⁴.

Established in 2003, the **High Inspectorate for the Declaration and Audit of Assets (HIDAA)** collects and audits the annual declaration of assets and properties of mid-high level public officials in central and local executive agencies as well as politicians⁴⁵, and supervises the prevention of conflicts of

⁴² "Decision on Anti-Corruption Task Force", Council of Ministers decision No. 794, 19 December 2005

⁴³ Currently, the Prime Minister's office receives around 13,000 signals a year, of which approximately 3,000 are forwarded to DIAC

⁴⁴ Interview with Mr. Enkelejd Alibeaj, Head of DIAC

⁴⁵ Overall, a very broad range of public officials have to submit declarations of interest. This includes all public officials employed in central and local executive agencies, as well as members of parliament, custom and tax officers, and members of the judiciary

interest situations. According to HIDAA, the submission rate for declarations is close to 100%, largely because of fear of the substantial fines that are routinely applied in cases of non-submission. In 2007, just 87 declarations of assets have not been submitted, compared with a total of around 3500 received this year⁴⁶.

HIDAA is therefore more concerned with the means of identifying and investigating suspicions of wrong or misleading information in the declarations. HIDAA officers check the logical coherence of all declarations, which provides them with indications of cases requiring full scrutiny. High-ranking officials and officials in positions considered particularly risky are always subject to the full control. In a full control, the declarations are compared with data from the tax administration, banks, the public procurement office etc. HIDAA can also unilaterally decide to conduct a full control based on signals from the public or based on other information, such as media reports. No systematic lifestyle monitoring is carried out, but this is to some extent taken into consideration based on media reports. HIDAA has so far forwarded just a handful of cases to the prosecutor's office, but the policy of the institution is only to forward cases that are well founded and that it has had the opportunity to prepare properly. However, the prosecutor's office has rejected a number of the cases submitted by HIDAA. Just one case has so far led to a sentence, whereas one has been declared innocent and six recently received amnesty.

All public officials must inform HIDAA about their commercial and other interests, and HIDAA is mandated to check these reported interests on a case-by-case basis. So far, HIDAA has identified some 150 cases of conflict of interest. The officials in question are in these cases simply asked to resolve the conflict, either by giving up their political appointment / public position, or by selling the basis of their commercial interest. According to HIDAA, the conflicts have indeed been solved in the majority of these cases.

The **General Prosecutor's Office** has been widely criticised in the media and by other government institutions of its inactive role in taking corruption cases to court. Thus, several interviewees responded that one of the reasons behind the limited progress in sentencing "big fish" in corruption or conflict of interest cases was the fact that the cases had been dropped by the prosecutors. It is unclear whether this is a result of limited capacities / professionalism, insufficiently investigated or prepared cases forwarded to the prosecutors, or even unwillingness on behalf of the General Prosecutor's Office.

Recently, however, the law enforcement agencies and the General Prosecutor's Office have stepped up considerably the organisation of their efforts against corruption crimes. As recent as September 2007, the "**Joint Investigative Unit against corruption and economic crime**" (henceforth "Joint Investigative Unit") was established. The unit puts together the Department of Economic and Corruption Crimes under the State Police established in July 2007 and prosecutors specialised in serious economic crimes at the General Prosecutor's Office in a common investigative unit specialised in corruption cases. The new structures arguably represent a major shift of priorities within the police and prosecutor's office in the sense that the new unit is significantly better equipped and staffed than the police units that preceded it. The unit is modelled on similar operational units established several years ago to combat trafficking of human beings, drugs and organised crime, which have proven quite successful. Despite its short period of operations and a relatively weak operational capacity⁴⁷, the Joint Investigative Unit has already enjoyed some notable successes involving high-profile officials, such

⁴⁶ "EU Progress report for Albania 2007", p. 10

⁴⁷ "EU Progress report for Albania 2007", p. 23

as the arrest of the Deputy Minister for Public Works and General Director of Roads in a recent procurement case and Director of Tirana Tax Police in an extortion scam. Literally during the interview with the State Police, it was reported that the General Secretary of the Ministry of Labour and Social Protection had been arrested for accepting procurement kickbacks. All three cases suggest the use of quite advanced police investigation techniques.

Albanian audit institutions remain weak and fragmented. The **High State Control** is the highest institution of economic and financial control. It supervises the economic activity of state institutions and other state juridical persons as well as the use and preservation of state funds by the organs of central and local government. It is subject only to the Constitution and laws, and the Head of the High State Control is appointed and dismissed by the Assembly upon proposal of the President. The **State Audit Commission** and internal auditing units within the different institutions of the Government of Albania are mandated to inspect, assess and report alleged cases of corruption. However, according to recent changes in the legislative set-up, the internal audit should focus on more broad system assessments and advice, indicating that this institution is still in its early phases of development⁴⁸. According to the recently published EU Progress report for Albania, the **Supreme Audit Institution** does not live up to the standards of the International Organization of Supreme Audit Institutions. In particular, there are signs that the functional and financial independence of the institution is not sufficiently protected by the current legislation, and it is still unclear whether the President of the Supreme Audit Institution is de facto treated as a non-political position. Finally, the **Internal Audit of the Ministry of Finance** includes the main financial supervisory authority, which among other things is charged with monitoring money laundering. However, it remains heavily dependent on logistical and functional support from the Ministry of Finance, and has limited financial independence.

4.6.1 *The health sector*

In terms of fighting corruption within the health sector, the **Ministry of Health** is obviously a key institution. One key element of the ministry's approach to fighting corruption has been to strengthen the capacity of the primary health care clinics. While this may not sound like a means to fight corruption directly, it is a completely sensible approach. Many patients will happily pay a bribe in order to circumvent the primary health care centres, which are considered to provide an appalling service, and go straight to the hospitals to get even basic treatment. The ministry of health is also working on a scheme to partly legalise doctors' private work, thereby providing them with an opportunity for alternative income. At the same time, the ministry has launched the concept of performance pay, though a system is yet to be introduced in Albania. One of the most important agencies of the Ministry of Health is the **National Centre for Control of Drugs**, which however, remains a quite weak institution. Strengthening the National Centre for Control of Drugs further would be an immensely important measure to counter corruption in the procurement of drugs and taking into consideration that around 70% of the health expenditure in Albania is used for drugs, it is arguably the one area of health sector corruption that the government should take priority to tackle.

The **National Centre of Quality, Safety and Accreditation of Health Institutions** (henceforth Accreditation Centre) is charged with, among other things, accreditation of public and private healthcare institutions, re-licensing medical practitioners, ensure patients rights and safety. In Albania, this is the main institution in charge of ensuring quality in the health sector, and

⁴⁸ "EU Progress report for Albania 2007", p. 42

the only institution mandated to conduct quality controls. While the Accreditation Centre is a relatively new institution, it has so far proved itself to be a proactive and creative institution, which is for example trying to introduce voluntary quality control in a country where hospitals are extremely vary of being checked by other public agencies.

The government recently published a draft **Health System Strategy 2007 to 2013** and it has committed itself to achieving the key Millenium Challenge Goals on health for mothers and Children⁴⁹. This document provides a comprehensive set of health sector reform initiatives based on four pillars: i) strengthening of management capacity; ii) increasing access to health services; iii) improvement of health sector financing; and iv) improvement of governance in the health sector. The strategy directly targets corruption in the health sector by striving to reduce the flow of non-formal payments. It aims to do so by establishing a monitoring system to continuously evaluate informal payments and the impact of adopted policies addressing the issue. Furthermore, the strategy includes a dual system of incentives, which on the one hand promotes professional health sector ethics and on the other hand introduces changes to the salary system. Finally, the fourth pillar of the strategy includes initiatives to improve transparency and patients' access to appeal mechanisms, including participation of patients in the performance evaluations of health centres and personnel.

4.6.2 *The Judiciary*

The **High Council of Judges** (henceforth "the Council") is an independent state authority responsible for the appointment, transfer, dismissal and education of judges of first instance courts and the courts of appeal. Furthermore, the Council is charged with the moral and professional evaluation of judges, as well as overall control of their actions. The Council consists of 15 members, of which 9 have been selected by the National Judges Conference (so judges are in majority). Though the decisions of the council regarding disciplinary cases against judges are published as very brief press releases describing the decision alone, its work remains highly secretive. In recent years, the Council has dismissed around 10 judges, while some 15 have been subject to disciplinary measures. However, it should be noted that the majority of these cases are very old, many dating back to the turbulent days of the early 1990s, and, whether correct or not, the public image of the Council is one of a secretive institution doing its best to protect the judges. The Council suggests new judges for open positions, and the selected candidates are then forwarded to the president for approval. Interestingly, according to the interviewees more than 50% of the candidates proposed by the Council for transfer have been refused by the President, typically based on an assessment of the number of complaints against the judges, cases deferred etc. The **Inspectorate of the High Council of Judges** is the Council's inspection function checking the performance and ethical conduct of judges. The mandate of the Inspectorate is clearly overlapping with that of the Ministry of Justice's Inspectorate, though the two institutions seem to have reached a workable de facto solution.

The **Ministry of Justice** receives complaints about court decisions and is mandated to apply some disciplinary procedures. The Ministry of Justice is charged with initiating disciplinary proceedings against judges of first instance and appellate courts. As mentioned above, the mandate of the **Inspectorate of the Ministry of Justice** is overlapping with that of the Inspectorate of the High Council of Judges. Interestingly, pay levels vary considerably between the two institutions.

⁴⁹ "EU Progress report for Albania 2007", p. 33

With the judiciary, the **Association of Judges** is supposedly the main collegial body of judges. However, according to our interviewees, this association has no or very little influence, status and capacity. In addition, however, a **National Conference of Judges** has been established as a constitutional body. The Conference communicates to judges on ethical issues and plans to raise the awareness of ethics issues within the judiciary and providing a platform for an internal, informal discussion of the ethical problems facing judges in Albania. Exactly this kind of forum seems much needed in Albania and even though it is too early to state the achievements of the conference, it is certainly an interesting new initiative.

4.6.3 *The public administration*

Within the public administration, the **Department of Public Administration** (DoPA) is the main body responsible for human resources management and development in the public sector, as well as functional and structural reforms and salary reforms. It is the institution implementing key pieces of legislation for anti-corruption in the civil service, including the Law on Ethics and the Law on Conflict of Interest. It also has a significant role in appointments and promotions of public officials. According to DoPA, there are almost no cases of corruption involving civil servants in line ministries. Most cases involve procuring officers, customs officers etc. No mechanism is in place protecting and facilitating whistleblowing, and there are no plans for it either. DoPA is a quite small organisation and thus far it has shown limited capacity to introduce and regulate ethical guidelines for public officials.

The **Public Procurement Agency** has been strengthened considerably since its establishment as the central management and organisation unit of public procurement in 2001. Most notably, the agency has recently launched an ambitious part of its website (www.app.gov.al) where public tenders are published. This includes every single public procurement process conducted by central or local government agencies, and downloadable information includes both the tender dossier and the detailed outcome of the evaluation. According to the agency, detailed information about some 4000 tenders is currently available, while the number of complaints about procurement procedures has fallen with about 30% since the inception of the website. The complaint system itself, however, seems inadequate for the amount of procurements made in Albania. Thus, the agency's Inspection team consists of just 4 persons and the agency generally does not have access to sufficient information sources to enable it to effectively identify cases of conflict of interest. The agency does perform procurement audits of central executive agencies (every year) and municipalities (every one to three years). Reportedly, the main problem of procurement in Albania is limited capacity in the procuring entities, so capacity building and training is much needed. According to the agency, most of the complaints it receives concerns allegations of unprofessional conduct or procedural errors, but there are also quite a number of allegations of bribery.

The **National Business Registration Centre** (QKR) is a new initiative by the Ministry of Economy, Trade and Energy, which combines the all steps of business registration in a single procedure with virtually no direct contact with public officials. In this way, the establishment of QKR offers great opportunities for reducing red tape in connection with establishing businesses. While it is too early to assess the impact of the centre, the demand for its services has reportedly been overwhelming to the point where it reaches its capacity limit. Branches are currently being established in main cities around Albania.

Finally, a new specialised **Tax Crime Investigation Unit** (TACIO) has been established with investigative powers⁵⁰. So far, the unit has had problems attracting the necessary tax police staff, but new planned provisions of training and capacity development could hopefully help improve this situation.

With regard to **Customs**, the capacity and institutional set-up remains severely limited. Facilities are run-down almost all over the country, and customs officers have yet to be given civil servant status. Staff motivation and career development is an issue of concern.

4.7 Civil society organisations

After the state crisis in 1998, Albania experienced the rise of a number of civil society organisations focused on the fight against corruption.

The **Mjafat!** (*Enough!*) Movement was started in 2003 as a youth movement through a massive promotional campaign. It rapidly managed to mobilise huge numbers of young people around the country. One of its core functions is as a watchdog and a driver for promoting citizen reaction and protest. Most recently, Mjfat! has been vocal in its protests against the current government, accusing it of authoritarianism and the use of anti-corruption slogans and initiatives for political purposes.

The **Citizen Advocacy Office** (CAO) was established in 2002 with the aim to provide legal assistance to citizens facing corruption pressure by public officials, being selected as the Albanian Transparency International chapter. In addition, CAO quickly became a watchdog organisation and started to compete with Mjfat! in the area of citizens mobilisation. CAO has continued to be engaged in watchdog activities related to corruption, recently focusing its attention on corruption within the judiciary.

The **Anti-Corruption Coalition Albania** (ACCA) is an umbrella organisation of around 100 Albanian NGOs, including some of the most well-known. In the period from 2001 to 2004, ACCA was active in anti-corruption through lobbying for adoption of policies and laws by the government and through its organisation of public awareness campaign. After 2004, ACCA became involved in public protests against corruption, as well as election monitoring. In 2005 there was severe friction within ACCA, and the NGO is today largely inactive.

Finally, the **Institute for Contemporary Studies** (ISB), **Institute for Development research Alternative** (IDRA) and the **Institute for Public and Legal Studies** (IPLS) are among the most important think-tanks in Albania. All three are active within the field of good governance, transparency and anti-corruption. ISB has contributed to legislative development and policy recommendations, IPLS is known for its know-how on judiciary reform, and IDRA carries out the main survey on corruption.

4.8 Media

The Albanian media has **evolved tremendously** in recent years. On the one hand, media outlets have proliferated, and there is today a huge number of newspaper, magazines and TV/radio stations in Albania. On the other hand, the objectivity and impartiality of the Albanian media has been questioned by a number of monitoring reports. The so-called independent media, which is not directly affiliated with any political party, is typically heavily subsidised by different business groups, and many of them would not survive without these subsidies.

⁵⁰ "EU Progress report for Albania 2007", p. 29

In socialist Albania it was standard practice for the government to provide favours to **business groups** funding media outlets supportive of the government, and to threaten businesses funding media outlets critical of the government. Today, the situation has somewhat reversed. Thus, business groups will in some cases make use of their media power in case they perceive themselves to be at risk of unwanted government intervention. In exchange of neutral or positive media coverage, the businesses then hope for less government attention or inspection.

Nevertheless, the general trend in Albania today is that more media outlets than ever are **critical** of the acting government. As a result of this, the media now plays a greater role in the monitoring and investigating of corrupt practices by government officials. The current government arguably finds itself under substantially greater scrutiny than before.

5. International donor organisations' efforts

Since the first World Bank survey in 1998, several donors have been attracted to the idea of supporting Albania on its initiative to combat corruption. At the beginning of the period the idea was embraced with enthusiasms and several projects were initiated by various donors. However, the initial enthusiasm gradually diminished due to difficulties encountered, relatively poor result achieved, and the often weak commitment by Albanian institutions. Most programmes have focused extensively on technical assistance.

5.1 Anti-corruption donor projects

Below, we have outlined the dedicated anti-corruption donor projects that have been implemented in Albania since the late 1990s.

Sida has been active in the field of anti-corruption in Albania through its support to the so-called PACO programme, which was implemented from 2001 to 2005. The programme achieved some key outputs relevant for anti-corruption in Albania, including support to the elaboration of the government's anti-corruption plan, the establishment of the Anti-Corruption Monitoring Group, review of relevant pieces of legislation and support to the case management system of the General Prosecutor's Office.

From 1998, the **World Bank** has had a consulting role for the government on anti-corruption strategies, which it only concluded recently. Today, the World Bank assists anti-corruption in Albania through its Development Policy Loan (DPL). In addition, the World Bank is still implementing projects in fields closely related with anti-corruption, such as public administration reform, improvement of business environment, public procurement etc.

USAID is arguably the most active donor in the field of anti-corruption in Albania. Since the inception of the Rule of Law programme in 2001, USAID has supported in particular the role of the civil society in the fight against corruption. Key civil society organisations aiming at involving citizens in the fight against corruption were established with the help of USAID in the period 2001-2004. This includes the Albanian Coalition Against Corruption (ACAC), the Citizen Advocacy Office (CAO), the popular movement Mjaft! and surveys such as the one conducted by IDRA. After 2005, USAID continued its support to civil society institutions, but started supporting government anti-corruption institutions as well, including HIDAA, the High Council of Justice and its Inspectorate. USAID's recently launched its third Rule of Law programme, which includes components on strengthening accountability of the courts, institutional oversight and audit, and support to civil monitoring.

The **Millennium Challenge Threshold Programme** provides direct assistance to the National Centre for Business Registration, the Tax Administration and strengthening of the public procurement system. Though not joined under an anti-corruption platform, all three projects have a clear focus on combating corruption in the three respective sectors.

Finally, the **U.S. Department of Justice** is providing assistance to the Joint Investigative Unit against Corruption and Economic Crime within the State Police and the General Prosecutor's Office. The programme OPDAT aims at strengthening criminal justice structures, with particular emphasis on corruption, organised crime, narcotics, and human trafficking by providing legal reviews and training of judges, policemen and prosecutors.

The **European Commission (EC)** has assisted Albania through the CARDS programme and more recently through the Instrument of Pre-Accession (IPA). Over the next two years, EC assistance under IPA is planned to be raised substantially, from 61 M EUR in 2007 to 81.2 M EUR in 2009. Anti-corruption is defined as a cross-cutting issue of all programmes and a few of the current programmes include specific elements of anti-corruption, primarily by means of assisting the State Police, support to the judiciary, public administration reform and improvement of the business environment. In 2007, a CARDS programme supporting the efforts against money laundering was initiated. Over the next couple of years, some of the planned IPA programmes include indirect anti-corruption measures, such as police reform initiatives, support to the Civil Service Commission, support to the Public Procurement Agency and strengthening of the fight against money laundering.

The Ministry of Foreign Affairs of the **Netherlands** has provided support to key anti-corruption civil society organisation, such as the movement Mjaft!

5.2 Donors programs supporting key institutions

In general, there have been very few donor programmes dedicated to specialised **anti-corruption agencies** such as DIAC or the Anti-Corruption Task Force. Sida's support to the former Anti-Corruption Monitoring Group under the PACO programme is a rare exception to this rule.

The **Ministry of Finance** has benefited from substantial CARDS support for the preparation of the legal framework for the establishment of the internal auditing agency. Part of CARDS's funds was also allocated to support the strengthening of the High State Control. In addition, the Tax and Customs administration has benefited systematically from CARDS projects. The Millennium Challenge Threshold Programme is assisting the Tax Administration for the preparation of the new Tax Procedural Code as well as for introducing IT in tax payment and administration systems.

The **Ministry of Interior** and the **State Police** has benefited from a number of donor programmes focusing on i) improvement of legislation ii) human resource development iii) improvement of equipment iv) strengthening the cooperation with police of EU and neighbouring countries. The CARDS programme has focused primarily on strengthening police capacities in border management and fight against organised crime and terrorism, as has the PACO programme. No donor programme supports directly the newly established Joint Investigative Unit against Corruption and Economic Crime and Corruption, though the respective office at the General Prosecutor's Office dealing with same type of crime is benefiting from US assistance. The respective office in the State Police is only benefiting indirectly in the form of the possibilities to use joint equipment and training opportunities.

The **Ministry of Justice** and the **Judiciary** has historically enjoyed intensive support from, amongst other, EU's CARDS programme, the World Bank, Sida, USAID and the U.S. Department of Justice. In this sector, donor program have supported judiciary reform, legal reform, capacity strengthening, improvement of courtroom buildings and equipment, including IT. Apart from USAID's recent initiated support for transparency in a number of pilot courts, none of the programmes have directly focused on anti-corruption.

The **High Inspectorate of Declaration and Auditing of Assets (HIDAA)** has benefited from USAID support under the Rule of Law programme, including preparation of legislation, instructions and training manuals, trainings, IT development, as well as development of the capacity to inspect false declaration and cases of conflict of interest.

The **health sector**, including the Ministry of Health, has received very substantial support by different donors, including the World Bank, UNDP, Sida, Italy, Switzerland, the Netherlands etc. In addition to material support, investment and know-how, some programmes have targeted the improvement of management and administration in the health sector and health centres. Some of these programmes have targeted aspect of transparency and rules for accessing health services which may have a limited positive impact on corruption. Overall, the health sector is in need of support for the formulation and implementation of a radical reform that could tackle the high level of corruption and the other challenges that this sector faces.

Key **public Administration** and civil service institutions, such as the Department of Public Administration and the Civil Service Commission have also benefited from major donor programmes. The most active donor in this field is the EU and the World Bank. This has included technical assistance for adoption and improvement of legislation, capacity building and human resource development. The Civil Service Commission remains a very weak organisation and donor support to this agency has been relatively limited.

Local government and decentralisation reforms have enjoyed some support by almost all donors, although much less than the central government. Many of the projects in the field of local government have focused on central-level strategies and policies. Recently, however, many donors have included direct support to a small selection of the 376 individual local government entities, or cluster of local government entities, through a combination of technical assistance with infrastructure investments. Almost all donors programs target good governance, increase of transparency and the involvement of citizens in local governance.

6. Recommendations

6.1 Recommendations for Albania's anti-corruption efforts

Based on the above analysis of corruption in Albania, causes identified are here translated into recommendations (objective statements). The reasoning behind this is that only by addressing the root causes of corruption can the Albanian government and donor initiatives alike hope to have a chance of a successful outcome. By translating the causes into desired objectives and recommendations, we can compare the changes to the current situation that we have identified as necessary with the government's current efforts, including the anti-corruption strategies and the institutions charged with fighting corruption, outlined in chapter 4. Furthermore, we can give clear indication to Sida and other donors on the strategic directions that their anti-corruption initiatives and programmes could have.

6.1.1 Health sector

The causes of corruption in the health sector include the low priority and funding traditionally applied to the sector, low salaries and low status of the profession, an inadequate financing system, inefficient drugs control system, and low awareness of health-related issues amongst the public. Please refer to the table below for an overview of the recommendations of each of the causes associated with corruption in this sector.

Health sector	
<i>Causes</i>	<i>Recommendations (objective statements)</i>
Low salaries and low status	<ul style="list-style-type: none"> ▪ Greater budgetary discretion for hospitals ▪ Raising salaries / alternative means of income ▪ Strengthening self-regulating bodies
Inadequate financing system	<ul style="list-style-type: none"> ▪ Strengthening of the health insurance scheme
Inefficient drug control system	<ul style="list-style-type: none"> ▪ Strengthening of the drugs inspection
Low awareness of health-related issues	<ul style="list-style-type: none"> ▪ Public campaigns focusing on the rights of the patient ▪ Support to patients' associations

Increased funding for the health sector would obviously be desirable. However, given the current financial capabilities and priorities of the Albanian government, funding for the sector looks unlikely to increase substantially in the near future. Giving the hospitals **greater budgetary discretion** may sound counter-productive when corruption is so widespread. At the same time, exactly this initiative could help the hospitals and polyclinics apply more responsible financial management methods and allow them to invest in the things that the staff and management prioritise.

Raising doctors' and nurses' **salaries** would surely help diminish the incentive for them to engage in corrupt behaviour. However, for the reasons outlined above, this does not seem a viable solution in the near future. Furthermore, studies show that simply raising salaries alone will not help fight corrupt behaviour unless coupled with greater control. It may therefore be more sensible in the near future to provide the doctors and possibly also the nurses with alternative means of generating income. This could include legitimisation of private use of hospital facilities and equipment outside normal working hours. As experience from developed countries show, however, this kind of set-up needs to be tightly regulated. A second alternative income-generating means could be to make the currently informal payments formal by simply asking (though not requiring) patients to pay to a secretary according to a fixed price lists. This is obviously a very controversial idea, but

in a strict economic meaning it could make sense. The government's strategy for development of the health sector includes some ideas in line with this. The logic would be that making these payments formal would increase transparency and decrease patients' insecurity. Since almost all patients are currently paying informal anyway, many of the respondents in Albania meant that this would be a sensible short-term solution. However, properly functioning emergency support systems for very poor patients and plans for a more sustainable system in the longer term should be prerequisites before even considering this option. Though it is not exactly legal, this system has actually been tried at the University Obstetrics and Gynaecological Hospital in Tirana. The system proved quite successful in the sense that informal payments largely became a thing of the past, while the hospital was able to invest parts of the funds collected in much-needed infrastructure and equipment. Finally, one could try changing the currently very low status of doctors. Again, some interesting initiatives have been launched in Albania. For example, the newly established Hippocratic Society aims at raising the ethical standards of doctors and their status in society, and this institution established doctors is in dire need of support.

The main means to strengthening the currently **inadequate financing system** would be a reform of the health insurance scheme. While the length of this report does not allow for a more detailed discussion of the necessary changes, it is clear that the current arrangement is far from perfect. It should be possible to extend coverage, for example by identifying and approaching patients likely to be in a position to enrol. It should also be considered to raise the negative consequences of not taking part in the scheme, while providing for a fund for emergency treatment of patients in extreme poverty. This could also include strengthening of the management of the scheme and enhanced planning methods.

Most relevant interviewees noted that the **drugs inspection** has very limited capacity to perform its duties. Thus, a strengthening of this institution could potentially make huge impact on the currently inflated prices paid for medicine by Albanians, and help increase the risk of engaging in corrupt behaviour in procurement of medicine and equipment.

Finally, there is much scope for improvement in the **awareness of health-related issues** amongst the general public. Public campaigns informing the public about the patients' rights should be considered. Specifically, this could include posters and leaflets distributed at hospitals, or even tv and printed ads. At the same time, such a campaign should focus almost exclusively on raising the awareness of concrete patient rights, rather than encouraging people to refrain from offering bribes. Since corruption is very common in the health sector and because people generally believe they are forced to pay bribes to get proper treatment, any campaign simply asking people not to bribe is likely to create scepticism. An awareness campaign would fall well in line with the improved patient complaint procedures included in the government's strategy for development of the health sector. Finally, support to the establishment of a patients' association could be highly beneficial to address this issue.

6.1.2 Judiciary

Judiciary	
<i>Causes</i>	<i>Recommendations (objective statements)</i>
Insufficient security and safety	<ul style="list-style-type: none"> ▪ Strengthening of the court police ▪ Intensifying police investigations of threats of judges
Low level of respect and low status	<ul style="list-style-type: none"> ▪ Strengthening of professional associations ▪ Informal, voluntary and anonymous channels for frustration and claims ▪ Training of graduates in knowledge-sharing
Low accountability and low risk of sanctions	<ul style="list-style-type: none"> ▪ Greater transparency of High Council of Judges decisions (beyond the press releases) and functional clarification between the two inspectorates ▪ Performance evaluations of existing judges and ethical screening of future judges
Low level of transparency	<ul style="list-style-type: none"> ▪ Electronic and printed-press system for publishing court decisions ▪ Infrastructure support focused on strengthening public access
Social tolerance of unethical practices	<ul style="list-style-type: none"> ▪ Campaigns focusing on judges and lawyers; training at law school ▪ Campaigns targeting the users of the courts, e.g. businesses or even the general public

An important prerequisite for ensuring greater integrity in the judiciary is to provide the judges with **safe and secure working environment**. This involves boosting the court police and equipping courtrooms with security facilities. Furthermore, the relevant police units should intensify investigations against cases of threatening of judges. Anecdotal evidence suggests that in practice, this means targeting organised criminal groups.

Raising the **status and respect** of a profession is a long-term and complex task, but in the case of the Albanian judiciary there are some encouraging initiatives. For example, the National Conference of Judges has a promising mandate, but as an association it has so far largely failed to make an impact. It could however provide the platform for open discussions strictly within the judiciary of the problems encountered by judges and the problem of corrupt judgements. Currently, there is very little discussion of these issues internally within the judiciary, and there seems to be a great need for a mechanism allowing judges to discuss "sensitive issues" or simply voice frustrations without risking disciplinary sanctions. Finally, enhanced training of new graduates of the School of Magistrates in issues of ethic and conflict solution could arguably improve the situation.

The current **low accountability** of judges and the low risk of being caught in case of corrupt behaviour obviously limit attempts to combat corruption within the judiciary. As a first step, the two Inspectorates currently monitoring the work of judges (under the Ministry of Justice and the High Council of Judges, respectively) should be provided with a very clear functional division, or incorporated into one structure. Furthermore, in order to gain some credibility, the High Council of Judges should adopt greater transparency of its decisions to discipline (or not discipline) judges. The current system of simply publishing the decision itself may be a first step, but it is not enough to increase the credibility of the institution. Finally, judges should increasingly be subject to more advanced performance evaluations than the ones currently adopted. The government's new NDSI strategy includes some notable initiatives in this direction that should be looked upon.

Low transparency of court decisions is a problem that permeates the Albanian judiciary, and there is huge room for improvement in this field. For example, simply providing the parties to the case easy access to the court decisions could be greatly enhanced, not to speak of more advance means of communicating court decisions to the general public. USAID's recently pilot project on improving transparency in a number of selected courts is highly interesting and similar initiatives should be carefully considered. Finally, access to information is in the case of the Albanian judiciary to a large extent also about improving the courtroom facilities, because currently many courtrooms simply do not allow enough space for the public and media to be present.

With regard to the **social tolerance** of problematic socialising amongst judges and lawyers, it would be worthwhile to include more elaborate training sessions at law faculties in these issues, or even conduct awareness campaigns targeting currently acting judges and lawyers. It could also be considered to conduct campaigns targeting businesses or even the general public in order to foster social intolerance to illegitimate behaviour by judges.

6.1.3 Public Administration

Public administration	
<i>Causes</i>	<i>Recommendations (objective statements)</i>
Low wages and job insecurity	<ul style="list-style-type: none"> ▪ Performance pay systems ▪ Increased access to education and training
Low risk in case of corrupt behaviour	<ul style="list-style-type: none"> ▪ Increased audit and performance audit, and IT monitoring systems to automatically detect risky areas and transactions ▪ Enhanced complaint mechanisms
Huge informal economy	<ul style="list-style-type: none"> ▪ Increased capacities of the tax administration and tax police
Low managerial procurement capacity	<ul style="list-style-type: none"> ▪ Strengthening of tender boards, support to their administration and providing incentives to participate
Large discretionary powers of procurement officers	<ul style="list-style-type: none"> ▪ Strengthening of the procurement audit function
Limited procurement complaint mechanisms	<ul style="list-style-type: none"> ▪ Strengthening of complaints mechanisms
Red tape in business registration and licensing	<ul style="list-style-type: none"> ▪ Regulatory impact assessment and procedures streamlining, including IT technology

Within the tax administration and in particular the customs service, **low wages** and **job insecurity** remains a serious problem for employees. The salary levels of these groups of public officials have indeed risen in recent years, and there is some reason to believe that this could increase further in the coming years. However, simply increasing wages is unlikely to have a direct impact on the level of corruption, unless this is coupled with increased control. It should for example be considered to promote the use of performance pay, or introduce more comprehensive complaint mechanisms. Furthermore, the encouraging trend in recent years of fewer staff changes in the public sector and increasing average years of service could be further encouraged by enhancing the opportunities for further education and training.

Currently, the **risks associated with corrupt behaviour** are lower than the risks faced by public officials in other parts of the public sector. Increased use of audits and performance audit of customs officers and tax officials would make it more likely that culprits are caught, possibly assisted by

specialised IT tools. Enhanced mechanisms for complaint would be beneficial as well.

The corruption problems in the customs and tax administration are closely linked with the size of the **informal economy** in Albania, since it means that organised criminal groups will have major incentives to present officials with offers of bribes, or even threaten them to accept them. Minimizing the informal economy is obviously a daunting task, but strengthening of the tax administration's capacities, and in particular the tax police, is needed and would certainly be a step in the right direction.

With regard to the system of public procurement, Albania has made substantial progress in recent years, albeit from a very low point of departure. A big outstanding issue in Albania is the **managerial and administrative capacity** of the tender boards and procuring entities. There is no doubt that the current legislative framework is quite ambitious compared with the capacities that currently exist in central and, in particular, local government agencies. Therefore, further capacity development and training of tender boards and their administrative support is much needed in Albania. The central Public Procurement Agency is providing training and capacity development, but is currently incapable of remotely meeting the demand.

Crucially, tender boards and procuring entities currently have wide-ranging **discretionary powers**, whereas central control is very limited. While DIAC as well as the State Police has powers to investigate allegations of wrongdoings in public procurement, the current system of procurement audit is somewhat fragmented and not conducted by one specialised force. It could therefore be considered to establish a dedicated procurement audit and investigation unit within the Public Procurement Agency. Similarly, the system for **complaints of procurement procedures** is currently divided amongst a number of various institutions, but it may be a more efficient set-up to allow the Public Procurement Agency to serve as a host organisation for handling and distributing allegations of wrongdoings in public procurement.

Albania has made significant progress in **reducing red tape** associated with registration and licensing of businesses. The relevant laws and systems are largely in place, but capacity problems have so far meant that progress is below potential. For example, while the days needed for registration of a business is just one day according to the legal framework, capacity constraints in the new National Business Registration Centre means that this can take more than a month.

6.2 Recommendations for Sida

In this section, we provide recommendations for Sida's strategic interventions in the field of anti-corruption in Albania. First, some general considerations and good advice regarding Sida and other donors' involvement in anti-corruption in Albania are provided. Secondly, four various intervention areas are considered in detail: support to specialised anti-corruption structures, the health sector, the judiciary and the public administration. For each of these we specifically examine:

- Opportunities
- Risks
- Recommendations for support to specific institutions

Under each sub-heading, the recommendations are roughly prioritised in descending order according to the consultants' assessment of the relevance, timeliness, importance and applicability of the suggested intervention for Sida. It should be stressed that further identification and formulation work will need to be undertaken to clearly outline the possibilities and feasibility of the recommended focus areas and partner institutions.

▪ *General Considerations*

Overall, there are good **opportunities** and substantial room for enhanced donor support in the field of anti-corruption in Albania. Despite the signs of improvement in recent years, corruption remains a huge problem for Albanian citizens, businesses, public officials and foreign investors. At the same time, the government has launched a very ambitious plan to eradicate corruption, and if the government accomplish to develop a realistic Action Plan as well, there will be numerous potential intervention areas for donors. One could almost speak of a "window of opportunity" in Albania at the moment, since anti-corruption is clearly high on the agenda of both politicians and the general public, who seem for once to agree that this is an issue that must be tackled. Sida has proven to be right in its strategic choice to focus on the health sector and judiciary, since these are the two sectors most characterised by corruption and possibly in greatest need of assistance.

However, corruption and anti-corruption is obviously a very politicised issue in Albania, and any donor entering the field should be vary of the **risks** that projects in this field carry in order not to become caught up in political discussions and allegations. For example, projects supporting government institutions may generate strongly polarised reactions, because anti-corruption initiatives can often be controversial. Support to civil society and the media in the field of anti-corruption, on the other hand, can be equally risky, because most NGOs and media outlets are perceived to be affiliated to one or the other side of Albanian politics.

Recommendations:

- 1.1 *Consider infrastructure investments.* While technical assistance is highly needed and valuable, the impact can be strengthened considerably in this field if it is coupled with some infrastructure investments, IT in many cases being the obvious choice. USAID and MCC's support to the public procurement and business registration systems shows that by combining the two kinds of support, major steps forward can be made.
- 1.2 *Support both state institutions and civil society.* Currently, support to state institutions is much needed and quite adequate given that some progress has been made. Meanwhile, Albania has a few quite well-established NGOs in the field of anti-corruption, which could be subject to further support.

1.3 *Quick results are often elusive.* Anti-corruption efforts generally take time to materialise and the set-up is in many ways still in its infancy in Albania. Thus, Sida and other donors should not raise expectations of quick and visible results too high.

- ***Support to dedicated anti-corruption institutions***

Opportunities for supporting dedicated anti-corruption institutions are very good, since a range of dedicated institutions such as DIAC have been established. At the same time, there is a clear need to support these institutions in translating the government's anti-corruption strategy into implementation and action.

The main **risk** associated with this is that the entire issue is much politicised, which basically means that some of the anti-corruption institutions are likely to be subject to extensive scrutiny and possibly political interference.

Recommendations:

- 2.1 *Consider support to the Department of Internal Administrative Control and Anti-Corruption (DIAC).* A quite young organisation, DIAC has nevertheless made progress and holds good prospects of further development. At the same time, it receives no dedicated donor support. Support to a dedicated anti-corruption unit would fit well into Sida's former activities in Albania under the PACO programme.
- 2.2 *Consider support to the Joint Investigative Unit against Corruption and Economic Crime.* The unit has enjoyed some very notable successes but continues to be in dire need of material support and technical assistance. This is therefore an institution that offers a window of opportunity for outside support. At the same time, support to law enforcement agencies and the General Prosecutor's Office may not fall tightly within Sida's development objectives for Albania.
- 2.3 *Consider support to HIDAA.* Though this institution does receive donor support, the assistance currently provided by USAID is reportedly only partially covering the need. Should Sida therefore want to support an established institution that has proved its capacity, HIDAA could be a good choice. At the same time, it enjoys considerably more support than many other anti-corruption institutions, so its needs are already at least partly met.

In sum, the consultants suggest that Sida carefully consider support to DIAC because this institution has prospects for a continued positive development and because it seems to fit well with Sida's objectives. The Joint Investigative Unit against Corruption and Economic Crime offers similarly promising prospects, though this may fit less neatly with Sida's priorities.

- ***Support to health sector anti-corruption programmes***

Opportunities for anti-corruption projects are plentiful in the health sector. There is no doubt about the severity of the problem and it really is in everybody's interest to tackle the problem. The room for improvement is immense and it is an issue that has not been addressed in a very systematic way before in this sector. After a decade of limited reform, the government has now pledged that health sector reform is a priority.

One of the major **risks** in this sector is that fact that progress requires major reform initiatives, which can be politically controversial and delayed. In order to make impact, interventions will have to look into financial mechanisms,

which are often difficult to change. Finally, despite the public declarations, there are so far few concrete results.

Recommendations:

- 3.1 *Consider supporting the demand side.* Patients' low awareness of their rights and obligations is a hindrance for fighting corruption in the health sector. Sida could consider supporting the establishment of a Patients' Association, or support to public campaigns informing patients about their rights and obligations.
- 3.2 *Consider support to the National Centre for Control of Drugs.* This is an institution that is in need of support and which could potentially make a huge impact on an issue that occupies most Albanians: the price and quality of drugs.
- 3.3 *Focus on funding and financing.* The crux of the problem of corruption in the health sector is linked with the current problems of the systems for financing and funding, so this area should be in focus.
- 3.4 *Consider human resource management.* Progress of human resource management systems and salary reform, including performance pay, in the health sector is limited, and the area has received limited donor attention. The counterpart for a possible project in this sector would be the Ministry of Health.
- 3.5 *Consider support to the Hippocratic Society.* A small, low-key and young initiative with few funds, this organisation nevertheless is much needed in Albania.
- 3.6 *Involve the National Centre for Quality, Safety and Accreditation of Health Institutions in support to anti-corruption in the health sector.* While this institution is not in urgent need of support, it will be a key institution for any effort to combat corruption in the health sector.

Overall, it is the consultants' impression that support to the demand side of the health sector, i.e. strengthening the call for less corruption by patients, offers very good prospects. The fact that patients are unorganised in Albania illustrates the need for support. At the same time, enhanced knowledge and awareness of patients' rights would be an equally interesting opportunity. On the government side, however, there are also ample opportunities. Despite the fact that the Albanian health sector has enjoyed substantial donor support, some control functions such as the National Centre for Control of Drugs do seem to be in need of further development.

In general, support to fighting corruption within the health sector in Albania should focus on funding and financing issues, or human resource management systems and salary reforms, since problems in these areas are arguably the main causes of corruption in the sector.

- ***Support to anti-corruption programmes targeting the judiciary***

Amongst the **opportunities** is the fact that anti-corruption efforts are greatly needed in this sector. Furthermore, the government's Cross-Cutting Anti-Corruption Strategy includes some interesting initiatives in the sector, including performance evaluation of judges and positive incentives for ethical behaviour.

A considerable **risks** associated with this is the fact that a reform of the judiciary is politically very sensitive and key laws could require consensus voting to be passed. The sometimes uneasy relationship between the government, the Ministry of Justice and the judiciary could have implications for any anti-corruption project targeting this sector.

Recommendations:

- 4.1 *Consider support for transparency measures.* Current initiatives to increase transparency of court decisions are promising, and increased transparency could have a major impact of public trust in the judiciary. The systems for ensuring transparency in court decisions are very much in their infancy and quite limited in terms of courts covered.
- 4.2 *Consider awareness campaigns.* This could include support to the School of Magistrates, public campaigns or even support for tv programmes etc. to raise awareness of ethical conduct of judges and lawyers. In addition, it may be worthwhile to consider support for campaigns targeting the demand side, i.e. the general public or businesses. Such campaigns with a wider audience could focus on the rights of citizens and businesses when engaged with the courts in one way or the other.
- 4.3 *Consider support for the National Conference of Judges.* The Conference offers a rare opportunity for judges to interact and discuss ethical issues, and this institution could offer a fresh start.
- 4.4 *Consider support to the Inspectorates of the Ministry of Justice and the High Council of Judges.* Support is greatly needed, though there is probably need for greater clarity of the functional division before commencing support.
- 4.5 *Consider support to the systems for performance evaluation of judges.* While this is a somewhat controversial suggestion, it is a vital initiative to create positive incentives for ethical behaviour. There are some suggestions to this effect in the government's recent National Strategy for Development and Integration 2007-2013. However, this has so far proven to be a quite delicate political issue, so there is a risk of limited progress.
- 4.6 *Couple technical assistance with infrastructure investments.* There is still an urgent need for improving facilities and infrastructure in the judiciary and this situation does have impact on the possibilities for fighting corruption. In particular, IT development can have a massive impact. Furthermore, security remains a concern and Sida could consider support for to enhance this as well.

Anti-corruption initiatives focusing on the judiciary should first and foremost focus on efforts to enhance the transparency of court decisions. It is beyond any doubt that this is needed and it may prove a relatively easy entry point, because some initiatives have already been started. Raising awareness could also be a strategic intervention, while the government's recent initiatives in terms of performance evaluation of judges offer potentially interesting opportunities as well. In addition to this, it should be considered to support some of the existing control institutions functioning within the judiciary.

▪ ***Support to public administration anti-corruption programmes***

A good **opportunity** for anti-corruption in the public administration is the fact that civil servants are enjoying increasing status, symbolised by the fact that more applicants apply for civil service positions and turnover rates are falling⁵². Thus, it is likely that the near future will see increased attention to the question of correct conduct in the public administration.

The **risks** include the fact that insufficient salaries continues to be a problem in parts of the public administration, for example the salaries paid to customs officers. This is to a large extent an issue that donors will find it hard to change.

⁵² "Political economy of Civil Service Reform in Albania", Gary L. Reid, World Bank, 2005

Recommendations:

- 5.1 *Consider support to public procurement capacity development.* While the Public Procurement Agency is now a relatively strong institution, the procuring entities are clearly lacking in capacity. Given the novelty of the relevant legislation, there is dire need for training and guidelines at both central and local level.
- 5.2 *Consider support for setting up a procurement complaint mechanism.* The current system for complaints in public procurement is limited and this could be an area of support. The suggested Procurement Ombudsman is an interesting initiative in this regard, though this institution is already enjoys donor support.
- 5.3 *Consider anti-corruption activities targeting customs officers and the tax administration.* There are major corruption problems within the customs service and the tax administration. Initiatives could focus on human resource issues, such as e.g. performance pay schemes, job rotation and security, whistleblowing and control measures etc.

Public procurement is a much-needed and very relevant focus for anti-corruption work with the public administration. Albania has made huge steps forward in this field in recent years, and received relatively much support already in this field. Nevertheless, the need for further capacity development, in particular amongst the many procuring entities, is massive, and could potentially make a huge difference given the success at central level.

Annex 1: List of persons interviewed or consulted

- Mr. Ralph Monö, Counsellor, Head of Development Cooperation and Deputy Head of Office, Embassy of Sweden, Rome, Office in Tirana
- Ms. Lisa Mossberg, Country Programme Coordinator Albania, Division for South Eastern Europe, Department for Europe, Sida
- Ms. Linda Gjermani, Embassy of Sweden, Rome, Office in Tirana
- Mr. Ardian Dvorani, Judge, Supreme Court
- Nr. Artur Metani, Advisor to the President on Judiciary issues, Tirana
- Fatbardh Kadilli, Advisor to the Prime Minister on Anti-corruption policies
- Mr. Pjerin Marku, Advisor to the Prime Minister on transparency and Information Technology, Council of Ministers, Tirana
- Mr. Enkelejd Alibeaj⁵³, Head of Department of Internal Administrative Control and Anti-Corruption (DIAC)
- Ms. Agata Nasti, Director of Cabinet, High Inspectorate for Declaration and Audit of Assets, Tirana
- Elvira daberdaku, Chief of Sector for Institutional Relations, High Inspectorate for Declaration and Audit of Assets, Tirana
- Albi Ferani, adviser of General Inspector, High Inspectorate for Declaration and Audit of Assets, Tirana
- Ms. Blerita Selenica, Director, Department of Public Administration, Ministry of Interior
- Ms. Klodiana Cankja, General Director, Public Procurement Agency, Council of Ministers, Tirana
- Mr. Victor Gumi, General Director of Codification, Ministry of Justice, Tirana
- Mr. Petraq Mersini, Adviser at Minister of Health
- Professor Dr. Isuf Kalo, Director, National Centre of Quality, Safety and Accreditation of Health Institutions, Tirana
- Dr. Halim Kosova, Director, University Obstetrics and Gynecological Hospital, Tirana
- Mr. Pjeter Ndreca, Director, Directorate of Methodology, Generalization and Education, General Directorate of Audit, Ministry of Finance, Tirana
- Mr. Besnik Muci, Joint Investigative Force for Serious Economic Crimes and Corruption, State Police
- Mr. Altin Dumani, Joint Investigative Force for Serious Economic Crimes, General Prosecutor's Office
- Mr. Gjergj Buxhuku, General Director, Confederation of Albanian Industries, Tirana
- Mr. Arbjan Mazniku, Policy Director, Mjaft! Movement, Tirana
- Mr. Boiken Abazi, Director of Operations, Mjaft! Movement, Tirana
- Mr. Shpati Hoxha and Mr. Andi Memi, Attorneys at law, Hoxha, Memi & Hoxha, Tirana
- Mr. Gerti Shella, journalist and TV talk Show conductor at TV "NEWS 24"
- Mr. Niels Severin Munch, Ambassador, Royal Danish Embassy, Tirana
- Ms. Elina Koci, Rule of Law Specialist, U.S. Agency for International Development, Tirana
- Mr. Auron Pasha, IDRA

⁵³ Mr. Alibeaj was appointed Minister of Justice 23 November 2007

Annex 2: Detailed analysis of available corruption survey data

Since 1991, the issue of corruption has been extensively discussed in the media and in the public and political debate in Albania. However, it was not until after the crisis of Albanian society and politics in 1997 that the first comprehensive studies of the level and typology of corruption were initiated.

<i>Overview of corruption surveys in Albania</i>	
World Bank	First survey on corruption in Albania in 1998
Business Environment and Enterprise Performance Survey (BEEPS)	World Bank survey focusing on the cost of corruption for businesses. Surveys conducted in 2002 and 2005.
Doing Business	Worldwide World Bank Survey covering also Albania. Latest edition 2008
Corruption Perception Index	Transparency International's (TI) worldwide index for perceived corruption levels. Latest 2007.
Global Corruption Barometer	Transparency International's worldwide in-depth survey on corruption. Latest 2006.
National survey on Perception of Corruption	USAID-funded survey of corruption in Albania. Conducted 2004, 2005 and 2006 by the local NGO IDRA (in 2004 by MSI International)
Early Warning Reports	USAID reports from 2004 and 2005 covering, amongst other things, corruption

Among the sources mentioned above, only a handful provides primary data based on random selection of national sample (this includes BEEPS, the IDRA survey, and TI's Global Corruption Barometer).

Based on these sources, it is unquestionable that corruption is a widespread phenomenon in almost all parts of the public sector in Albania; whether surveyed as the perceived level or as peoples' personal experience it remains very high. All the surveys also conclude that it has considerable negative impact on citizens' life and business performance, constituting one of the serious barriers to growth for Albania and a serious factor of corroding the trust of the public in democratic institutions. We may speculate that some factors, such as highly politicised environment on the topic or unclear terms and definitions may contribute to an increased perception, but this does not reduce the relevance of the problem.

Below, we have combined the data from these surveys to provide an overview of the conclusions that can be made based on these sources alone. The main conclusions that we can draw from this are the following:

- Available corruption surveys now provides relatively good information for further analysis
- The level of corruption is perceived as very high
- Most Albanians have extensive personal experience with corruption
- Corruption remains a problem for businesses

- Some signs of improvement can be observed
- Corruption has undermined trust in public officials and institutions
- There is widespread confusion of the definition of corruption in Albania

Each of the conclusions is described in more detail below.

Available corruption surveys now provides relatively good information for further analysis

From an analytical point of view, further survey information is always welcome and, to some extent needed. The best available surveys, namely the IDRA survey is planned to continue for at least three years, while TI will continue its Global Corruption Barometer report as well. Thus, Albania seems relatively well covered with survey information for the near future.

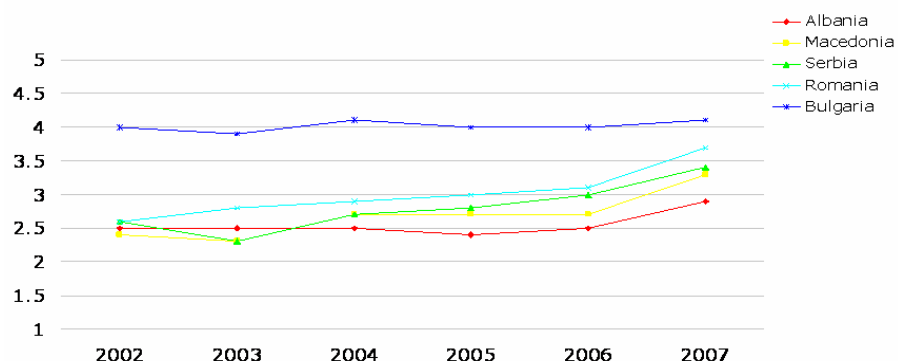
The level of corruption is perceived as very high

Most corruption surveys and assessments focus extensively on measuring the *perceived* level of corruption – i.e. how corrupt respondents believe a given country, sector or institution is – rather than measuring peoples' *actual experience* of corrupt practices. While this approach has been highly criticised, it remains the most broadly covering data available so far and perceptions are in many ways just as important as the actual level. A high level of perception of corruption in a country strongly supports the *hypothesis* that corruption is also *de facto* at a high level. We recognize that there is a debate among the scholars and practitioners on the strengths and weaknesses of assessment of corruption based on perception. Assessment of corruption based on perception contains weaknesses and it can not either fully describe the phenomenon or explain it in an exhausting manner. Nevertheless it remains a powerful instrument for such a purpose.

In Albania, the overall level in the perception of corruption very high, but it has now largely stagnated, i.e. it is neither raising nor falling.

According to Transparency International's Corruption Perception Index, Albania's score has stagnating around 2.5 in the period 2002 to 2005, with a slight deteriorating in 2005 (2.4) and signs of improvement in 2006 (2.6) and, most notably 2007 (2.9).

Corruption Perception Index



Rambøll Management:

Source: Transparency International's Corruption Perception Index, 2002-2007

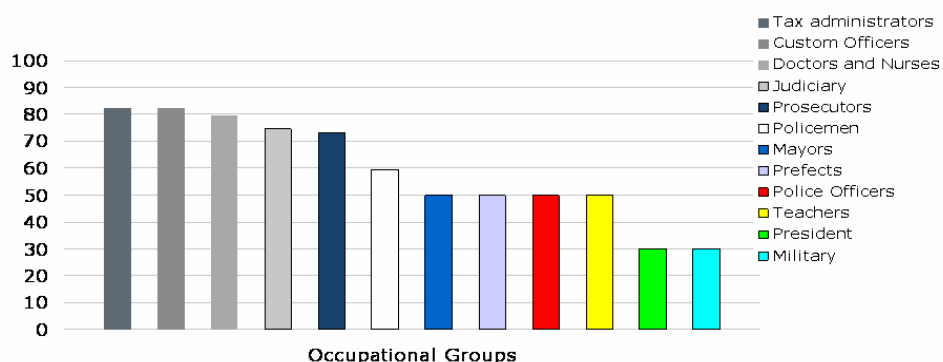
Albania is seen as one of or, arguably, the most corrupt country in the region. As illustrated above, the CPI index for Albania is considerably lower than countries such as Bulgaria and Romania, and slightly lower than Serbia

and Macedonia. The recent positive trend from 2006 to 2007 is reflected in the score of other regional countries as well.

Most other perception surveys confirm this, showing a consistently high perceived level of corruption. Statistical results to the kind of standard questions used in different surveys such as “how widespread is corruption among public officials⁵⁴” shows high level of perception of corruption. The IDRA survey measures perception on a scale from 0 (not corrupt at all) to 100 (completely corrupt), with respondents reporting corruption level in Albania to be over or around 70.

According to the IDRA survey from 2006, the most corrupt institutions are customs and tax administration (score: 82.5 on the 0-100 scale), the health sector (score: 79.7; 38.6% reports given a bribe to a doctor or nurse in the last 12 months), the judiciary (score: 74.7) and prosecutors (score: 73.3). Interestingly, policemen are considered considerably less corrupt than other public officials, though it remains quite high (score: 59.5; 9.0% reports having given a bribe to a policeman in the last 12 months). This result is almost the same compared to the 2005 survey, with the exception of a few groups (i.e. ministers) that are perceived as slightly less corrupt in 2006. The figures are illustrated below.

Corruption Perception on 0-100 scale



Ramboll Management:
Source: USAID/IDRA survey 2006

Mayors, prefects, police officers and teachers, on the other hand, are perceived as mid-level corrupt, scoring 50 to 70 on the 0-100 scale. Meanwhile, the President and the military are seen as relatively less corrupt, though these still score more than 30 on the 0-100 scale.

It is interesting to note that different surveys have tested also non-officials such as NGOs leaders, religious leaders, businesses and journalists. Except religious leaders, which are systematically seen as almost not corrupt, these groups are classified at the mid-level, although generally at a lower level than officials in the same category (mid-level).

Most Albanians have extensive personal experience with corruption

As mentioned, some of the surveys also probe respondents’ personal experience with corruption. The questions may vary from one survey to another, but its substance remains almost the same, in line with: “have you been asked or have you paid bribe during last 12 months?”. A question of this

⁵⁴ The term public official is a generic term that for a common respondent includes every kind of official either political appointee, civil servant, judge etc. but it excludes doctors/nurses and teachers

kind was used in some surveys and it is interesting that the results generally coincide.

According to TI's Global Corruption Barometer 2006, 66%⁵⁵ of respondents have at least once paid a bribe in the last 12 months. According to this survey, Albania belongs to the groups of countries with the highest level of reported corruption, on par with countries like Cameroon, Gabon and Morocco. It should be noted that according to the same report in 2004 the result of the same answer amounted to just 30%. It is unclear to the authors of this report how that change has happened.

In the IDRA survey from 2006, close to 50% of the respondents reported having paid a bribe in the last 12 months⁵⁶. Furthermore, when asked in which sectors they have paid a bribe, respondent has experience with bribegiving in an average of 1.4 different sectors.

With regard to the frequency of bribe-paying in various sectors, the comparison shows that most people have experience of corruption in the health sector, followed by civil registry, the immovable property register, and the road police. Regarding health sector, TI's Global Corruption Barometer 2006 reports a bribe frequency of 56%, while in the IDRA survey it amounts to 40%⁵⁷.

It is evident that the frequency of bribe-paying is higher in those parts of the public sector that the public uses and has direct contact with. Thus, one should not immediately conclude that these sectors are the most corrupted. Other parts of the public sector usually linked with narrower groups of society (such as the judiciary or public procurement institutions) could well be reported as less corrupt simply because the average citizen has less direct experience with them⁵⁸.

Corruption remains a problem for businesses

According to TI's Global Corruption Barometer 2006, 46% of respondent in Albania report that corruption moderately affects their personal and/or family welfare, while 26% respond that it affects to a large extent. This is largely unrelated to income and/or education level of the respondents.

In the BEEPS 2002 and 2005 surveys, corruption was evaluated as one among five most important problems that a business face among twenty one listed in the questionnaire. Being selected by almost 70% of the respondents, the importance of corruption as a problem seems close to the relevance of high level of taxes or shortages of electricity, thus proving that it is a real problem for Albanian businesses and not "just an opinion". The Albanian case shows that corruption is a more important problem faces compared to its relevance in SEE or ECA countries. The share of corruption over annual turnover of a business amounts to 1.6% in 2005 from 3.2% in 2002.

⁵⁵ It is interesting to mention that in Turkey only 2% of the respondents answered positively to the same questions, basically placing Turks at the same level as Norwegians. This may also demonstrate for a cultural biasing effect of the term across countries.

⁵⁶ In this report IDRA uses the term "Corruption Victimization"

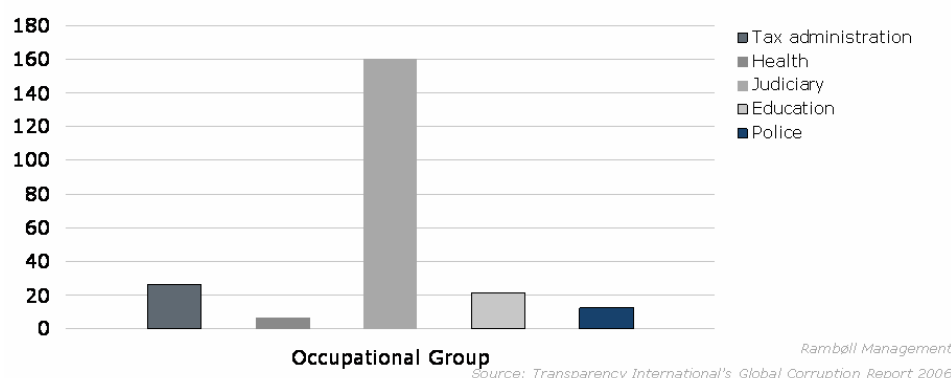
⁵⁷ There is more discrepancy between the IDRA survey and TI's Global Corruption Barometer in some other sectors. One explanation is that with IDRA surveys, the frequency among respondents is based on total sample while at the frequency is measured only as a percentage of those that has used the service. For example: In Global Corruption Barometer 2006, the result for police is 60% of the respondents that have had contact with police considering that only 187 out of 800 has had contacts with police compared to 686 visiting health care centres. This is one of the major methodological differences between two surveys.

⁵⁸ Unfortunately the referred reports do not provide a thorough analysis in such a comparison through eliminating the distortion effect of the size and nature of the public sector. The conclusion is that of the authors but this has been confirmed by Mr. Auron Pasha, director of IDRA.

Bribe is mostly paid to deal with tax/customs, obtaining government contract, obtain licenses/permits and to deal with courts with almost 40% of the respondent answering that bribe is frequent in these sectors.

TI's Global Corruption Report 2006 includes data on the size of last bribe paid by the respondents as illustrated in the figure below. According to the report the average bribe size of a bribe in USD varies greatly: judiciary (160.5), tax administration (26.7)⁵⁹; education (21.4), police (12.2), health service (just 7.0). Considering that Albanian GDP per capita is around 3000 USD, the size of bribes is small but certainly not negligible.

Average size of bribe (USD)



Some signs of improvement can be observed

In the last decade, Albania has remained roughly at the same high level of perceived corruption. However, in the last two years there have been indications of some improvement, though it is too early to tell whether this trend is stable. The trend is most expressed in TI's Corruption Perception Index, on which Albania improved its position from 2.6 to 2.9 from 2006 to 2007.

With regard to personal experience of corruption, the IDRA surveys show stagnation in most parts of the public sector, but also a slightly decreasing trend in a few particular public sectors. Notably, the percentage of respondents having paid a bribe to the police decreased reduced from 14.9% to 11.4% from 2004 to 2006, while the bribes paid to the broadly defined category "public officials" was more noted with a decrease from 20.0% to 11.0%. At the same time, the health sector as well as the judiciary remained more or less at the same level.

The reported costs of corruption to businesses measured as a percentage of annual turnover has reduced from 3.2% in 2002 to 1.6% in 2005, according to the BEEPS surveys. Unfortunately, the BEEPS reports do not provide any analysis of the value of bribes, so it is not possible to assess whether the absolutely value has also decreased.

With regards to the perception of corruption, the situation has almost not changed at all. However, we can note a slight decrease in the perceived level of corruption of a few public sectors / group of officials. In the IDRA surveys,

⁵⁹ It seems that there are no accurate and credible results of surveys regarding the size of bribe between BEEPS and the Global Corruption barometer, with a higher estimation reported by BEEPS if considering only the tax administration bribery.

a slight improvement is reported amongst all categories of public officials, with the average score decreasing from 87.1 to 82.2 points. Improvements are reported for ministers (81.9 to 71.7 from 2004 to 2006)⁶⁰, the police (66.4 to 59.5 from 2005 to 2006), and a slight deterioration of the opinion for professors of universities (62 to 69 points from 2004 to 2006).

Corruption has undermined trust in public officials and institutions

All available surveys conclude that the level of Albanians' trust in their state agencies and public officials is very low. In particular, a number of key democratic institutions vital for the enactment of anti-corruption policies and laws such as political parties, parliament and ministers are seen as very untrustworthy. The same pattern goes for most inspection and investigative state agencies such as the tax administration, custom service, the police, judges and prosecutors. Trust is slightly higher for the media, NGOs and the private sector. The very low level of trust in key anti-corruption institutions reflects a low confidence in their ability to effectively combat corruption.

Nevertheless, according to the IDRA survey from 2006, a few key public institutions have actually improved their score a bit since the 2004 survey. This includes the High State Control, Council of Ministers, the police, General Prosecutor's Office and, most markedly, the media and journalists.

There is widespread confusion about the definition of corruption in Albania

The definition of the word "corruption" and related terms such as "bribery", "speed money", "embezzlement" etc is often unclear, and this can potentially have huge consequences for the survey results. Interestingly, the question of how define corruption has actually been tested in some of the Albanian surveys.

In the IDRA survey from 2006, respondents were asked to determine which of four examples should be defined as corruption and whether the culprits should be punished for their involvement. What emerged from the conclusions was that the definitions applied by Albanians are much broader than the classic definitions typically used by politicians, surveyors and academics. For example, almost half of the respondent considered it corruption when a flower shop owner increases the prices during a national holiday, and another 25% considered it corruption but didn't think it should be punished. Corruption, then, as a concept is tightly linked with and possibly confused with similar concepts such as greet, inappropriate behaviour, or even simply impoliteness. With such a broad definition, Albanians – presumably alongside with respondents from other countries – may well be over reporting the incidence of corruption excepts when asked about the frequency of actual bribe-giving.

Another terminological confusion may be caused by the unclear distinction in Albanian between the word for "bribe" (*rryshfet*) and the word for "tip" (*bakshish*). While the two words involve very different moral connotations (*rryshfet* is negative, *bakshish* can be positive), they are often used synonymously. *Rryshfet* denotes an informal payment made to encourage an official to break the rules, while *bakshish* normally is reserved for a gratitude or token gift. However, since traditional Albanian gift-giving customs have changed, *bakshish* is now often a monetary gift, which has arguably introduced some of the confusion between the two words.

⁶⁰ Urban sample

Annex 3: Selected list of literature

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