# PROJECT INFORMATION DOCUMENT (PID)
# APPRAISAL STAGE

Report No.:  PIDA25718

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|---|---|
| **Project Name** | Citizen-centered public services (P151972) |
| **Region** | EUROPE AND CENTRAL ASIA |
| **Country** | Albania |
| **Sector(s)** | Public administration- Other social services (50%), General public administration sector (50%) |
| **Theme(s)** | Administrative and civil service reform (30%), e-Government (30%), Managing for development results (40%) |
| **Lending Instrument** | Investment Project Financing |
| **Project ID** | P151972 |
| **Borrower(s)** | Ministry of Finance |
| **Implementing Agency** | Ministry of State for Innovation and Public Administration |
| **Environmental Category** | B-Partial Assessment |
| **Date PID Prepared/Updated** | 28-Apr-2015 |
| **Date PID Approved/Disclosed** | 25-Jun-2015 |
| **Estimated Date of Appraisal Completion** | 15-Jun-2015 |
| **Estimated Date of Board Approval** | 18-Aug-2015 |
| **Appraisal Review Decision (from Decision Note)** | |

## I.   Project Context
### Country Context

1.        Albania, Europe's poorest nation in the early 1990s, attained middle income status in 2008. This impressive achievement was due to strong growth prior to the 2008 financial crisis.  Growth was driven mostly by domestic consumption, boosted by foreign transfers and remittances. Albania's per capita income gap with the European Union (EU) substantially narrowed over this period: from 18 percent of average EU incomes in 1998 to 30 percent in 2012.  From 2002 to 2008, poverty declined from 25.4 percent to 12.5 percent. Shared prosperity improved as well, with consumption by the bottom 40 percent of the income distribution growing faster than the country's average.  However, the financial crisis of 2008 interrupted this positive growth trajectory. Albania's growth averaged less than 3 percent per annum in real terms between 2009 and 2012. Growth slowed further in 2013 and 2014 to an average 1.7 per annum.

2.        The World Bank's Systematic Country Diagnostic (SCD, 2015) identifies the delivery of basic public services as a constraint on accumulation and efficient use of assets needed for sustainable and equitable growth. The SCD finds that the major sources of inefficiency in service

delivery are due to corruption and fragmented institutional arrangements. It also points to socio-economic and spatial inequalities in access to services affecting the less well-off and vulnerable population sub-groups, such as rural residents, women, and the Roma.  In light of the existing fiscal constraints, improvements in quality and access to services will have to come from efficiency gains.

3.      Institutional reforms aimed at reducing corruption are also at the forefront of the EU's requirements for Albania's progress toward further EU integration.  Albania implemented a Stabilization and Association Agreement (SAA) since April 2009 and was granted candidate status in June 2014.  The most recent EU Progress Report (October 2014) acknowledges there is political will to fight corruption and highlights the most important challenges ahead of Albania's EU accession.  These include: strengthening the rule of law, reforms in the public administration, including professionalization and de-politization, anti-corruption efforts and improving competitiveness and the business environment. One of the main objectives of future IPA II (2014-2020) assistance in these sectors is to strengthen democratic institutions and support the public administration reform process. IPA II will also support improvements in public service delivery and the preparation and implementation of national legislation in line with the European standards and best practice. The World Bank is working with the EU and other development partners to coordinate support toward these goals.

4.      While some progress has been made over the last decade, citizens still view corruption as a significant problem, especially in health, police, customs, and property registration services.  A 2011 UNODC survey of corruption in Albania found that Albanian citizens rank corruption as the second most important problem facing their country, after unemployment. According to the survey, eight out of ten Albanian citizens interacted with the public administration at some point during the twelve months prior to the survey and 28.3 percent of respondents were exposed - either directly or through a household member – to bribery of a public official.  Bribery prevalence rate – the percentage of citizens paying a bribe – was 19.3 percent with the most corrupt services being health care (over 70 percent of payments to doctors and 45 percent to nurses), police (14 percent) and property registration officers (7 percent). Recourse to private intermediation, bribes or facilitation payments to access services is facilitated where services are face-to-face.  While business process and e-governance reform efforts have improved business services, such measures have not yet been applied to administrative services. Property and pension records, for example, are only partially digitized. Citizens are increasingly dissatisfied and vocal in expressing their dissatisfaction with public sector inefficiency and corruption. This partly reflects changing expectations. A generation of Albanians that came of age in the post-communist era has been exposed to high service standards in Europe. Further sensitized by an assertive print and electronic media, this cohort, unlike their parents, demands much more from the state.

**Sectoral and institutional Context**

Government Program

5.      The Government of Albania began a bold reform program of public service delivery, entitled "Innovation against Corruption," in June 2014. Elected in 2013 with a mandate to reduce corruption, the Government of Albania (GoA) intends to fundamentally change how public services are provided through a variety of interventions, including the creation of a one-stop-shop for administrative services, regulatory reform, re-engineering how services are approved, increasing the number of services provided online, and implementing performance management measures. The

GoA's objectives in implementing these reforms are to reduce the scope for corruption, foster a citizen-focused ethos for provision of public services, and reduce the time and cost of service delivery both for citizens and non-government organizations by an average of 25 percent.

6.      The proposed one-stop-shop citizen service center (CSC) in Tirana, regulatory reform, process re-engineering, and automation are key elements of this strategy. The CSC would offer over 300 national government services from multiple ministries and agencies. This will allow for the separation of front office service delivery from back office administrative processes. Establishing mechanisms for citizen feedback on the quality and timeliness of service delivery will provide the necessary data to manage performance. Through these reforms the government plans to focus on the quality and speed of customer service and reduce opportunities for corruption.

Reform Progress

7.      The Government's timeline for the reform is very ambitious. As part of Phase 1, which began in 2014, the government established nine ministerial working groups which will prepare an inventory of regulations and administrative procedures underpinning the delivery of selected services and regulatory approvals for licenses and permits. For each service, license and approval, potential improvements in regulations and administrative processes will be identified and elaborated in a legal inventory and process maps. Ministerial working groups will also conduct surveys of citizens to collect baseline data on the time and cost of applying for government services for selected services, licenses and approvals. In Phase 2, the Government will implement the recommendations arising from a regulatory review and process re-engineering to improve service delivery, automate some of the re-engineered services to be provided online, and establish monitoring and evaluation processes.  The central CSC that will provide all priority services will be established in Tirana by the end of 2017.  Phase 3 envisages ongoing expansion and improvement of the delivery of services. The Government proposes to fully automate 90 percent of the selected government services for online service provision by 2020.

8.      There are several parallel public service delivery automation initiatives currently underway in Albania. The e-Albania.al portal offers over 300 services at Level 1 of online service development (information provision) and seven Level-4 e-services (transaction with full electronic processing). The National Agency for Information Service (NAIS) intends to provide 86 Level 4 services by the end of 2015.  Other digital government initiatives include: online procurement; digitization of 20 percent of property records; modernized business registration and licensing services; digital signature capability embedded in biometric IDs (introduced in Jan 2014); and digitization of passports and national identification number. Digitization of government records and systems is expected to accelerate over the next year given the ten-fold increase in the fiscal budget of NAIS to US$ 25 million. NAIS continues to automate government application forms and processes, linking existing databases and providing for legally verifiable electronic documents through expanding the use of digital signatures. (See Annex 2 for details on e-governance initiatives in Albania).

9.      As part of Phase 2, the Government of Albania intends to construct a central CSC building in Tirana. This facility will offer citizens and business physical access to over 300 government services currently offered by multiple ministries and agencies (see Annex A2-1 for the preliminary list of services). Notwithstanding the NAIS' efforts to automate processes for online service provision, there will be a need for a physical presence where citizens can access services in person

for the foreseeable future given modest levels of internet penetration at only 60 internet users per 100 people in 2013 (WDI). Moreover, the Government of Albania values the symbolic significance of a new building, highlighting a new citizen-focused approach to government service delivery. The core features and size of this new building have not been decided. Potential models for its financing, construction and management, including PPPs, are also currently being considered. This facility may also house ministries, agencies and private sector firms, given its potentially large footprint.  The site for the building in the center of Tirana has already been selected.

10.     The Albanian government is keen to actively communicate with citizens to seek feedback on the quality of services delivered. In addition to improving the monitoring of service delivery performance across the country over a range of services, proactive communication from the center of government will help increase a positive perception among citizens of state responsiveness. Over time, such communication also may eventually reduce citizen distrust. With technical assistance from the World Bank, the Government has recently launched a pilot citizen feedback mechanism in four hospitals and two property registration offices, where citizens' mobile numbers are being recorded as they access services.  More than 10,000 citizens receiving health and property registration services have been contacted, via text messages, during November 2014 to seek feedback on their experience with these services. Around 22 percent of citizens have replied. While some have reported bad service delivery, many have expressed thanks for this proactive contact. Prime Minister has reviewed the initial progress to monitor corruption and service delivery quality and has ordered its expansion to other ministries.

Inter-agency coordination

11.     The Interministerial Public Services Committee (IPSC) chaired by Prime Minister provides strategic guidance for the reform.   This high level committee includes Ministers that oversee all involved service provision agencies.  Strategic Planning Committee, also chaired by Prime Minister, will approve the Reform Policy Document that will detail the strategic plan for the reform.

12.     A Technical Interministerial Committee chaired by the Minister of State for Innovation and Public Administration will oversee and lead regulatory reform and process re-engineering. Nine ministerial working groups will be established reporting to the high level working group chaired by the Minister. The ministerial working groups will be responsible for core regulatory reform and re-engineering tasks related to over 300 government services.  Specifically, they will be tasked with completing the regulation review, validation of the existing legal inventory, and recommending re-engineering of government services including necessary legal reforms. The ten ministerial working groups are expected to complete this work within an extremely compressed timeline: by end June 2015. Reform of government services and repeal of licenses, permits and approvals will be implemented through omnibus legislation, expected to be passed by the end of October 2015.

13.     The Prime Minister's Office Delivery Unit (DU) continues to provide extensive support to the preparation of this reform program. The DU was established in February 2014 to track progress on six Prime Minister's priorities; one of these priorities is service delivery by citizen service centers, the others are water; energy; FDI/one-stop shops for investors; tax and customs administration; and land/property registration.  The DU is currently operating with five staff. The Unit's mandate is to work with and across ministries to unblock barriers to delivery, facilitate inter-ministerial collaboration on priorities, engage in resolving implementation obstacles, and track

implementation progress toward targets through transparent monitoring mechanisms. The DU will support project preparation and implementation with regard to:

(a)    Coordination and support to the Ministerial service delivery working groups;

(b)    Quality control of outputs from re-engineering and the regulatory reform exercise;

(c)    Input into the design of the one-stop-shop model;

(d)    Inter-ministerial and agency coordination (e.g. between NAIS, ADISA, and Line Ministries);

(e)    High level reporting of overall progress of the reform to the Council of Ministers; and

(f)    Development and application of consistent and integrated monitoring and evaluation processes to measure the impacts of the reforms over time.

14.    The DU will play an important role in monitoring progress throughout the reform. Work is currently underway by the DU to establish baseline measures on the quality of front line service delivery which will be developed further by the ten working groups. Once the citizen feedback mechanism is in place for the pilot services, the data collected will be analyzed and presented by the DU team in various forums to ensure the data is used to improve the performance of front line service delivery.

## II.    Proposed Development Objectives

The development objective of the project is to improve the efficiency of delivery and access to selected administrative services in Albania.

## III.    Project Description

**Component Name**

Enhancing the back-end systems

**Comments (optional)**

Business process reengineering of services, building new IT systems, and automation of services.

**Component Name**

Enhancing citizen interface with service delivery

**Comments (optional)**

Reforming front offices in existing agencies, improving citizen convenience with one stop shops, improving online delivery of services, implementing beneficiary feedback, and providing information on services.

**Component Name**

Building capacity to deliver

**Comments (optional)**

Improving strategic planning, performance management, capacity building of the Prime Ministers Delivery Unit and the Ministry of Innovation and other implementing agencies, and communications strategy and campaign.

## IV.    Financing *(in USD Million)*

| Total Project Cost: | 74.10 | Total Bank Financing: | 32.00 |
|---|---|---|---|
| Financing Gap: | 0.00 | | |
| **For Loans/Credits/Others** | | | **Amount** |
| Borrower | | | 42.10 |

| International Bank for Reconstruction and Development | 32.00 |
|---|---|
| Total | 74.10 |

## V. Implementation

## VI. Safeguard Policies (including public consultation)

| Safeguard Policies Triggered by the Project | Yes | No |
|---|---|---|
| Environmental Assessment OP/BP 4.01 | ✘ | |
| Natural Habitats OP/BP 4.04 | | ✘ |
| Forests OP/BP 4.36 | | ✘ |
| Pest Management OP 4.09 | | ✘ |
| Physical Cultural Resources OP/BP 4.11 | | ✘ |
| Indigenous Peoples OP/BP 4.10 | | ✘ |
| Involuntary Resettlement OP/BP 4.12 | | ✘ |
| Safety of Dams OP/BP 4.37 | | ✘ |
| Projects on International Waterways OP/BP 7.50 | | ✘ |
| Projects in Disputed Areas OP/BP 7.60 | | ✘ |

Comments (optional)

## VII. Contact point

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