

## **Albania: Poverty Reduction Strategy Paper Annual Progress Report**

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**REPUBLIC OF ALBANIA  
MINISTRY OF FINANCE**

**PROGRESS REPORT ON IMPLEMENTATION  
OF THE NATIONAL STRATEGY  
FOR SOCIO-ECONOMIC DEVELOPMENT  
DURING 2003**

**OBJECTIVES AND LONG TERM VISION**

**PRIORITY ACTION PLAN 2004-2007**

APRIL 2004



## **ACKNOWLEDGEMENTS**

The Government of Albania pays very special attention to the National Strategy for Socio-Economic Development, NSSD, in formulating, implementing, monitoring and updating it. The current document testifies to it.

The NSSD is increasingly considered as the basic document that combines the main agendas of government for reducing poverty, guaranteeing sustainable economic growth, achieving the Millennium Development Goals, integrating the country into NATO, EU and the region etc.

The NSSD is creating a mid-term and a long-term vision for the development of the country by setting in motion an increasingly open and clear process that enables large-scale participation of all contributors, such as the civil society, the local communities, the business community, the whole political spectrum, scholars and scientists and other interest groups. The NSSD constantly and thoughtfully has been discussed with our international partners that encourage Albania in its efforts to carry out the development and integration reforms.

Considering this document as a significant piece of work, I wish to express my appreciation to the Ministry of Finance, the NSSD Department, the Monitoring and Evaluation Units at all Line Ministries and to the other public institutions involved in completing the assigned task.

I wish to express my gratitude to the World Bank and to DFID for their essential technical assistance supporting this document. I fully appreciate the role of the IMF, UNDP, OSCE, USAID, the Dutch Government and UNICEF, which assisted the implementation and updating of the NSSD, raised the scale of participation, and facilitated the consultations with civil society and other interest groups.

I wish to thank the Institute for Contemporary Studies (ISB), the Carter Center and OXFAM for their contribution to the analyses and activities related to the NSSD process and to the preparation of this report.

I owe all the Albanian experts a debt of gratitude for their part in providing this document: A. Civici, G.Ducka, K.Kamberi, E.Zykaj, I.Kraja, G. Ruli, A.Hoxha, S.Xhepa, A.Mancellari, Sh.Marku, M.Muca, S. Llambiri etc.

PRIME MINISTER

FATOS NANO

## ACKNOWLEDGEMENTS

Albanian Government gives a very special attention to the National Strategy for Socio-Economic Development, NSSED, in formulating, implementing, monitoring and updating it. The current document testifies to it.

NSSED is increasingly considered as a basic document that combines the main agendas of government for reducing poverty, for guaranteeing a sustainable economic growth, for achieving the Millennium Goals, for integrating the country into NATO, EU and the region etc.

NSSED is creating a mid-term and a long-term vision of the development of the country by seeing it as an increasingly open and clear process that enables a large-scale participation of all contributors, such as civil society, local communities, business community, political spectrum, scholars and scientists and other interest groups. NSSED constantly and thoughtfully has been consulted with our international partners that encourage Albania in its efforts to carry out the developing and integrating reforms.

Considering this document as a significant piece of work, I wish to express my appreciation for performing the assigned task to the Ministry of Finance, the NSSED Department, the Monitoring and Evaluation Units at all the Line Ministries and to other public institutions involved.

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PRIME MINISTER

FATOS NANO

## **BACKGROUND ON THE DOCUMENT**

NSSSED is the basic document of the mid-term and long-term government policies. The first document of NSSSED was prepared in 2001, called the *Growth and Poverty Reduction Strategy*, GPRS.

GPRS offered a deeply argued analysis of the transition, the dynamism, the weaknesses and opportunities of this period, a mid-term priority public measures program of measurable objectives, and a basic long-term vision of the development of the country.

The efforts made to implement the strategy during the year 2002, to extend it over a variety of fields and sectors, to raise the level of participation, and to focus it on intermingling and intersecting issues helped to transform GPRS into a Socio-Economic Strategy for the country.

After entering the Association Stabilization Agreement negotiations with European Union in 2003 and participating in the process of Millennium Challenge, the content of NSSSED enriched and changed into a core document forwarding the country towards progress and European integration.

## **NSSSED-A DYNAMICALLY IMPROVED DOCUMENT**

NSSSED is a dynamic document constantly modified and improved. Its modifications and improvements are based on :

- the experience gained in the process of implementation of two-year priority measures program and in an objective analysis of the level of accomplishment;
- the increase of the monitoring and evaluating capacities;
- deepened studies and a constantly extending and improving database;
- strategic and operative reflections and adoptions in fields and sectors included in the strategy that are orientated by NSSSED but that affect its improvement;
- reflections and adoptions of objectives and/or measures that arise from processes of regional, European and global integration;
- local interpretations of NSSSED and on development strategies for the regions of the country;
- the evolution of factors that affect the course of development on a sectoral, cross-sectoral and overall basis;
- and on a wide and open process of consultation with interest groups in response of their dynamically evolving vision, interests and attitudes.



## **WHAT DOES THE DOCUMENT OFFER?**

It offers a deep analysis of the implementation of priority public measures and of the level of accomplishment of the main objectives for the year 2003, the objectives and the priority public measures program for the mid-term period 2003-2007, and some of the basic objectives of the socio-economic development of the country planned for the long-term period 2004-2015. The objectives and the priority public measures for the year 2004, as well as those for the mid-term period 2004-2007, are planned to prioritize and bring them in harmony with the financial means, with the annual and mid-term budget, and with the perspective of the European integration and Millennium Development Goals.

## **LONG-TERM VISION IMPROVEMENT**

Based on the main goals of strategy for socio-economic development of the country and keeping up with them, the 2003 Progress Report of NSSED is primarily orientated towards: (i) the vitalization and harmonization of mid-term and long-term development objectives; (ii) the principle of further prioritization of public measures; (iii) the real costing of priority public measures; (iv) the extension of Albanian ownership of NSSED; (iv) the advance towards integration with a specific and referring document that contains all the agendas of government; (v) and the promotion of national and all-inclusive aspect of NSSDE.

In addition, this document offers an improved mid-term vision and it serves as a starting point for a long-term visionary process based on credible and realistic analyses. The poverty profile and social problems are viewed by taking into consideration the access to services, the prevalence of it in various regions and areas of the country and the influence it has on various groups of population. Moreover, the document attaches great importance to the “*crossing*” issues, such as a better linkage as to SAA - NSSED - MDG, the Gender issue, the local and environment development etc.

There is a wide range of policies in Albania dealing with socio-economic priorities as to the country security and institutions. As a comprehensive national strategy, NSSDE is designed to assume a fully integrating role. For instance: (a) MDG are already included in NSSDE providing it with a more reliable long-term vision; (b) first steps are taken to make SAA part of NSSDE; (c) a full scheme of monitoring process and a corresponding information system (MIS) is planned to monitor the implementation of the thirty five-month program of Albanian Government etc.

## **PROGRESS ACHIEVED FOR THE YEAR 2003**

In the context of advancing the implementing, monitoring and evaluating role of NSSDE for the year 2003, efforts were made to improve the information of matrices and to reorganize it into a new format, which unifies and standardizes the display of information and makes it easier to understand. The attempt to prioritize public measures at all the line ministries was eased by using a prioritization coefficient of a well-defined methodology. While the budgeting cycle limits the possibility of costing the priority measures, the test to perform this operation after a considered effort was successful. A special attention was given to improve the series of indicators that measure the sectoral progress of the Line Ministries. Identifying the measurable indicators remains one of the future challenges to NSSDE Department and to the Line Ministries Monitoring and Evaluation Units. The identification of a basket of indicators that measure the progress at a national level was achieved due to the collaboration and assistance in the context of Trust Fund and DID.

Civil society improved its quality of participation in the process of drawing up the 2003 Progress Report. Its contribution to the process was organized in two tracks to ensure a more typical and a better involvement of interest groups. Under the supervision of NSSDE Department, the Line Ministries realized the cross-ministerial track. The international partner's track secured the best involvement of interest groups even at a local level. The local government played a very important role in the process by enabling the "regionalization" of strategy. Finding out a better instrument or process of linking the National Strategy to regional development priorities is still an upcoming challenge.

Tab. 1: List of Abbreviations 1-1

| <b>ABBREV</b> | <b>FULL NAME</b>   |
|---------------|--|
| <b>2KR</b>    | Agricultural Production Growth Project                         |
| <b>AAATA</b>  | Assistance for Albanian Associations of Trade and Agribusiness |
| <b>AIDS</b>   | Acquired Immune Deficiency Syndrome                            |
| <b>AMC</b>    | Albanian Mobile Communication                                  |
| <b>ANEP</b>   | Agricultural National Extension Project                        |
| <b>GAASS</b>  | General Administration of Assistance and Social Services       |
| <b>TRHA</b>   | Tirana Regional Health Authority                               |
| <b>ASP</b>    | Agricultural Services Project                                  |
| <b>WB</b>     | World Bank   |
| <b>EU</b>     | European Union   |
| <b>EBRD</b>   | European Bank for Reconstruction and Development               |
| <b>BA</b>     | Bank of Albania  |
| <b>DID</b>    | Department for International Development                       |
| <b>DPA</b>    | Department of Public Administration                            |
| <b>GFPD</b>   | General Forest and Pasture Department                          |
| <b>NSEEDD</b> | National Strategy for Socio-Economic Development Department    |
| <b>ESAF 1</b> | Enhanced Structural Adjustment Facility 1                      |
| <b>ESAF 2</b> | Enhanced Structural Adjustment Facility 2                      |
| <b>RFF</b>    | Rural Finance Fund   |
| <b>IMF</b>    | International Monetary Fund                                    |
| <b>FYROM</b>  | The Former Yugoslav Republic of Macedonia                      |
| <b>ADF</b>    | Albanian Development Fund                                      |
| <b>NACSG</b>  | National Advisory Civil Society Group                          |
| <b>GTC</b>    | German Technical Cooperation                                   |
| <b>IDA</b>    | International Development Agency                               |
| <b>IFAD</b>   | International Fund for Agricultural Development                |

| <b>ABBREV</b>         | <b>FULL NAME</b>                             |
|-----------------------|--|
| <b>IFC</b>            | International Finance Corporation            |
| <b>IFDC</b>           | International Fertilizers Development Center |
| <b>FDI</b>            | Foreign Direct Investment                    |
| <b>VRI</b>            | Veterinary Research Institute                |
| <b>INSIG</b>          | Insurance Institute                          |
| <b>INSTAT</b>         | Institute of Statistics                      |
| <b>IPRSP</b>          | Interim Poverty Reduction Strategy Paper     |
| <b>PHI</b>            | Public Health Institute                      |
| <b>HII</b>            | Health Insurance Institute                   |
| <b>IT</b>             | Information Technology                       |
| <b>PATI</b>           | Public Administration Training Institute     |
| <b>UPI</b>            | Urban Planning Institute                     |
| <b>AAC</b>            | Albanian Agribusiness Council                |
| <b>NPRC</b>           | National Property Restitution Commission     |
| <b>CM</b>             | Council of Ministers                         |
| <b>CSC</b>            | Civil Service Committee                      |
| <b>LSMS</b>           | Living Standard Measurement Survey           |
| <b>MADA</b>           | Mountain Area Development Agency             |
| <b>MAFF</b>           | Mountain Area Financing Fund                 |
| <b>MES</b>            | Ministry of Education and Science            |
| <b>MAF</b>            | Ministry of Agriculture and Food             |
| <b>ME</b>             | Ministry of Economy                          |
| <b>MF</b>             | Ministry of Finance                          |
| <b>MI&amp;E</b>       | Ministry of Industry and Energetics          |
| <b>MICS</b>           | Multiple Indicators Cluster Survey           |
| <b>LM</b>             | Line Ministries                              |
| <b>ME<sub>n</sub></b> | Ministry of Environment                      |

| <b>ABBREV</b> | <b>FULL NAME</b>   |
|---------------|--|
| <b>MLSA</b>   | Ministry of Labor and Social Affairs                                   |
| <b>MLGD</b>   | Ministry of Local Government and Decentralization                      |
| <b>MTEF</b>   | Medium-Term Expenditure Framework                                      |
| <b>NFRE</b>   | Non-Farm Rural Economy   |
| <b>MEU</b>    | Monitoring and Evaluation Unit   |
| <b>WHO</b>    | World Health Organization  |
| <b>WTO</b>    | World Trade Organization   |
| <b>NGO</b>    | Non-Government Organizations   |
| <b>GDP</b>    | Gross Domestic Product   |
| <b>ERP</b>    | Economic Reform Program  |
| <b>NCCUDR</b> | National Center of Children Upbringing, Development and Rehabilitation |
| <b>HC</b>     | Health Center  |
| <b>TUHC</b>   | Tirana University Hospital Center                                      |
| <b>SAA</b>    | Stabilization Association Agreement                                    |
| <b>USA</b>    | United States of America   |
| <b>SIDA</b>   | Swedish International Development Agency                               |
| <b>NSSSED</b> | National Strategy for Socio-Economic Development                       |
| <b>SME</b>    | Small and Medium Enterprise  |
| <b>IPRS</b>   | Immovable Property Registration System                                 |
| <b>STD</b>    | Sexually Transmitted Diseases  |
| <b>VAT</b>    | Value Added Tax  |
| <b>TAU</b>    | Tirana Agricultural University   |
| <b>UNDP</b>   | United Nations Development Program                                     |
| <b>UNICEF</b> | United Nations Children's Fund   |
| <b>USD</b>    | United States Dollar   |



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## MAIN ECONOMIC AND SOCIAL DEVELOPMENTS IN 2003

As the second year of NSSD implementation, the year 2003 led to a further improvement in the major macroeconomic balances. The further macroeconomic stabilization is generally proved by the high level of economic growth, the low level of inflation, the decrease in current account deficit and budget deficit, and the increase in reserve currency.

The growth rate of gross domestic product (GDP) for the year 2003 recorded a positive change. It mounted up by 6% in real terms, as compared to 4.7% in the previous year. A notable event in 2003 was the growth by 25.2% of per capita GDP reaching the amount of \$1950.

In 2003, growth was based on the stabilizing macroeconomic policies orientated towards lessening of disturbing effect after the shocks given to economic system in 2002. The average annual inflation, measured by the consumer price index (CPI), came to a level of 2.37% in 2003, as compared to 5.3% in the previous year. The inflation rate by the end of 2003, as compared to the same period in the previous year, went down to 3.3%, i.e. within the target limits of 2%-4%, set by the Bank of Albania. Another indicator that speaks to some extent for a further macroeconomic stabilization is the decrease in budget deficit from 5.6% of GDP in 2002 to 4.6% of GDP in 2003 (including grants). The deficit financing was made to the extent of 70.5% (or 3.2% of GDP) by domestic sources and no more than 29.5% (or 1.3% of GDP) by foreign loans as against 49% and 51% that was the forecast, respectively.

The weight of agriculture in GDP continued to show a downward trend even in 2003, while services, transport and construction sectors gained momentum as their growth rates went up. Industry has gone down too; however, it is worth considering the high growth rate in the sector of agro processing industry.

The allocation of resources for a more effective use was associated with improvements both in technology and in human capital.

- In 2003, the total investments in nominal terms were 23.75% more than in 2002, mounting to 22.3% of GDP, as compared to 20.4%, which goes with the year 2002. Meanwhile, the private investments increased by 39.96%, reaching to 18.21% of GDP, as compared to 14.73% in the year 2001. As to the public investments in 2003, they decreased in nominal terms, as compared to the year 2002, going down to 17%. As a result, their weight in GDP lost from 5.6% in 2002 to 4.2% in 2003.
- The year 2003 marked an increase in labor productivity, measured as the ratio of GDP to overall employments. Labor productivity continues to show an obvious trend of going up throughout the period of transition (except for the turning point in 1997).

The development of private sector remained a priority of the government policies so that the economic growth and reduction of poverty would be supported. The maintenance of macroeconomic stability and the decrease in budget deficit led to the availability of free financial sources that were used as credit in the private sector of economy and helped to consolidate private enterprise. The new credit in 2003 was 48% larger than the previous one in 2002. On the other hand, the removal of administrative barriers to private business was a priority in the government measures and in agreement with the suggestions and recommendations made by the survey of Foreign Investments Advisory Service (FIAS).

The foreign trade made good progress during the year 2003, and it was associated by a substantial increase in the volume of stock exchange either in imports or in exports. Compared to the year 2002, there was a higher growth, 37% in exports as against 25% in imports. As a result, the opening of economy is advancing and it is gradually becoming a motive force for the economic growth. The imports structure shows a large amount of imported technologies, which correlate to high levels of investments. While the opening is still at a low level as compared to other countries in the region, the trade liberalization in the context of Free Trade Agreement signed with countries in the region is expected to produce results. Services exchange is becoming very important; according to an estimate, by the end of the year 2003 it get a hold of

nearly 68% in the volume of stock exchange. As the tourism industry offers a great advantage, the encouragement of private sector here remains a high priority in the country's policies.

LSMS 2002 survey enabled a more precise and detailed estimate of poverty dimensions and spread. According to the absolute line of poverty<sup>1</sup>, one fourth of Albanian population lives in poverty. Extreme poverty - as defined by the food line of poverty<sup>2</sup> - is at a low level, less than 5% of the population. LSMS has enabled estimation according to other definitions of poverty<sup>3</sup>. Inequality, as estimated by the level of consumption, is not significant; it is almost the same as in every country in the region, as measured by Gini coefficient of 0.28. The non-monetary dimensions of poverty are significant. In mountainous areas, access to infrastructure and services is very low; the poor quality of services considerably reduces it even in urban areas. Rural areas have a higher level of poverty with 66% poor people more than Tirana and 50% more than other urban zones. Poverty has an obvious geographic and regional character; the northeastern part of the country is extremely poor. The incidence of poverty is more significant among young families. It obviously correlates to unemployment and underemployment. Meanwhile, the labor market clearly shows the gender difference penalizing women. Another key factor that stimulates the state of being poor is the low level of education. Thematic and partial studies were made during the year 2003 so that the information on poverty and other social problems, whose data are to be processed, would be supplemented.

The aim of strategy continues to be the distributional effects of growth for undeveloped regions and social groups. The appropriate combination of economic growth and the fight against social inequality would help to reduce poverty.

- In 2003, there is no evidence of obvious trends to extend the economic growth to the poorest and undeveloped areas of the country. The period, however, was marked by certain elements of rise and advance in private initiative, supported by the extension and intensification of micro credit scheme, the renewal of traditional activities as farming, stock farming and agro processing, or the higher access of these areas to the market. The rate of active enterprises all over the poorest areas of the country by the end of 2003 has increased by 25%-60% as compared to the same period in the year 2000. In 2003, the raise of employment level in some of the poorest regions of the country exceeded the national average. Meanwhile, the registered figure of unemployment by the end of the year 2003 was 12.4% as against 13% in 2002.
- Social services and policies have tried to improve their own effectiveness by becoming more active and remedial. Programs for encouraging employment and the professional trainings have intended to involve the poor, the unemployed and all the social categories at risk in the labor market. Social services are going through a reforming process. They are diversifying and extending their assistance over a larger territory improving the chances and promoting the integration of the socially marginal categories and those at risk.
- Assuming an average annual growth of 6%, the goal of reducing the level of poverty by 50% is forecasted to be reached for a period of 4.3 - 8.9 years, depending on the assumed levels of elasticity, which fluctuate between -2.5 and -1.07.

The development of human resources is one of the major objectives of NSSDE, which considers it at the same time as a determining factor in the progress and modernization of the country. The government policies have been mostly concentrated on the fields of education and health care.

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<sup>1</sup> Absolute line of poverty refers to a consumption level below the minimum and in so far as to obtain calorie and some other non-food goods requirements. It is the equivalent of a monthly consumption level of per capita 4891 lekë. According to this definition, 24.5% of the population lives in absolute poverty.

<sup>2</sup> Food line of poverty (or extreme poverty) refers to a food consumption level below the minimum and in so far as to obtain calorie vital requirements (2288 calories). It is the equivalent of a monthly consumption level of per capita 3047 lekë. According to this definition, only 4.7% of the population lives in extreme poverty.

<sup>3</sup> Along with above definitions, LSMS has estimated the poverty level in terms of other indicators. For the data, refer to Chapter (...), Poverty and Social Exclusion, Table 2.2.

- A number of results were scored in the field of education during the year 2003.

Compulsory basic education recorded an increased level of enrolment. The school attendance during the academic year 2002-2003 reached the rate of 98%, while the school dropout went down to 2% (as compared to the academic years 1996-97, 1999-2000 and 2000-2001, respectively 3.2%, 2.8% and 2.4%);

Seventy-one per cent of the children who completed the basic education were absorbed into secondary (general and vocational) schools, compared to 66% in the previous academic year or 63% in the academic year 2000-2001. The overall increase is 7700 pupils, of whom 1734 attend vocational schools;

The expenditures on education have recorded a continuous rise. In 2003, they mounted up to 2.9% of GDP; in 2004, it will add up to 3.14% of GDP as forecasted. In spite of this, they remain at a low level as compared to 4.8% of GDP in the countries with the same economic development;

In 2003, the pupils attending the compulsory basic education all over the country were given for the first time an advantage of using the necessary textbooks free of charge. Schools were provided with 170 contemporary laboratories for natural sciences. New classes of twenty specialties were added to the vocational schools in 19 districts of the country;

In 2003, budget investments were made to complete the construction of 218 educational facilities, of which 42 were newly built and 176 just reconstructed. In addition, 272 educational facilities were provided with the necessary school equipment. In the context of foreign projects for the year 2003, 63 schools were rehabilitated, of which seven newly built and scattered in 28 different districts of the country.

In order to improve the working conditions and to increase incentives to work, a Resolution of the Council of Ministers took effect at the beginning of the new academic year to raise by 8% the salaries of the budgetary employees in the educational system.

There have been positive changes in health care sector, too, but problems here are still acute.

The continuous improvement in child health, which helps to reduce the infant diseases and the mortality rate, has been one of the priorities in the sector of health care. The infant mortality rate in Albania has shown a downward trend, from 41.5 deaths per 1000 live births in 1990 to 16.8 per 1000 in 2003 as against 17.4 per 1000 in 2002.

The maternal mortality trend, which measures the related obstetric risk for each pregnancy, has been significantly reduced, yet the rate of 21.3 deaths per 100000 live births in 2003 (Source: Ministry of Health) is still high as compared to the average of European countries.

Public expenditures on health care sector remain at the rate of 1.7% of GDP or 6.6% of budget expenditures. In 2003, this amount enabled 190 health centers and dispensaries to be built or rehabilitated, plus investments in hospital centers to be made. Several sections of health care service have been reformed and improved, including the promotion of their preventive character.

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### FURTHERING MACROECONOMIC STABILIZATION

NSSD defines economic growth as the main mechanism to reduce poverty and macroeconomic stabilization as the way to create a suitable environment for sustainable growth. Apart from factors such as the past rates of growth, the real rate of interest and the level of credit to the private sector, the lack of macroeconomic stability affects negatively the level of private domestic and foreign investment. Macroeconomic instability also places a heavy burden on the poor. Inflation strikes more heavily the deprived groups of society. Hence, the government has given special care to the macroeconomic stabilization in 2003.

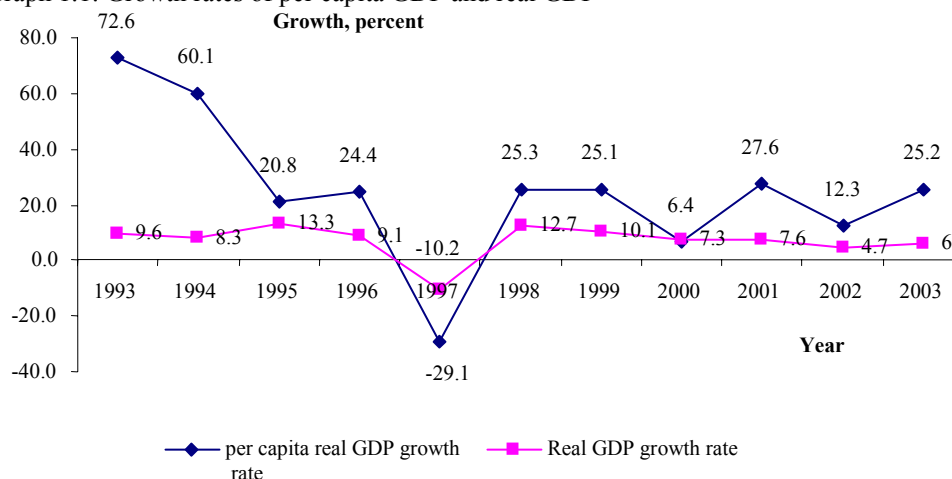
There was further improvement in the major macroeconomic balances in 2003. This was reflected in relatively high rates of growth and low rates of inflation, the fall in current account and budget deficits, and the increase in foreign currency reserves.

The growth rate of the gross domestic product (GDP) accelerated to 6% in real terms (compared to 4.7% in 2002) and to 9.9% in nominal terms. Real GDP in 2003 was 121.4% of its 1989 level.

Per capita GDP grew by 25.2% in 2003, reaching \$1950. The fact that per capita GDP (in dollars) has fluctuated more and has grown at a higher rate than the overall GDP, as shown in Graph 1.1, is the result of trends in population, the exchange rate and inflation. Total population has fallen. The substantial overvaluation of the lek against the dollar was the main reason that per capita GDP grew at such a rate in 2003. However, despite its recent growth, per capita income in Albania is still very low level compared to other countries in the region.



Graph 1.1: Growth rates of per capita GDP and real GDP

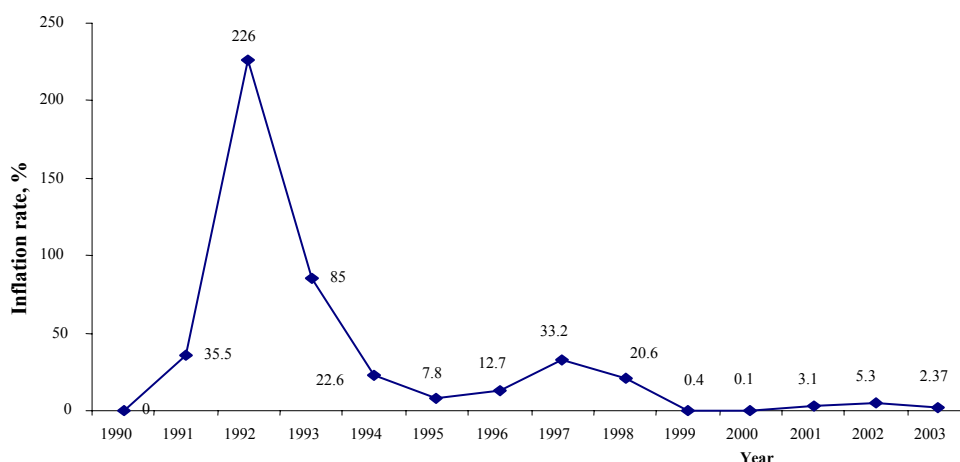


Source: Reports of the Bank of Albania and the Ministry of Finance for the Year 2003

The average annual inflation rate, as measured by the consumer price index (CPI), dropped to 2.4% in 2003 as against 5.3% in the previous year (Graph 1.2). At the end of 2003, the inflation rate was 3.3%, i.e. still within the 2%-4% limit set by the Bank of Albania. The inflation pattern was characterized by periodic fluctuations throughout the year, but these were more moderate compared to previous years. Movements in food and alcoholic beverages prices mainly drove observed fluctuations. The GDP deflator for 2003 was 3.8%.

Inflationary pressures were the result of exogenous shocks, such as the increase in oil prices following the war in Iraq during the first half of the year. Unfavorable weather conditions, such as low temperatures in April and a prolonged dry weather in the summer, reduced the supply of certain agricultural products. At the same time the increase in tourism flows during the summer period spurred demand growth. Coupled with an increase in the export of agricultural food products in January and February, there were inflationary pressures that cancelled the fall in prices that is usually observed in the summer months. Finally, another factor that affected inflation in 2003 was "imported inflation" from the main trade partners of Albania, Italy and Greece, where inflation rates stood at 2.8% and 3.5%, respectively.

Graph 1.2: Average Annual Inflation Rate, 1990-2003



Source: *Reports of the Bank of Albania and the Ministry of Finance for the Year 2003*

Maintaining low rates of inflation was the result of a series of factors on the fiscal front, such as:

- under-spending on forecast budget expenditure;
- more balanced allocation of budget expenditure compared to the previous year;
- limiting budget deficit at low levels;
- adherence to the planned schedule of domestic financing of the budget deficit and a balanced dispersion of domestic borrowing prevented the intervention of the Bank of Albania to finance budget expenditure.

The Bank of Albania has chosen a moderate monetary policy aiming to reduce the cost of investment. However, it has proceeded with great caution to lower inflationary pressures, especially during the first half of the year. The gap in interest rates between foreign currencies and the local currency has raised the demand for financial assets in lek, thus contributing to its appreciation. By leading to a fall in the price of imports, which make up a substantial share in the consumer basket, the appreciation of the lek reduced the effect of “imported inflation”. The smooth operation of the monetary policy was also reflected in money supply growth within the forecasted limits, thus stabilizing the liquidity situation.

The campaign to prevent speculative rise in prices probably also played a role in moderating some of the inflationary pressures during the end-of-year period. Experience suggests though that these campaigns merely reveal the need to take additional and more effective measures to increase the supply for essential goods.

Another indicator of macroeconomic stability is the reduction of the budget deficit from 5.6% of GDP in 2002 to 4.6% of GDP in 2003 (including grants) against a forecast of 5.8%. 70.5% of the deficit was financed from domestic sources (or 3.2% of GDP) and the remaining 29.5% (or 1.3% of GDP) from foreign sources against forecasts of 49% and 51%, respectively. Positive steps towards budget planning and execution should be credited at least in part for the low deficit. Actual expenditure was 92% of the budgeted level, whereas realized revenues were 92.7% of the forecast. Public revenues increased by 8.2% in nominal terms. This was equivalent to 22.4% of GDP, much below the forecast (24.2%) and also below the 2002 level (22.8%). Public expenditure increased by 4.5% in nominal terms. This was equivalent to 27% of GDP, much below the forecast (30%) and also below the 2002 level (28.4%).

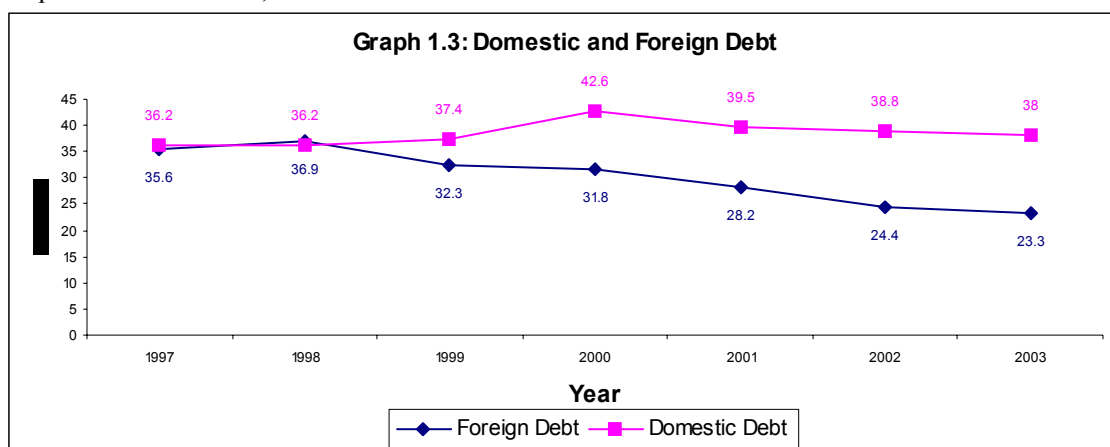
With respect to restoring property to previous owners and compensating the politically persecuted, the Government of Albania will show the necessary attention towards fulfilling all

obligations that result from approved legislation. The Government of Albania will respect the allocation shares between priority sectors stated in the NSSD.

The current account balance was also improved in 2003. The current account deficit was \$406.7 million in 2003 (6.7% of GDP) as against \$420 million (9% of GDP) the year before, excluding official transfers. There was an overall balance of payments surplus of \$99.6 million. Foreign reserves increased by \$186.6 million or nearly 22% compared to 2002 and reached \$1.025 billion by the end of 2003 or nearly 4.7 months of imports.

Budget and current account balances are now on a sustainable path and contribute to macroeconomic stability. In 2003, domestic debt was 38% of GDP in real terms. The external debt has also been falling and had reached 23.3% of GDP in 2003 (Graph 1.3).

Graph 1.3: Internal Debt; External Debt



Source: Reports of the Bank of Albania and the Ministry of Finance for the Year 2003

The trade deficits in goods and goods and services have increased<sup>4</sup> by 15.7% and 22.3% respectively in 2003. The reduction of the current account deficit is largely due to a substantial increase in transfers by 37% (i.e. from \$613 million in 2002 to \$842 million in 2003<sup>5</sup>). Remittances are 93% of these transfers and have continued to play a key role in macroeconomic stabilization and development financing in 2003. Net capital inflows in the form of foreign direct investment, long-term loans at low interest rate and grants have also financed current account deficit.

<sup>4</sup> While an increasingly significant part of transactions between residents and non-residents is made in euros, the balance of payments continues to be reported in dollars. The substantial depreciation of the dollar against the euro during 2003 is reflected in these indicators. Therefore, while the trade deficit has increased since 2000 by 15.7% when expressed in dollars, it has actually fallen by 3.4% when expressed in euros.

<sup>5</sup> One must again allow for the effect of change in euro-dollar exchange rates.

## FISCAL POLICY

During 2003 there have been further steps to fiscal consolidation. Following European Union recommendations and with assistance from the IMF, a tax package to help finance the construction of the “Durrës-Kukës-Morinë” highway was scrapped. In the framework of free trade agreements with neighboring countries, custom tariffs were re-negotiated, a process that was completed in a transparent and participatory way through many meetings and discussions with trade unions and business associations.

The Law “On games, casinos and racing” has been revised and will be submitted for approval during 2004. The law has been commended as tackling an area that is very difficult to supervise and where fiscal evasion is rife. It should be emphasized that, unlike in other countries, the licensing for these activities in Albania is very open, transparent and unconstrained.

In the framework of improving business climate and eliminating administrative barriers, a matrix monitoring the action plan has been created under the coordination of the Ministry of Economy, in particular the tax and customs administrations. Also, the Ministry of Finance has revised legislation regarding the functioning of the Tax Appeal Commission after continuous requests made by business associations and trade unions.

Good fiscal administration continues to be one of the focus issues at the Ministry of Finance. It is important to emphasize that despite the fact that the average tax and tariff rates have not been increasing (in fact, tariffs have been falling), fiscal revenues have continued to rise at a faster rate than the growth rate of the nominal GDP. This implies progress towards reducing the size of the informal economy. 4000 new entities that started their activities in 2003 fulfilled their tax obligations compared to 2002 (or 9% more). The objectives of tax administration in this field remain ambitious for 2004, when it is expected that there will be 57,000 tax-paying entities in total up from 49,000 at the end of 2003.

In spite of improvements made in the budget and current account balances, a more careful look at persistent factors affecting deficit sustainability would reveal that the situation is still fragile. With respect to the budget deficit, the following two factors should be taken into account. First, the cost of domestic borrowing is high, not only in terms of the growing share of interest payments in the budget expenditure but also, and more notably, in terms of its effect on crowding out private investment. Second, the cost of foreign borrowing will increase in the context of marketization of loans and credits allowed by international financial institutions. With respect to the current account deficit, three issues are of concern. First, the level of the trade deficit in goods is high and growing. Second, remittances, which play a key role in financing imports, are expected to follow a downward trend in the medium- and long-term. Third, foreign direct investment remains at relatively low levels. To address issues on the major macroeconomic figures, radical improvements are underway in a number of directions. One may mention the reform of fiscal institutions, the enhancement of budgetary programming, monitoring and implementing capacities, the improvement of the climate for private foreign and domestic investment, the promotion of market institutionalization and other structural reforms.

## **SOURCES OF ECONOMIC GROWTH**

The growth of real GDP by 6% in 2003, even though below the average of 6.9% for the period 1993-2003, is considered high relatively to other countries in the region. The Albanian experience of transition, as in other countries, shows that there is a positive relationship between macroeconomic stabilization and economic growth. Macroeconomic stability is one of the factors that have created favorable conditions for economic growth. It has helped among other things to create a suitable environment for carrying out economic reforms. Such an environment is closely linked with the liberalization of prices and trade, with privatization and other structural and institutional reforms that affect the institutionalization of the market, the role of state in the economy etc. It is also linked with boosting the confidence of private investors, improving the use of factors of production and raising their productivity, efficiently reallocating resources, and further technological improvements. In addition, it is linked with an increase of emigrants' remittances, especially with their repatriation to invest not only their savings but also their professional and managerial qualifications, with established business relations etc. The Albanian experience shows that structural reforms play a decisive role in activating growth.

## MOBILIZING FACTORS AND RAISING PRODUCTIVITY

Employment rose slightly from 921,000 at the end of 2002 to 927,000 a year later. Public sector employment declined from 187,000 to 182,000, while private sector employment grew from 734,000 to 745,000. The growth rate was approximately equal in the private agricultural (from 526,000 to 534,000) and non-agricultural sectors (from 208,000 to 211,000)<sup>6</sup>. Meanwhile, the number of the unemployed dropped from 173,000 to 164,000 resulting in a decrease in the unemployment rate from 15.8% to 15%.

Investment grew by 24% in 2003 and was equivalent to 22.3% of GDP relative to 20.4% in 2002. Private investment increased by 40% and was equivalent to 18.2% of GDP relative to 14.7% in 2002. Public investment declined by 17% in nominal terms in 2003. As a result, its share in GDP went down from 5.6% in 2002 to 4.1% in 2003. The main reason was that only 47% of the public investment expected to be financed by foreign sources was actually realized, whereas the level of public investment realized by domestic sources was 86% of the forecast. The reasons for are related to problems with planning and implementation of the program of public investment on the part of line ministries (despite positive steps taken the year before). The level of foreign investment, estimated at \$178 million, increased by nearly 32% relative to the year before.

Table 1.1: Nominal investment (in million lek), 2000-2003

|                        | 2000   |              | 2001   |              | 2002   |              | 2003   |              |
|------------------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|
|                        | Amount | Growth 00/00 | Amount | Growth 01/00 | Amount | Growth 02/01 | Amount | Growth 03/02 |
| Non-public Investments | 65244  | 0.00%        | 75241  | 15.32%       | 96949  | 28.85%       | 135686 | 39.96%       |
| Percent of GDP         | 12.10% |              | 12.75% |              | 14.73% |              | 18.21% |              |
| Public Investments     | 35049  | 0.00%        | 43397  | 23.82%       | 37296  | -14.06%      | 30443  | -18.37%      |
| Percent of GDP         | 6.5%   |              | 7.4%   |              | 5.7%   |              | 4.1%   |              |
| Total Investments      | 100293 | 0.00%        | 118638 | 18.29%       | 134245 | 13.16%       | 166129 | 23.75%       |
| Percent                | 18.60% |              | 20.10% |              | 20.40% |              | 22.30% |              |
| Nominal GDP            | 539210 |              | 590237 |              | 658062 |              | 744974 |              |

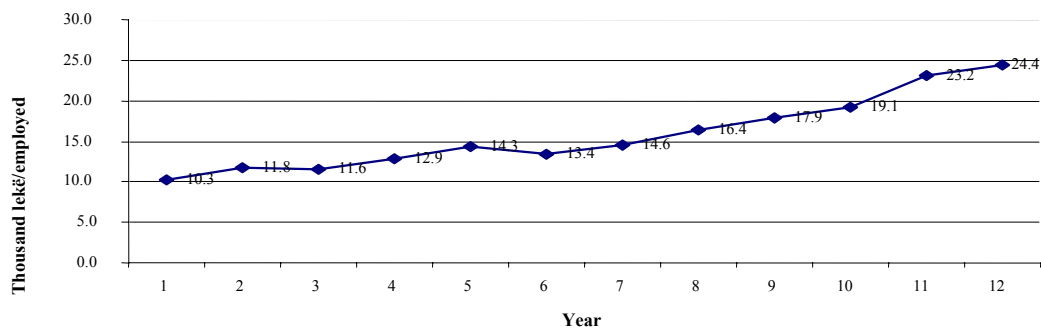
Source: Reports of the Bank of Albania and the Ministry of Finance for the Year 2003

Labor productivity, measured as a ratio of GDP to total employment, grew in 2003. It has continued an upward trend throughout the period of transition (except for 1997) (Graph 1.4). Higher efficiency in resource allocation resulted in productivity gains for all factors. Structural changes continued in the Albanian economy<sup>7</sup>. The share of agriculture in GDP continued to decline in 2003, while the shares of services, transport and construction grew. The GDP share of industry also fell as seen in Graph 1.5. Improvements in resource allocation have coincided with a series of technological improvements, brought about by foreign investment, imports of equipment, materials and machinery, human capital investments through emigration, training and retraining programs, and other efforts to modernize education (though faster steps are needed).

<sup>6</sup> A large section of the labor market is informal, as for example in services and construction. In fact, the actual level of employment in the non-agricultural sector is much higher.

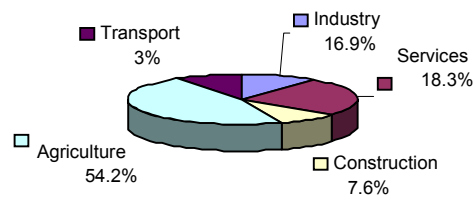
<sup>7</sup> It must be said though that structural changes sometimes represent low performance and other shortfalls in structural reforms rather than a more efficient allocation of resources.

Graph 1.4: Labor Productivity Growth, 1992-2003

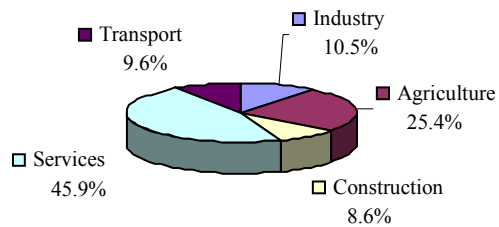


Source: Reports of the Bank of Albania and the Ministry of Finance for the Year 2003

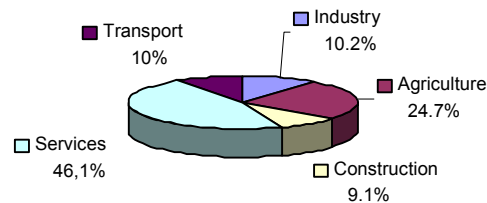
Graph 1.5.A: GDP Structure, 1992



Graph 1.5.B: GDP Structure, 2002



Graph 1.5.C: GDP Structure, 2003



The construction sector recorded the highest real growth rate in 2003 (11.3%), followed by transport (10.8%). The growth rate of services was slightly faster than that of GDP (6.4%), while those of industry and agriculture were slower (at 2.7% and 3% respectively).

**Agriculture** is still one of the most important sectors of the economy (24.7% of GDP in 2003). It grew by 2.8% in 2003, which is higher than the growth recorded the year before (2.3%). The main drivers of growth were livestock and arboriculture (4.8% and 15.5% respectively). However, farming and livestock production still depend on investment and especially on credit, both of which would help to improve technology and raise competitiveness and product quality. A number of institutional reforms took place in irrigation and drainage in 2003, as well as in the research and extension services of the Regional Departments of Agriculture.

Some developments in the sector deserve special attention. For example, there was an increase in investment, introduction of advanced technologies, and new organizational methods for such the establishment of business associations. Supporting high growth rates in farming production and mobilizing local resources is very important because this directly affects the efforts to reduce poverty since the great majority of the poor is tied to rural areas and agriculture.

**Services** grew by 6.4% in 2003 (46.1% of GDP). Retail trade, hotels, and restaurants recorded the fastest growth rate (11.5%). Tourism also recorded considerable growth (7.2%), although net tourism revenue dropped even in absolute terms by \$88 million (from \$121 million in 2002 to \$33 million in 2003), as the money spent by Albanians on tourism abroad increased. Improvements in tourist services quality and in tourism infrastructure would both increase incomes and lower expenditure in the sector.

**Construction** was the fastest growing sector in the economy in 2003 (11.3%). Its share in GDP grew from 8.6% in 2002 to 9.1% in 2003. The retail sales index of construction sector increased by 22%, while its cost index only increased by 2.7% according to INSTAT. The institutional steps taken in 2003 and at the beginning of 2004 are expected to integrate parts of the informal sector.

**Industry** recorded the lowest growth rate in 2003 compared to other sectors of economy (10.2% of GDP) continuing its decline. The hydrocarbon and electrical power industries enjoyed the highest growth rates in the sector. Owing to administrative changes and especially to weather conditions, the domestic production of electrical power grew significantly in 2003 (54.2%), thus contributing to lower energy imports. Power supply, though, has remained problematic for both consumers and business. Promising steps have been taken to support the agro-processing and fishing industries, which grew by 11.2% and 8.5% respectively in 2003. Agro-industrial product exports recorded a significant growth (65%).

**Transport** grew by 10.8% and raised its contribution to GDP from 9.6% in 2002 to 10% in 2003. Maritime and air transport grew fastest by 14.8% and 13.4% respectively. Rail transport declined, as a result of backward infrastructure and outdated stock, which make the service uncompetitive.

Despite satisfactory growth in 2003, many aspects suggest the need for radical changes in terms of unutilized resources and the business climate. High unemployment, failed public investments, limited foreign investment, low levels of credit as against both available resources in the banking



system and the GDP, low productivity in many sectors, large areas of unfarmed land, unused natural resources are some examples.

## **DEVELOPING PRIVATE SECTOR AND IMPROVING BUSINESS CLIMATE**

The deepening of reforms in line with the government action plan has produced a more encouraging environment to develop private enterprise. Improvements in the investment climate have benefited the private sector. Administrative barriers were lowered, communication between the private and the public sector has improved, governance has been strengthened and market opportunities were broadened. The market was further liberalized after the completion of a series of free trade agreements in the region. A FIAS survey (March 2003) played a special role in improving the climate. The respective government authorities but also the business community, the civil society and other interest groups were broadly involved in the process.

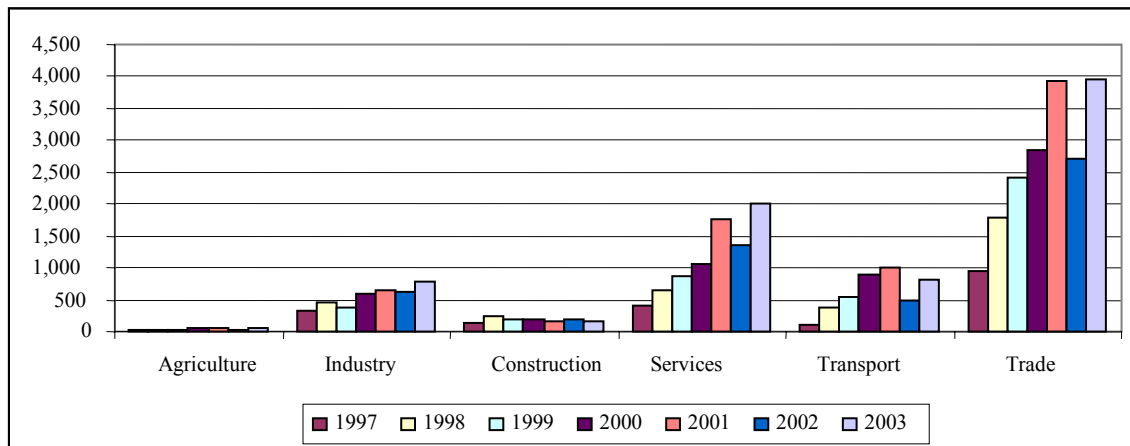
The main directions of reform consisted of:

- abolishing the license condition in the non-food sector (as suggested by the survey);
- establishing a publication center for laws and regulations to offer businesses access to detailed information;
- steps taken by the tax and custom administrations to publicize orders and instructions, especially those on the customs code and tax procedures, including an extensive use of the Internet as an information channel;
- introducing phone lines to report complaints in public institutions;
- implementing a \$11.2 million World Bank project to facilitate trade and transport. In addition to improving custom infrastructure and standardizing custom documentation, this project contains an important element for trade facilitation. It includes setting up a regional network for regulations needed at border crossing points, training businesses in international trade and transport regulations and procedures and creating a new structure (ALBAPRO) run by the National Union of Commerce and Industry Chambers.

The adoption of the European Chart of SMEs was another important development in 2003. Overall sector competitiveness would increase if the Albanian authorities were to meet their obligations. The process will be monitored in close collaboration with the European Commission. The establishment of the SME Agency has promoted SMEs. One should also mention the ongoing programs for business training carried out by the European Fund for Training, and supportive programs for this sector designed by donors (like the Italian Government, USAID etc).

These improvements have contributed to rising business performance. The growth in the number of enterprises established in 2003 by 45% is an important indicator along with the significant growth in private sector investment. The trade and service sectors, as indicated by Graph 1.6, have the highest number of active companies.

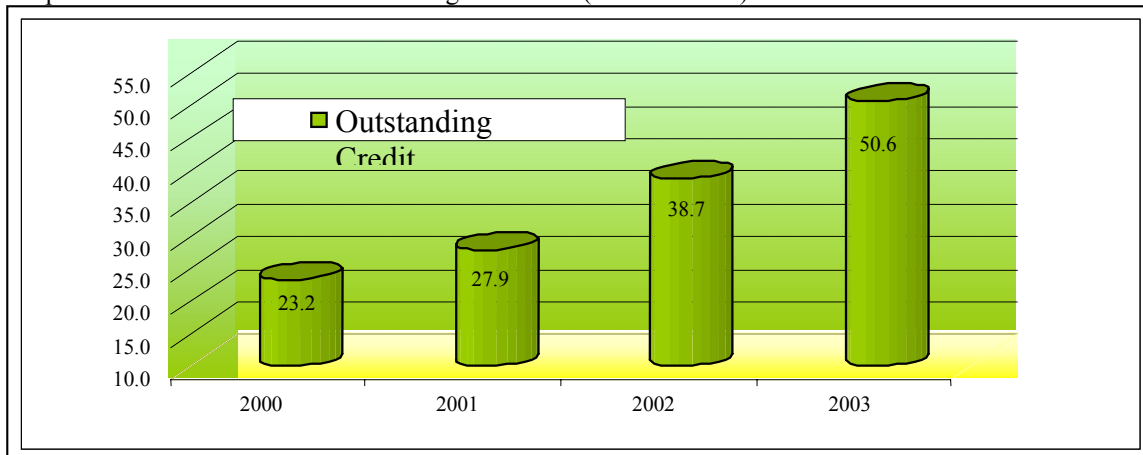
Graph 1.6: Sectoral Spread of Enterprises (established over years)



Source: INSTAT, Mars 2004

The dynamism of the private sector is also reflected in the volume of bank credit. The outstanding credit increased by Lek 11.9 billion in 2003. New credit was Lek 92.6 billion in 2003 (48% higher than in 2002). Graph 1.7 and Table 1.2 show the performance of private sector credit indicators in recent years.

Graph 1.7: Annual Growth of Outstanding Credit Off (in billion lekë)



Source: Bank of Albania, March 2004

Table 1.2: Key Indicators Performance of Credit to Economy

|   | 2001 | 2002 | Q1 2003 | Q2 2003 | Q3 2003 | Q4 2003 |
|---|------|------|---------|---------|---------|---------|
| Credit to economy (as a percentage of GDP)    | 4.7  | 5.9  | 5.6     | 6.0     | 6.4     | 6.8     |
| Credit to economy (as a percentage of assets) | 8.9  | 11.5 | 11.6    | 12.5    | 12.9    | 13.7    |
| Ratio credit/deposits (as a percentage)       | 10.2 | 13.5 | 13.5    | 14.5    | 14.9    | 15.6    |

Source: Bank of Albania, March 2004

There was a shift in the direction of medium-term and long-term credit, reflecting a trend in the banking system towards financing investment projects in the private sector. By the end of 2003, the outstanding credit recorded a rate of 54% of the overall credit as regards mid-term and long-

term credits, which was higher by 8.5 percentage points compared to the previous year. Table 1.3A presents figures on the distribution of credit by maturity over the period 2001-2003.

Table 1.3A: Outstanding Credit Indicators Performance (as a percentage)

|                                     | 2001 | 2002 | Q1 2003 | Q2 2003 | Q3 2003 | Q4 2003 |
|-------------------------------------|------|------|---------|---------|---------|---------|
| Short-term credit                   | 61.3 | 53.8 | 53.2    | 53.4    | 51.4    | 45.5    |
| Mid-term credit                     | 26.5 | 30.1 | 30.4    | 30.7    | 30.5    | 37.0    |
| Long-term credit                    | 12.2 | 16.1 | 16.4    | 15.9    | 18.1    | 17.5    |
| Private sector                      | 98.0 | 99.8 | 99.8    | 100.0   | 100.0   | 100.0   |
| Public sector                       | 2.0  | 0.2  | 0.2     | 0.0     | 0.00    | 0.0     |
| Outstanding credit (in billion lek) | 27.9 | 38.7 | 40.4    | 44.5    | 48.0    | 50.6    |

Source: *Bank of Albania*, March 2004

The commercial sector continues to be the preferred sector for loans by banks. At the end of 2003, this sector accounted for the largest share of the credit portfolio in the banking system. Crediting to manufacturing industry and agriculture also increased moderately, as did credit to individuals for buying real estate.

Table 1.3B: Outstanding Credit by sector (as percentage)

| Economic sectors                                       | 2001 | 2002 | 2003 |       |        |       |
|--|------|------|------|-------|--------|-------|
|  |      |      | I/IV | II/IV | III/IV | IV/IV |
| Agriculture  | 1.0  | 0.8  | 1.1  | 1.2   | 1.3    | 1     |
| Fishing  | 0.1  | 0.2  | 0.2  | 0.2   | 0.2    | 0     |
| Extractive Industry                                    | 1.6  | 0.2  | 0.2  | 0.2   | 0.2    | 1     |
| Manufacturing Industry                                 | 19.5 | 17.0 | 14.9 | 16.0  | 17.1   | 17    |
| Gas, Water and Electricity Production and Distribution | 3.0  | 3.3  | 3.1  | 2.8   | 3.1    | 3     |
| Construction   | 12.5 | 8.6  | 8.1  | 8.4   | 9.1    | 10    |
| Trade, Car and Household Appliances Repair             | 41.3 | 40.4 | 40.5 | 38.4  | 35.9   | 34    |
| Hotels and Restaurants                                 | 4.3  | 6.0  | 6.3  | 6.2   | 6.2    | 6     |
| Transport and Telecommunication                        | 4.6  | 2.4  | 2.1  | 1.8   | 1.8    | 1     |
| Financial Activities                                   | 0.1  | -    | 0.0  | 0.0   | 0.0    | 0     |
| Real Estate  | 6.3  | 9.1  | 5.6  | 10.2  | 12.5   | 13    |
| Health and Social Activities                           | 1.2  | 0.5  | 0.5  | 0.5   | 0.5    | 0     |
| Collective, Social and Personal Services               | 3.3  | 4.2  | 7.8  | 7.0   | 8.1    | 8     |
| Others   | 1.2  | 7.3  | 9.5  | 7.1   | 6.1    | 4     |
| Overall  | 100  | 100  | 100  | 100   | 100    | 100   |

Source: *Bank of Albania*, March 2004

The banking system's support of the private sector is strongly encouraged by the development of the financial system during the year 2003. The following is a based on a fact review of the main features outlined in 2003.

- The overall level of deposits increased by Lek 14.5 billion in the third quarter reaching Lek 322.4 billion at the end of September. Expressed as a percentage, this is a growth of 13% in 2003.

- Overall annual growth of deposits (September 2002 – September 2003) is 45 Lek 7 billion (16.5%). Fixed deposits growth contributed to overall growth by 97%.
- The number of banks involved in credit activity in lek increased to ten against six at the beginning of 2003.
- Interest rates of credit in lek and euros dropped by 4.4 and 0.6 percentage points, respectively, while interest rates of credit in dollars have risen by 1 percentage point.

The inter-bank payment system, completed in early 2004, was among the major initiatives taken by the Bank of Albania to reform the internal payments system. The implementation of this project will help to expand and strengthen the financial market of the country and will help to move the Albanian banking system towards the regulations and standards of the European Union.

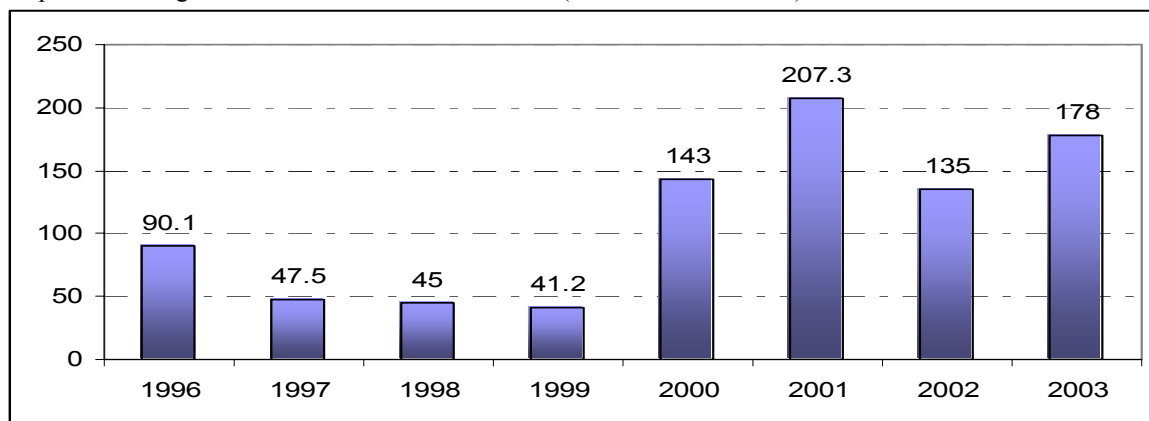
The Supervisory Board approved the internal regulations for running the Albanian Inter-bank Payment System (AIPS). Their approval was in the context of fully implementing the AIPS project in the banking system and specifying the tasks for various organizational units of the bank in support of operation, administration and control.

The system is in its closing stages of implementation and the approved document constitutes a regulatory support of its function, in particular provides the basis for establishing and regulating a relationship between the Bank of Albania and other banks participating in the system. The regulations and the procedures are based on the latest international standards in the field of payment system and on the principles of the Bank for International Settlement (BIS) for large-value payment systems. The Albanian banking system was thoroughly involved in the process.

The biggest event for the Albanian banking system was the completion of procedures in December for the privatization of Savings Bank. The process, which decided in favour of the Austrian Raiffeisen Zentralbank (RZB) is expected to bring about a number of changes in the financial system of Albania both directly on the Savings Bank itself but also through spillover effects to the rest of the banking and the financial system. It is also expected to affect in some ways decisions on monetary policy and bank supervision adopted by the Bank of Albania.

The improvement in investment climate has contributed to an increase of foreign direct investment (FDI). By the end of 2003, FDI reached \$178 million, which was a 32% increase.

Graph 1.8: Foreign Direct Investments Performance (in US million dollars)



Source: Bank of Albania, *Statistical Report*, March 2004

As of 2000, FDI have really benefited from the leading programs for privatization in the strategic sectors of economy, such as the banking system, telecommunications, mining etc.

In spite of the results achieved, the development of private enterprise requires the deepening of structural reforms and improvements in governance. The big size of the informal economy, the poor observance of legislation, the backwardness of physical and institutional infrastructure, and

corruption pose serious barriers to private sector competitiveness. Convinced that the elimination of barriers to private sector will be the main source of economic growth and poverty reduction, the Government of Albania is committed to deepening the far-reaching reforms that aim at addressing the abovementioned problems and take priority in this strategic document.

## TRADE AND ECONOMIC GROWTH

Further economic opening through the reduction of trade barriers is one of the main sources of growth. An open trade regime is the only option for a small economy as Albania to climb over the obstacles created by the small dimensions of the domestic market. On the other hand, just reducing the trade barriers and liberalizing trade is not sufficient to promote economic development. Trade and trade policies ought to be seen as part of a wider development strategy, which includes macroeconomic policy, infrastructure development, investment in human resources by promoting education and health system, and the improvement of governance. These elements of investment climate are essential for ensuring sustainable growth and for enabling trade strategies to generate future benefits and be themselves a source of growth.

Albanian trade policies intend to transform foreign trade into a development factor by deepening the liberalization of the trade regime either in the context of transition reforms or in the context of integration into the world trade system. Albania was accepted as a member of the WTO in September 2000. As a result, national trade policies are now anchored to the regulatory system of global trade, which gives them more transparency and credibility. In the context of WTO membership, Albania has committed itself to a maximum tariff of 20%, while in the context of regional initiatives it has undertaken to achieve gradual trade liberalization. As of 2000, these initial engagements aim at zero tariffs on a group of products.

Reducing tariffs has been a policy throughout the 1990s, but the pace of liberalization speeded up only after 2000. The share of products with zero tariffs increased from 17.2% to 25.5%, while the share of products on which the maximum customs tariff of 15 % is applied decreased from 27.5% to 23.2%. While the average level of tariffs (6.75%) remained constant, the trade-weighted tariffs level is expected to fall from 4.36% in 2003 to 4.1% in 2004.

Table 1.4: Percentage of Tariff-Line Levels (according to Harmonized System classification)

| Tariff level | Tariff-line percentage for the years |      |
|--------------|--------------------------------------|------|
|              | 2003                                 | 2004 |
| 0%           | 17.2                                 | 25.5 |
| 2%           | 30.3                                 | 28.0 |
| 10%          | 25.1                                 | 23.3 |
| 15%          | 27.5                                 | 23.2 |

Source: Albanian Center for International Trade, *Annual Report of Foreign Trade, 2003*.

In the context of EU Association, regional integration has been an important aspect of the trade policy reforms. With respect to the implementation of the Memorandum of Understanding signed by trade ministers in Brussels in 2000, Albania has already concluded the bilateral trade agreements with countries involved in this initiative. It is expected that the trade of industrial goods and several farming products groups will be fully liberalized. The bilateral agreement network will create a free trade area across the region due to start in 2008. Similarly, by negotiating with European Union in the context of Stabilization and Association Agreement, a free trade zone with EU is expected to start on January 1, 2009. Practically, almost 90% of trade volume in the country will by that time not be subject to any tariff because of the expansion of trade activities and the extent of liberalization.

After more than a decade of trade reform, Albania suffers from a large trade deficit in spite of increases in export volumes. Moreover, the indicator of economic opening, measured by the volume of merchandise trade, has not made good progress fluctuating around 40% of GDP.

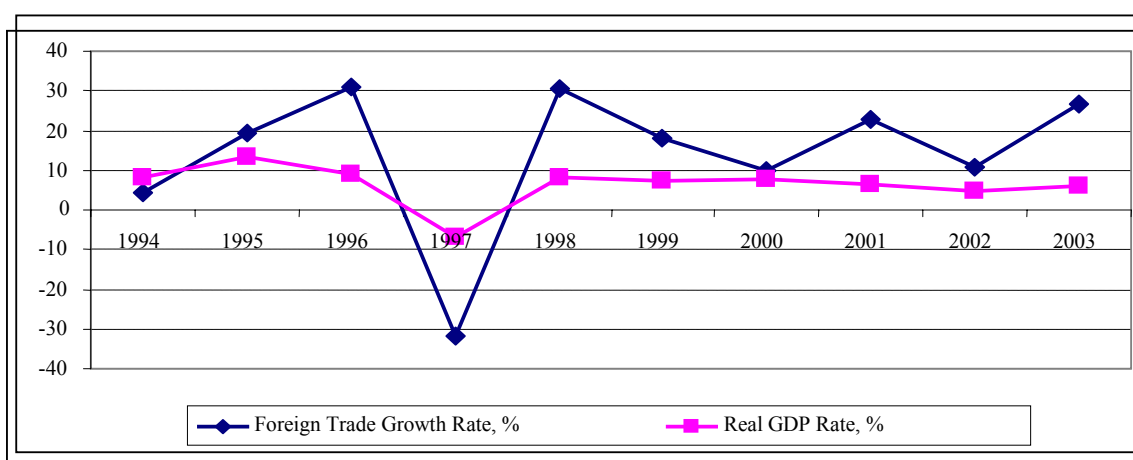
Table 1.5: Foreign Trade Indicators (in million US dollars)

|  | 1999    | 2000   | 2001    | 2002     | 2003     |
|--|---------|--------|---------|----------|----------|
| Exports                                | 275.1   | 255.4  | 304.6   | 330.2    | 447.1    |
| Imports                                | 937.9   | 1076.4 | 1331.6  | 1485.4   | 1783.4   |
| Trade Balance                          | (662.8) | (821)  | (1027)  | (1155.1) | (1336.3) |
| Trade Volume                           | 1213    | 1331.8 | 1636.2  | 1815.6   | 2230.5   |
| Gross Domestic Product*                | 3444.6  | 3694.3 | 4,254.4 | 4,835.4  | 6,065.7  |
| Indexes                                |         |        |         |          |          |
| Economic Opening Index                 | 35.2%   | 36.1%  | 38.5%   | 37.5%    | 36.8%    |
| Trade Deficit (as a percentage of GDP) | 19.2%   | 22.2%  | 24.1%   | 23.9%    | 22%      |
| Export/Import Ratio                    | 29.3%   | 23.74% | 22.9%   | 22.2%    | 25.14%   |

Source: Albanian Center for International Trade, *Annual Report of Foreign Trade, 2003*.

The level of economic opening is among the lowest in the region shows the need for transforming trade into a vital source of economic growth of the country. Graph 1.9 brings out vividly the important relationship between economic opening and economic growth.

Graph 1.9: Domestic Product and Foreign Trade Volumes Growth Rates (as a percentage)



Source: Albanian Center for International Trade, *Annual Report of Foreign Trade, 2003*.

Exports and imports have a positive effect on economic growth. The trade liberalization policies help to raise the competitiveness of domestic products in both the local and foreign market. This is especially true of the Albanian economy where a considerable part of its domestic production depends on imports. Liberalization has had an important impact on the foreign trade dynamic.

**Exports** have increased at an average rate of 17.5% per year in the period from 1993 to 2003. Starting from \$111 million in 1993, they reached \$447.1 million in 2003, i.e. they quadrupled in a decade. Re-exports contribute 70% of overall exports and have been the main source of export growth. There has been high concentration of export activity in a limited number of products since the early 1990s. Exports have grown relative to domestic production, especially in recent years and in sectors such as mining and metallurgy that operate by concession and are run by foreign investors. Similarly, investments in agriculture and agro-business have begun to show results in the exports sector, even though at a modest level. Agricultural exports have moved into new products such as vegetables (e.g. tomatoes) and foodstuffs (e.g. eggs, fizzy drinks, juices, mineral water, beer) and complement traditional exports like medicinal herbs and fish.

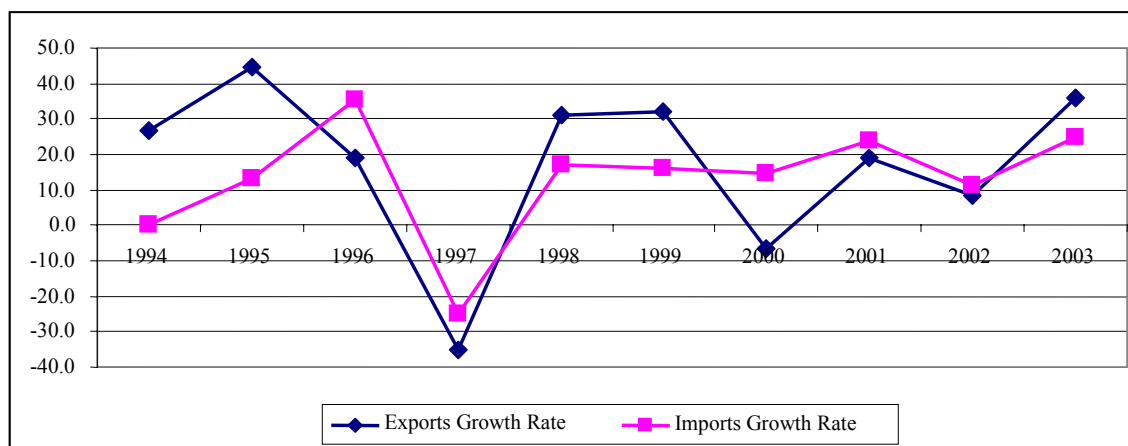
Along with the concentration in a limited number of products, exports have low value added. Processing remains limited. As a result, the value added comprises for the most part manual



labor and local services. Therefore, one of the ways to increase exports lies in increasing both the extent of product processing at home and the number of processing operations. This would produce higher value for the existing exports and would lead to growth in export volume.

**Imports** have grown at an average annual rate of 13.2% for the period 1993-2003 (4.3 percentage points less than exports). As for their volume, they have increased from \$490 million in 1993 to \$1783 million in 2003 or by nearly 3.6 times. Imports are affected by changes in domestic demand and supply and in demand of the export sector. Various studies have emphasized the high interdependence of imports and exports (as shown in Graph 1.10) calling attention to the importance of tariffs to export competitiveness.

Graph 1.10: Growth Rates of Imports and Exports (as a percentage)



Source: Albanian Center for International Trade, *Annual Report of Foreign Trade*, 2003.

Imports have played a big role in improving technology and raising industrial competitiveness. While there is no survey of the technologies applied in specific sectors, statistics on import structure suggest significant technological upgrading, as the weight of machinery and equipment has been constantly around 20-22% of total imports. According to studies of the distribution of imported machinery and equipment across sectors, the sectors with the largest investments are communication, information technology, construction and textiles. Investment in agriculture is low (see Table 1.6).

Table 1.6: Imports in Machinery and Equipment (as a percentage)

|                                      | 1995-2001 |
|--------------------------------------|-----------|
| Agricultural Machinery and Equipment | 2.5       |
| Agro industry                        | 5.9       |
| Construction Machinery and Equipment | 33.4      |
| Mechanical Industry                  | 5.3       |
| Furniture & Accessories              | 2.7       |
| Paper and Typing Industries          | 2.6       |
| Textile Industry                     | 9.7       |
| Leather & Shoes                      | 3.1       |
| ICT                                  | 34.8      |
| Overall                              | 100.0     |

Source: Mançellari, Xhepa, *Trade and Economic Development*, Albanian Center for International Trade, 2002

An important relationship is observed even between the performance of restructuring sectors and the performance of imports. As the Albanian industry consolidates itself and meets domestic demand for various products or manufactures, imports of these products decline. This is reflected for instance in the weight of imports in agro-food products that fell from 35% of total imports in 1996 to 20% in 2003.

On the other hand, the liberalization process has exposed some problems facing the country:

- In the course of implementing and meeting the abovementioned engagements, some of the sectoral liberalization reforms are observed to be incompatible with the very process of restructuring. Therefore, due to high competitive pressures on these sectors and under the pressure of the business community, the authorities intend to enter a process of renegotiation with the WTO to adjust the liberalization terms.
- The implementation of free trade agreements with neighboring countries has revealed problems related to the administration of quotas (in terms of concessions exchanged between countries) and with the observance of regulations for the origin of goods. These problems require close cooperation between customs authorities, the main institutions assigned to implement the policies. The development of a network of institutions supervising the market and the supportive infrastructures on aspects of non-tariff trade barriers comes out as an important priority in raising the efficiency of trade policies.

Taking into account the fact that tariff revenues are an important source of budget income, there is an increasingly intense search for alternative income sources. In this context, fiscal reform assumes even greater importance. While the reforms launched through the 1990s have helped to cope with unemployment and stressed the need of labor market reforms, the integration process will continue to cause problems in this respect. Hence, it is necessary to introduce reforms that will reallocate the work force of the sectors that are threatened by the possibility of bankruptcy due to foreign competitiveness.

## HOW COMPREHENSIVE IS ECONOMIC GROWTH?

Economic growth has an impact on poverty reduction not only through its rate but also through its distribution and its relationship with inequality. Modern economics suggests that growth has a limited impact on inequality and that few changes take place in income distribution over time. The economies in transition, however, had a different experience from both the developed and even the developing countries as regards this relationship. Given that the initial stage of transition is characterized by “equality on a poverty basis”, it is only natural that economic growth would be associated with rising inequality. Inequality indicators in transition economies however are still much lower to those in developed or developing economies. Empirical studies on transition economies report a substantially high elasticity of poverty reduction relative to growth<sup>8</sup>.

It is difficult to estimate the poverty reduction elasticity of growth in the case of Albania for lack of necessary data<sup>9</sup>. Nevertheless, taking into account the available evidence on economic development and the standard of living, one might conclude that the elasticity is somewhere between -1.07 and -4. By assuming an average annual growth of 6%, the goal of halving the level of poverty could be reached in a period ranging between 4.3 years to 8.9 years, depending on the selected elasticity rate. The estimated period is between 5.2 and 10.6 years respectively if one assumes an average annual growth rate of 5%.

**Table 1.7: Percentage of growth and number of years required for halving the poverty rate**

| Assumed poverty elasticity to growth | A 6% yearly growth rate scenario         |  | A 5% yearly growth rate scenario |                          |
|--------------------------------------|--|--|----------------------------------|--------------------------|
|                                      | Required cumulative growth <sup>10</sup> | Required number of years <sup>11</sup> | Required cumulative growth       | Required number of years |
| -2.5                                 | 29%                                      | 4.3                                    | 29%                              | 5.2                      |
| -2                                   | 35%                                      | 5.2                                    | 35%                              | 6.2                      |
| -1.5                                 | 47%                                      | 6.6                                    | 47%                              | 7.8                      |
| -1.07                                | 68%                                      | 8.9                                    | 68%                              | 10.6                     |

Source: Institute for Contemporary Studies- Macroeconomic Policy Choices for Growth and Poverty Reduction, the Case of Albania, based on 2002 LSMS data; Mancellari, Hida.

The poverty indicators reveal high levels of inequality across various social strata and geographic areas. According to the 2002 LSMS, the poverty level in rural zones is 66% higher than in Tirana and 50% higher than in other urban areas. From the geographic point of view, the remote areas in the north and northeastern region are most affected by poverty, as 44.5% of the population is poor and more than a fifth is considered extremely poor. Average consumption in these areas is no more than two thirds of average consumption in Tirana and 20%-30% lower than in the rest of the country. The NSSD lays emphasis on the need for a more comprehensive growth aiming to mobilize productive resources even in areas with high poverty. Annual surveys on the standard of living would enable better monitoring of the impact of growth on poverty and inequality indicators. Otherwise, one can use indirect and rough indicators, such as the variance of employment level

<sup>8</sup> Epaulard, A. Macroeconomic Performance and Poverty Reduction, IMF Working Paper WP/03/72, 2003. According to Epaulard, the poverty reduction elasticity relative to economic growth in transition economies on an average is -4, while the same indicator for the whole group of transition and developing economies included in the study is -1.07.

<sup>9</sup> Figures on the standard of living from different surveys are not strictly comparable due to different methodologies. As regards the inequality level, the Gini coefficient based on the 1998 Living Conditions Survey (LCS) was estimated at 0.48, while the estimate of Gini coefficient according to the 2002 Living Standard Measurement Survey (LSMS) was 0.28. The difference depends among other things on the fact the first survey was based on a comparison of incomes, while the second was based on a comparison of consumption.

<sup>10</sup> The effect of 1% growth on poverty reduction is calculated based on the formula: poverty rate (%) - (elasticity \* poverty rate index).

<sup>11</sup> Required number of years (n) is calculated based on the formula:  $\ln(\text{required cumulative growth index}) = n * \ln(\text{yearly average growth rate index})$ .

in different geographic areas, the number of newly established enterprises, the level of investments and credit from banks or other credit institutions etc.

According to the 2002 LSMS, the poorest areas of Albania are Dibra, Elbasan and Kukës. INSTAT statistics show that the level of employment in these areas increased respectively by 1%, 0.6% and -1.7% in 2003 as against the national average of 0.7%. The worst indicators are found in Kukës, which is one of the remotest districts in the northeastern region. The other two areas however have better indicators than the national average.

Preliminary data from INSTAT on newly established enterprises by prefecture in 2003 show that while the total number of enterprises has increased in the long-term, the annual growth rate has suffered fluctuations. By 2003, the total number of active enterprises at a national level had increased by 60% compared to the stock of enterprises at the end of 2000. Meanwhile, the increase in the number of active enterprises for the areas of Dibra, Elbasan and Kukës at the same period was respectively 41%, 59% and 26%. Despite being below average, these figures reveal good prospects for economic regeneration.

The expansion of activities of non-bank credit institutions has been noteworthy. These organizations have succeeded to establish their presence in rural areas, especially in the mountain regions. Figures in Table 1.8 highlight the increasing role of these institutions.

Table 1.8: Growth of Micro-Credit Schemes Activity

|                        | 2000      | 2001      | 2002       | 2003       | 2003/2002,<br>% | 2003/2000,<br>% |
|------------------------|-----------|-----------|------------|------------|-----------------|-----------------|
| <b>MAFF</b>            |           |           |            |            |                 |                 |
| Credit Outstanding, \$ | 1.400.000 | 1.800.000 | 4.100.000  | 7.536.060  | 184%            | 538.29%         |
| Average Credit         | 447       | 576       | 1.100      | 1.772      | 161%            | 396.42%         |
| Active Clients         | 3200      | 3100      | 3700       | 4253       | 115%            | 132.91%         |
| <b>RFF</b>             |           |           |            |            |                 |                 |
| Credit Outstanding     | 2673.760  | 3.685.186 | 5.427.917  | 7.715.590  | 142%            | 288.57%         |
| Average Credit         | 767       | 939       | 1176       | 1.310      | 111%            | 170.80%         |
| Active Clients         | 4423      | 5277      | 6380       | 7.621      | 119%            | 172.30%         |
| <b>BF</b>              |           |           |            |            |                 |                 |
| Outstanding Credit     | 4.973.482 | 6.936.598 | 10.417.637 | 12.118.869 | 116%            | 243.67%         |
| Average Credit         | 1.886     | 2.030     | 2.321      | 2.255      | 97%             | 119.57%         |
| Active Clients         | 2637      | 3417      | 4488       | 5375       | 120%            | 203.83%         |

\* MAFF: Mountain Area Financing Fund

\*\*RFF: Rural Finance Fund

\*\*\* BF: Besa Foundation

Another positive indicator is the expansion of micro-credit activities over a larger number of areas. Thus, the Mountain Area Financing Fund (MAFF) covered 16 districts in 2003 as against 4 in 2000. The Besa Foundation indicators increased its coverage from 4 to 16 districts, whereas the Rural Finance Fund (RFF) covered 248 villages in 2002 relative to 157 in 2000.

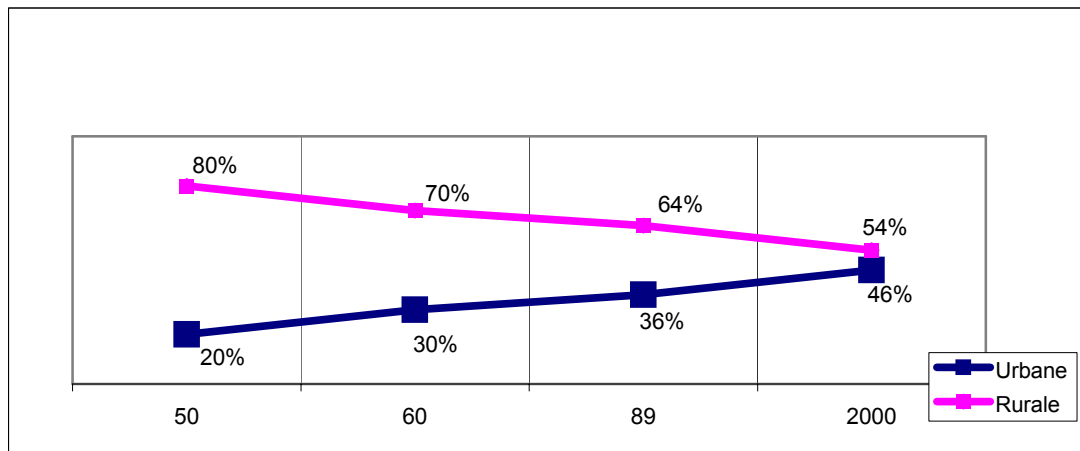
## CHAPTER 2

## DEMOGRAPHIC TRENDS

Albania has a young population with an average age of 29. In contrast to the 60+ population which constitutes only 11%, the 0-19 age group represents 42% of the total population. This youthful population is one of the factors that have contributed to the dynamic demographic indicators evident in the transition years. Other contributing factors include town-planning processes, migratory movements and other economic factors. Albania's population is also gender-balanced, with females comprising approximately 51% of the total population.

The constitution of the rural and urban populations has changed over a short period of time. The urban population currently stands at 46% having grown from 36% in the early 1990s. This urban population growth can be attributed to the uncontrolled movement of the rural population both towards bigger towns and cities, and also within the same district.

Chart 2.1: Change in the Relationship between the Urban and Rural Population, in Years



Source: *INSTAT, Mars 2004*

### Demographic Changes and the Impact

INSTAT estimates that approximately 600,000 Albanians, or 18 % of Albania's population, have migrated to foreign countries. Detailed analysis of population age-group demographics indicates that the process of transition has had, and continues to have, an impact on the Albanian population structure. A comparison between the 15-24 age group, registered in 2001, and that identified in the 1989 population census, leads to the conclusion that one fifth of Albania's population has left the country.

### Changes in the Family Structure

Transition has brought about fundamental changes in the family structure. In search of a better standard of living the typical Albanian family has changed both its residential location and also its lifestyle. Over the past decade, the average age at which females marry has increased from 22.6 to 24.1 years, and for males from 27.2 to 29.3 years. The number of divorces has risen from 8.7 to 9.6 per 100 marriages. The average number of families tending to branch off into two generations (parents and children) has also changed.

## POVERTY AND SOCIAL EXCLUSION

The Living Standards Measurement Survey (LSMS 2002) conducted by INSTAT and the World Bank has made possible an in-depth and comparable analysis of poverty in Albania. In addition to studies and evaluations of social groups at risk, the LSMS has been developed a deep understanding of social issues, and an awareness of the need for better social policy adjustment. In 2003, INSTAT carried out several studies underpinning specific aspects related to social issues and poverty, in particular. The data are not yet available. INSTAT will repeat the LSMS in 2005. This will also allow an evaluation of the extent to which changes to poverty have occurred over the medium term period 2002-2005.

### Economic Poverty and Income Inequality

Although poverty is defined as inequality in the allocation of material goods, *income* inequity remains the most important and representative indicator of inequality and poverty in Albania. According to this indicator, the level of poverty is calculated according to an assessment of the extent to which basic needs are met. Two poverty lines are applied for this end:

- The food poverty line (or extreme poverty or extreme poor) is related to the level of food consumption below which the basic need for calories is met (2,288 calories, which is equivalent to a consumption level of Lek 3,047 per capita each month). According to the present definition, those in extreme poverty constitute 4.7% of the population.
- The full poverty line is related to a consumption level that also incorporates some other non-food items. This is equivalent to a consumption level of Lek 4,891 per capita each month. According to this definition, 25.4% of the population fell below the full poverty line.

Table 2.1: Poverty and Inequality in Albania

|  | Tirana |              | Other urban |              | Rural |              | Total |              |
|--|--------|--------------|-------------|--------------|-------|--------------|-------|--------------|
|  | Poor   | Extreme poor | Poor        | Extreme poor | Poor  | Extreme poor | Poor  | Extreme poor |
| Poverty headcount                        | 17.8   | 2.3          | 20.1        | 4.8          | 29.6  | 5.2          | 25.4  | 4.7          |
| Poverty gap                              | 3.8    | 0.6          | 4.7         | 0.9          | 6.6   | 0.7          | 5.7   | 0.8          |
| Severity of poverty                      | 1.3    | 0.22         | 1.7         | 0.24         | 2.1   | 0.16         | 1.9   | 0.19         |
| Average/per capita consumption (in lekë) | 9,043  |              | 8,468       |              | 7,212 |              | 7,801 |              |
| Gini                                     | 0,30   |              | 0,28        |              | 0,27  |              | 0,28  |              |

Source: INSTAT- 2002 LSMS

The LSMS study also assessed poverty using other definitions, thus producing more comprehensive estimates of poverty, and creating the possibility for comparisons with other countries, using international standards in poverty assessment.

Table 2.2: Poverty Line on the Basis of Definition

| Poverty line on the basis of:            | Value (in lekë) | Level (%)  |
|--|-----------------|------------|
| <b>Food poverty line</b>                 | <b>3,047</b>    | <b>4.7</b> |
| 50% median per capita consumption method | 3,349           | 7.0        |
| \$2 PPP method                           | 3,775           | 10.8       |
| 60% median per capita consumption method | 4,019           | 13.5       |

---

|                      |              |             |
|----------------------|--------------|-------------|
| <b>Total poverty</b> | <b>4,891</b> | <b>25.4</b> |
| \$4 PPP method       | 7,550        | 59.3        |

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Source: INSTAT- 2002 LSMS

According to administrative data, about 130,039 households benefit from social assistance<sup>12</sup> or 3,400 fewer than in 2002. The reduction in the number of beneficiaries is not explained by an improvement in their living conditions, but by the reduction in cases of system abuse.

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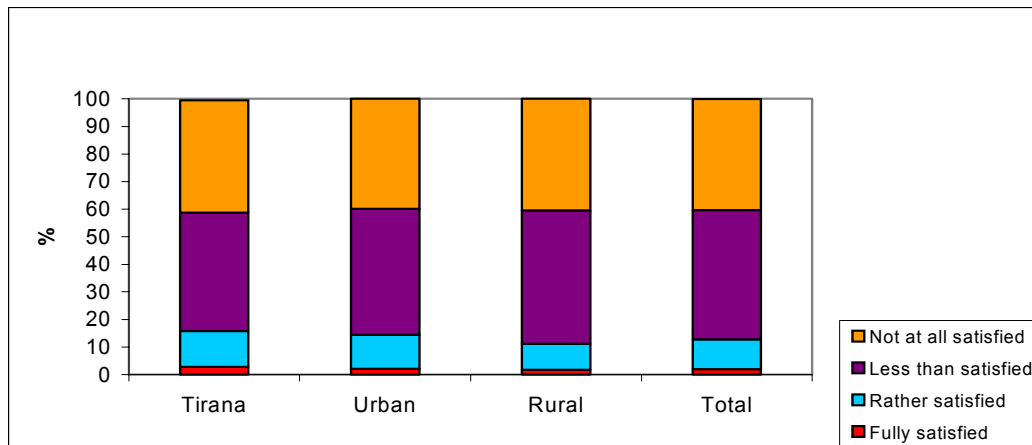
<sup>12</sup> Ministry of Labor and Social Affairs – 2003 NSSD Progress Report



## SUBJECTIVE POVERTY

When asked to rate their own living standards, people generally perceive that their living conditions have not changed over the last twelve months<sup>13</sup>. When asked how they perceive their economic situation, nine out of ten household heads reply that they are not satisfied with their current financial situation. Half of them are not at all satisfied. 20% of the respondents share the opinion that their overall life is deteriorating. 40% claim that they are mainly concerned with their health, and one third maintain that their financial situation has slightly improved.

Chart 2.2: Level of Satisfaction with the Current Financial Situation



Source: INSTAT- 2003 LSMS

<sup>13</sup> Results of the 2003 survey by INSTAT (LSMS)

## NON-INCOME DIMENSION OF POVERTY

An analysis of the non-income dimension of poverty shows a positive situation, whereby both the poor and the non-poor have access to basic services and enjoy good living conditions.

An analysis of the 2003 indexes indicates that the poor have access to fewer public services:

- The poor are twice as likely to lack access to appropriate medical services;
- It is obvious that the poor have less access to running water supply;
- The poor occupy less living space than the non-poor section of the population;
- Eight out of ten among the poor do not have a private telephone.

Table 2.2: Poverty, Living Conditions, and Availability of Basic Services (in %)

|  | Non-poor | Poor |
|--|----------|------|
| Water  |          |      |
| Lack of running water  | 30.4     | 43.1 |
| Sanitation   |          |      |
| Toilets outside the dwelling, lack of access to a piped toilet | 22.1     | 45.2 |
| Telephonic service   |          |      |
| Lack of access to telephone service                            | 39.7     | 78.6 |
| Energy supply (number of hours/day when power is off)          |          |      |
| More than 12 hours   | 12.5     | 16.1 |
| Crowding (persons per room)                                    |          |      |
| 3 and more   | 20.3     | 48.6 |
| Distance from the health centre                                |          |      |
| One or more hours  | 7.4      | 14.7 |

Source: INSTAT- 2003 LSMS

### Other Dimensions of Poverty

All indices point to evidence of a regional dimension of poverty, in terms of divisions between the urban and rural areas, the north and south and the mountainous and non-mountainous areas.

Poverty is more pronounced in the northern and northeastern parts of Albania. This is attributable to the limited job opportunities and low incomes typical of these areas, particularly in the agricultural sector. Data on farmland ownership indicate that about 70% of households located in these areas possess less than 1,000 m<sup>2</sup> of land per capita. Likewise, the limited access to public services on account of the poor infrastructure is another factor that contributes to the high level of poverty in these areas. In the districts of Kukës and Dibra, approximately 45% of the population falls below the official poverty line. 80% of family income in these districts is covered by social protection schemes, economic assistance and disability payments.

Table 2.3: Level of Poverty by Residential Location

|                   | Tirana |              | Coastal area |              | Central area |              | Mountainous area |              | Total |              |
|-------------------|--------|--------------|--------------|--------------|--------------|--------------|------------------|--------------|-------|--------------|
|                   | Poor   | Extreme poor | Poor         | Extreme poor | Poor         | Extreme poor | Poor             | Extreme poor | Poor  | Extreme poor |
| Poverty headcount | 17.8   | 2.3          | 20.6         | 3.6          | 25.6         | 4.6          | 44.5             | 10.8         | 25.4  | 4.7          |

Source: INSTAT- 2003 LSMS

The LSMS reports that 18.3% of the “very poor” whose three or more basic needs are not accommodated live in the countryside, while 3.2% dwell in town. The data on economic assistance corroborate this finding. An analysis of the fourth poverty group<sup>14</sup>, classified as the group of the poorest communities, demonstrates that 93% of these communities live in the countryside and are distributed in 66 communes, while 7% live in towns, located in two municipalities (see the Poverty Mapping).

Demographic features, especially household size, are closely related to poverty. The number of children in a family also correlates strongly to its economic situation. Around 24 % of families with three children or more are poor. 74 % of the poor households have four members or more. Households with a female parent are likely to be worse off than households with a male breadwinner, standing at a ratio of 35 to 1.

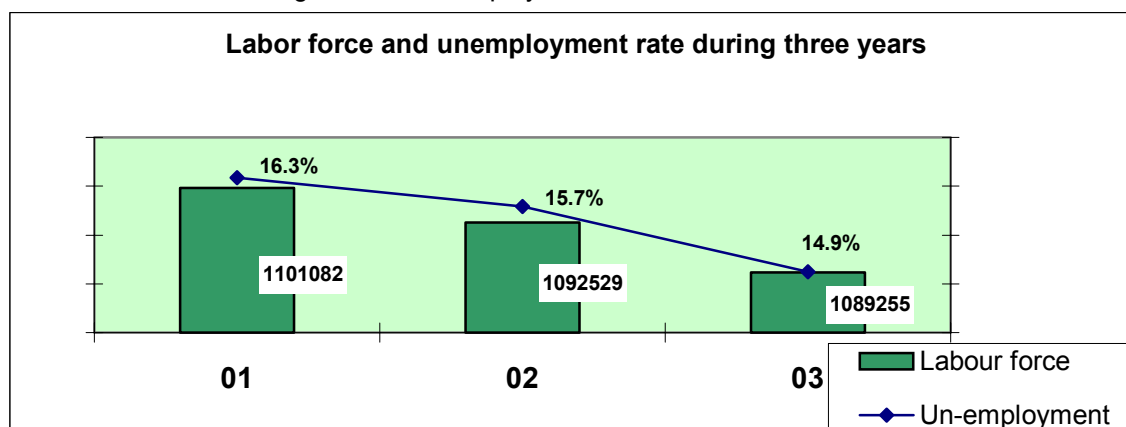
Poverty is a serious threat in the new settlements, which have emerged as a result of internal migration towards areas with higher economic potential. This phenomenon has given rise to large illegal settlements with poor social conditions. Studies in these areas show that 80 % of migrant families live in poverty. However, due to the fact that these families are residents of informal settlements, they do not enjoy entitlement to social protection schemes and, as a result, are short of income. Secondly, spontaneous construction activity has led to the degradation of the urban environment. And thirdly, as these households are not registered with the registrar’s offices, they do not have access to schooling, health care or social services.

### Unemployment

Unemployment has fallen over the last three years. However, we cannot talk of improvement in employment rates since, as shown in the chart, the decline in unemployment rate is also associated with the reduction in the total workforce.

<sup>14</sup> According to the definition of the Ministry of Labor and Social Affairs, over 40% of the population without incomes or with insufficient incomes fall into the fourth poverty group.

Chart 2.3: Workforce Progress and Unemployment Rates in the Last Three Years



Source: INSTAT- 2004

In 2003 the long-term unemployed made up 68% of the total<sup>15</sup>. Unemployment is more frequent among women and the young. Unemployment is 19.1% among women and 13.6% among men. Whereas unemployment is a rather urban phenomenon and is reflected in the unemployment indexes, under-employment is a rural phenomenon. This is reflected in the high number of farming households (71,887) that receives partial economic assistance from the State.

### Social Categories at Risk

Those who are 'at risk' find themselves in this situation as a result of a combination of social, cultural, economic, health and education inequalities. Their situation also comes partly as a result of the failure of institutions to provide for their basic social needs. Individuals from 'at risk' groups have both shared and specific needs which are either not addressed, or are poorly addressed, by institutions, thus leading to a wide gaps between these groups and the rest of society.

**Poor families** are the main social category at risk. Indeed, the policy designed to provide them with economic assistance, which is quite low (Lek 2,170-3,188 per family each month), does not help these families handle the income dimensions of poverty.

Individuals within these families are further marginalised by other factors, including ignorance, problems inherent in the education system and the health system, housing, and society's overall indifference to their situation.

Table 2.4: Economic Assistance

| Year 2003                                     | Total   | Beneficiaries of partial economic assistance | Beneficiaries of full economic assistance | In % to population |
|---|---------|--|---|--------------------|
| <b>Families receiving economic assistance</b> | 130,039 | 80,204                                       | 49,835                                    | 19,06%             |
| <b>Municipalities</b>                         | 55,424  | 8,317  | 47,107                                    | 17,9 %             |
| <b>Communes</b>                               | 74,615  | 71,887                                       | 2,728                                     | 20,17%             |

Source: INSTAT- 2004

**Ethnicity** is not a profoundly distinctive feature of Albanian society. However, among the minorities (estimated to amount to 2 % of the population), the Roma and gypsy groups are most likely to be found in marginalised social categories. This minority, similarly to the majority of the population, suffers from a shortage of several services. Their low education level accounts for

<sup>15</sup> On the basis of the Ministry of Labor and Social Affairs' definition of long-term unemployment

their high unemployment rates. They are faced with housing problems, and are disproportionate carriers of infectious diseases.

**Children at risk** make up a category that is affected by numerous social problems, which arose during the Albania's transitory period. Amongst conditions characterised by a lack of public order and security, children have fallen prey to trafficking and crime; it is estimated that about 5,000 children have been trafficked to, and are being exploited in, Italy and Greece.

The regional structures of the Social State Service<sup>16</sup> have produced data series which estimate that there are 6,700 **working and street children** across the country.

**Drop-out patterns.** The present phenomenon reflects the social and economic changes that have affected the family structure, as well as the problems with which the education system is attempting to cope. About 2% of enrolled children dropped out of school in 2002-03. As surveys and official data indicate, dropping out of school is primarily a phenomenon that prevails in rural and peri-urban areas inhabited by migrants. About 35% of children drop out for economic reasons. A fifth of them also cite the low quality of schooling as another reason for dropping out.

**The children restricted in their homes on the grounds of ongoing vendettas** also contribute to dropout. According to local government data, 1450 children fall under this category. This phenomenon is encountered in the districts of Shkodra, Lezha, Kukës and Dibra. Fear, psychological violence and lack of confidence are also closely associated with this phenomenon.

Children unaccompanied by their parents have immigrated, this being part and parcel of the migration phenomenon. According to partial data available to the non-governmental organisations and the Social State Service, about 4,000 children unaccompanied by their parents have immigrated to Greece (3,000) and Italy (1,000). Once in other countries and away from their families and their care, this category of children is faced with numerous risks, including **ill treatment, physical and sexual abuse**, and engagement in bad forms of labour, trafficking, drug distribution and other illicit activities.

Table 2.5: Category of Children at Risk Nation-wide

| Orphaned children in families | Orphans in institutions | Children who have dropped out of school | Street children | Immigrant children | Children shut indoors | Working children |
|-------------------------------|-------------------------|---|-----------------|--------------------|-----------------------|------------------|
| 16.000                        | 350                     | 12.000                                  | 1.979           | 5.000              | 1.450                 | 4.700            |

Source: INSTAT- 2004

**Young people at risk.** Despite the fact that Albania has a young population and a high growth rate, the number of young people has dropped by 20 per cent compared to what is used to be 12 years ago because of migration.

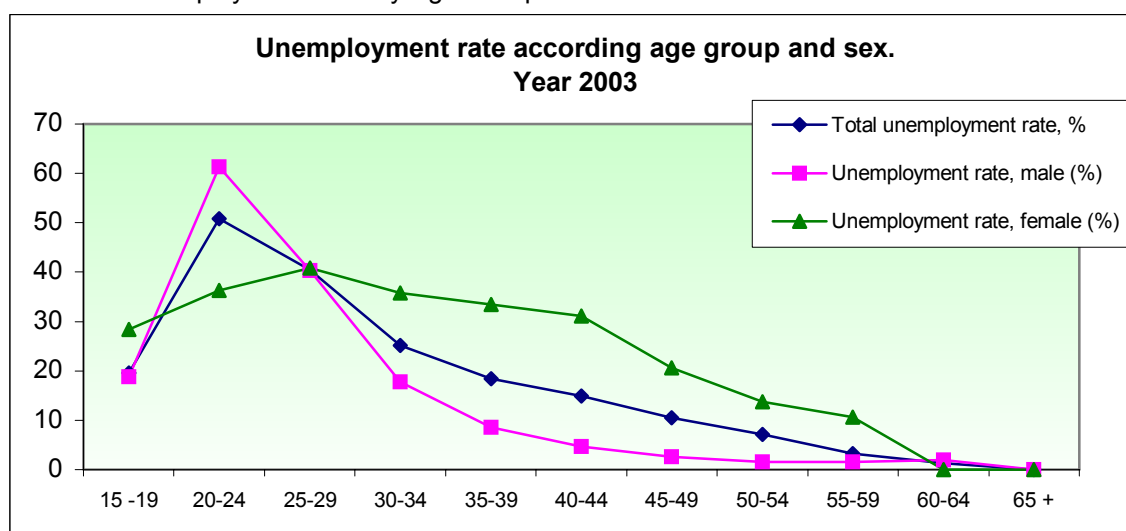
Against the backdrop of Albania's opening and the new social phenomena accompanying this transition, young people at risk fall into the following categories: (i) drug users, (ii) working youth, and (iii) young people with criminal behavior.

A survey conducted with 400 young people<sup>17</sup> indicated that 12% of them have been in contact with narcotic substances, and 3% of them have grown addicted.

<sup>16</sup> Social State Service – administrative data reported by the social protection sections at the municipalities and communes.

<sup>17</sup> The "Young Voices" opinion survey carried out in 2001.

Table 2.6: Unemployment Rate by Age Groups and Gender in 2003



Source: INSTAT- 2004

As compared to other European countries, the number of crimes committed by young people (14-26 year olds) is relatively low in Albania.

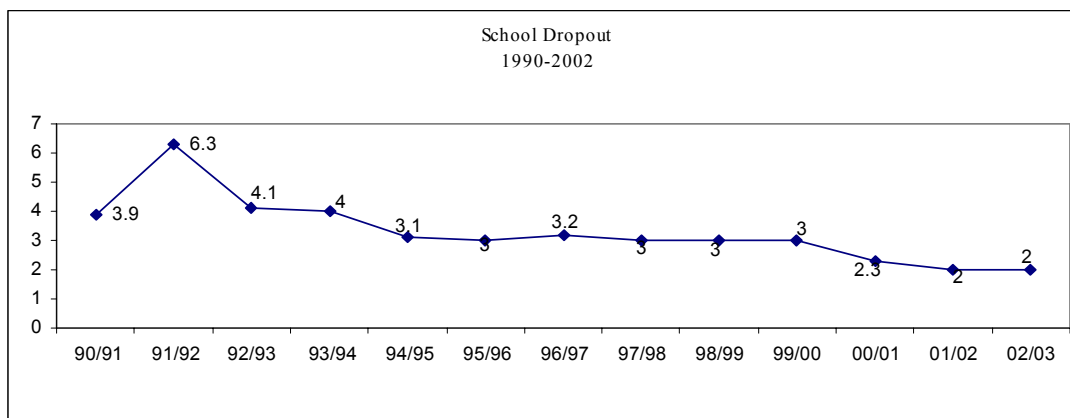
**The elderly** are another vulnerable group, with low income deriving from pensions and insufficient access to basic health services. Insufficient income, health problems, and the threat of abandonment and loneliness contribute to the marginalization of this social stratum.

**Disabled persons**, born as such or affected by disability before the age of 21 years, form another category at risk. In 2003, their number increased to 46,000, and the largest part of them live in the countryside having no access to special services.

#### Level of education of the Albanian population

The number of pupils who have dropped out of obligatory education increased considerably during the 1990's, with the average number amounting to 3.9 per cent, with one point at 6.3 %, in 1991, versus 1 per cent, with one point at 1.4 %, in 1980's. The rise in the rates of dropout was attributable to national and international migration, the increased direct and opportune costs of schooling, the public insecurity, and the weakening of governmental institutions responsible for the obligatory education.

In recent years, the rates of dropout amounted to 2 per cent, chiefly due to the decline in national and international migration, and the elevated public security, as well as better education system's coverage



Source: Directorate for Statistics and Information, Ministry of Education and Science, 2002

Whereas the indexes for NER (net enrolment ratios) and GER (gross enrolment ratios) regarding obligatory schooling remain high, 93.3 per cent and 99.8 per cent respectively, the quality of schooling has deteriorated. Memorisation of facts is overwhelmingly underlined, and a part of children feel overburdened while they have to cope with unmanageable difficulties.

In comparison with 1990, the number of students attending secondary general schools following completion of obligatory education has doubled (from 28.6 per cent to 57 per cent). However, secondary general education retains an elite character. Many students have poor progression and have less knowledge than what they are supposed to, while many parents are forced to provide for their children's academic formation by having them enrolled in costly private courses.

Nonetheless, following the drastic decline in the number of secondary vocational schools, vocational education is marking a slow upward bias. Secondary vocational schools, which are enlarging the range of vocations, are taking in a constantly growing number of students. In 2003, the best academic year, 16 per cent of secondary school students only attended secondary vocational schools, social-cultural schools inclusive. This is a very low figure if compared with the average rate of attendance for the OECD countries (50 per cent). Seven point three per cent of the age group 14-18 years attend long-term schooling at the end of which they master officially recognised vocational skills. With the number of higher school students added on top of it, this figure amounts to 10 per cent. The said figure proves to be much lower than across developed countries, and even in the countries whose development is not a long way ahead that of Albania.

Despite the recent improvement in school attendance, the risk of having new illiterates is present, whereas overall education level of the population is still low with regard to secondary and higher education.

Table 2.7: Structure of Education of the Population

| Education level      | Headcount % |
|----------------------|-------------|
| Illiterates          | 1,4%        |
| Literacy 15-24 years | 98%         |
| 1-4 grades           | 18,9%       |
| 8-year               | 39,0%       |
| Secondary            | 22,1%       |
| Secondary general    | 13,6%       |
| Secondary vocational | 5,23%       |
| Two-year secondary   | 2,2%        |
| Higher education     | 4,8%        |
| Post-university      | 0,2%        |

Source: INSTAT 2004

Disabled children are not encompassed in basic education, and an extremely small number of them are attending pre-school education. There are 12,000 disabled children in Albania. State institutions offer services to 9.5 per cent of them.

The Roma or gypsy children are more exposed to risks. Roma children would have on average 4.02 years of schooling, whereas the gypsy children would have on average 5.05 years of schooling. This figure is extremely low.

There exist no considerable differences in obligatory education attendance in the rural and urban areas. However, the quality of schooling in the rural areas is considerably lower (schools in the rural areas have less educational materials than schools in the urban areas, a poor infrastructure, and an insufficient number of graduated teachers). The gap between the rural and urban areas is more obvious in secondary education, which follows obligatory education. Less than 3 out of 10 eight-year school graduates in the rural areas would attend secondary school, versus 7 in Tirana and 6 in other urban areas. Only 1 out of 40 persons in the rural areas possesses a university diploma, as opposed to the ratio 1 to 5 in Tirana and 1 to 10 in other urban areas.

Education is strongly correlated to poverty. The rates of obligatory education attendance are low among the poor, and very low among the extreme poor. Secondary school attendance reveals bigger discrepancies. Only 2 out of 10 poor eight-year school graduates enrol in secondary education, versus 5 out of 10 children among the non-poor. Over 80 per cent of the poor do not finish a secondary school.

Table 2.8: Enrolment by socioeconomic status

|                        | Extreme poor | Poor | Non-poor | Total |
|------------------------|--------------|------|----------|-------|
| Net Enrolment Ratios   |              |      |          |       |
| Obligatory education   | 88.6         | 91.6 | 94.1     | 93.3  |
| Secondary education    | 19.8         | 19.4 | 46.7     | 38.7  |
| Gross Enrolment Ratios |              |      |          |       |
| Obligatory education   | 90.9         | 97.1 | 101.1    | 99.8  |
| Secondary education    | 21.0         | 21.6 | 53.1     | 43.9  |

Source: INSTAT- 2004

The current education system is not yet able to accommodate the right to access to different pre-university levels. Costs of schooling are one of the omnipresent reasons. Recent years have seen a constant increase in public expenditures in education. However, they cannot ensure provision of an education service of European standards for as long as they amount to nearly 3 per cent of the GDP, with the world average, including the average for some countries in transition, standing at 5 per cent.



Table 2.9: Percentage of GDP for Education

| 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------|------|------|------|------|------|------|------|------|------|
| 3,3  | 3,7  | 3,7  | 3,3  | 3,0  | 3,3  | 3,24 | 3,19 | 2,81 | 2.85 |

Source: INSTAT- 2004

In the course of the transition years, education has undergone profound changes in terms of its content. A number of laws governing the education system have also been promulgated. However, during these years education in Albania lacked a kick-off strategy, which consequently led to unnecessary zigzagging and slower rates than those recorded across other countries in the region, being subject to similar development conditions.

The present education system does not yet offer a democratic civic formation, comparable to European standards. Overall, the Albanian economy is not designed around issues ensuring the use of and remuneration for the high human capital levels. In face of the systematically growing demand for enrolment in secondary and higher education, the education system still offers limited premises of training human resources with high level performing skills and knowledge, required by a modernised market economy. On the other hand, the bias towards academic formation and the insufficient focus on the life-called-for skills are the reasons why eight-year school graduates or secondary school students are short on a satisfactory background for personal success on the labour market.

Decentralisation in education is progressing at a slower rate than in other areas, and is fraught with more ambiguities. School autonomy is almost non-existent as decisions relating to the financial aspect, the staff and the curriculum, lie with a (deconcentrated) central level. The governance system in education, which provides limited access to all the interested stakeholders and allows for extremely sparing flexibility, highly reduces the effectiveness and efficiency of human and financial resources. Likewise, it exercises very little influence on improving the education service extended to deprived areas and strata.

The strategic reform in the education system, which has been under way for the past years, is impacting education governance, the curricula at all the levels and the human resources development system, thus laying solid foundations for the alleviation and prevention of current acute phenomena of equity. (See chapter “Development of Human Resources: Education”)

### Health status of the Albanian population

Basic indexes, some of which have improved considerably, determine the health condition of the local population. Infant and maternal mortality rate is worth mentioning here. Whereas other indexes continue to indicate a declining tendency as they relate primarily to the influence a number of transition negative factors exercise. Reference could be made here to mortality (which is largely affected by the increase in the number of accidents, traumas, suicides), infectious diseases, and basically HIV-AIDS, cardiovascular diseases, and tumours. The following is a brief outline of some of these indexes.

**Expected average life expectancy** is relatively high: 69 years for men, and 75 years for women. This index has marked an upward bias during the second half of the last century, and at present, it is only slightly lower than the average recorded in Western Europe, and higher than the average for Central and Eastern Europe. However, recent years have seen a slightly declining tendency.

**Infant mortality** is still very high if compared with that across the countries in the region. Nonetheless, the tendency shows a decline in the infant mortality rate, which in 2002 was 17.4 deaths per 1,000 live births (source: Ministry of Health and INSTAT), and in 2003 was 16.8 deaths per 1,000 live births (source: Ministry of Health).

**Maternal mortality**, with 21 deaths per 100,000 live births in 2003, is relatively high (source: Ministry of Health). In certain areas in the country, however, it is several times higher than the average. The chapter on the gender analysis depicts a broader picture.

## Mortality and cause-related mortality

The mortality rate is 5.1 per 1,000, and this index has not changed considerably during the past ten years. However, changes have occurred with regard to the structure of the causes of mortality. Blood circulation diseases, cancers, and accidents and injuries are the three groups accounting for three fourth of all deaths. Treatment of the diseases under these three groups has proved very costly both for the State and the families, thus affecting the latter's living standards.

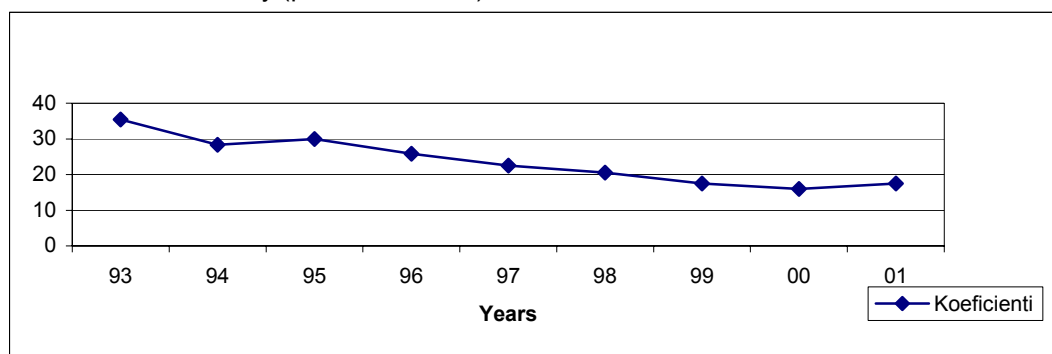
## Incidence of infectious diseases

Respiratory diseases top the list, followed by gastrointestinal diseases. A cholera epidemic and a polio epidemic plagued Albania in 1994 and in 1996, respectively. Since the early 1990's, the number of affected areas across the country has increased. HIV-infected patients have started to be hospitalised. Syphilis has resurfaced and the number of people carrying the virus is increasing. Although the disease has been reported to be decreasing, hepatitis A and B has a high prevalence in Albania. The same is true for the gastrointestinal diseases, too. In 2002, the World Health Organisation reported no cases of poliomyelitis in the country. Other diseases prevented by vaccines, including measles and diphtheria, are not reported either.

Table 2.10: Pre-natal Care

|                  | Skilled | Not skilled | Care unavailable |
|------------------|---------|-------------|------------------|
| Urban areas      | 95.9    | 2.0         | 2.1              |
| Tirana           | 93.9    | 6.1         | 0                |
| Other urban area | 96.7    | 0.3         | 2.9              |
| Rural area       | 87.8    | 2.8         | 9.4              |
| Tirana           | 93.9    | 6.1         | 0                |
| Coastal area     | 92.1    | 0           | 7.9              |
| Central area     | 92.6    | 2.8         | 4.7              |
| Mountainous area | 78.4    | 4.0         | 17.6             |
| Total            | 90.6    | 2.5         | 6.9              |

Chart 2.4: Infant Mortality (per 1,000 births)



Source: INSTAT- 2004

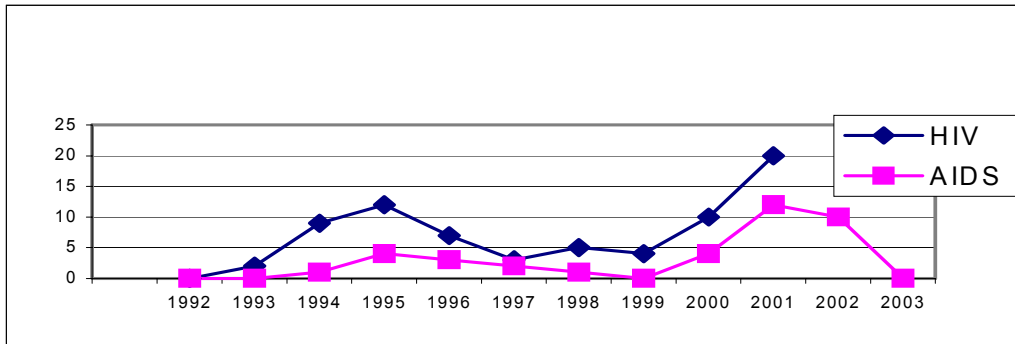
## HIV infection

The first HIV-infected case was confirmed in May 1993. Ever since, 5-10 persons carrying the HIV-virus were reported in 2000, whereas 1-4 cases infected with AIDS have been reported on a yearly basis. By late November 2003, 117 persons infected with HIV/AIDS were reported. Nearly 90 per cent of all the cases have contracted HIV/AIDS sexually, with sexual transmission being

the main way of getting the virus. Seventy per cent of the HIV/AIDS cases are thought to have come into contact with the virus abroad.

It should be pointed out that a number of factors the majority of which do not concern the health system, take their toll deteriorating the health status of the population. Economic, social-cultural and environmental factors could be mentioned here. Whereas the health system, despite the major role it plays to promote health and health education, is centred on fighting the consequences rather than on eliminating the causes.

Chart 2.5: HIV/AIDS Cases Reported



## GENDER PERSPECTIVE IN THE NSSD

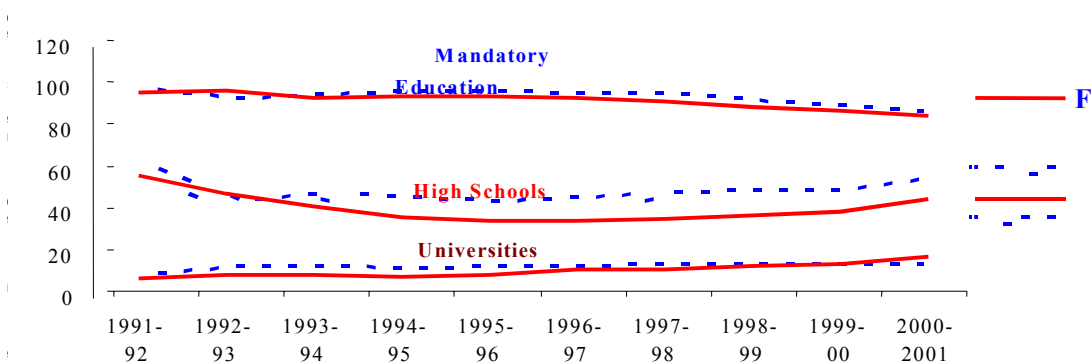
The NSSD addresses the gender-specific problems and the gender perspective on the basis of the concept underlying the 1995 United Nations Report on Human Resources, stating that, “*If human development is not viewed from the gender perspective, then it is in serious danger.*” Three of the principles suggested to incorporate the gender perspective into human development, are as follows: (i) equality of rights between men and women; (ii) females should be considered as agents and beneficiaries of the changes; and (iii) a broader range of choices for men and women, and equal choice opportunity for men and women.

The process of evaluating the involvement of men and women, including legislation, development policies and programmes in all areas, and at all levels, entails the gender-specific analysis and perspective of the issue in the framework of the entire spectrum of the Albanian society. This is a way to make the concerns and experiences of men and women a component part of the drafting, implementation, monitoring and evaluation of policies and programmes in all the spheres – political, economic and social – so as to ensure that men and women benefit in equal terms, and inequalities are not promoted.

### Education

Education is a vital aspect of every strategy in the framework of efforts to encompass gender concepts. In a nutshell, gender equality in education should study and reflect, from the gender perspective, the gender balance at all the phases of education. Considering the education sector as the entry gateway in order to challenge the gender stereotypes contributing significantly to maintaining gender inequality in the society, is equally important. Enrolment of females in primary, eight-year and secondary education has decreased from 98.3 per cent in 1991 to 87.3 per cent in 2001 for the primary and eight-year schools, and from 58.9 per cent in 1991 to 47.3 per cent in 2001 for the secondary schools. Whereas enrolment of females in higher schools has increased from 9.7 per cent in 1991 to 19.7 percent in 2001.

Chart 2.6: Bias in Education by Gender



6

Source: INSTAT- 2003

As seen from the chart, the number of females enrolled in secondary education is lower. This phenomenon is rather present in the rural areas, where in terms of education the female is discriminated against on account of the prevailing mentality and insecurity. The period 2002-2003, in particular, has seen a greater effort to get rid of certain gender stereotypes in connection with the curriculum in health education, civic education and legal education, by virtue of improving

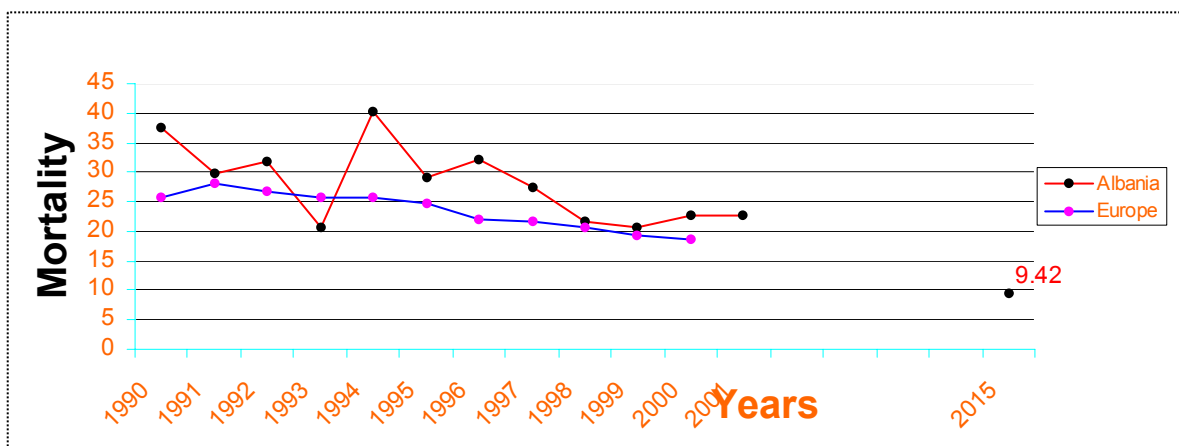
the textbooks and all the other educational materials. There is still much to be done particularly with regard to the reviewing of secondary vocational education curriculum so as to ensure that it meets the labour market requirements, and in particular, the requirements for jobs that are attractive to females.

## Health

In recent years, health programmes and policies have been designed around better coherence of the gender perspective. Hence, as one of the priorities for the health sector the woman's health status is addressed through specific programmes and projects with funding obtained from both foreign donors and the State budget.

The tendency indicates that maternal mortality, which measures the obstetric risk inherent in a pregnancy, is reduced considerably. However, the figure of 21.3 deaths per 100,000 live births in 2003 (source: Ministry of Health) is still high as compared to the average across European countries.

Chart 2.7: Maternal Mortality Rate per 100,000 Live Births



Source: INSTAT- 2003

Several of the factors contributing to reduction in maternal mortality rate are as follows: (i), The number of births dropped by over 40 per cent in 2003, as opposed to 1990. In 2002, the fertility rate was 2.1, versus 3.9 reported in 1990 (source: INSTAT). The drop in fertility rate is largely due to increased family planning, which is easily accessible for about 60 per cent of women, and the condom use. (ii) Legalisation of abortion, with the ratio between abortions and births being 1 to 3. (iii) Improvement in mothers and households' education on the progress of pregnancy, children's feeding and the need for family planning.

However, recent years have seen lower access to pre-natal services in Albania. And a downward bias is marking assisted births, thus adversely impacting maternal mortality. About 93 per cent of births take place in health institutions, and 7 per cent of births at home. Of the latter group, 6.2 per cent have the attendance of skilled health personnel at delivery, and 0.8 per cent have no medical assistance. Births at home may be accounted for by low access to health services and their low quality; shortage of skilled health personnel, especially midwives in villages (this being the result of uncontrolled internal migration); the mothers' desire to deliver their children at home; the uncontrolled shifting of the population, which keeps changing addresses, making medical follow-up by the midwife responsible for the area impossible; and poor infrastructure conditions in maternity hospitals in town and maternity homes in the countryside, which more often than not go short of water, heating and electricity.

In an effort to improve the health status of mother and child, the health sector is aiming to reduce maternal and infant mortality, which are two of the MDG. Diseases and maternal, pre-natal and infant mortality have been followed up as part of services the KSHP offers to mother and child. The goal is to bring the mortality rate down to 15 deaths per 100,000 live births in 2006, and to 11 deaths in 2015, as well as to reduce infant mortality rate to 15 deaths per 1,000 live births in 2006, and to 10 deaths in 2015.

Family planning, which has an impact on reduction in maternal mortality, has had the following important achievements:

- Family planning services are extended to the rural areas;
- This undertaking was launched the previous year. A total of 295 family planning centres have been set up in town and countryside across the country. In 2003, the number of the said centres increased significantly in the countryside, and at present, at commune level the family planning service is offered to 20 districts. Now every district has its own team of local trainees in place; and,
- In 2003, a system providing information on the management of condoms was established both centrally and locally. At a central level, the Department for Reproductive Health at the Directorate of KSHP is responsible for collecting the said information. This has enabled the assessment of needs and a better-controlled distribution of condoms, barring the way to their misuse

The Adoption of the Strategy for the Procurement of Condoms in July 2003 aimed at ensuring the long-term guaranteed supply of quality condoms, and **self-sufficiency in condoms**, thus enabling the country to be financially self-sufficient in order to meet the needs for condoms or logistics, and for technical assistance concerning purchasing, and storing of condoms.

### Gender-based Violence

Another phenomenon encountered quite frequently in the Albanian society is also the gender-based violence, including rape, insult, threat to use violence, abuse, degeneration, forceful social isolation, and other forms. Domestic violence is likewise a widespread form of gender-based violence.

### Employment

In Albania, the number of highly educated women is high. However, their involvement in the political and economic life is very low, with the tendency showing that their number is constantly decreasing. Although two thirds of women are recognised of being highly educated, their representation in decision-making at the level of the Parliament, a ministry, a municipality and commune is very low. The following reveals the women's representation level in 2003:

Table 2.11: Gender-specific Employment

|   |       |
|---|-------|
| <b>Women in the Parliament</b>              | 5.7%  |
| <b>Women Ministers</b>                      | 5%    |
| <b>Women Mayors</b>                         | 0%    |
| <b>Women Mayors of Small Municipalities</b> | 37.5% |
| <b>Chairwomen of communes</b>               | 1.6%  |
| <b>Women Prefects</b>                       | 25%   |
| <b>Women managers in the private sector</b> | 17%   |

Horizontal gender-specific inequalities making way in the discrepancies regarding preference for different professions between males and females are also present in Albania. The woman's presence in certain professions – women judges, women surgeons, and women company managers – seems to be still a luxury for the Albanian society. There also many cases of vertical gender-specific inequalities, indicating differences concerning posts and positions within the same profession, and being reflected in the women's low participation in the leadership, both at the level of central government and local government.

Some of the targets that should specifically guide employment policies in Albania encompass the creation of many possibilities, urging to do better, promotion on duty, remuneration and equal pay with male counterparts.

### **Agriculture and Rural Areas**

In the agricultural sector, men and women perform different roles and responsibilities, which vary from one region to the next. In Albania, there exist major gender-specific inequalities both in terms of access to the production resources and control of resources within the family, though in the majority of cases the woman is a major contributor. Women contribute to the well-being of the family and the community and have no equal access to and control of the most essential resources, time inclusive. The roles and responsibilities women perform in the family affect their engagement in different activities at the community level. These facts highlight the importance of concrete projects focused on reinforcing the woman's role and her involvement in the various areas of the community development, and in rural areas, in particular.

### **Conclusions**

Finally, the following could be mentioned:

- Right to equal access to education and employment. The basic rights, devoid of any gender-specific differentiation, represent a fundamental human right.
- Efforts successfully addressing the gender equality have a direct impact on reducing poverty in all its dimensions, and on the economic growth. Women in the rural areas, in particular, represent the group most exposed to poverty.
- As part of the agenda for the European integration, policies and programmes concentrated on ensuring gender equality are crucial.

The financial effect of gender policies is very small in comparison with the significant impact the female section of the society has on the country's social and economic development.

## EARLY CHILDHOOD DEVELOPMENT AND CARE

Early childhood is described as the period of a child's life from its conception to the age of eight years. It entails the combination of the health, nutrition and intellectual stimulation. This period of life concerns the inculcation of study and active learning skills. It also involves the emotional and social care and the feeding a child is in need of so as to realise its human potential, and play an active role in the family, and at a later stage, in the community. In Albania, the complex interventions in early childhood are still at an embryonic stage. However, it should be highlighted that an Inter-sectoral Task Force for Early Childhood was established for the first time during 2003, and a number of concrete targets were set with regard to this age group.

The Ministry of Education and Science, for instance, which contributes significantly to the early childhood development and care with regard to children aged 3-6, has set the target of including 100 per cent of children aged 5-6 and 50-70 per cent of children aged 3-4 and 4-5 in the preschool institutions in 2015. This Ministry is also aiming to ensure:

dissemination of contemporary methodologies placing the child at the centre of the educative activity, the reforming of the university curriculum for the faculties training teachers for the preschool education in favour of the students' contemporary professional formation, the introduction of the teacher's training system, and the improvement in the legal framework, which would contribute to the decentralisation of the preschool education system and its implementation in practice.

Health. The constant improvement in the child's health status has been one of the health sector priorities, thus contributing to reduction in the incidence of infant disease and mortality. The tendency in Albania saw a reduction in infant mortality rate from 41.5 per 1,000 live births in 1990, to 16.8 per 1,000 in 2003. These figures are still a far cry from figures across European countries.

In the northeastern part of Albania, such as Dibra, Kukës, Tropoja, and Puka infant mortality rate is twice as high. However, it should be pointed out that several other big cities, including Tirana, Durrës, and Elbasan, have high infant mortality rates. This correlates to people's free and uncontrolled movement from northeastern areas, and their settlement in the peri-urban areas, characterised by a low social economic level and not a high level of health education. The health sector is running specific programmes to follow up the infant mortality rate, with a focus on the following targets: Unification of the treatment protocols and the updating of knowledge by physicians who have worked for five years following internship, training of the personnel working in the child's consultation centres, continuous monitoring of the law "For Protection of Breastfeeding", reduction in various forms of malnutrition among under-five children, and eradication of the disease of iodine deficiency among children aged 0-6.

One of the challenges of the health sector in the framework of the Millennium Development Goals is reduction in infant mortality rate to 10 per 1,000 live births in 2015. During 2003, the implementation of the ambulatory integrated management of child disease in order to provide assessment, treatment and combined consultation on the main child disease, has been an important process. This will be an on-going process in the future, too.

The Ministry of Local Government and Decentralisation could make an especially important contribution to early childhood, assuming full powers regarding the preschool infrastructure for children aged 0-3 (crèches). In its efforts to ensure the normal functioning of the preschool institutions in the framework of decentralisation with a focus on the poor and marginalised areas, this Ministry has set major objectives with regard to this age-group. Some of these targets center on the increased investments in the preschool infrastructure (crèches), and the coordination of efforts with the Ministry of Education and Science, and the other line ministries so as to ensure a division of powers and the regulation of the legal framework governing the decentralisation process, and the training of the local government officials with a focus on social policies and services.

The Ministry of Labour and Social Affairs could play an important role in connection with early childhood by virtue of developing social policies, targeted to children aged 0-6, as well. This Ministry has elaborated some of the following objectives concerning early childhood:

The families in need, especially those with children under the age of 6, should receive the necessary incomes;

Either of the two or more children born to a family at the same time, should receive a special remuneration.

By 2004, this Ministry aims to revise the legislation for social protection and care, while specifically addressing the support designed for the orphaned children or the children with one parent, the children with disabilities, and the trafficked children. Focusing also on the important role the mother has to play with regard to early childhood development and care, this Ministry plans to provide for the professional training of women who are heads of families, while granting assistance to them, too. Data collection with a view to drawing a clear picture of the children's situation according to the age-groups and regions, is of special importance to early childhood development and care. For that end, the Ministry of Labour and Social Affairs is intent on working out a statistics registration system in order to identify children's problems and needs, in accordance with the provisions contained in the new law "For the Social Assistance and Care". It is also planning to review the law for the traffic in children, while taking due preventive measures.

The Committee for Equal Opportunity, being involved in the drafting and at the same time implementation of the National Strategy for Children, is duty-bound to see to the application of the present strategy at all the central and local government institutions, and by all the civil society actors concerned with protection of the children's rights. In terms of the implementation of the action plan relating to the strategy for children, this Committee undertakes to report on the 0-6 age-group.

### What should be changed in the legislation affecting the 0-6 age-group?

Reviewing of the laws addressing the problems of orphaned children;

Reviewing of the laws addressing the health problems of mother and child;

Improving the criminal legislation, taking into account children's special protection from all the phenomena posing a threat to their life;

### What are we aiming at through early childhood development and care?

By having early childhood development and care in place, we aim to:

•Work out a national plan for the early childhood, ensuring that the line ministries should undertake to carry out integrated work with this age-group;

•Support the establishment of a specific structure for children, incorporating a department for the early childhood;

•Provide for increased financing from the budgets of the relevant ministries, targeted to this age-group;

Concluding agreements with other States on the execution of court decisions to ensure that one of the parents pays maintenance to the child/children;

improving the civil legislation, and specifically the Law "For the Adoption of Minors by Foreign Nationals, and Several Amendments to the Family Code";

Setting up a functional Court for Minors.

•Develop policies and strategies for the introduction of alternatives in terms of possibilities for primary education for all the children aged 0-6, especially those aged 5-6, in a shorter period of time, seeing to it that efforts are integrated with successful community models applied by non-governmental organisations;

•Promulgate the necessary legislation allowing for the normal functioning and the division of duties with regard to the decentralisation process;

•Introduce a statistics registration system covering children aged 0-6, according to the regions, gender and age-group.



## **CHAPTER 3**

# **IMPLEMENTATION OF POLICIES AND PUBLIC PRIORITY MEASURES THE OBJECTIVES AND THE MTEF FOR 2004-2007**

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Achieving the NSSED objectives depends on the implementation of public priority short- to medium-term measures. The NSSED process deepened during 2003 in all the ministries, and some central and other state institutions, such as the Parliament and local government.

Each institution has tried to implement its own priority measures consistent with the relevant sector matrices. The results appear in the progress reports of each institution and contain: (i) an analysis of the policies and the most substantial measures, their impact as well as a medium-term perspective; (ii) a matrix with qualitative indicators of the priority measures for 2003; (iii) data on the progress of output and outcome indicators; and (iv) a matrix of medium-term priority measures for 2004-2007.

Being a fundamental and complex strategy, the NSSED calls for an effective and efficient coordination of the implementation process. During 2003 the goal was to ensure better coordination of the main government agenda, namely the NSSED, with the process of SAA and the adoption of the MDGs.

This chapter of the Progress Report is a synthesis of progress on the implementation of measures by area and sector, the most important short-term implications of these measures, as well as the objectives of medium-term priority measures for 2004-2007.

## INSTITUTIONAL AND GOVERNANCE REFORMS

One of the main NSSED implementation areas in 2003 was the deepening and expansion of institutional and legal reforms. These were designed on the basis of an analytical process, but with a high degree of consultation and participation of all stakeholders and of the public in general.

Governance institutional reforms aim at:

- Strengthening implementation and respect of law as well as the regulatory and warrantor role of the state (stability, public order, security, effectiveness and efficiency)
- Enhancing democratic standards of governance (justice, accountability, transparency, inclusion)

Experience has indicated that these two areas are very important and inter-related. Weak enforcement of public order could seriously compromise the democratic nature of institutions and vice-versa, leading to a vicious circle.

Assessments by specialized international institutions indicate that weaknesses in guaranteeing public order constitute a major problem for the countries in the West Balkans, and in particular for Albania. Although there have been improvements in governance, it still is a far cry from the minimal standards of the EU.

Reforms in governance are the foundations for NSSED implementation. They also represent the main focus for the process of negotiation of the SAA with EU and for NATO membership.

Progress in governance reforms needs to be measured. To this end, the government has adopted the main indicators and objectives that determine the quality of governance.

Table 3.1: Indicators of governance

| Indicators                          | Evaluation (0-100) |                 |                 |
|-------------------------------------|--------------------|-----------------|-----------------|
|                                     | Base level 2002    | Objective 2010* | Objective 2015* |
| 1. Participation and accountability | 49.5               | 65.0            | 81              |
| 2. Political stability              | 30.3               | 60.5            | 71              |
| 3. Governance effectiveness         | 38.1               | 57.7            | 76              |
| 4. Regulatory quality               | 41.2               | 63.2            | 83              |
| 5. State of law                     | 17.5               | 56.5            | 74              |
| 6. Control of corruption            | 23.2               | 54.7            | 73              |

\* Objective 2010 represents the indicators of governance for Eastern Europe – regional average (2002), while Objective 2015 the minimum indicators of governance for the EU countries – average (2002).

Achieving the twin objectives of governance reform relies on a combined approach of measures, which includes all state structures: (i) legal regulation of the system of rights; (ii) establishment of new institutions and/or restructuring of the existing ones; (iii) strengthening capacities and improvement of the available technology; and (iv) adoption of the most advanced rules and standards of democratic governance.

### 1. Justice

During 2003 the work on legal process consisted of: (i) formulation and follow-up of approval procedures for 59 legal initiatives, of which 36 were draft-laws and 23 by-laws of normative nature, including 16 conventions and international agreements; and (ii) provision of specialized legal opinion and assistance to other institutions, which involved drafting approximately 900 legal peer reviews for draft-acts during 2003, of which 190 were draft-laws.

In the context of the ongoing attempt to achieve a clearer division and an appropriate balance between the legislative, executive and judicial authorities the following activities took place: (i) creation of supportive infrastructure to facilitate the setting up of courts and Public Prosecutor offices for extreme offences; (ii) training; (iii) strengthening of the legal framework and improvement of legal services; (iv) improvement of the legal system control by the Inspection Department of the Ministry of Justice; (v) revision of the prosecution procedures in cases that have passed the preliminary phase and have not yet begun the respective procedures; and (vi) needs assessment for improvements in the judicial infrastructure.

A wide range of important reforms in the legal system are planned for 2004 in the following areas:

(i) prevention, detection, investigation and effective trial against terrorism offences and its financial sources, organized crime, trafficking, money laundering, corruption and financial crime;

(ii) incorporation of international statutes, especially in the penal code;

(iii) reform of juvenile justice to attain international standards in material, procedural and institutional provisions for prevention, penal training and rehabilitation of young offenders;

(iv) reforms in Public, Administrative and Commercial Law, in order to improve the services to business and the public, to simplify procedures, to reduce delays and to develop modern procedures for dealing with citizen complaints;

(v) setting up of the Legal Reform Commission, as a consultative entity under the Ministry of Justice, consisting of eminent professionals with outstanding judicial experience, supported by a group of specialized legal experts.

Civil judicial decrees will concentrate on raising professional standards, determining indicators that measure individual output, realizing an effective, accurate and quick service, strengthening the control of the executive structure, providing training, and disciplining employees that do not abide by the law during the exercise of their duties.

Considerable work will be carried out during 2004 to expand and modernize the physical infrastructure of jails. Not only the security of these institutions will be improved but also the conditions and treatment of detainees.

With respect to the judicial authorities and the Public Prosecutor's Office, the Ministry of Justice will aim at:

(i) increasing the speed and the quality of judicial control;

(ii) introducing information technology into the judicial system to improve the management of judicial cases;

(iii) improving the administrative services of courts, in particular the maintenance of the judicial archives;

(iv) determining performance evaluation criteria and procedures for courts based on the number of cases coming from higher level court houses;

(v) establishing qualification standards for judges and prosecutors, as well as meritocratic appointment and transfer rules;

(vi) rehabilitating the judicial infrastructure and creating a computer-based infrastructure in courts;

(vii) improving procedures, increasing the budget and implementing training for judges and prosecutors; and

(viii) preparing legal provisions for cases where there are delays in the judicial process.

## Public Order

The main priorities for 2003 were to ensure public order, strengthen personal and community security, and fight organized crime and terrorism.

Further work was done to increase policemen's qualifications, to organize activities related to organized crime prevention, to prevent conflict and resolve differences and generally to curb illegal activity. Feelings of security have increased among citizens during the exercise of their rights.

Security measures have been increased all over the country through the improvement of the operational structures. Special services have been planned for the coming summer season in all tourist areas, beaches and main roads.

A new system entitled "About the grades of the state police" which was put in force during 2003 converted military into police grades for all police employees. The new grades have created possibilities for a secure and guaranteed career for police employees, based on five criteria: police education, work experience, training, qualifications and periodic evaluations at the workplace. The objective is to raise barriers against subjective decisions based on political activism and personal connections that have been previously mentioned and criticized. From now on, all appointments in the state police are done with respect to the grade of the police employee.

Table 3.2: Indicators of crime and violence

|                                | Cases<br>2002 | Discovery<br>2002 | %   | Cases<br>2003 | Discovery<br>2003 | %   |
|--------------------------------|---------------|-------------------|-----|---------------|-------------------|-----|
| Crimes against persons         | 1586          | 1499              | 95% | 1726          | 1619              | 94% |
| of which: assassinations       | 179           | 147               | 82% | 144           | 112               | 78% |
| Crimes against property        | 1322          | 929               | 70% | 1766          | 1101              | 62% |
| of which: violent or with guns | 214           | 165               | 77% | 208           | 139               | 67% |
| Financial crimes               | 753           | 747               | 99% | 771           | 763               | 99% |
| Drug trafficking               | 250           | 230               | 92% | 227           | 201               | 89% |
| Human trafficking              | 544           | 529               | 97% | 704           | 681               | 97% |

Source; Ministry of Public Order, 2004

There was a slight decline in crime against the person in 2003, but crime against property and financial crime have increased.

There has been some success in the fight against drug and human trafficking, such as the elimination of emigrants trafficking, publicly acknowledged by the Italian Government and other international institutions.

Drugs are now a greater challenge that demands a more effective approach. Some recent positive developments are very modest compared to the large volume of trafficking.

The war against organized crime and terrorism is one of the greatest challenges. Albania has taken up all its international obligations and has strengthened its specialized mechanisms but is seeking stronger support from its international partners and a better coordination of joint ventures.

The evaluation of the implementation of the priority public measures and their impact highlights the weaknesses of the forces fighting crime, but also shows that the reforms already initiated will eventually play a big role in successfully addressing the complex challenges in this field.

The middle-term objectives for 2004-2007 are:

- With respect to the war against trafficking and organized crime:
  - a) Block any moves to resume illegal human trafficking for emigration purposes;

- b) Achieve more obvious results in the war against drug trafficking and eliminate in-country production of drugs, such as cannabis sativa;
- c) Detect and eliminate organized crime structures and reduce the risk of their involvement with the international terrorism network; and
- d) Detect money laundering activities.
- With respect to general security and public order:
  - a) Strengthen public order and public security (personal and community security) in the entire country, according to regional needs, whether urban or rural;
  - b) Reduce the number of extreme offences committed not only through crime detection but also through preventive measures;
  - c) Reduce the number of financial crimes and crimes against property; and
  - d) Increase security in roads.

The above-mentioned objectives will be met by continuing the reforms in public order institutions and the Office of the Attorney. In particular, the following activities are planned:

- Capacity building through training and expansion of the role of the Police Academy;
- Improvement of structures, especially in the intelligence services;
- Investments to upgrade technology;
- Expansion of collaboration with international partners against organized crime;
- Legal and procedural changes to the Penal Code and incorporation of international agreements and treaties in the penal field; and
- Improvement of crime statistics and dissemination of information to the public.

Medium-term objectives and measures for 2004-2007 in the area of public order are presented in greater detail in the annexes of this document, and in the MTEF of the Ministry of Public Order.

## **Public Administration**

The main objective behind public administration reform is the establishment of a professional and sustainable civil service, mainly in two directions:

- Stability and job security for civil servants; and
- Staff professionalism to meet the challenges of reforms.

The implementation of the Law "On the status of the civil servant" has been one of the prerequisites for the success of public administration reform. Currently there are 1296 civil servants in the institutions of central administration, and 705 employees have been confirmed in their positions.

After three years of implementing the civil service legislation, competitive hiring procedures are now routinely used in public administration institutions. Recruitment by competitive means is being extended to include other so-called independent institutions of public administration. During 2003, there have been 277 new appointments in central public administration institutions.

Compared to previous years there is an increasing number of competitions and improvements in implementation procedures. There are fewer complaints on procedures, fewer cancellations by the Civil Service Commission and growing applications for posts. The number of candidates per post has increased from 5.4 in 2001, to 7 in 2002 and 8 in 2003.

However, there are still problems with civil service recruitment, and these need to be given priority. Voluntary turnover is still high, despite the fact that public sector employment is competitive vis-à-vis private sector employment. 76 employees resigned from the civil service

in 2003. This accounts for 4.5% of the total number of civil servants in the institutions of central administration.

The number of transfers increased by 56% compared to 2002. This increase corroborates the fact that there is now a fully-fledged career system for civil servants, and increased awareness of the rights established in the law on career development. As regards promotion, the procedures are still hardly being used largely because the necessary number of candidates is lacking.

During 2003, 441 civil servants were confirmed. This fact is related to the successful implementation of the law on the civil service. However, there are still several employees that should pass through the confirmation process and this is one of the priorities for 2004.

Improving the system of performance evaluation has been the focus of attention in 2003. To this end, direct supervisors have been trained, in addition to the employees of the human resources departments, in civil servants evaluation processes. As a result of this work, there is a fall by 17% of 1-evaluation points (maximal rating) and an increase by 17% of 2-evaluation points compared to 2002. There have been no major changes for the remaining two evaluation ratings.

Increasing professional skills in public administration is yet another important direction for the implementation of reform. The Institute of Training of Public Administration (ITAP) is functioning regularly and is organizing and providing training for public administration employees. In the course of 2003, ITAP has provided training to 1167 civil servants on 14 subject courses, and has organized 72 training courses.

The extension and enhancement of pay reforms in public institutions during 2003 has contributed significantly to the stability of the administration, increasing opportunities for improving the quality of staff hired, and ensuring increased motivation. Introducing some promotional salary elements was also a positive measure.

Another important improvement directly related to the implementation of the status of the civil servants was the clearer definition of the role of the Secretary General. This legislative intervention approved by the Government was introduced to further strengthen the position of the SG in the line ministries, as the connecting position between the political level and the civil service, and to unify and clarify the duties entailed in this position.

The new Law "On the rules of ethics in public administration" was approved in 2003 and helped bridge the gap in this area. The Law was drafted in compliance with the standard code of conduct for civil servants approved upon the recommendation of the Committee of Ministers of the Council of Europe. Work began to familiarize civil servants with the new rules and norms, and to establish special oversight structures for the implementation of the law.

A series of other measures were taken in 2003 to expand the scope of civil service principles to other parts of the public administration. Three laws extended the new civil service legislation to employees of the Public Procurement Agency, the Official Publications Center and the Tax Administration, thus meeting one of the conditions of the World Bank, the European Union and the International Monetary Fund.

Continuing with the reform in the public administration will be a priority among the institutional reforms, and a crosscutting issue for all Albanian state institutions. The main directions of the Department of Public Administration for enhancing the public administration reform for the medium-term from 2004-2007 include:

- Expanding the scope of civil service legislation, which is related to improvements in the Law "On the status of the civil servant";
- Finalizing the classification for specialists and heads of sectors for two categories of institutions: the independent ones and those reporting to the Council of Ministers. This is expected to ensure fair remuneration based on merit and achievements to increase staff motivation;
- Operationalizing the National Registry of Public Administration. This will institutionalize the obligation of all institutions involved to improve the management of administrative data;

- Training of civil servants. This measure will strengthen the capacities of civil servants. The Institute of Training of Public Administration (ITAP) is directly responsible and organizes regularly training courses in cooperation with line ministries;
- Implementing the functional and structural reform. This is related to the functional review of ministries and their reporting institutions in order to re-formulate their missions and their structural organization; and
- Establishing a central computerized unit in public administration, which would create a network for the fast exchange of information and improve the management of documentation for government meetings.

## **2. Decentralization**

The implementation of the decentralization reform and the empowering of local governments has been one of the key priorities, directly linked with the objectives of the NSSD. The implementation of this reform in the course of 2003 has included clear and determined steps, while necessary adjustments were made along the way.

Concrete actions were taken in 2003 to transfer functions to municipalities and communes. A program was initiated for water companies to transfer water supply and sewage functions. The program envisages the gradual transfer of ownership according to the degree of difficulty, subject to the settlement of pending financial arrears and the financial support for key investments. The process is carried out in cooperation with local government.

During 2003 there has been ongoing analytical work and dialogue with all the stakeholders on the decentralization of the education, social care and social assistance functions in order to ensure the harmonization of reforms in these sectors, with a potential role for local government units. A pilot project with the Tirana municipality for the transfer of investment and other functions began to be implemented in 2004. In the area of social assistance (ndihme ekonomike) and social care, some pilot municipalities and communes are engaging in a program for the enhancement of local government competencies with regard to the use of social assistance funds for the poor households. These funds are going to be used by the municipalities and communes for the same purpose, but mainly through community works. The experience thus far will help scale-up the decentralization effort.

With regard to delegated functions, priority was accorded to the legal regulation, restructuring and modernization of the civil status registry office. As for the emergency service function, 2003 saw the establishment and strengthening of the system in all its aspects. The Department of Planning and Coordination of Civil Emergencies focused on keeping the situation of emergencies under control in the entire country, establishing and strengthening structures, putting the process of planning on the right track to deal with civil emergencies and ensuring close cooperation with national and international agencies.

The fiscal allocations in 2003 together with adjustments in the formula of unconditional transfers were important steps for the decentralization process. The results of the local government units during 2003 are very encouraging. At the national level, local government expenditure is financed by more than 58% from taxes, fees and other local government financial sources, compared to the original target of 56%. In the big and medium-size municipalities of the country this ratio ranges between 70% and 90%. There has been satisfactory progress in the collection of two taxes on small business. Despite the fact that this was an election year, the agricultural land tax was introduced in more than 70 communes, while a lot more are preparing to apply this tax during 2004. Also, positive results were noted in the enforcement of the tax on buildings, which is now applied in almost all municipalities of the country.

The gradual transfer of some immovable properties directly related to the local government units' own functions has been initiated and is expected to expand further during 2004.

Local government units are increasingly responding to the need to enhance their governance and administrative capacities, while they have been offered increasing opportunities for training and assistance. An institute for training has been recently launched jointly with the local authorities under the joint ownership of the government and local government associations.

The positive effects of the decentralization reform are notable in a large number of municipalities and communes in the country. Based on this progress, the decentralization reform will continue in line with the program of measures with cautious but determined steps.

A comprehensive study of the economic, geographical and historical territorial division of the communes was completed in 2003 and some objective criteria were proposed for possible mergers. The study contributed to the preparation of a preliminary draft-law, which enables the launch of a constructive dialogue leading to a voluntary process of mergers between communes. This process will be finalized in 2005 following an analytical, participatory and consensual process, which will optimize this division and will create the conditions for a more efficient local government in response to economic and demographic trends.

During 2003 four regional councils prepared their regional development strategies and eight additional regions embarked in the process. Studies have been conducted and legal documents are being developed to clarify the functions of regional councils as a secondary tier of local government.

By the end of the medium-term period in 2007 it is envisaged that local autonomy should be as close as possible to the vision established in the Constitution, the Decentralization Strategy and the European Charter of Local Government Autonomy. The complete transfer of asset ownership will have been finalized, as will the transfer of all fiscal and financial functions. There will be a clear definition of the shared functions in education, social care and civil protection and the role of local government. The fiscal decentralization reform will have been enhanced in the direction of increasing the weight of local government revenues and adjusting the package of local taxes and fees. There will be a formula for the amount of unconditional transfers relative to the revenues of the state budget, and increased transparency and equity in the territorial distribution of investments and development expenditures of the state budget in close cooperation with the local government.

### **3. Anti-Corruption**

Preventing and fighting corruption is one of the priorities of the Government of Albania, as it attempts to curb its undermining effects on public trust in the political and judicial system, in the state of economic and social development, in foreign investment and in the process of European integration. To this end, a series of measures were launched in 2003 and priorities were set for 2004.

Until today, the anti-corruption strategy has focused in improving the legal structures, amending gaps in the necessary legal framework, and defining roles and responsibilities. In the future, the strategy will focus more on enforcing structures and principles, and particularly in ensuring a broad participation of the civil society.

In order to have an effective strategy, with a clear, comprehensive and coherent vision, aiming at offering sustainable approaches, it will need to encompass: effective strengthening of legislation, cutting down on systemic opportunities for corruption, raising awareness and educating the public on corruption and convincing the public to participate actively in this fight.

For the above mentioned reasons the structure of the action plan for preventing and fighting corruption for 2003-2004 has been revised to include specific anti-corruption measures in three areas: (i) strengthening the rule of law; (ii) prevention; and (iii) public education and participation.

On each of these pillars of the anti-corruption strategy priority areas and relevant measures are also envisaged in detail. The responsible institutions and their partners have also been determined in order to ensure timely implementation. Potential measures and risks have been identified and concrete indicators are used for monitoring implementation and reporting.

The plan but also the Decision of the Council of Ministers no. 580 of 08/21/2003 places the Office of the Minister of State in the Prime Minister's Office and the Anti-Corruption Monitoring Group in charge of monitoring, coordinating and reporting on the implementation of the action plan.

Among the key measures and results achieved in 2003, we can single out:



**Strengthening the structures:** In the course of 2003 a series of measures were taken to strengthen the executive structures of the anti-corruption drive, such as the establishment of the Anti-Corruption Monitoring Group and the functioning of the Anti-Corruption Unit. To enhance transparency and to strengthen inter-institutional cooperation on information exchange and dissemination to the public, a Tri-Partite Commission was established. This structure was established with the proposal of the Minister of State in the Prime Minister's Office based on the Memorandum of Understanding signed on July 15, 2003 by the Albanian Coalition Against Corruption, which is now fully functioning.

Institutional relations between the Anti-Corruption Unit and ministries, other special units of internal control, the general department of financial control in the Ministry of Finance and the Supreme State Audit have been strengthened and improved. The anti-corruption structures will be further strengthened in 2004 with the participation of new important partners.

**Legal reform:** The improvement of the legal framework continued in 2003 with the approval of laws in different areas. Some measures were carried out in the context of the Action Plan for Preventing and Fighting Corruption, 2002-2003. Among them, we could single out the law on "Internal auditing in the public sector"; the amendment to the criminal code on issues related to corruption; the declaration and control of assets of senior public officials; the rules of ethics in public administration; some changes and amendments to the law on prevention of money laundering; some improvements to the law and rules on public procurement etc.

**Studies and activities:** In addition to its routine activities in monitoring the Anti-Corruption Action Plan, the Anti-Corruption Unit has undertaken studies aimed at increasing the preventive effect in public administration institutions. Among the most important studies and activities for 2003 were:

(i) a comprehensive study of micro-systems "For the simplification of public services in central administration". Based on the recommendations of this study, the Order of the Prime Minister no. 73 of 03/15/2004 "On the establishment of an Inter-Ministerial Working Group for the simplification and standardization of procedures and criteria for public services offered by central administration institutions" was approved. Legal and regulatory improvements of the institutions involved in the process will be evaluated and finalized by the working group during the second semester of 2004;

(ii) a study on the revision of legislation from the view point of the conflict of interests. The process of establishing a work group with the order of the Prime Minister for drafting the provisions for institutional improvements will start in 2004; and

(iii) a study on the financing of political parties and the electoral campaigns. The recommendations of the study will serve as reference for the working group that will come up with proposals for interventions in the legal framework that will take place in 2004.

**Directions for 2004:** The Anti-corruption Monitoring Group has planned several projects and activities for 2004. Among the most important are: (i) strengthening the specialized anti-corruption structures and improving their coordination and cooperation; (ii) completing the legal framework and strengthening its monitoring to prevent conflicts of interest; (iii) completing the legal framework for transparency in the financing of political parties before the elections of 2005; (iv) expanding the application of the anti-corruption plan to local government; and (v) simplifying procedures and criteria for public services delivered by the central administration.

#### **4. Negotiations with the EU**

There was a clear improvement in the relations between Albania and the EU in 2003, which was reflected in the official opening of negotiations for the Stabilization and Association Agreement (SAA). There were seven rounds of negotiations in 2003, of which three rounds were political and four were technical. Already 71 out of 135 Articles included in the draft SAA are being negotiated (9 will be negotiated in the coming rounds), as are 6 annexes and 4 protocols. According to the agenda of the negotiations it is expected that all SAA Articles will be finalized in 2004.

The decision to open negotiations with the EU was accompanied by a decision to monitor the process of reforms in Albania through the establishment of a joint consultative working group.

The Albanian side accepted this decision. This was in place prior to and after the opening of the negotiations, which is particular for the case of Albania.

The key financial instrument in support of the SAA is the CARDS program. Two financial agreements were signed within this framework in 2003 totaling €78 million. The development of the €58.5 million 2004 CARDS program is underway.

In the context of refining legislation in 2003, the role, functions and competencies of the bodies and institutions that are part of this process were determined. Also, the necessary amendments to Law no. 9000, 01/30/2003 "On the organization and functioning of the Council of Ministers" and the Council of Ministers Decision no. 584, 08/28/2003 "On the approval of the regulation of the Council of Ministers" were made. The White Book of the EU (the strategic instrument for countries aspiring for EU membership) has been translated into Albanian and has been made available to all the institutions involved in this process.

## **PRIVATE AND FINANCIAL SECTOR DEVELOPMENT REFORMS**

The progress made with regard to key objectives and public priority measures in the context of the NSSD in 2003 is specified in what follows.

### **5. Market Institutionalization and Formalization**

Key measures in the course of the implementation of the above mentioned objective included:

- Further improvement of the legislation in the area of competition. In this context, the Law “On protection of economic competition” (“Anti-Monopoly”) was drafted and has been approved. This envisages the establishment of an agency for the protection of economic competition, as the institution in charge of the enforcement of legislation, and a commission of competition, as the decision-making body;
- Institutionalization of the relations between the competition authority and the regulatory entities. This will put the relation on a legal basis and will improve the work of competition advocacy;
- Formulation and approval of the law for consumer protection, which provides for public structures of market supervision that will be strengthened in the course of the coming year;
- Beginning of the work for the computerization of the customs system, starting with the GDC and then moving on to the customs offices in the districts; and
- Expanding the composition of the Independent Tax Appeals Commission to include two representatives of the business community, in line with the implementation of the law on tax procedures.

### **6. Promoting Enterprise**

Actions to this end for 2003 included:

- Preparation of the study “On removal of administrative barriers to business - an integral part of the development strategy” by FIAS, IFC, and the World Bank group;
- Facilitation of procedures for business entry, including: strengthening and enhancing the efficiency of the Business Consultative Council on the re-organization and improvement of its operations; finding mechanisms and developing projects in line with fine-tuning the government-business community dialogue; and removal of the requirement for licensing in the non-agricultural sector;
- Continuation of the evaluation of the Trade and Transports Facilitation project with the World Bank (\$11.2 million);
- Improved access to information for businesses via announcements in the media, the Internet pages of the tax authorities and the establishment of the Official Publications Center. The tax and customs administrations published instructions with regard to procedures;
- Installation of special telephone lines (poll lines) for the registration of complaints in some institutions; and
- Implementation of the new bankruptcy law

### **7. SME Development**

In line with creating a positive climate for the development of business and in order to open the way for SMEs, the following measures were taken in 2003:

- Establishment and strengthening of the Department of Policies and Business Development in the Ministry of Economy;
- Establishment and initial operations of the SME Development Agency;
- Development of a scheme for credit guarantees for SMEs and approval of a concept document for the establishment of the SME Credit Guarantee Fund in the context of a grant by the Italian Government;
- Implementation of a project with the European Training Foundation (ETF) to improve the regulatory framework for SME development, improve the credit system for SMEs, introduce an operational information system, study the impact of SMEs on economic growth, publish a "Guide to Investments" and improve the operational management and institutional strengthening of SMEs;
- Implementation of a USAID "Program for assistance and credits for the small business" worth \$6 million; and
- Adoption of the European Charter for SMEs in the context of the SAA and publication of the national report on SMEs in Albania (in cooperation with the EU).

The implementation of the law on SMEs led to their classification from the statistical viewpoint. An important objective would be the implementation of this classification from the fiscal perspective as well. During 2003 important progress has been made to improve the links of the banking system with business. Credit to business has continued to grow.

## **8. Foreign Direct Investment**

The foreign investment climate has kept improving in two directions:

- There is increased security of investors countrywide as a result of strengthening the security and public order measures;
- Investments in infrastructure projects, especially roads.

Main areas of the government's work for promoting FDI in 2003 included:

- Establishment of a legal and regulatory framework for promotion of foreign investments;
- Launching of the FDI Promotion Agency;
- Reduction of foreign investment risk;
- Improvement of the image of Albania as a country with potential for investments;
- Establishment of a credible independent appeals institution for taxpayers;
- Launching of the national entity of free zones;
- Improvement of physical (energy, transports, telecommunications) and social infrastructure (education, training and management) related to investment;
- Publication of the "Guide to Foreign Investments in Albania"; and
- Study by the government in cooperation with FIAS on administrative barriers to investment, which will serve as a base for reducing these barriers.

The amount of foreign direct investment was approximately \$178 million in 2003.

## **9. Trade Liberalization and Export Promotion**

The development of exports is considered as a key factor for the improvement of the macro-economic indicators. In this context, the government has established several public priority measures as follows:

- Approval of the law for the establishment of the Export Promotion Agency, which was followed by the approval of the full legal package for its operation. The executive

director was selected by competition, and the same method was used for the selection of the staff of the agency, which is now fully operational;

- Establishment of the network of public and private agents involved in the operation of the agency (regional development agencies, business associations, training and research centers, consultative firms etc.);
- Introduction of appropriate schemes for exports guarantees;
- Establishment of an efficient system of marketing information;
- Improving the basic legal and administrative conditions;
- Promoting the potential of Albanian exports in the regional and international markets;

In the course of 2002 technical negotiations were completed for six Free Trade Agreements (FTA). In 2003, the agreements were ratified by Parliament and the implementation of four of these agreements began. The positive effects of the FTA with the FYR of Macedonia are visible, as new products have been added to the traditional list of exports, such as fruit juices, sparkling water etc.

Exports in the first 9 months of 2003 increased by 38.2% vis-à-vis the same period of 2002. The export structure is dominated by façon exports (78.3%), while local exported products included medicinal plants, tobacco, leather, timber and different minerals and metals. The ratio of the façon exports relative to local product exports has changed during 2003.

## **10. Financial Sector Development**

In the context of banking system restructuring, the following important developments took place in the course of 2003:

- Entry of a new bank, preliminary approval of another one (both operate with local capital) and the privatization of the Savings Bank. After a couple of unsuccessful efforts last December, 100% of the Savings Bank was sold to the strategic investor, Raiffeisen Bank. During 2003, the banking system expanded further in terms of the volume of transactions and geographical coverage. There are currently fifteen banks. However, given that the Savings Bank has a dominant position in the market with 60% of the bank deposits and 80% of the treasury bills market, competition is still limited;
- Banks continue to expand their activities through new branches or agencies in different cities. Several banks are investing in electronic means of payment. During 2003, 12 new ATM facilities were installed in Tirana and other cities. However, the main payment instruments continue to be the traditional ones: payment orders and cheques.

Other developments in the financial market in 2003 included the following:

- The Tirana Stock Exchange, which is no longer part of the Bank of Albania, received the final license to operate in the local capital market.
- The insurance market has expanded further both in terms of new services and in terms of regional expansion. Meanwhile, progress is being made with regard to the privatization of the state-owned insurance company, INSIG, which after successfully operating in Kosovo now has a license to conduct activities in the FYR of Macedonia.
- Progress has been made in strengthening the Deposits Insurance Agency. The periodic publication of data on the banking system has extended to the financial non-bank subjects of the Bank of Albania;
- Further work was carried out to transfer and consolidate the pensions function from the Savings Bank to Albaposta. Also, efforts have been made to transfer the bank's

fiscal functions towards other institutions, reduce the number of staff combined with improved quality of the staff, and further consolidate its offices in rural areas to ensure access to basic banking services;

- The Bank of Albania has simplified its requirements for approving the expansion of branch networks within Albania. In all cases, expansion is now approved solely on the grounds of sound financial situation.

By the end of 2003, credit accounted for 13.5% of all assets, thus reflecting an increase of 2.1 percentage points compared to a year ago. The fall in the investment share of treasury bills and in inter-banking transactions in addition to the expansion of lending activity reflects the improvement in the structure of the system. Except for the Savings Bank, lending is calculated at 27.9% of the assets of the remaining part of the system. The indicator of credit quality has improved, reaching 4.6% down from 5.6%, which was the figure one year ago.

The financial situation of the banking system in the end of 2003 is satisfactory. Public trust has increased along with the increase in the domestic and international deposits. As a result of the expansion of the network of bank branches, the upgrading of technology and the increased flows of information, there is an increase in the administrative expenditures. Expenditures on provisions fell by Lek 155 million; this reflects improvements in loan quality.

### **2004-2007 MTEF for the development of the financial sector**

In the medium-term period up to 2007, the support for the development of the financial sector will continue on the basis of the adopted priority directions and instruments. These are: strengthening market institutions, increasing the leverage of financial support through financial sector development, increasing the degree of information and modernization, improving public services to businesses, and pursuing the policy of economic opening. The policies and measures will continue to be implemented with increasing engagement of the business community.

To meet this objective, in the medium-term, the banking sector has to further strengthen its structures, including banking oversight, and play a more central role in the economic development of the country. The recent privatization of the Savings Bank is expected to have a positive impact. There have been several efforts to reduce cash transactions and promote the use of the banking system. Meanwhile, the Tirana Stock Exchange should strengthen its role as a secondary market for treasury bills, government bonds, and the registration and trading of stocks and bonds of local companies.

## INFRASTRUCTURE DEVELOPMENT

### 11. Energy and industry

#### **Power**

With the support of the Government of Albania, the power sector has established, developed and consolidated the necessary structures to support its development in compliance with the organization of the internal and regional energy market. In this context, short- to long-term policies were prepared for the development and restructuring of this sector until 2015, in line with the EU standards and an open competitive market.

2003 was a successful year with regard to the formulation and implementation of these policies, as well as in relation to the implementation of the action plan for 2002-2003. Among the main achievements for 2003 are the formulation and approval of the National Energy Strategy, which defines the concrete steps for the sector until 2015, and the approval of Law no. 9072 of 05/22/2003 "On the power sector".

Power generation for 2003 witnessed an increase from 3100GWh to 4700GWh, and consequently imports of energy were reduced from the planned 2500GWh to 1000GWh. Loss and collection indicators in the network in general have improved substantially over the years, as summarized in the table below.

Table 3.3: Power sector indicators

|             | 2000  | 2001  | 2002  | 2003  |
|-------------|-------|-------|-------|-------|
| Losses      | 43.4% | 38.1% | 35.3% | 38.1% |
| Collections | 61.6% | 84.5% | 89.9% | 92.2% |

Source: INSTAT- 2004

In line with meeting the objectives foreseen for this sector, priority measures taken in the course of 2003 were as follows:

#### **Establishment of a financially and technically powerful energy industry**

In line with the functioning of the necessary structures for an open and competitive energy market a comprehensive study on all related issues for the country until 2015 was conducted together with the expansion plan for the electrical power system (LCEP). In this context, KESH was divided according to sectors, and the Transmission Systems Operator was established, which will be fully operational by June 2004. In the mean time, preparations for a detailed plan of actions for full cost recovery and rationalization of distribution fees until mid 2005 have been finalized.

#### **Strengthening the importing, transmission and distribution capacities**

In the course of 2003, several agreements for the interconnection of the Albanian with the regional power system were signed. The agreements to finance the National Dispatch Center, the construction of the 400 kV lines for Elbasan – Tirana and Elbasan – Podgorice, and the study for the construction of the 400 kV line Tirana – Prizen may be mentioned as examples.

#### **Establishment of effective and transparent legal and regulatory framework**

In the context of the legal framework reform and its adjustment to the EU requirements, a series of legal and acts were concluded, such as: the law on the energy sector, which defines the activities of the Energy Regulatory Entity, which replaces the role the Government played over the energy sector; the Decision "On prices and fees for retail selling of electricity for 2004"; the Decision "On protection of vulnerable population from increases in the price of electricity", etc. Also, the Law "On creating facilitating conditions for the construction of new facilities for the generation of electricity" is finalized and has been approved.

## **Increasing generation capacities and strengthening existing ones**

Among the main investments carried out in 2003 was the finalization of the "March 2000" project, which strengthened five and constructed one new sub-station. Work is ongoing for the rehabilitation of hydropower stations in the Drin and the Mat. The installation of meters was initiated in 2003 and financing was secured to generalize their use and to finalize the contracts for their procurement. There is a project underway for the construction of a new thermal power station in Vlora, and all the necessary permits have been obtained. Negotiations have begun with different international financial organizations. The decision was taken to launch the construction of the Sasaj hydropower station with BOO concession and negotiate the signing of the concession agreement with Wonder Company.

## **Reforms for the medium-term 2004-2007**

The objectives consist of: (i) establishment of a technically and financially sound sector through improved management of the system and resources, and improved service for clients; (ii) improvement of the legal and regulatory framework (including the Transmission and Distribution Codes) and support to the energy regulatory entity; (iii) strengthening the TSO and restructuring of KESH; (iv) preparation of the process of privatization of generation and distribution and attraction of private investments in the sector; (v) participation in the regional and European energy markets. A number of public programs for redressing the situation in this sector have already been prepared and some of them are being implemented. According to the program, it is envisaged that the reduction of losses in the network could reach up to 30% by 2006, while as a result of improvements in collection their level will reach 96% out of 92.2%, which was the figure for 2003. Priority will be given to the installation of meters within 2004 because this is perceived as an important factor for reducing the excessive consumption of energy and establishing a fair relationship with the consumers.

## **Hydrocarbons**

Currently, the hydrocarbons market is fully liberalized, from the point of research to the point selling oil and LPG by-products.

As a result of the restructuring of the oil companies and the implementation of the hydrocarbons agreement for the Patos-Marinza area the production of oil and gas increased by approximately 10% in 2003. The production is further expected to increase from 398 to 430 thousand tons in 2004.

In recent years, 19 hydrocarbons agreements have been signed, as a priority action to attract foreign investment. Foreign companies have so far invested approximately \$350 million in oil research.

Another important achievement for the hydrocarbons market was the legislation on licensing for the processing, transporting and trading of oil, gas and their by-products, thus creating a very diverse and at the same time competitive environment.

## **Mining**

In the course of 2003, the mining sector supplied utilization and research permits to 379 companies in accordance with the law on mining.

**Chromium:** Approximately 30 mines have been closed down and their assets are in the process of being privatized. 7 mine facilities have been given on concession (3 mines, 2 ferrochromium factories, 1 enrichment factory and 1 selection facility). 110 mine utilization permits have been issued to 44 applicants. Approximately 70 mine galleries together with their assets have been leased.

**Copper:** 48 facilities have been closed down and are in the process of privatization, while 2 mines were privatized. 3 facilities have been given on concession: a copper factory in Rubik, a mine, and an enrichment factory (BER-ALB);

**Iron and nickel:** 13 mine facilities have been closed down and are undergoing the process of privatization of assets.



**Coal:** 35 mine facilities have been closed down and are in the process of privatization, 6 utilization permits have been issued and their assets have been rented.

Since 1995, 140 mines and sectors have been closed down and are in the process of privatization.

### ***Manufacturing***

A study was carried out in 2003 to look into the possibility of establishing industrial parks. The study looked into the possibilities for the former industrial regions in the country to define ways for their development. A study was carried out in the Elbasan metallurgical plant in order to determine the free spaces to set up the industrial park. In cooperation with other institutions, the existing infrastructure was assessed and a preliminary design was done for the establishment of this park.

In the framework of eliminating administrative barriers, Decision no.398 of 06/13/2003 of the Council of Ministers abolished the process of licensing for subjects that invest and operate in the non-food industry area.

The industrial sectors that performed best in 2003 were metallurgy, leather and shoes, and timber. Industrial production grew by 9% compared to 2002, accompanied by a 4% increase of the labor force.

## **12. Transport and Telecommunications**

Expanding and enhancing the transport infrastructure has been a priority objective. To this end, the following measures were taken in 2003:

- Important public investments with support from the budget and international partners have been carried out to improve road infrastructure, including: (i) rehabilitation and expansion of the east-west (166 km) and north-south (105 km) corridors and of sections that connect them with regional networks and other nationally important roads; and (ii) rehabilitation of tourism, cross-border and regional, urban and rural roads in agreement with economic and demographic trends, as well as the objective of increasing road access to the poorest areas of the country.
- Spending on maintaining the roads network and improving the traffic lights system has increased. The first stage for the implementation of a project to gradually transfer the maintenance of road networks to contractors (privatization) has already begun and the first ten contracts were signed. The transfer rural and urban road maintenance responsibility to the local government and the award of maintenance contracts are expected to yield positive effects to this end.
- Investments have been carried out to increase the processing capacities in the ports of Durrës, Vlorë, Shengjin and Saranda. Rinas airport now has a higher processing capacity and the tender for the management contract was completed. In the context of a World Bank project, work began on the commercialization of the Durrës Port Authority via the establishment of an autonomous port authority, the privatization of operations, improvements of customs procedures, and safety operations. An Albanian Maritime Authority is now in place. The first phase of a project to modernize air traffic is also completed.

Rapid progress has been witnessed in telecommunications, including fixed line telephony, mobile communication, internet access providers etc. In addition to Altelecom, licenses have been issued to 45 telephony operators in rural areas, with a growing number of users. The market expanded in 2003, especially in the area of mobile communication. There were 996,288 mobile phone users in June 2003 up from about 800,000 at the end of 2002. In the context of the privatization process, Altelecom was restructured in two stages and as a result no longer has exclusive rights for fixed telephone services for urban and international calls. There were 222,000 Altelecom clients in June 2003. There are already approximately 30 telephone operators in rural areas with approximately 20,000 users. The total number of fixed telephone lines is therefore 242,000. Access to a fixed telephone is therefore 7.8% of the total population. The postal service is also undergoing reforms.

The main medium-term objective for 2004-2007 in the development of transport and telecommunications is the establishment of a modern infrastructure network that will lower the cost of economic transactions and alleviate poverty, especially in rural areas. To this end, some of the measures are: (i) preparation of a transport master plan by sub-sector; (ii) rehabilitation of the road network and improvement of the system of maintenance; (iii) commercialization of services in all infrastructure sectors (roads, maritime, railways, and air) and improvements in the regulatory and institutional framework. Air transport projects will continue and private investors will be sought for these projects. Further liberalizing the telecommunications sector, privatizing Albtelecom, and expanding the network to rural areas will be important directions for the development of the private sector, along with supportive and promoting government actions.

### **13. Water Supply**

The water supply sector has gone through major problems of capacity, coverage, access, quality, as well as financial and management problems in recent years. To this end, priority measures have focused on: (i) improving water infrastructure through public and foreign investment; (ii) improving management and the financial situation of water companies; (iii) implementing reforms in the water infrastructure through different methods of involving private operators, such as through concessions, management contracts etc.; and (iv) implementing the decentralization reform, which transferred the water and sewage companies under the administration of local governments.

As a result of considerable investments, there was an increase in the water supply of the population by 4-5 hours per day on average during 2003. On average this means a water supply of approximately 11 hours per day. Meanwhile, the number of clients reached 11,000 in 2003. There has been an increase in the number of concession contracts (Durrës, Lezhë, Fier, Sarandë, Kavajë, Elbasan, Berat, Kucovë and Vlorë). In the context of the decentralization of the water supply service, the inventory of assets for all water and sewage companies has been completed and the first group of 12 joint stock companies has been prepared for transfer to local government authorities in 2004.

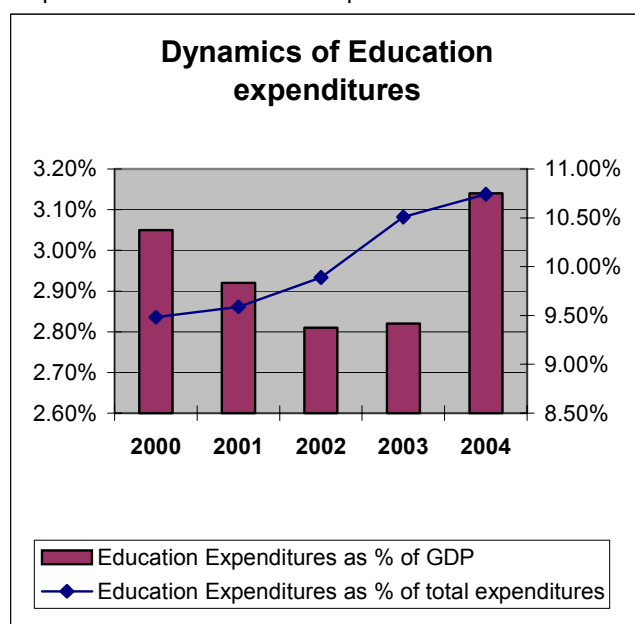
Public measures in recent years demonstrate the positive impact of increased efficiency in water supply. The reform will continue the medium-term to strengthen discipline, privatization and decentralization, and carry out major public investments. Similarly, the decentralization reform, the concessions and other forms of private sector participation, the refinement of price policies reflecting the costs of interventions in the networks, and the improvement of the quality of service to the population will also continue. Work is underway to raise community awareness and foster the participation of the private sector. Completing the projects currently under implementation, together with a range of proposed measures is expected to have positive effects on improving the quality of service provision.

## HUMAN RESOURCES DEVELOPMENT

### 14. Education

The provision of education services has taken center-stage in the context of national social and economic development, not only because of education's special role in increasing opportunities for the poor and inducing growth, but also because of the deterioration of education indicators during the last ten years and the slow progress of reform. In order to redress the situation, several interventions led to the following main achievements in 2003: (i) the Ministry of Education and Sciences (MoES) is now operating according to a new charter, and reporting institutions have been restructured to increase administrative effectiveness; (ii) strategic objectives until 2013 were formulated; (iii) the system was directed in the road to a deep and substantial reform based on strategic objectives; (iv) new curriculum frameworks for pre-university education were prepared; (v) the new structure of the Budget Division was finalized according to analyses of demand and potential; (vi) a new scheme for the distribution and sale of pre-university education textbooks was implemented; (vii) financial autonomy was promoted at different levels.

Graph 3.1: Education sector expenditure



Source: Ministry of Finance \*2004 – projections

In the context of increasing the effectiveness of public management: (i) the reform of MoES and of reporting institutions with respect to content, structure and organization was finalized and a Council of MoES was established as a consultative body; (ii) the transfer of responsibilities of the ISP to two quasi independent institutions, namely the Institute of Curricula and Standards, and the Center for Education Training and Qualification, was finalized; (iii) district education departments were replaced by Regional Education Departments, and the process for the establishment of Education Offices in the districts is underway; (iv) work is underway for the establishment of a national preparatory system, training and qualification of education system experts.

In the context of reforming the system and the content of education:

- The draft of the Strategy for the Development of the Pre-University Education System 2003-2013 was completed. This strategy envisages changes in the education

structure and attempts to harmonize this strategy with the objectives of the "Education for All" initiative. The revised document of the Strategy for the Development of the Pre-University Education System will be forwarded to the Council of Ministers within the first half of 2004;

- Training programs for the senior staff at the central, local and school levels were drafted in order to strengthen their qualifications. Staff at the central and regional levels have started their training;
- The new curriculum framework of pre-university education, which aims to develop the necessary skills to face the challenges brought about by the gradual integration of the Albanian with the regional and European education systems, has been introduced;
- The main lines of the new curriculum framework as well as the implementation platform that would enable its launch by the academic year 2004-05 were drafted;

In the context of policies to extend compulsory education to eight years and expand vocational training and its adjustment to market needs, the following steps were taken:

- Universal enrolment of the school-age population in compulsory education was achieved. The overall participation during academic year 2002-03 was approximately 98%, while the dropout rate fell to 2% (compared to 3.2% in 1996-97, 2.8% in 1999-2000 and 2.4% in 2000-01);
- 170 new laboratories have been established and 20 new specializations have been introduced in vocational schools in 19 districts;
- The transfer rate from compulsory to secondary education increased to 71% up from 66% last year and 63% in 2000. This represents an absolute increase of 7700 students of which 1734 went to vocational schools;
- For the first time, free textbooks were supplied to students in compulsory education;
- Nationwide support was achieved for the "Education for All" project and an implementation draft was completed;

Education expenditure has been increasing. Education expenditure was 2.85% of the GDP in 2003 and is expected to increase to 3.14% in 2004. This level is still low compared to other countries in the region at similar levels of development, where this level is on average about 4.8% of the GDP. In 2003, 42 new schools were constructed and 176 schools were reconstructed with public budget funds. Another 272 schools were furnished and equipped. Besides, 7 new schools were constructed and 56 schools were reconstructed with donor funds in 28 districts. In the context of improving working conditions, the Decision of the Council of Ministers to increase the salaries of employees by 8% was put in force during the previous academic year.

The priority action plan will intensify the reforms throughout the system in order to achieve the set targets. The reorganization of the education system will proceed towards decentralization. This step intends to establish a distinct role for local government and promote the autonomy of schools, while the MoES will strengthen its leadership, coordinating and monitoring role. Ongoing programs to increase access of poor children to education, to improve teaching conditions, to increase the skills and motivation of staff, and to increase participation in secondary education will continue as will projects to increase the number of vocational schools. There will be moves to rationalize the expansion of the education system. Reforms will be introduced in the university system to increase autonomy and the quality of teaching in order to comply with the long-term national developments targets. The Bologna process and its directions constitute the basis of university education reforms.

For the mid-term period 2004-2007 the objectives of the MoES are the following:

- Extend compulsory education from 8 to 9 years;
- Further decentralize the compulsory education system;
- Optimize the size of existing vocational schools;
- Complete the legal framework of the education sector;

- Set education standards to increase effectiveness and develop sound curricula;
- Establish a nationwide compulsory and inclusive education system;
- Introduce interactive teaching methods;
- Establish professional capacities aiming to increase of the education quality.

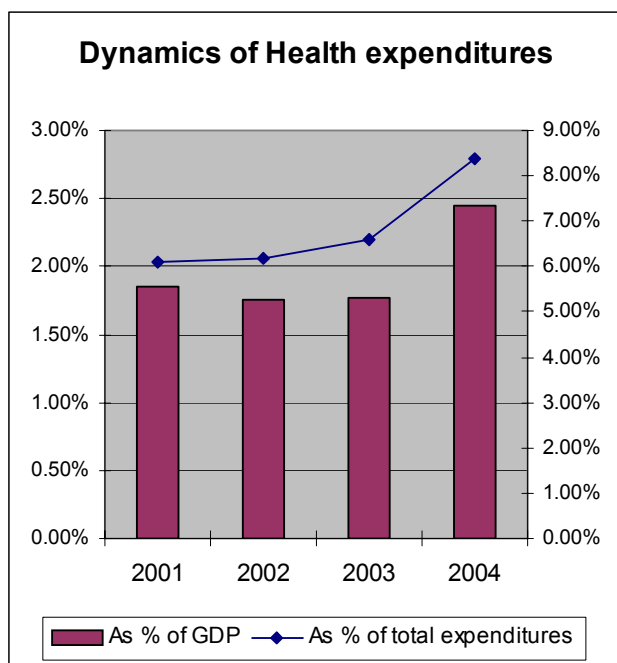
## 15. Health

One of the health sector priorities is to reduce infant illnesses and mortality. Infant mortality in Albania has decreased from 41.5 per 1000 live births in 1990 to 16.8 per 1000 live births in 2003, but this is still far from European levels.

In the northeastern districts of Albania, such as Diber, Kukes, Tropoje, and Puke this mortality figure is twice as high as the national average. The Ministry of Health has drafted specific programs for the continuous monitoring of infant mortality levels. These programs include: the unification of treatment protocols; training for all physicians who have been working for five years after completing their specialization; training for staff that works in children advisory centers (known as Well Visit Clinics); continuous monitoring of the Law “On the promotion and protection of breast feeding”; the reduction of different kinds of malnutrition among children up to 5 years old; the fight against iodine deficiency disorders in children up to 6 years old, etc.

Reducing infant mortality to 10 per 1000 live births by 2015 is one of the challenges for the health sector in the framework of the Millennium Development Goals. The introduction of integrated management for infantile diseases in 2003, including evaluation, treatment and combined advice, has been very important and will be continued in the next year.

Graph 3.2: Health sector expenditure



Source: Ministry of Finance \*2004 – projections

The health sector, as one of the most important sectors for human development, is defined as one of the priorities of the Government of Albania for the years 2004-2007. But despite all interventions, many problems still exist. Financing by the public budget is still very low despite annual increases. Only 2.9 % of the GDP is allocated to the health sector, which is lower not only to developed but also to developing countries. Nevertheless, this figure is projected to increase to 3.2% by 2006. Problems are encountered in regulation and service provision. Solving these issues will take time and requires continuous emphasis in health sector reform.

The strategic objective of the Government of Albania has always been the continuous improvement of public health indicators. This

objective will be achieved through: (i) increased effectiveness in the use of material, human and financial resources; (ii) improved regulation; (iii) increased access and equal rights for health services for all citizens; and (iv) specific interventions in particular areas. In order to meet all these objectives, several interventions in were carried out in 2003.

In the framework of improving efficiency and effectiveness of the use of human resources, efforts have been made in the following directions:

- Improvement of the planning process in order to move into a planning process based on detailed analyses of problems in each district and each institution. For this purpose, DFID has prepared a program, which will encourage institutions to start drafting three-years plans.
- Improvement of resource allocation and monitoring of their use at the central and local levels as well as of corruption;
- Improvement of monitoring and financial control by experimenting with different forms of public involvement and evaluation of health services;
- Improvement of public health financing methods. Apart from increases in the size of the resources, it is also very important to allocate these resources effectively and use them efficiently. Efforts are made to expand the health insurance scheme. The NIHC has worked intensively to draft the overall policy on health insurance and to strengthen its institutional and professional capacities. In this framework, it has drafted and prepared a new project to include NIHC (ISKSH) in the total financing of health services in the district of Berat. In addition, efforts have been made to computerize the health services in Tirana. The master plan for the primary health sector in Tirana has been completed.
- Important steps have been made to improve the regulatory system. There were improvements in the legal framework (seven bills were prepared in 2003) and the structure of the Ministry of Health. Support was provided to the Physicians Order, the establishment of the Pharmacists Order, and the development and monitoring of the private sector.

In relation to increasing access to health services and improving the quality of services, it is intended to cover the entire country with health centers and half of the national territory with ambulatory services. For this purpose, 190 health centers were constructed or reconstructed during 2003. The hospital law, which will be the base for establishing regional hospitals, was completed. Attempts were made to re-balance the geographical distribution of staff. For this purpose a new map was drafted to help distribute staff in accordance with needs. Efforts are made to increase the motivation of those working in rural and remote areas of the country, in order to prevent them from moving out of these areas and into the cities. Several Decisions of the Council of Ministers have been issued in relation to this issue, such as "Creating the financial motivations for mid-level staff who work in rural areas", "Adjustment of the salaries of employees with seniority scientific grades" and "Adjusting and establishing a correspondence between titles, working posts and payment levels in the sector".

Particular attention is paid to tackling corruption, which is by now a worrying phenomenon. A number of normative acts, which should limit corruption, were drafted and improved. Illegal fees realized by health staff have been exposed. This will hopefully reduce leakage and abuses of public office. The establishment of public relations offices is being considered, as is the introduction of boxes where people can lodge their complaints and concerns related to corrupt behavior. Awareness posters urging patients not to pay and health staff not to accept bribes have been put up.

With respect to increasing the quality of service, it is intended to strengthen the role of nurses in public health services by organizing training courses and establishing the National Coordinating Committee for Nurses. With respect to ensuring the provision of safe, effective and affordable medicine, the legal framework has been improved through the laws "On medicine" and "On narcotic and psycho-therapeutic substances".

Public health indicators will be improved through specific interventions to promote health, limit and prevent contagious diseases, tuberculosis and STD, improve mother and childcare etc. Full vaccination coverage has been achieved under the EPI program. Moreover, the chain refrigerating equipment is now functioning properly and the quality control system has been improved through the establishment of the National Authority for Vaccination Control. The National Program for Tuberculosis Control in the framework of the WHO Directly Observed Treatment Strategy (DOTS), which is being carried out in all districts, has increased the

laboratory diagnosing level of tuberculosis cases. In order to reduce diarrheal diseases, careful attention has been paid to the quality of potable water and food. The spread of the SARS disease was prevented thanks to strong measures applied at border crossing points.

Finally, a strategic policy paper for mental health services was approved and staff in these facilities was trained.

## **16. Social Policy**

The policy followed by the Ministry of Labor and Social Affairs in 2003 was based on two foundations: (i) providing opportunities for social groups in need; (ii) increasing their participation in the decision-making process and guaranteeing the provision of basic services. The policy also aimed to improve the financial situation of these groups and to expand the range of benefits made available to them. The need to guarantee a minimal standard of living and services for the poor and others in need requires increased effectiveness in policy implementation.

### ***Active Employment Policies***

The increase in employment levels has been one of the main objectives of social policy, in particular through: (i) institutionalizing and formalizing the labor market; (ii) improving the employment services; (iii) qualitatively improving and expanding professional training in accordance to market needs; and (iv) introducing measures to stimulate employment. The implementation of public priority measures in 2003 has contributed to significant progress.

The presence of a large informal labor market stresses the need for integration and institutionalization. In this context, the priority measures implemented in 2003 moved in the following directions: (i) improvement of the legislation to limit informal labor and promotion formal employment; (ii) preparation of short and medium-term study on demand and supply in the labor market; and (iii) building up the qualifications of staff in the employment services in Tirana, Durres, Shkoder and Korca through training and establishing modern working conditions in some Regional Employment Offices (Fier, Durres, Gjirokaster and Shkoder).

Expanding the employment services and increasing their effectiveness has been another important direction of policy. The efforts in this direction headed in the following directions: (i) establishment of quantitative and qualitative monitoring indicators on the performance of employment services; (ii) improvement of the quality of employment services; (iii) computerization of employment services for which an agreement with the Swedish National Employment Agency has been concluded. In addition, a pilot project transferring the European experience on employment services with the support of the ANPE-France was extended to Regional Employment Offices (Vlore, Elbasan, Fier and Berat). Among the activities carried out was the upgrading of the qualifications of managers, the introduction of experts in Regional Employment Offices and the approval of action plans for twelve Regional Employment Offices. All the above-mentioned measures have increased the effectiveness and quality of employment services. Regional Employment Offices were involved in 7400 cases, which exceeded the target of 7000 set for 2003. Increased levels of intermediation have resulted in 11% more placements in 2003 relative to the year before. This has also had a positive effect on national employment levels.

Particular attention has been paid to the quantitative and qualitative development of vocational training in accordance with labor market needs. This has raised the effectiveness of training center activities and the number of people trained in response to labor market needs. One of the measures undertaken in 2003 was the expansion of vocational training centers and their spread throughout the country. The vocational training center in Shkoder started its activities, while similar centers in Elbasan and Fier will start their activities once the buildings where they are based are reconstructed.

In the context of modernizing the vocational training curricula and improving the quality of these schools, the legal framework has been drafted and the curricula for eight different occupations are being reviewed to comply with market needs. The number of graduates increased to 8500 in 2003, well above the target of 8000 persons for this period. This has had a positive impact on unemployment since only 30% of those trained persons were seeking a

job. 94 private entities and non-profitable organizations carrying out vocational training courses were granted a license in 2003.

In the framework of measures to stimulate employment, 147 employment promotion projects were being implemented in 2003. The Government of Albania has paid particular attention to the employment of the poorest groups of the population and other social groups in need by including these categories in the employment promotion programs.

The long-term objective to increase employment levels is primarily based on policies to promote economic growth and develop the private sector. Given labor market trends in the medium- and long-run, the development objectives are the following:

- Reduce unemployment to its natural rate by adopting the labor market objectives of other European countries;
- Integrate the Albanian labor market into the regional one through legal and institutional measures included in the Vocational Training and Employment Strategy. This will be monitored through the number of trained persons according to regional labor markets standards;
- Adapt the vocational training in Albania to the requirements of a developing and restructuring economy and those of globalization. This will be monitored through the number of occupations whose certificates are recognized in the EU countries;
- Change the balance in favor of active instead of passive policies. This will be manifested through declining public expenditure on unemployment benefits and social assistance and increased spending on active labor market programs.

Employment promotion programs will continue focusing on vocational training and the improvement of employment services. For this purpose, public centers for training and jobs are being strengthened and private services for employment and social business will be promoted and extended. In addition, subsidies to the private sector will be continued with the aim to employ initially 5,000 unemployed people every year.

### **Social Assistance**

The high levels of poverty call for financial assistance, which was about Lek 4 billion in 2003, to also remain at a considerable level.

In the framework of the priority strategic objectives for social protection and other active preventive policies, which gradually reduce poverty, social exclusion and inequality, progress has been recorded in the following areas during 2003:

- Extent of coverage of the socio-economic needs of the poor and disabled through social assistance;
- Establishment of the legal framework for the implementation of effective and integrating programs for the poor groups of the population that place priority to services over financial aid in cash;
- Decentralization and award to the community of social services in collaboration with the civil society and the business community;
- Introduction of innovative kinds of social services in response to the new social problems facing the country. The role of local government has increased significantly in this respect, as has the collaboration with non-profit organizations and donors for bringing services closer to the community throughout the country.

With regard to achieving these objectives, the following steps have been undertaken: (i) improvement of the methodology for allocating social assistance funds, based on socio-economic indicators defined by local government in order to target funds to the poorest families; (ii) improvement of the information system to collect more detailed data on the groups in need; (iii) structural improvements to strengthen control mechanisms; (iv) improvement of the managing structures of the social assistance at the central, regional and local level; (v) training of social administrators; (vi) drafting of the integral law on social services; (vii) preparation of social service standards; (viii) institutionalization of structures for



planning community services at the regional level, and (ix) improvement of the quality of residential centers in order to create room for day care centers.

The social assistance scheme is a passive policy with regard to the poverty reduction and as such needs to be continuously updated during the poverty reduction process. To improve coverage, the level of assistance and the overall impact, the main dimensions should be the following: (i) improvement of the method to calculate social assistance; (ii) decentralization of the social assistance scheme starting with pilot projects; (iii) bring social assistance in line with the social protection and social care mechanisms and with the employment promotion schemes. A study on the "Assessment of the criteria and indicators for the distribution of social assistance" was carried out in 2003, in line with this reforming process. This study will be a tool for the improvement of the distribution of the block grant of financial aid. Quantitative poverty indicators improved in 2003 and qualitative poverty indicators were first introduced. The social assistance program supported 129,600 families throughout the country in 2003, down from 133,000 families in 2002. The funds used for this purpose were Leke 4 billion. 55,000 families living in urban areas benefited from social assistance (42% of the total), compared to 75,000 families in the rural areas (58% of the total).

In the medium-term reforms 2004-2007, the implementation of the poverty mitigating social policies is one of the main directions. The financial support program for families in need through social assistance is also included. In order to increase the efficiency of the scheme, this will be reformed to combine it with employment policies, the social business model, and active social services, which take the multi-dimensional profile of poverty into consideration. Emphasis will be put to the provision of special services offered to vulnerable population categories (children, youth, women, elderly people) in response to their needs. This will address not just traditional problems but "new" ones as well, such as drugs and abuse.

Housing problems are very critical and have been inherited and accumulating for years. The measures undertaken in 2003 to mitigate the crisis have consisted mainly of mending gaps in the legal framework and implementing long-term policies housing. Despite all the efforts, the improvements in this direction have been modest due to budget constraints and the high demand and cost to cover this issue. It is necessary to look for alternative strategies, which are still being discussed. Two hundred families were offered accommodation in 2003. Devising relief measures for homeless families is one of the main objectives for 2004.

### **Social Insurance**

With regard to further developing the social insurance system, the priority activities consisted of the following: (i) continue with system reforms in order to increase its sustainability; (ii) increase the real level of benefits; (iii) increase the involvement of the rural population in the contribution scheme; (iv) extend social insurance to people employed abroad; and (v) tackle the evasion issue and carry out legislative improvements in order to resolve outstanding issues. Steps to strengthen the SII and its capacities, to adopt new initiatives and introduce computerization accompanied these activities.

These measures have had a positive impact on the balance of the insurance scheme and resulted in a decline of subsidies. In addition, control rules have been improved, as has inter-institutional collaboration, which has insured an increase of the number of contributors to 114,700 compared to the previous year.

There have been some notable achievements in the effort to minimize evasion in contributions and decrease the burden on businesses. Evasion dropped by 2.6 %, while the share of businesses in total contributions fell from 42.5 % in 2002 to 38.5%. The collected contributions were 13.7% (or Lek 2.5 billion) higher than the previous year, while the expenses were increased only by 12%.

In the mean time, the process to merge the urban and rural pensions schemes in a unified scheme has continued. Urban pensions increased by 10% in 2003, while rural pensions increased by 20%, with an annual benefit of Lek 1.7 billion. These increases were recorded not only for retirement pensions but also for family and disability pensions as well as for groups of population in need. The fourth phase of the implementation of a program to reduce differences in pensions accorded in the period 1993-1996 started in December 2003. Some 110,000 urban retired persons benefit from this scheme with an added financial effect for the social insurance budget of Lek 760 million per year (or 5 % of the increase in pensions).

The system of social insurance is now approaching a crossroads in the long-term reforming process. In the framework of this reform, social insurance will continue to face a number of challenges in the medium-term period 2004-2007. In this context, in order to achieve these targets, besides the annual planned measures, the following ones will also be considered: (i) align the rural with the urban pensions scheme and increase the magnitude of the contributions of the self-employed in rural areas; and (ii) increase the number of contributors in the mandatory insurance scheme through voluntary contributors. In the long run, the above-mentioned changes aim to: (i) increase the replacement level from 35.8% in 2002 to 38.2 % in 2020; (ii) increase the level of coverage from 38.3% in 2002 to 57.6% in 2020; (iii) increase the dependency ratio of the scheme from 1.04 beneficiaries per contributor in 2000 to 0.82 beneficiaries in 2020.

## **ENVIRONMENTAL PROTECTION AND SUSTAINABLE USE OF NATURAL RESOURCES**

In recent years, policies focusing on sustainable development have become an area of priority in medium to long-term policy development in both the social and economic arenas of policy making. Given the guidelines provided by the Millennium Development Goals, these policies will focus on deriving natural resources with regard to environmental protection and sustainable production.

During the period of transition there was much environmental degradation and over exploitation of natural resources and as a result the policies will concentrate on the areas that have suffered the greatest environmental degradation. These include environmental areas where high levels of the population have been assessed to be at risk, areas where environmental assets are at risk and where the poorer cohorts of the population specifically are considered to be at risk. Subsequently to address these issues the mid-term public measures adopted include controlling the extent of the degradation areas had suffered, rehabilitation of polluted landscapes and their compliance with basic safety standards, sustainability of the natural resources through greater awareness and education and creating the necessary framework for consolidating the public and private sector roles in this area.

The role of law enforcement is pivotal in consolidating the institutional framework and increasing effectiveness of the environmental sector. Throughout 2003 most efforts were concentrated on the effective regulation of the environmental sector. The role of the Ministry of Environment is crucial in successful policy implementation and projects financed by DFID therefore sought to increase capacity building in the Ministry of Environment and the Environmental Inspectorate. A number of collaboration agreements and papers have been ratified in order to facilitate the Environmental Inspectorate's work in regulation and enforcement. Continued efforts are being made to consolidate relationships between international environmental agencies and institutions. In 2003 the Environmental Ministry produced policy papers on legal acts (on the environmental impact assessment), environmental management of solid waste, water pollution management, protection of the inter-borders lakes, bio-diversities assessment. They have participated in the Albania Prevention Convention for International Trade of the Species under Risk, in the Kyoto Protocol and the Environmental Strategic Estimation Protocol. A number of agreements between the Ministry of Environment and NGOs were signed during this year, which led to the preparation and approval of the Environmental Assessment Report for the period of 2001-2002.

In 2003 the following projects and initiatives were undertaken in order to address the environmental pollution in Albania:

- Preparation for the tendering of the project "Elimination of the arsenic mixture in the Azoth Factory in Fier", financed by PHARE.
- A World Bank financed feasibility study on the environmental, health, economic and social risks in the area of Porto Romano – Durres has commenced. The study is to be concluded by early 2004.
- Completion of the procurement procedures for the project "Pre-investing study for the hot area of Vlora" supported by the UNEP MAP. Implementation of this project is expected to be completed by 2004.
- The "Ozone Project" which aims to consolidate the institutional framework for the implementation of the National Plan to prevent Ozone damage has commenced.
- Finalization of project proposals for the CARDS 2002 project; construction of a plant for the processing (treatment) of the polluted waters in the Oil Refinery in Ballsh and a feasibility study on for the establishment of a landfill for hazardous waste disposal. The tendering procedures for the above projects have also commenced.

- Two draft papers have been prepared titled “Estimation of the Costs for reduction of greenhouse gases” and “Estimating the Costs of Technology required for Adaptation of the Coast Areas”.

Policy measures for the sustainable development and exploitation of natural resources have been another area of focus for the Ministry of Environment in 2003. These include:

- A report prepared on the status of the water collection zone for Lake Oher 2000-2003 for the project “Protection of the lake of Oher.” This is incorporated into the common program for the monitoring of the lake of Oher. A collaboration agreement between Albania and Macedonia for the protection and the sustainable development of the water collection zone (water collection place) of Lake Oher had been previously agreed.
- Public awareness programs have been implemented for the protection of the lake of Oher.
- Re-starting the work for the project “Protection of the coastal and lagoon eco-systems in the Mediterranean” after the project’s previous interruption due to oil research in mid 2003.

Adoption of these measures and the increased efficiency of the public structures have resulted in a decrease in the damages and misuse of forests, land, coast, water basins and river beds. Furthermore pilot projects are being developed for more sustainable systems for resource exploitation based on these initiatives and their success. Over the period of 2004-2007 the initiatives will focus on the effective rehabilitation of polluted zones in compliance with the minimal safety standards; effective management of environmental resources and capacity building of the public and private structures in this sector.

The long-term goal of achieving the environmental standards in compliance with EU regulations is integral to the Albanian road map for EU access. This will require further consolidation of the environmental structure in all levels as well as increasing human resources. There will be continued need for environmental performance reviewing, law enforcement, monitoring structures, maintaining of environmental databases and statistics in the contemporary levels, rehabilitation frameworks and increasing public awareness for effective participation in decision-making processes.

## **INTEGRATED RURAL DEVELOPMENT**

Integrated rural development is a main priority for the NSSED. Greater harmonization of activities in rural areas in order to mitigate rural poverty levels can be achieved through: (i) enhancing the employment and the increasing the revenues from non-agricultural products (ii) creating equal possibilities with regard to quality of services; (iii) improvement of the rural infrastructure such as roads, rural markets, potable water supply etc.; (iv) increasing the access of the rural population to the financial resources and credits as well as enlargement of non-banking services; (v) increasing the capacities of the rural community, etc.; and (vi) decrease of the rural migration and establishing closer relations of the rural community.

Agriculture and food is considered the most important sector of the national economy given the numbers of the population living in rural areas that are self-employed in agriculture. The NSSED framework aims to consolidate the progress made so far and set objectives for mid-term and long-term strategies focusing on public investments as well as economic, social and financial resources harmonization in order to stimulate further investments. The increase of the private and public investments in the areas of marketing, agro-processing, food control and sustainable use of natural resources are key areas for reform. Even though Albania is an agrarian economy, the trade balance remains negative with regard to agricultural products. Production and commercialization of agricultural productions is still conditioned by the under-developed rural infrastructure, missing markets and information uncertainty.

### **17. Meeting the Objectives and the Priority Measures during 2003**

In 2003 the total production from the Food and Agriculture sector reached a level of 4.1%, in which the agricultural products have recorded an increase of 2.8%, while the products from the agro-processing industry have recorded an increase of 11.2%.

The main achievements to the agricultural and food sector which have had an impact on the levels of production include:

#### **Agricultural land management and protection**

In 2003 efforts to improve and strengthen Land Management and Protection were continued and furthermore extended into 12 regions of the country. The draft law "On Land Protection" is under approval procedures and the unified documentation has been submitted to the villages in the touristic areas in Vlora, Saranda, Delvina and Diber (Lura). The law was drafted in collaboration with PMU/SRPP (a contractor of USAID) and there were five phases in the technical-financial action plan for the registration of assets. The work is ongoing and implemented in 74 new registries of which 18 are up dating and reconciling data, a process which when completed shows 17,927 assets. A further 35 registries are completing this updating process.

#### **Irrigation water and draining management**

In 2003 irrigation projects were continued in 21 districts of the country, including the rehabilitation project for Korca and the rehabilitation of the *hidrovoreve* in Vlora and Lushnja. 11 Regional Water Directorates, 2 Draining Boards and 211 *Association of water users (SHPU)*, covering a surface of 110 604 ha have been established. Water structures, which irrigate 61,293 ha involving 87,644 farmers, are managed by the Water Directorates *SHPU*, which currently are responsible for a total of 180,000 ha.

#### **Agricultural mechanization and inputs**

Technology in the agricultural sector has increased significantly in 2003. The Japanese Government with their fourth project grant contribution of 448 millions has done much to boost agrarian technology. In 2003 *agro-fertilizers amounts* used were significantly higher to the previous year. *Seeds*: availability has improved combined with the necessary legal framework to support and develop the production quality control, importing sectors and research into new methods.

#### **Livestock**

During 2003 there has been the targeting of specific projects for the successful breeding of cattle, pigs, poultry, etc. Artificial insemination amongst cattle was at over 40% of the cows' population and 485 insemination centers are functioning in the country. 1200 animals of pure-breed, with full data or their predecessors including the production of their individuals have been registered. Two functioning breeding centers for cows and pigs have also been established. New technology for artificial insemination in pigs and sheep has also been established. Implementation of over 337 controls in 36 districts of Albania have been carried out for safer and more effective factory production for animal feed, this has been in both the commercialization as well as the importing sectors. 16 farms, which were responsible for 70 water buffaloes, received financial support from the state in the districts of Lushnje, Elbasan, Kavaje and Fier.

### **Scientific research**

In 2003, 49 projects were implemented that reformed and restructured the research institutions. Activities carried out included the hosting of national conferences including "Land Degradation and Protection", and a scientific symposium titled "Recent Studies in the Parasitological area".

### **Advisory services**

54 new centers for Agricultural Information were set up over the 2003 period. These centers helped in the information dissemination for greater public awareness and successfully distributed some 37,807 leaflets, 2,333 brochures and had 34 articles printed in the national magazines and newspapers. Furthermore they have played a role in information dissemination through the media with the broadcasting of 8 central electronic media programs, 72 other programs and advertisements. 112,729 farmers were contacted of which 7,619 farmers actively participated in some 835 demonstrations; this included 252 days of trainings with the participation of 2873 specialists. In collaboration with other agriculture research institutions, research programs in several farms have been carried out. Interviews were carried out to determine the levels to which the recommendations were helpful to farmers and it was concluded that 60% of farmers found the information of relevance to them.

### **Agro-processing industry**

Significant growth in the agro-processing industries is evident through the marked increases in its related sectors such as increases evident in the processing and canning of fish (+87%), increases in meat processing (+43%), fruits and vegetables processing (+15%), production of vegetable fats (vegetable oil and olive oil with +51%) and the production of milk based products (+41%). Bread played a key role in determining the overall value of food industry production in 2002 taking a 38% of the overall production. The milling industry held 15% of this share. The number employed in the food industry also showed significant increases with an addition of 550 employees in 2003 (6% increase from 2002). The successes evident have been largely due to the heavy investment made within the sector. Investments totaling two billion have contributed to improvements in the sub-sectors of agro-processing industries.

### **Food safety and quality**

Plant protection and the phytosanitary control

A working legal framework for plants protection and agriculture planting materials has been established in conjunction with the removal of technical and trade barriers between Albania and EU. These efforts will address problems related to the phyto-sanitary purification of products and prevention from diseases and parasites. Legal and technical initiatives have been undertaken for increased exports of new potatoes into EU markets. The Plant Protection Institute (PPI) has focused on the development of intensive cultures of greenhouse vegetables, fruit farming and viticulture. The role of the Directorate of Agriculture has helped in reducing the expenses related to crop damage by grasshoppers by half in comparison to 2002 figures. The funds saved as a result are now contributing to research related to saving other crops from parasites e.g. olive trees in districts of Sarande, Vlore, Delvine, Berat.

Protection of animal health

Regulations have been enforced for the control of diseases of pseudo-pox in poultry, brucellosis control in animals; mad cow disease (BSE); eggs export; import and

commercializing of the medicaments; bivalves mollusks and for residues in the products of animal origin. All reforms have been carried out in compliance with EU regulations. In addition several programs have been implemented including the monitoring of animals residues (wastes); monitoring mollusks; monitoring the residues in animals and their eggs. Correct veterinary care and the use of veterinary prophylaxis have been carried out for the improvement of the epizootic situation of countries with regard to imports-exports and veterinary law. This veterinary draft law has been an area of priority for the Veterinary Directorate and is seeking approval. Strict controls over foods of animal origin have been implemented and tracked at every level from the border crossing control points up to the domestic veterinary inspectorate. Some 1500 licenses have been issued in 2003, contributing to revenues of 1,7 millions leke. Implementation of a new common information system on the zoo-zones has been put into practice along with a new strategy for animals' brucellosis, which includes vaccination to take place between the small animals.

### **Food quality and control**

Draft reports produced include "Sweeteners in food products", an Agreement-Act between the Ministry of Food and Agriculture and Ministry of Finance on imported food products. Numerous orders have been passed including "The approval of the technical regulations of the Coca-Cola mark"; "Technical Regulation of all the approved pre-standards"; "The assignment of the inspectors of the Food Inspectorate in the border crossing points"; "The approval of the technical regulation of the Schweppes Holdings Limited mark"; completion of some parts of the Albanian Food Codex in relation to milk and its under-products, food oil and cans; the Regulation for the implementation of the Law no. 8944, dated 19.9.2002 "The production, nomination and commercialization of the olive oil". The completion of regional laboratories for food control is underway at Durres and Vlora. To date 18,000 controls have been carried out with 4,060,000 leke taken in revenues for fines and penalties.

### **Improvement of marketing of agricultural food products**

In 2003 the construction of the wholesale market in Lushnje was completed resulting in significant improvements in the marketing of agricultural products. Construction of the market of Korca had commenced and the design stages for a further market for Vlora was completed. The study for the construction of the market for Shkoder was under review. In Korca, there were completed construction works for rural markets in Pirg, Bilisht and Pojan. Some 34 villages have benefited by the construction of these markets including 3 communes and 1 municipality in Korca and an additional 43,000 beneficiaries in the surrounding regions. This has enabled the identification of potential products for export as well as creating an up to date product list. Market construction has identified key members and their potential roles including agricultural producers, stock-farming producers, fishing and agro-industry entities. Price reviews and analysis have been carried out on the competitiveness of milk, eggs and wine.

### **Sustainable management of the natural resources**

#### **Fishing and aquacultures**

In addition to the increases in the number of the licenses entities from 388 to 600, a monitoring program was also started to guard over the illegal or non-licensed fishing, especially in small and artisan fishing. Collaboration programs have been prepared involving the General Police Directorate, General Tax Directorate, the Ministry of Environment, the Ministry of Defense for effective management solutions and regulation of sector activity in order to prevent illegal and non-licensed fishing. The program will also help in the rehabilitation of misused natural resources and as a result many interventions have taken place to make lake Oher, Saranda, Butrinti, Divjaka, Vain, Kune, Patok, Vilun environmentally sound. Progress for the establishment of the Fishing Management continued with the first construction phase in Vlora e Saransa completed. Following the approval of law no. 9041, dated 27<sup>th</sup> March 2003 making some additions to law no. 8976, dated 12<sup>th</sup> December 2002 on tax and excise and the subsequent approval of the DCM no. 495, dated 18<sup>th</sup> July.2003 on the definition of the conditions, persons and necessary quantities of fuel for fishing boats, the excise tax for fishing boats was removed hence decreasing productions costs and increasing investment in the sector. The fishing industry has seen increases especially in trout culture, which has recorded increases of 157 tons, together with shrimps (70 tons) and mussel production in the Butrinti lagoon (820 tons).

### **Forests and pastures**

The Strategy and the Action Plan for the Development of the Pastures and Forests Sector outlining institutional reform has been completed and the new forest draft law prepared. Decisions have been made regarding the administration and procedures of protected and buffer zones, on tariffs for pasture and forest areas, as well as the approval the protected species list in Albania. Regulations for cave exploitation procedures have been issued. Five completed management plans for the state forests have been established in conjunction with 23 other management plans for communal forests. 68 thousands hectares of forestland has been divided amongst 21 communal forest areas. 265 hectares of forestation as well as improvement of forests over some 1285 hectares has been implemented. Measures for pastures improvement and construction and repairing of dams for 5100 cubic meters have taken place. The efforts for the National Forests Inventory has continued with the volumes of the illegal woodcuts down to 15 thousand in 2003 and volumes of the sequestered wood has increased. A draft decision by the CM is seeking approval for a coherent fire strategy.

### **Institutional reforms**

In order to implement institutional support and reform to further integrate rural development in 2003, the following initiatives were executed: (i) establishment and consolidation of the land administration and protection structures in 12 regions of the country; (ii) restructuring of the Agricultural Directorate in the districts and regions; (iii) restructuring of Agricultural Research Institutes to encourage capacity building (project funded by the World Bank), for restructuring forest structures, and (iv) establishment of land protection strategies on a regional level.

### **Decentralization and rural capacity strengthening**

The decentralization program, which has only commenced in the last few years, has further consolidated its progress in 2003. Some initiatives adopted include: (i) transfer of management and co-management of natural resources and water resources to the local governments (ii) continued support to the communes for the improvement of pastures and forests management and preparation of effective management-exploitation plans; (iii) approval of laws and decisions with regard to the improvement of the regulatory framework for the rural sector; (iv) transfer of the draining/irrigating schemes under the management of SHPU has continued and subsequent support for the rehabilitation of systems and trainings for these associations have been organized.

### **Financial services and credit**

The FFZM has expanded to 16 regions at a cost of \$7.1 million, which represents an increase of 31% of the total loans portfolio. Loans were extended to 119% more villages or 477 out of the 400 originally planned. On June 3<sup>rd</sup> 2003 the Agreement on the Transfer of Acts was signed in conjunction with the responsibilities and functions of the Rural Financing Fund in the Savings-Loans Albanian Union. The ASL Union implemented the "Savings-Loans Associations" as part of the micro-credit project financed by the World Bank. The activity of the Union stems from Law no. 8782 "Associations savings credits and their unions", dated 5<sup>th</sup> May 2001, which is registered by the Courts and is licensed by the Bank of Albania. The Albanian Saving-Loaning Union in its last quarter of 2003 had extended its activity in 8 districts, 328 villages and had 8,161 members with a loan portfolio of \$7.7 million. The loans portfolio recorded an increase of 249% compared to 2000, while the number of members increased 40% compared to figures in 2002. The SLA in 2003 had a capital of Lek 110 million. The Savings-Loans Associations, members of the SLA Union, had commenced deposits collection activities, therefore increasing the credibility of the institution and contributing in the increased availability of money in rural areas.

## **18. The Mid-Term Program for Integrated Rural Development (2004-2007)**

Giving priority to the sustained increase of agricultural products, stock-farming products, agro-food and fishing as well as the sustainable management of the forests will continue as major objectives in the development of the mid-term strategy for 2004-2007 within the integrated development framework of the rural sector.



Given the need for a coherent strategy for Albania in 2004-2207 the following 14 areas are of importance: (i) sustaining increased levels of agricultural production – farming products, agro-food and fishing; (ii) development of land market and land consolidation; (iii) rehabilitation and administration of the irrigation, drainage systems, protection against inundations; (iv) enhance the mechanization and introducing the new technologies, improvement of the inputs quality; (v) increasing plants production; (vi) consolidation of the zoo-technical services; (vii) strengthening and increasing research and further development; (viii) consolidation and increase of agricultural extension effectiveness; (ix) increasing the processing level of the agricultural and stock-farming products; (x) improvement of supporting policies for the specific and important products with regard to exports; (xi) consumer protection and insuring foods' quality; (xii) strengthening the phyto-sanitary services and plants protection; (xiii) continuing to extend projects for the improvement of the veterinary prophylaxis and protection of the animals; (xiv) improvement of the legal framework and control on the foods quality; (xv) strengthening of the foods' quality; (xvi) improvement of the conditions and level of the marketing of the agricultural products, and; (xvii) sustainable management of the natural resources.

## **URBAN DEVELOPMENT**

The Territorial Planning Sector in 2003 continued its efforts in the management and development of urban areas. Examination and approval of the projects in TACRA and implementation of the decisions issued with regard to TACRA on the development of the tourist zones and the studies for the centers of the main cities has been carried out.

Taking into consideration the economic development of the country as well as the capacity of the state institutions, it was considered necessary to develop a national strategy in the territory-planning sector. Terms of reference for this strategy have been prepared at TACRA at the end of 2003. The approval of this strategy and the full completion of urban law will help establish aims and objectives for a mid-term and long-term sustainable development of the territory-planning sector.

Continued efforts for further improvement of urbanization of the peri-urban areas is evident through the pilot municipality projects at Tirana and Kamez in order to solve basic problems in these areas. The project success and experiences hopes to be extended in other cities. The process will also give direction to future measures adopted and take into consideration efficient solutions to problems experienced over time, including high public costs.

In 2003 a total of 73 studies were reviewed of which 60 were approved, 38 of which were urban studies, 9 involving construction sites and 13 regarding constructions permits. In the Technical Secretariat of TACRA 84 studies have been reviewed. 11 urban studies have been partially approved mainly with regard to tourist complex development. Approval of construction sites and permits for the new TEC in Vlore, the Industrial-Energy Park of Vlora, for the funicular Tiranë-Mali i Dajtit, and the project for the AMBO area have taken place including projects attracting private investments in industrial areas in the Region of Tirana.

One of the main priorities with regard to effective public measures was controlling the growth of urban areas and exerting guidelines for the construction sector. The area cleaning action for the community started with the demolition of 300 buildings across the country. This included schools and was therefore done in collaboration with the Ministry of Education and Science. Demolishing illegal constructions was part of a major public action taken, which was designed and implemented mainly in the tourist areas. This has contributed significantly to the improvement of Albanian towns and had a strong psychological effect within the towns themselves.

The implementation of the earlier decision for the development of the tourist areas in Albania led to the rejuvenation of tourist areas in the coastal regions of Vulpine, Shingling (Kune), Gird i Lazio, Plash i Direst, Sheba i Navajos, Golem, Spille, Vlore, Sarande, involving approvals of 191 decisions with the combined costs of Lek 35 million.

In line with the implementation of measures on construction in touristic and urban areas, particular attention was paid to the effect of these measures had on regular construction activity in Albania.

Measures were taken to prevent harmful construction in tourist and urban areas. However, the implementation of these measures has led to a number of difficulties for the Ministry of Territorial Adjustment and Tourism such as: (i) shortage of demolition equipment; (ii) overall shortage of necessary logistics and infrastructure; (iii) limited number of specialists; (iv) conflict about decisions taken resulting in breakdown of communication with local institutions (Regions, municipalities and communes).

### **19. The Mid-Term Program for Urban Development (2004-2007)**

The socio-economic developments and reforms, which the country has been experiencing in the last few years, have resulted in shifts in demographic movements. Albania will require the adoption of a long-term vision for sustainable urban development. The long-term objective would be the development of urban areas, which would then act as centers for economic development. The policies and measures adopted must create an enabling environment for sustainable urban development by drawing together three basic requirements of urban space:

(i) effective use of urban land; (ii) modernization of infrastructure, services and technology; (iii) development of the urban culture and harmonization of public and private interests.

The mid-term strategy period between 2004-2007 will aim to stop the urban degradation process and create an enabling environment for sustainable urban development. The specific mid-term objectives with regard to urban area rejuvenation are as follows:

- Drafting of the national strategy of the urban development;
- Full revision of the law on urban planning and a follow-up of the “Urban Regulation” improvements by the Institute of Urban Studies (ISPU). Follow-up the final approval of the Law “On legalization of additional construction”
- Making progress with the process of legalization of non-formal areas (completion of the legal and sub-legal acts, coordination of the process amongst the local government units);
- Drafting of a national survey with full technical analysis for mapping informal zones;
- Drafting in collaboration with the ISPU and local government units a priority study on the tourist areas and centers of the main towns of Albania;
- Developing a framework for the CARDS Project for the “National Project of the areas of Tirana-Durres” (first phase of application and positive effects);
- Consolidation of control over the national territory;
- The transition process and demographic movements have worsened the social urban pathologies of the future thus requiring adoption of specific measures which will improve the social protection of areas considered to be under risk and their integration into urban society.

The achievement of the above urban development objectives requires a number of coherent institutional and legal reforms to be designed and implemented, which include the following initiatives: (i) strengthening of the municipal governance in accordance with the decentralization reform; (ii) strengthening of the regulatory entities (territory adjustment councils, construction police, etc.); (iii) creation of suitable areas for the communitarian activities; (iv) adequate regulation of private ownership’s rights, common properties and areas in the buildings and public properties as well as the adoption of implementation instruments including adequate compensation forms; (v) completing the regulations on the rights and obligations for access to infrastructure, public urban services and construction rights; (vi) capacity building for monitoring urban development. Urban governance will be a more transparent process and will involve both institutional actors as well as the stakeholders.

# CHAPTER 4

## LONG-TERM VISION AND OBJECTIVES OF THE NATIONAL STRATEGY FOR SOCIAL AND ECONOMIC DEVELOPMENT

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Six principal objectives underlie the drafting and implementation of the NSSD: (i) the acceleration of medium-term and long-term development goals; (ii) the harmonization of these goals, and integration of all Government agendas into a single dynamic reference document; (iii) prioritization of measures to attain the goals; (iv) calculation of the real costs of the priority measures; (v) the strengthening of Albanian ownership of the NSSD; and (vi) intensifying the national and inclusive dimension of the NSSD. These long-term objectives need to be constantly appraised.

Albania has in place a large framework of policies, which address the economic, social, security and institutional priorities for the country's development. The MDGs, the Stabilisation-Association Process, the NATO membership agenda, and the advancement towards market liberalization and regional integration in general, provide an important framework for the NSSD.

One of the key strategic goals of the Government of Albania is European integration. This enjoys the consensus of all the local political forces, which share long-term targets towards the achievement of European standards. Incorporation of the EU integration objectives and phases into the NSSD will bring about a change in emphasis of the Strategy, and will enable it to be considered increasingly as a truly comprehensive national strategy. The dimensions of poverty reduction and social and economic development must be maintained, but the focus should be shifted onto efforts to fulfil three essential criteria that bring us closer to EU membership: political stability and efficiency, economic development, and the mastering of the *acquis communautaires*.

It is very important to establish strong links between all these development agendas and their institutionalisation in the NSSD framework. The agendas should complement one another, avoiding overlap or duplication, throughout the processes of planning, implementation, and monitoring and evaluation. Maximum complementarity may be achieved among them if the identified indexes and indicators are the same or similar, leading to reliable single databases, matrixes and responsible joint institutions. This vision and harmonization process may have a positive impact on the setting of concrete targets, the division of activities and the promotion of the participation of civil society and the community at all the prioritisation levels.

A series of measures with positive results have been undertaken in this framework. The MDGs are now incorporated into the NSSD, providing this Strategy with a long-term vision. The first steps have been taken in order to ensure that the SAA becomes a part of the NSSD. A comprehensive system to support the monitoring process and a corresponding

database system (MIS) to monitor the implementation of the Government's 35-month long programme have been established.

Within this framework, there is a need for greater attention to be paid to accelerating the transition reforms and the reform process in general. The reason for this is that Albania is already involved in the second phase of reforms, which concern overall structural, fiscal and governance reforms, such as: (i) the reform and institutionalisation of the market; (ii) governance and institutional improvement; and (iii) the creation of a climate favoring investments while increasing possibilities for private undertakings, and improving the relations between the private business and the central and local government. In greater detail, these reforms for the sectors in general would break down under the following groupings:

- Improvement in the legal base: property rights; facilitation of administrative procedures; intensification of combat against corruption, evasion and smuggling in support of the private sector;
- Acceleration of the process of privatisation of the strategic and potential sectors of the economy, as well as better promotion of public services;
- Radical improvement in infrastructure, especially in the energy sector;
- Continuation of reforms in the financial sector: implementation of the RTGS payment system; establishment of a secondary market for treasury bonds; establishment of the credit support scheme;
- Intensification of reforms in the tax and customs administration: increase in number of taxpayers; improved service towards taxpayers; enhanced fiscal transparency; reduced administrative hurdles; computerisation of the tax and customs system.

According to the macroeconomic framework, a real economic growth of 6 % in 2004 is associated with an inflation rate of 2-4 %, a budgetary deficit of 5 % of GDP, fiscal revenues of about 20-21 % of GDP, and currency reserves equal to four to five months of import of goods and commodities and services.

The NSSD objectives have been expressed and measured through current indicators and their future targeted values. These have been broken down into final and intermediate indicators (input, process, and output). In determining the final indicators and their targeted values account has been taken of the country's long-term development objectives, which are supported by the structural, fiscal and governance reforms. The targets include the following:

- GDP will grow by over 18% during a 3-year period (2004-2006), and will double during a 15-year period;
- During the period 2004-2006, GDP per capita will grow from \$1,950 in 2003 to \$2,660 in 2006;
- Over the period 2004-2006, inflation should fall in the range of 2-4%;
- Enhanced effectiveness of employment policies is aimed to be ensured through promoting the development of the productive sectors, and the service sectors in particular, with the chief objective being to reduce unemployment rates from 15% in 2003 to 12% in 2006;
- Further liberalization of trade will ensure a major trade opening in terms of reducing tariff barriers and increasing trade coverage achieved. The target is to ensure that the respective indicators amount to 90% over a medium-term period;
- The percentage of the population living in poverty<sup>18</sup> will decrease from 25.4% in 2002 (base year) (according to estimates from the 2002 LSMS) to below 20% in 2006, and below 10% in 2015. The number of people living in extreme poverty will drop from 4.7% in 2002, to 3% by 2006, aiming at total elimination by 2015;

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<sup>18</sup> The poverty line is determined on the basis of the definitions employed in the 2002 LSMS (see footnotes 1 and 2).

- Infant mortality is aimed to be reduced from 17.4 deaths per 1,000 live births in 2001 (base year) to 15 deaths per 1,000 live births during a medium-term period (2006), and to 10 deaths per 1,000 live births in 2015;
- Maternal mortality is aimed to be reduced from 22.7 deaths per 100,000 live births in 2001 (base year) to 15 deaths per 100,000 live births over a medium-term period (2006), and to 11 deaths per 100,000 live births in 2015;
- The incidence of diarrheas diseases is envisaged to decline from 1,200 cases per 100,000 inhabitants in 2001 (base year) to 600 cases per 100,000 inhabitants during a medium-term and long-term period;
- The percentage of people aged 15-24 who know how to read and write will rise from 98.4% in the base period (2001) to 98.8% over a medium-term period (2006), and to 100% in 2015;
- The ratio between females and males who know how to read and write will improve from 0.9 and 0.87 of the same age-group in urban and rural areas in 2001 (base year) to 1 by 2015;
- Compulsory 8-year schooling completion rate will grow from 97% in 2001 (base year) to 98% during 2003 and to 99% medium-term period (2006) and to 100% in 2015, at national level;
- Secondary education enrolment rate will rise from 42% in 2002 (base year) to 43% in 2003 and to 50% during a medium-term period (2006);
- The average of years of schooling will increase from 9.5 years in the base year 2001 to 10.5 2003 and to 10.8 years over a medium-term period 2006, and to 13.5 in 2015;
- Internet access. The number of Internet users will grow from 0.18 visitors per 100 inhabitants in 2001 (base year) to 1 visitor per 100 inhabitants in 2007, and to 10 visitors per 100 inhabitants in 2015.

Improvement in governance:

- Control of corruption<sup>19</sup> will grow from 23.2% in 2002 (base year) to 73 % in 2015;
- Voice and credibility<sup>20</sup> will grow from 49.5% in 2002 (base year) to 81 % in 2015;
- Effectiveness of governance<sup>21</sup> will grow from 38.1% in 2002 (base year) to 76% in 2015.

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<sup>19</sup> Control of corruption is usually perceived as the ability to exercise public power on private income.

<sup>20</sup> This indicator is made up of several indices, including different aspects of the political process, civil and political rights, as well as citizen access to government.

<sup>21</sup> This indicator is made up of several indices, including quality of public services, quality of bureaucracy, civil servants' powers, independence of civil service from political pressures, and credibility of policies on which the government promises to deliver.

## THE MAIN NSSED OBJECTIVES

Table 4.1: Main NSSED Objectives

| AREA AND INDEXES  | 2001<br>(Baseline) | 2002 | 2003 | 2006 | 2015               |
|---|--------------------|------|------|------|--------------------|
| <b>ECONOMIC GROWTH</b>  |                    |      |      |      |                    |
| GDP per capita (in \$)  | 1386               | 1557 | 1950 | 2660 | At least two times |
| Annual growth   | 7.6                | 4.7  | 6    | 6    | N.A                |
| Budgetary deficit in % of the GDP   | 6.6                | 5.6  | 4.4  | 5    |                    |
| Inflation rate (CPI)  | 3.1                | 5.2  | 2.37 | 3    | 2                  |
| <b>POVERTY REDUCTION</b>  |                    |      |      |      |                    |
| Absolute poverty (food and non-food) in %   |                    | 25.4 | N.A  | 20   | Below 10           |
| Extreme poverty (food poverty line) in %  |                    | 4.7  | N.A  | 3    | 0                  |
| Unemployment  | 16.4               | 15.8 | 15   | 12   | N.A                |
| <b>PUBLIC HEALTH</b>  |                    |      |      |      |                    |
| Infant mortality per 1,000 live births  | 17.4               | 17.5 | N.A  | 15   | 10                 |
| Maternal mortality per 100 thousand live births   | 22.7               |      | 21.3 | 15   | 11                 |
| Incidence of diarrhea diseases per 100 thousand inhabitants                                       | 1200               |      |      | 600  |                    |
| <b>EDUCATION</b>  |                    |      |      |      |                    |
| Percentage of age group 15-25 years who know to read and write                                    | 98.4               |      |      | 98.8 | 100                |
| Ratio between females and males who know to read and write (15-25 years) in urban and rural areas | 0.9<br>0.87        |      |      |      | 1.00<br>1.00       |
| Eight-year schooling completion rate  | 97                 | 98   | 98   | 99   | 100                |
| Secondary education enrolment rate  | 38                 | 42   | 50   | 50   | 90                 |
| Weight of vocational education in secondary education   | 16                 | 16   | 16   | 30   | NA                 |
| Average number of years of schooling  | 9.5                | NA   | 10.5 | 10.8 | 13.5               |
| <b>GOVERNANCE<sup>22</sup></b>  |                    |      |      |      |                    |
| Voice and credibility   |                    | 49.5 |      |      | 81                 |
| Political stability   |                    | 30.3 |      |      | 71                 |
| Effectiveness of governance   |                    | 38.1 |      |      | 76                 |
| Rule of quality   |                    | 41.2 |      |      | 83                 |
| Rule of law   |                    | 17.5 |      |      | 74                 |
| Control of corruption   |                    | 23.2 |      |      | 73                 |

<sup>22</sup> Drawn from the paper "Consensus on the MDG"

## CHAPTER 5

# LINKAGES AMONG THE MDG, THE NSSD AND THE SAA

At present, Albania pursues a large number of policies addressing social and economic priorities, institutional improvement and the improvement in security. The essential part of these policies is focused on the NSSD, the SAA and the MDGs. The NSSD and the MDGs capture the Government agenda for social and economic development, while the SAA provides a strategic guide towards European integration.

There exists a topical correlation among the three agendas. They are complementary in the areas they cover, the methodologies they use and the timetables they establish. However, they are also different because they center on specific priority areas. Moreover, the MDG represents a mainly political agenda, the NSSD represents a broad medium-term strategy, and the SAA represents a specific instrument operating within the general framework of the NSSD.

Table 5.1: Linkages among the SAA, the NSSD and the MDG

|                      | <b>SAA</b>  | <b>NSSD</b>   | <b>MDG</b>  |
|----------------------|---|---|---|
| <b>Priorities</b>    | Justice<br>Public order and security<br>Administrative capacities<br>Social and economic development<br>Environment and natural resources<br>Democratic stability | Economic growth<br>Macroeconomic stability<br>Health<br>Education<br>Infrastructure<br>Public services<br>Governance<br>Social care<br>Rural and urban development<br>Environment | Elimination of extreme poverty and hunger<br>Obligatory education<br>Gender-specific problems<br>Public health<br>Sustained development<br>Global development and partnership<br>Governance |
| <b>Timetables</b>    | Presented in 2001<br>Covers 2002-2006   | Presented in 2001<br>Renewable four-year implementation plan  | Presented in 2002<br>Covers 2002–2015   |
| <b>Reviewing</b>     | Limited flexibility   | Reviewed and updated annually   | Reviewed and updated continuously<br>High flexibility   |
| <b>Participation</b> | Not inclusive of non-governmental stakeholders  | Preparing and reviewing with large participation of and consultation with non-governmental stakeholders   | Preparing and reviewing with large participation of and consultation with all stakeholders  |



It is very important that the correlation between the NSSED, the MDGs and the SAA is taken further ahead, and is institutionalised with a view to producing a single integrating document and process in the NSSED framework. As discussed in Chapter 4, this process has already started and has produced some tangible results.

## THE NSSED AND THE NATIONAL CONSENSUS CREATING PROCESS

The national consensus-creating process was another important initiative undertaken in 2003. This process was designed to pave the way for the availability of national feedback and the process for enhanced incorporation of the MDGs into the NSSED. It started with a meeting of representatives from the line ministries, civil society and the United Nations agencies held at the Ministry of Foreign Affairs. This activity was launched on 17 June 2003, with a press conference held by the representative from the Ministry of Finances (Directorate for the NSSED), the representative from the United Nations agencies and the representative from the Ministry of Foreign Affairs. The Conference was a milestone, which brought together all the interest groups with a view to networking and defining work procedures in the process of reaching consensus on the NSSED and the MDGs.

The main objective of the consensus-creating process is to propose the consensus baseline data. All six of the working groups which were set up, each focusing on specific targets, worked openly with the interest groups so as to guarantee maximum involvement. Later, a seventh working group was set up to concentrate on governance issues. The MDG does not directly address governance issues, but governance is part of the Millennium Declaration and highly relevant to the Albanian society. After nine months of intensive consultations, the objectives, indicators and baseline data were prepared and they are now operational in several regions in the country. To help make the regional validation process as practical and relevant as possible, a two-day conference was organised in Tirana. Representatives from the entire spectrum of civil society took part in the conference, and participants shared the experiences of different regions in the validation process.

Further to the regional validation process, in March 2004 a National Conference was held under the title, "European Integration and Achieving the MDGs through the NSSED". The purpose of the Conference was to contribute to the institutionalisation of the consensus process, to present the NSSED and the MDG consensus tables, and to highlight the achievements of the working groups. Through a number of contributions, the discussions in the working groups, and the supporting materials, the Conference assisted the development of structured and sustained links between the NSSED, the MDGs and the SAA. At the same time, it set up a mechanism that will ensure the continuity of the participatory process and the transparency of national policies. The Conference was an opportunity to introduce and further publicise the NSSED objectives, and debate at greater length the main challenges and the long-term steps ahead.

The following summary outlines some of the important issues arising in the framework of these agendas.

**The monitoring system:** the NSSED, the MDGs and the SAA (including the CARDS programme and other foreign assistance and financing) require monitoring and evaluation to be carried out more regularly than at present. The qualitative and quantitative analyses of each agenda could easily translate into complementary tools, especially if their identified indicators are the same. These intertwined monitoring processes could ensure a database, matrixes and joint responsible institutions. The joint monitoring systems will also support the participation of all stakeholders from civil society and state and legislative structures, including the Parliament, local government, non-profit organisations, the media, and academic circles.

**Planning:** The feedback provided by the monitoring system with the contribution of civil society, and the dialogue on the MDGs, the NSSED and the SAA should be used so as to have an impact on new policies and to plan decisions. This specifically concerns the Medium Term Expenditure Framework, the CARDS Programme, and all the other programmes contributing to the success of the objectives and policies designed for the country's social and economic development.

## **20. FUTURE PROSPECTS**

- Identification of the NSSED long-term vision in the Albanian context. The MDGs and the SAA are significant aspects of this vision as they focus on long-term development objectives and policies.
- Introduction of an integrated strategic planning framework guiding Albania's medium- and long-term development.
- Concentration on better links between the three agendas while reinforcing the harmonization, prioritization, financing, monitoring and evaluation process of the key development strategies.
- Optimal connection between the individual policy framework and the provision of local, regional and national planning correlation.
- Better integration between the strategic planning and budgeting cycle.
- Institutionalization of the evidence-based policy process and optional costed policies supported by their qualitative analyses.
- Establishment of a partnership between the Government and the donor community to ensure support for the national development priorities both strategically and financially

## **21. CHALLENGES**

- It is necessary to improve the consistency between the NSSED, the MDGs and the SAA, and the policy framework, as well as the Medium Term Expenditure Framework and foreign assistance and funding.
- Full integration of the MDGs and the SAA into the NSSED in compliance with the terms of priority, planning and the monitoring and evaluation system.
- Improvement in prioritization and costing of the priority public measures contained in the NSSED, the MDGs and the SAA.
- Integration of indicators so as to avoid overlapping.
- Further explanations of management on the basis of the results, transparency and responsible mechanisms at government institutions.

## **LINKAGE BETWEEN THE NATIONAL AND LOCAL PRIORITIES – THE NSSD REGIONAL DEVELOPMENTS AND PROSPECTS**

**Progress of the process.** The year 2003 saw considerable progress in the efforts to give the NSSD a local dimension through incorporating the national priorities into the Regional Strategies for Social and Economic Development in a more efficient way. These strategies are being drafted and implemented by local government structures at a regional level. With the support of the UNDP, regional development strategies have been drawn up in several regions of the country, including Fier, Kukës, Elbasan and Berat, ensuring large participation in priority sectors and areas as articulated through the NSSD (including health, education, infrastructure and social protection). These documents have ensured the harmonisation of the principal measures and policies aiming at poverty reduction and social and economic development in general, with the specific measures and policies towards the purpose of achieving the Millennium goals scheduled for 2015. In the course of formulating their regional objectives, the interest groups and the regional councils made efforts to integrate the priorities contained in the NSSD, the MDGs and the SAA as systematically as possible.

Hence, for instance, the following table drawn from the Strategy for the Region of Kukës indicates the correlation between the NSSD and regional priorities, in the area of education.

Table 5.2: Correlation among Strategic Priorities

| NSSSED – National framework                           | Regional strategies for social and economic development                | SAA  | Region of Kukës  |
|---|--|--|--|
| 1) Ensuring full enrolment (100%) in 8-year education | 1) Ensuring 100% completion rate of 8-year education by girls and boys | 1) Enhancing the level of secondary general education, higher education, professional training, and promoting youth cooperation  | 1) Ensuring the basic 8-year education completion by girls and boys in the Region to the extent of 100%    |
| 2) Ensuring 90% enrolment in secondary education      |  | 2) Establishing the necessary infrastructure for the application of reliable standards at all the levels of education<br>3) Increasing obligatory education and 8-year education enrolment rates<br>4) Balancing the offer and demand through consolidating education in rural areas, improving human and technical resources<br>Reorganizing vocational training in accordance with the labour market requirement | 2) Improving school infrastructure in the Region with a view to bringing them closer to national standards |

Different interest groups and main stakeholders at a local level took part in the drafting of the Regional Strategies for Social and Economic Development. In numerous workshops and round tables debate was focused on the NSSSED, the MDG and the SAA, thus increasing the awareness of the NSSSED among interest groups and the public. In 2004, this process is foreseen to take in eight other regions so that they can draw up their own Regional Strategies for Social and Economic Development.

**Areas in need of support in the future.** While the process of incorporating regional priorities into those of the NSSSED has started, there are still several other areas that need further support so as to ensure that these priorities are applied in concrete terms. The 23-24 March 2004 Conference “Towards European Integration and Achievement of MDG through the NSSSED” sponsored by the Ministry of Finance, produced many recommendations with regard to the NSSSED and the strengthening of its bearing on local development priorities and trends.

Generally speaking, the following areas require further support:

**Full enforcement of the law for the decentralisation of the local government.** The regional councils have started to take on their legally recognised roles in terms of formulating the regional development strategies, but it is necessary to improve and explain their role in the budgeting process, and in the implementation and monitoring of the regional strategy. It is not sufficient merely to incorporate the priorities of the NSSSED into the Regional Strategies for Social and Economic Development. Their implementation should be followed up. Under the current legislation, the regional councils are responsible for the coordination and harmonisation of policies pursued towards municipalities/communes with national policies. The NSSSED Department should employ the institutional mechanisms available to the regional council so as to coordinate the monitoring and drafting of the NSSSED Progress Report, while further developing the capacities of the regional council. Potentially, the Ministry of Finance

and the NSSED Department should provide technical support to local government structures to ensure the enforcement of the NSSED at a local level. Moreover, the local government functions and responsibilities provided for by law should be reviewed and enlarged, while seeing to it that the role of the regional council in terms of local planning and implementation and its function as the direct NSSED coordinator is duly incorporated.

**Improvement in the local budgeting cycle and fiscal decentralisation.** Having drafted the Regional Strategies for Social and Economic Development and identified the needs to be addressed, the regions should develop an inclusive mechanism to ensure that budgeting (financial and human resources) complies with established priorities. Budgeting should not only be limited to looking for and allocating funds to municipalities and communes by virtue of the annual revenues. Budgeting should also allow for the contribution of the interest groups (for instance, cooperation with the private sector and with the community itself) and donor funds. The process of better harmonising coordination among donors, and achievement of local mapping of donors so as to avoid overlapping of donations, is important to make sure that the Government allocates funds on the basis of the regional development strategies. Besides, looking into the specific needs of each and every region, these strategies should generally stick to the same line as the NSSED priorities.

Finally, given that the local government budget is prepared, endorsed and administered by the local government itself, at the beginning of the year, technical support should be provided to local government in its effort to prepare the local budget, while it follows up the process of budget planning with a view to ensuring financing for projects or programmes that have a direct impact on the attainment of the NSSED objectives. Besides, local taxes are a very important instrument conducive to local government revenues, and at the same time, comprise the basis for local government autonomy. Local revenues could be better used to achieve the NSSED targets if they are concentrated on funding the development projects supporting the NSSED. For that reason, local government authorities should be involved in all stages of the NSSED (planning, prioritisation, implementation and monitoring). It is essential for local government to improve its capacities to increase local taxes – local taxes bring in more revenues, which have a direct impact on the achievement of the NSSED objectives.

Local government may play a very important role in the areas of education, health and social assistance, while sharing its responsibilities with the central government through the NSSED contribution. Local government handles administrative matters, services, and investments and plays a partly regulatory role pursuing the established policies and national standards. Local government may allocate resources with a view to achieving high standards that benefit the local community. A system focusing on fund compliance, which falls into line with the implementation of projects supporting the NSSED priorities, is more likely to be successful. Such fund compliance should not be based on *ad hoc* decisions. It should be an inherent part of the national and local budget adopted by the Parliament and the regional council.

**Monitoring and evaluation:** Monitoring of progress towards the goal of achieving the NSSED priorities contained at a local level should be improved. This process is synonymous with the implementation of local strategies, and should not be considered as a specific task. Supplementary indicators should be produced at a central and local level. Besides, the INSTAT regional offices should be strengthened so as to enhance their performance in the monitoring of these indicators and dissemination of data that are important to interest groups and local government structures for the formulation of Regional Strategies and the monitoring process. Moreover, civil society stakeholders may be included both in the drafting of the development strategy and in the monitoring of its progress. Data collection through a pilot project for the instalment of database systems, in cooperation with INSTAT, will be a fruitful experience so as to move towards a better methodology to monitor the progress of the NSSED priorities.

**Developing the capacities:** Developing the capacities of local government and interest groups at a local level will help attach a local character to the NSSED, and should make a crucial contribution to the process of the formulation, implementation and monitoring of the Regional Strategies for Social and Economic Development. Given the numerous differences in the capacities of the regions, a system for developing these capacities should be established on the basis of the requirements of each region. This system will be put to test in Kukës, Fier and Gjirokastra during 2004.

## **CHAPTER 6**

# **THE PROCESS OF INVOLVEMENT, THE INDEXES AND METHODOLOGY OF THE MONITORING AND EVALUATION SYSTEM**

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The monitoring and evaluation of the progress of the NSSED in 2003 was a process, which involved civil society, Parliament, local government and interest groups. The NSSED Department at the Ministry of Finance took several measures to stimulate its formalisation so that it becomes part of the monitoring and evaluation system. Under the auspices of the Government of Albania, which views the NSSED increasingly as a reference document for its daily work, and on the basis of Decision no. 87 of the Council of Ministers, dated 19 June 2003 "For the establishment of leading structures for the implementation, evaluation and monitoring of the NSSED", all the ministries were involved in the system of implementing, monitoring and evaluating the NSSED.

To give the interest groups the necessary space and time to contribute to the evaluation and monitoring in the 2003 Progress Report, the NSSED Department was itself involved in coordinating the participatory process, which the previous year was handled by the Carter Centre. Building on last year's experience, the NSSED Department at the Ministry of Finances drew up a detailed agenda of activities, which ensured a successful drafting process of the progress report, providing for the necessary spaces at all its stages. Hence, the consultation process with civil society and interest groups and the attainment of a consensus did not suffer from a lack of time, as was the case one year ago.

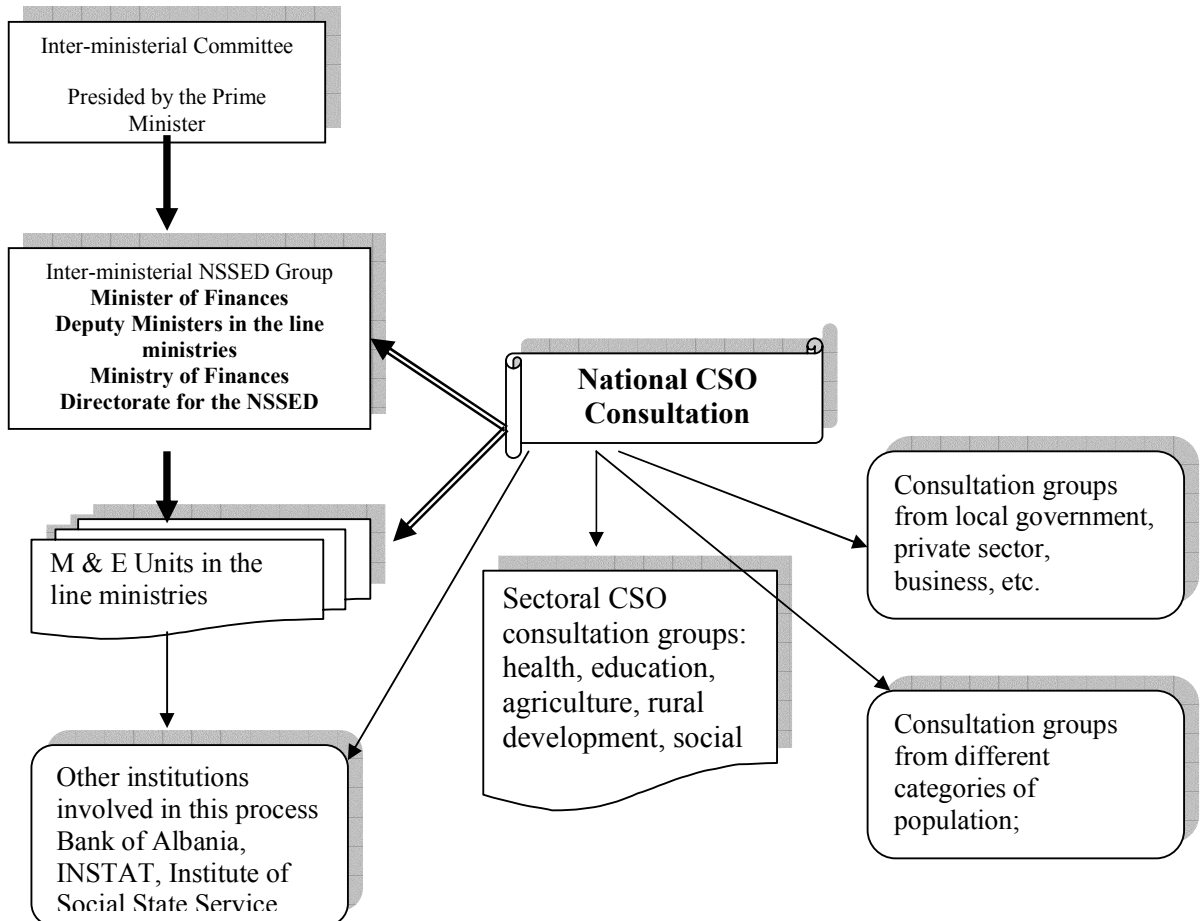
## INSTITUTIONALISATION OF THE PARTICIPATORY PROCESS

The Directorate for NSSED coordinated the participatory process building through two main channels: (i) the inter-ministerial channel, and (ii) the channel of partners facilitating the participatory process.

### 22. Inter-ministerial Channel

This channel encompasses all the ministries involved in the implementation of the NSSED, and in the evaluation and monitoring of its progress from a sectoral perspective. The progress regarding institutionalisation of this channel varies from one ministry to the next. The ministries which have long been involved in the process of institutionalisation - since as early as last year - have fared well. They have cautiously identified the interest groups and the stakeholders making their contribution to the relevant sectors, and have set up a database to support dialogue among them. Drawing also on their experience from last year, these ministries have improved the consultation cycle, expanding it over a greater length of time and enhancing its quality.

Scheme 6.1: Functioning of Participatory and Consultation Process under the NSSED Framework



An important step forward has been taken to improve the participation of civil society in the policy development process. In the course of a long process of learning and implementation, many of the ministries have succeeded in amending their progress reports on the basis of



comments and suggestions coming from civil society. The Ministry of Environment, the Ministry of Labor and Social Affairs, the Ministry of Education and Science, the Ministry of Local Government and Decentralization, the Ministry of Economy, and the Ministry of Health have revisited their prioritization of public measures on the basis of the consensus reached in the course of consultations.

The ministries, which worked on the drafting of the NSSD's 2003 Progress Report, encountered difficulties in their efforts to manage participation and reflect comments so as to come up with a better policy formulation. With assistance from the NSSD Department, all the ministries focused on enhancing the monitoring and evaluation unit capacities. In the 2003 process, the ministries involved their regional offices and institutions in the drafting, monitoring and evaluation of the sectoral strategy. In their consultations with the Ministry of Labor and Social Affairs and the Ministry of Education and Science, the regional office employees put forward very useful suggestions and comments, thus providing sectoral strategies with a local character arising from the reality at the grassroots. The regional offices addressed the strategic vision of their relevant sector, and added their local perspective, becoming part of the dialogue on policy development.

### 23. Channel of Partners Facilitating the Participatory Process

This channel encompassed all the national and international partners who facilitated the process while focusing on upgrading civil society's capacities to organize and develop national development policies. The NSSD Department was in charge of coordinating and managing this channel. All the partners – Carter Center, CESEDA, OSCE, OXFAM, SIDA, SNV, Soros Foundation and the UNDP – contributed in a very effective way to ensure coverage of the whole territory of Albania. The line ministries, grouped under the first channel, limit the participatory process to Tirana alone, and involve solely civil society in the process (except for the pilot ministries, which made it a regional process). For this reason, the partners facilitating the participatory process centered on enhancing the civil society's capacities to draft development policies, and on improving their ability to be organized (the case of UNDP, CSO groups).

**CESEDA** organized consultations in Tirana, mainly in its rural and suburban areas. **OXFAM** held consultations in Shkodra, Lushnja, Përmet and Vlora, involving rural forums, local civil society and local government structures. Consultations focused on increasing civil society capacity to develop and monitor policies relating to the agricultural sector and rural development, and on recommendations on how to tackle the different problems of the fight against poverty and of social and economic development. On 10 February 2004 and 12 February 2004, the **Carter Center** organized pilot consultations with the Ministry of Education and Science and the Ministry of Labor and Social Affairs in Tirana, at which representatives from civil society and academia and employees from the regional directorates of the respective ministries were present. In the consultation held in Durrës on 30 March 2004, the debate focused on the Ministry of Health Progress Report, and highlighted two issues that the working group considered as sensitive issues for the District of Durrës. The consultation in Vlora took place on 11 March 2004. It concentrated on private tourism development in the city of Vlora. In Kukës, a consultation was organized on 6 April 2004, which underpinned forestation as a necessity. The consultation that took place in Elbasan on 13 April 2004, focused on the urban development of the city of Elbasan, the town of Peqin and at large. **SIDA, SNV and SOROS** coordinated their assistance in consultation with the UNDP and OSCE. The **UNDP** is supporting regional strategy development all over Albania. To that end, a national CSO consultation group has been set up, along with sectoral CSO consultation groups (health, education, agriculture, rural development, and social affairs), and groups in local government, the private sector and business. Joining efforts with the UNDP, the Directorate for the NSSD involved these institutions in a large consultation on the 2003 Progress Report concerning the twelve regions in Albania. The **OSCE** focused its activity and assistance on the regional dimension of the strategy, and on the involvement of the Parliament in the NSSD implementation process. The OSCE mediated to set up three meetings in Vlora, Korça and Shkodra, with an impact on the Southern, Northern and Central Albania respectively. The meetings aimed to bring together local government representatives

at the prefecture, region, commune and municipality level, parliamentarians, civil society, donor community representatives and members of the local government leadership.

### **Local Government Involvement**

The NSSD Department, which considers the regionalization of the Strategy to be a valuable process, drew on support from the OSCE to host regional meetings in Vlorë, Korçë and Shkodër. The meetings were an attempt to create as much space as possible for the local government to find a way of implementing the National Strategy in compliance with local specificities and priorities. Despite the support provided by the hosts, the meetings in Vlorë and Shkodër failed to come out of the traditional frame of consultations that had preceded the meetings in both these cities. The lack of capacity to identify local priorities or to develop policies aimed at supporting local community development, and especially the tendency to perceive the meetings as forums in which only complaints could be tabled, limited the opportunity for these regions to identify their own objectives in the National Strategy. The experience gained in Korçë set a good example, which will serve to improve the process in the other regions of Albania.

### **Parliament Involvement**

In the context of efforts to prepare the 2003 Progress Report, a number of consultations were held with Parliament, in cooperation with the OSCE, with a view to enlarging the scope of the Strategy. Parliamentarians from the whole political spectrum attended the three major meetings organised in Vlorë, Korçë and Shkodër. The Parliamentary Committee on Economy, Finances and Privatisation has become part of the NSSD monitoring and evaluation process. The present Committee has made a significant contribution to the identification of the best solutions for improving the process. At the 2<sup>nd</sup> Balkan Forum held in Thessaloniki, Greece, in March 2004, the Chairman of the Parliamentary Committee on Economy, Finances and Privatisation supported and highlighted the importance of organising, coordinating and harmonising foreign assistance in complying with the NSSD priorities.

### **Coordinating and Harmonising Foreign Assistance**

As part of its efforts to merge the three agendas (the NSSD, the MDG and the SAA) into a single agenda, which will guide Albania towards sustainable development, the Government of Albania established a technical secretariat to take charge of coordinating and harmonising foreign assistance in accordance with the NSSD priorities.

### **Challenges Ahead**

- **Enhancing the capacities of the line ministries to better identify sectoral objectives** in support of Albania's NSSD and its indicators, and to develop sectoral policies which specifically address issues at a regional level as well as promoting the development of the country as a whole.
- **Improving approaches to consultation.** Different regions have differing approaches to consultation, resulting in varying degrees of success in achieving a participatory process.
- **Better identifying and balancing the interest groups.** There is a risk that the personal agendas of participants and interest groups will divert attention from the principal focus of a consultation. The balancing of interest groups and the adoption of a well-defined approach would therefore improve the performance of consultations.
- **Strengthening the capacity of the media** to ensure that they can more effectively debate and contribute to the NSSD process.
- **Ensuring that the whole Albanian political spectrum agrees to the document.**
- **Improving the quality of the identified indicators** that will measure the progress of the NSSD at a national and local level.

# INDICATORS AND THE MONITORING AND EVALUATION SYSTEM

## Monitoring and Evaluation Units

As part of the Government of Albania's efforts to make the NSSED a key reference document guiding its performance towards social and economic development, in 2003 the Council of Ministers issued Decision no. 87, dated 19 June 2003, entitled "For the establishment of leading structures for the implementation, evaluation and monitoring of the NSSED". This established monitoring and evaluation functions at all the ministries. Drawing on the experience in 2002, the Directorate for the NSSED introduced a standard methodology for all the ministries to pursue, which could facilitate the drafting of the progress report.

In drawing up their 2003 Progress Reports, the line ministries employed the methodology of prioritisation for the first time, and established the costs of their priority measures jointly with civil society. Although prioritization is not an entirely satisfactory process – given that the budgeting system in Albania continues to rely on mechanical methods and not on programmes and projects (which was the biggest difficulty for the monitoring and evaluation units, and the budget directorates at the line ministries) - it should nonetheless be emphasised that this process provided a very good experience for the drafting of the Medium Term Expenditure Framework.

International partners (the World Bank through the Trust Fund, DFID) are making an important contribution to better identify the objectives and the performance indicators on the basis of the results so as to render the NSSED progress more measurable.

## Monitoring Indicators

Determining and maintaining indicators is one of the problems with the NSSED, although improvements have been made in this respect. It is essential to define a complete set of indicators both at a national level and sectoral and local level. The Directorate for the NSSED, in cooperation with IDEA International (the company offering assistance to one of the Trust Fund components), organised training for all the line ministries with a focus on indicator identification on the basis of the results attained. This helped identify the initial basket of indicators for measuring the progress of the NSSED at a national level. Irrespective of the work done for the completion of the 2003 Progress Report, it still continues to be a priority for the Directorate for the NSSED for the following reasons:

- The number of the indicators proposed by the line ministries is very high, and more often than not they are not realistic;
- Few of these indicators offer a real measure of the effectiveness of the sectoral policy;
- All indicators are measured by means of rather unreliable administrative data. They often lack a baseline, or the latter is not properly evaluated;
- Standardisation of indicator measurement methodologies is non-existent, with different institutions often coming up with different data;
- The indicators generally refer to a national level, with those referring to a local level missing.

## **NATIONAL AND INTERNATIONAL CONFERENCES**

A series of national events have been organised to revitalise the participatory process in the monitoring and evaluation of the 2003 Progress Report.

Under the auspices of the Greek Government, the World Bank, the International Monetary Fund and DFID, the 2<sup>nd</sup> Balkan Forum was held in Thessaloniki, Greece, on 29-31 March 2004, in which Albania, Bosnia and Herzegovina, Serbia and Montenegro, and the Former Yugoslav Republic of Macedonia took part. The Forum facilitated the exchange of experiences among the countries in the region. In advance of the Thessaloniki debate, with support from ISB, two round tables were organised: "Participation in and Monitoring and Evaluation of the NSSSED Process" and "Correlation between the NSSSED and the SAA". They were attended by representatives from civil society, academia, Parliament, the Ministry of Foreign Affairs, the Ministry for Integration, and the donor community. Both debates suggested ways of improving the monitoring and evaluation system and achieving a better coherence among the three governing agendas.

The national conference "Towards European Integration and Achievement of MDGs through the NSSSED" was organised with support from the UNDP. At the conference, the Albanian Prime Minister and members of his cabinet, and representatives from civil society, the line ministries, the donor community, interest groups and local government reinforced the Government of Albania's approach of making the NSSSED a fundamental document that determines and guides the performance of both the Government, and also non-public institutions and local structures.

## **CHAPTER 7**

## **MATRIXES OF THE ANNUAL REALIZATION, ANNUAL PLAN AND MID-TERM PLAN**

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## MINISTRY OF EDUCATION AND SCIENCE

### **The structure, organization and sectorial management.**

Ministry of Education and Science founded the Council of the MES composed of sector experts. The delegation of ISP responsibility to the Curriculum and Standard Institute and the Qualification and Training Center for Education were approved. The District Educational Directorates were substituted with 13 Regional Educational Directorates (RED). The National Educational Center started functioning. Which assesses the rate and quality of mastering the teaching programs, of the final exams and admission tests.

**Decentralization:** the decentralizing policy in the field of pre-university education was drafted.

Competencies and responsibilities of the capital investments were delegated to the Tirana Municipality only.

**Investments:** the construction of 218 school buildings was completed, 42 of which were newly built and 176 were reconstructed. 272 schools were supplied with teaching equipment. 63 schools were refurbished in 28 districts of the country 7 of which are new.

**Post-university education.** The Strategy of the pre-university education was drafted. There was a shift from the system 4+4+4 into the system 5+4+3. The Project "Teaching for all" was drafted.

### **The basic education:**

98% of the registered pupils attended school during the school-year 2000-2003 and 2% of them left school. The school-books were given in use free of charge. The standards of achievement for many curricula were drafted and a new syllabus

was compiled based on the new curriculum.

### **Secondary education**

71 % of the pupils who graduated from the compulsory education continued to attend school. The absolute addition was 7700 pupils, 1734 of whom attended the vocational schools. Schools were supplied with 170 new laboratories.

### **The secondary vocational education.**

New classes were opened for 20 specialities in 19 districts of the country, 10 classes for teaching in Burrel, Puke, Fier, Vlore, Permet, Tepelene and in Tirana district. ; 2 foreign language classes (English and French ) in Berati, 7 classes on the electricity subject in Berat, Lushnje, Kucove, Ulez, Polican; 5 classes for mechanics in Korce, Elbasan, Berat, Kamez; 3 classes on construction in Gjirokaster, and Berat, 3 classes on Agro-business and economics in Lezha and 2 classes on sports in Durres. The main lines of the curriculum framework were drafted.

### **Higher education:**

Albania became member of the Bolonja process. 11897 new students were admitted as full time students. The part time system was opened with 5 506 students. New departments were founded in the Universities of Tirana, Vlora, Gjirokastra and Korca. The University financial decentralizing standards were drafted.

### **Scientific research:**

The Cycle for Research and Development National Program started for 6 main areas.

**Support for vulnerable groups.** The Projects "Global Initiative for Food and Education" were implemented.

## Matrix 2003-Annual Review

| Prior actions for 2003  | √ <sup>2,3</sup> | -Implement measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|------------------|--|-----------------|
| Drafting of the strategy for the pre-university education and its approval by the CM. Drafting and discussion of the draft-strategy among all the target groups. Approval of the document at the Council of Ministers.  | 3                | -It is being harmonized with the goals of the document of "EFA" project. The consultation for compiling the draft is realized. It will be presented at the CM on the first 6 months of 04.<br>-Consultancy with the donor experts should have been ensured.  | 2003            |
| Administrative and financial sector reform: Realization of the sector functions at central level, regional level, local level and institutional level, and subordinate institutions. (IKS, QATK, QKAVP) Realization of the financial reform at central level, local level, but via the escalation of the administrative and financial reform starting with the pilot projects.  | 3                | -Duties and responsibilities, the functions of the sector at central and regional level were defined. The competition for the functions of the local sector and the institutional sector started and the status, duties, responsibility and relations with MES were defined<br>-The relevant financial reform at central and local level was prepared through the gradual piloting which ran parallel to the capacity growth.<br>-Deficiency in the mutual cooperation with the other institutions and lack of funds. Insufficient knowledge on the relevant procedures. | 2004            |
| Training of the specialists at all levels both central and regional as well as the training of the teachers without the required education. Drafting of the training programs for the managing staff at central and local and educational level aiming at the enhancement of the staff proficiency for countering the new functional responsibilities. Publication of teaching materials and students' materials supporting the new curriculum. | 2                | -Programs, cooperation with the specialized institutions, DAP and other specialized structures such as QATK, IKS, Universities and donors, the involvement of the vocational education specialists. The modules on training of the general and vocational education specialists are in the process of preparation.<br>-Deficiency of funds, insufficient interest. Reorganization of QATK, IKS, DAR, ZA.   | 2004            |
| Reforms in the structure and contents of the pre-university education. The new curriculum framework, was drafted, the standards of achievement for many curricula fields and the syllabus based on the new curriculum was prepared. The operation of giving the schoolbooks in use free of charge to the pupils of the compulsory education throughout the country was realized.  | 4                | -Cooperation with specialists, relevant structures and target groups. School-attendance at the basic education : 98% of the registered pupils with a reduction of school-leave at 2%. It was managed to attract 71% of the pupils who have graduated from the compulsory education (7700 pupils more, 1734 of whom in the vocational education. ) Schools were supplied with 170 new laboratories for the natural sciences, informatics and new classes were opened for 20 specialties in vocational education, in 19 districts of the country.                          | 2004            |
| The Reform in higher education/ Membership into Bologna process. The formulation of standards and criteria for opening of accounts at the Faculties and avoiding interference into the manner of the budget distribution within one university.   | 3                | -Cooperation with Universities( ours and foreign), EU, etc. During the school-year 2003-04, 11. 897 new full time students were admitted. For the first time the part time system was opened where the admission number was 5 506 students. A series of new branches were approved to be opened at the Universities of Tirana, Vloja, Gjirokastra and Korça.<br>-Insufficient coordination among the actors, insufficient coordinating capacities with SHL   | 2004            |
| Reforms at scientific research/Setting up the „ad-hoc“ Committee upon the decision of the KPSHZHT   | 3                | -Setting up of the working group with the relevant capacities.<br>-the KPSHZHT has not yet organized the meeting for approval.   | 2004            |
| Increase of school attendance for the basic education by marginalized groups, identification of causes that lead to school leaving, drafting of local and national pilot projects for the attraction of the marginalized groups with the school and realization of the MDG.   | 2                | -Increase of cooperation of the Local Government and Educational Institutions, with DA, ZA, for drafting the diagnostic questionnaire, extension of the pilot projects and drafting of new projects.<br>-Ensurance of donor support. The study not completed in by some DA, ZA, and local government. Lack of supportive donation ensurance.   | 2004            |

<sup>2,3</sup> Level of completion per criteria

| Prior actions for 2003  | √ <sup>2,3</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------------------|--|-----------------|
| <p>Improvement of the infrastructure and the teaching conditions at the Educational Institutions. The piloting of the project for bus utilization in 5 zones where access for this kind of service is available. Continuation of new school refurbishment in the peri-urban zones. A 12% pay rise and pay restructuring per year for the educational staff. Restructuring or construction of five schools of the vocational education with dormitories for the benefit of the rural and peri-urban zones.</p> | 2                | <p>-Cooperation with the Local government, DA, ZA and Educational Institutions. Implementation of the project with financial support from the relevant Educational Directorates. Continuation of school concentration according to the study by every ED. Implementation of an 8% pay rise from the salary fund. Cooperation with the EU, CARDS program. Financing is required</p> <p>-Insufficient commitment of actors, lack of financing. Retreat of the local government from commitment. The study on school concentration- not finalized. Approval of the Cooperation agreement.</p> | 2004            |



## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | $\sqrt{2-4}$ | Responsible institution | Budget <sup>25</sup> | CARDS <sup>26</sup> | Others <sup>27</sup> |
|--|--------------|-------------------------|----------------------|---------------------|----------------------|
| <b>Organization, Structuring, System Management/ Efficiency in administration and sector management. / Efficiency in fund use.</b>                         |              |                         |                      |                     |                      |
| Definition of duties, competencies, and responsibilities at all levels and subordinate institutions.   | 1            | MES, ED                 |                      |                     |                      |
| Reforms in financing and financial management on project basis.  | 1            | MES,                    | 5740                 |                     | 436                  |
| Institutionalization of cooperation with the target groups, civil society and NPO's for solving the sector issues.   | 3            | MES, LG, ED, ZA         |                      |                     |                      |
| Extension of the project for bus utilization in areas of service access.   | 3            | LG, ED, ZA              | 250                  |                     |                      |
| Decentralization and gradual competence delegation to the Local Government and Educational Institutions.   | 2            | MES, LG, ZA             | 300                  |                     |                      |
| Ongoing improvement of the school infrastructure.  | 2            | MES, LG, ED, ZA         | 1500                 |                     |                      |
| Restructuring or setting up of five schools of vocational education and formation with dormitories, for the benefit of the rural and the peri-urban zones. | 2            | MES, CARDS PROJECT      | 40                   |                     | 6                    |
| <b>Basic education. Enhancement of participation into the basic education. Realization of the MDG.</b>   |              |                         |                      |                     |                      |
| Drafting and approval of the strategy of pre-university education.   | 1            | MES                     |                      |                     |                      |
| Preparation for implementation of the "EFA" at the relevant international structures.  | 1            | MES, WB                 |                      |                     |                      |
| Identification of the factors that affect school -attendance to basic education by the marginalized groups with tendency to school-leaving.                | 2            | MES, ED, ZA             |                      |                     |                      |
| Curricula improvement to support the reform and attraction of the children to school.  | 1            | MES, IKS                |                      |                     |                      |
| Drafting and piloting of programs which aim at school participation growth of the marginalized groups.   | 2            | MES, ED, ZA             |                      |                     |                      |
| <b>Secondary education/ Reformation in structure and contents</b>  |              |                         |                      |                     |                      |
| Reforms in structure and curricula.  | 1            | MES, IKS                |                      |                     |                      |
| Drafting and publication of the new textbooks.   | 1            | MES, IKS                | 250                  |                     |                      |
| Publication of the teaching materials and learning materials that support the new curriculum of the vocational education                                   | 2            | MES, IKS                |                      |                     |                      |
| Definition of evaluation standards   | 2            | MES, ED                 |                      |                     |                      |
| <b>Higher Education/ the Reform in AL, as a step for gradual integration into the EU.</b>  |              |                         |                      |                     |                      |
| Reforms in structure in compliance with the Bologna declaration.   | 2            | MES, Universities       | 443                  |                     |                      |

<sup>24</sup> Prioritization coefficient.

<sup>25</sup> Funds of the Government's budget in millions of Lek

<sup>26</sup> Funds of the projec CARDS in EURO

<sup>27</sup> Other approved investments

| Objectives/ Public Priority Actions  | √ <sup>2.4</sup> | Responsible institution | Budget <sup>2.5</sup> | Cards <sup>2.6</sup> | Others <sup>2.7</sup> |
|--|------------------|-------------------------|-----------------------|----------------------|-----------------------|
| <b>Scientific Research (SR)/ The Reform at the SR, a step forward for the gradual integration into the EU.</b>                         |                  |                         |                       |                      |                       |
| Reformation of the scientific research in structure  | 1                | MES, KPSHZHT            | 90                    |                      |                       |
| Legislation improvement of the SR.   | 2                | MES, KPSHZHT            |                       |                      |                       |
| <b>Capacity building/ training of specialists through training and qualification</b>   |                  |                         |                       |                      |                       |
| Implementation of the training project for the managing staff at central levels as offered by the DAP and international organizations. | 2                | MES, DAP                |                       |                      |                       |
| Program preparation and realization of training by the QATK and the ED for the educational specialists.                                | 2                | MES, ED, QATK           |                       |                      |                       |
| Ongoing training of the vocational education specialists before hiring them to work and during work.                                   | 2                | MES, ED, QATK           |                       |                      |                       |
| Enhancement of the qualifying activities at institution level, municipality/commune (school).  | 2                | MES, QATK, ED, ZA       |                       |                      |                       |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | √ <sup>28</sup> | Responsible Institutions     | Deadline | Budget <sup>29</sup> | Cards <sup>30</sup> | Others <sup>31</sup> | √ <sup>32</sup> |
|--|-----------------|------------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| <b>Organization, Structuring, System management/ Efficiency in administration, sector management and fund use.</b>                                     |                 |                              |          |                      |                     |                      |                 |
| Restructuring and conceptual, virtual reformation of the sector at all levels and sub-ordinate institutions  | 1               | MASH, DA                     | 2004     |                      |                     |                      |                 |
| -Definition of duties, competencies and responsibilities at all levels and sub-ordinate institutions.  | 1               | MASH, DA                     | 2004     |                      |                     |                      |                 |
| Reforms in financing and financial management on project basis.  | 1               | MASH                         | 2004     | 22960                |                     | 1746                 |                 |
| Institutionalization of cooperation with the target groups, civil society, and NPO, for solving the sector problems.                                   | 3               | MASH, P. Vendor DA, ZA       | 2004     |                      |                     |                      |                 |
| Extension of the project for bus utilization in service access zones.  | 3               | P. Vendor DA, ZA             | 2004     | 1200                 |                     |                      |                 |
| Preparation and implementation of the financial support legal packet for the poor family children  | 2               | MASH, Min. Fin               | 2005     | 3000                 |                     |                      |                 |
| Decentralization and gradual competence delegation to the local government and Educational institutions.   | 2               | MES, Local government,ED, ZA | 2004     | 1200                 |                     |                      |                 |
| Increase of financial compensation for the teachers and disadvantage zones.  | 2               | MES, Min. Fin.               | 2005     | 2590                 |                     |                      |                 |
| Ongoing improvement of the school infrastructure   | 2               | MES, local government,ED, ZA | 2004     | 8000                 |                     |                      |                 |
| Restructuring or construction of five schools of vocational education and formation with dormitories for the benefit of the rural or peri-urban zones. | 2               | MES, CARDS project           | 2004     | 1000                 |                     |                      | 1000            |
| <b>Basic education/Participation growth in basic education. Realization of the MDG</b>   |                 |                              |          |                      |                     |                      |                 |
| Drafting of the strategy on the pre-university education   | 1               | MES                          | 2004     |                      |                     |                      |                 |
| Preparation for the implementation of the "EFA" project in international structures.   | 1               | MES, WB                      | 2004     |                      |                     |                      |                 |
| Identification of the factors that affect the attendance to the basic education by the marginalized groups with tendency to school-leaving.            | 2               | MES, ED, ZA                  | 2004     |                      |                     |                      |                 |
| Curriculum improvement supporting the reform and attraction of the children to school.   | 1               | MES, IKS                     | 2004     |                      |                     |                      |                 |

<sup>28</sup> Prioritization coefficient

<sup>29</sup> Funds of the Government's budget in millions of Lek

<sup>30</sup> Funds of the projec CARDS in EURO

<sup>31</sup> Other approved investments

<sup>32</sup> Financing required

| Objectives/ Public Priority Actions  | √ <sup>28</sup> | Responsible Institutions | Deadline | Budget <sup>29</sup> | Cards <sup>30</sup> | Others <sup>31</sup> | √ <sup>32</sup> |
|--|-----------------|--------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| Drafting and piloting of the programs aiming at participation growth into school of the marginalized groups.                   | 2               | MES, ED, ZA              | 2004     |                      |                     |                      |                 |
| <b>Secondary education/Reformation in structure and contents</b>   |                 |                          |          |                      |                     |                      |                 |
| Reforms in structure and syllabus.   | 1               | MES, IKS                 | 2004     |                      |                     |                      |                 |
| Reforms in curriculum  | 1               | MES, IKS                 | 2004     |                      |                     |                      |                 |
| Drafting and publication of new schoolbooks  | 1               | MES, IKS                 | 2004     | 1000                 |                     |                      | 800             |
| Publication of the teaching materials and learning materials which support the new curriculum of the vocational education.     | 2               | MES, IKS,                | 2004     |                      |                     |                      |                 |
| Definition of the evaluation standards.  | 2               | MES,ED                   | 2004     |                      |                     |                      |                 |
| <b>Higher education/ The Reform at AL, as a step forward for gradual integration into the EU.</b>                              |                 |                          |          |                      |                     |                      |                 |
| Reformation of higher education. Raprochement with the higher education of the EU countries, in structure and in contents.     | 2               | MES, T he University     | 2007     | 1700                 |                     |                      |                 |
| Reforms in structure in compliance with the Bologna declaration  | 2               | MES, the University      | 2004     |                      |                     |                      |                 |
| Reforms in curriculum  | 2               | Tthe University          | 2005     |                      |                     |                      |                 |
| Definition of evaluation standards   | 3               | MES, Universitet         | 2007     |                      |                     |                      |                 |
| <b>Scientific research (SR)/ Reforms in SR, as a step forward for gradual integration into the EU.</b>                         |                 |                          |          |                      |                     |                      |                 |
| Reformation of the scientific research in structure.   | 1               | MES, KPSHZHT             | 2004     | 650                  |                     |                      | 150             |
| Improvement of the SR legislation  | 2               | MES, KPSHZHT             | 2004     |                      |                     |                      |                 |
| Definition of the SR evaluation standards  | 3               | MES, KPSHZHT             | 2007     |                      |                     |                      |                 |
| <b>Capacity growth/ competence growth for specialists through training and qualification</b>                                   |                 |                          |          |                      |                     |                      |                 |
| Implementation of the training program for the managing staff at central level offered by DAP and international organizations. | 2               | MES DAP                  | 2004     |                      |                     |                      | 1600            |
| Program preparation and training organization by the QATK and ED for the educational specialists.                              | 2               | MES, ED, QATK            | 2004     |                      |                     |                      |                 |
| Continuous training of the vocational education specialists before hiring them to work and during work.                        | 2               | MES, ED, QATK            | 2004     |                      |                     |                      |                 |
| Enhancement of the qualification activities at institutional level, municipality, commune, (school).                           | 2               | MES,QATK, ED, ZA         | 2004     |                      |                     |                      |                 |

## Monitoring Indicators

| Indicators   | Baseline<br>2000 | 2001   | 2002   | 2003   | 2004   | 2005   | 2006       | 2007       |
|--|------------------|--------|--------|--------|--------|--------|------------|------------|
| GDP Percentage spent for education   | 3. 2%            | 2. 92% | 2. 81% | 3. 02% | 3. 14% | 3. 4%  | 3. 7%      |            |
| Subsidy by the government for the school-books as % of the MES budget        | 2. 06%           | 1. 55% | 1. 31% | 1. 18% | 0. 68% | 0. 65% | 0. 65%     |            |
| % Of teachers with the relevant qualification for the 8 <sup>th</sup> grade. | 74. 3%           | 74%    | 75.1%  | 76.2%  | 76.5%  | 77.4%  | 78.6%      | 80%        |
| % Of the teachers that complies with the standards required by the MES.      | 74. 3%           | 78.9%  | 81.6%  | 83.1%  | 84.4%  | 85.2%  | 86.3%      | 87%        |
| Percentage of pupils at the obligatory education without school-books        | 20%              | 20%    | 18%    | 0%     | 0%     | 0%     | 0%         |            |
| School attendance at the low cycle of the elementary school                  | 98%              | 97%    | 98%    |        |        |        | 99%        |            |
| School attendance at the high cycle of the elementary school                 | 97%              | 97%    | 98%    |        |        |        | 98%        |            |
| School attendance at the secondary education                                 | 93%              | 94%    | 96%    |        |        |        | 96%        |            |
| Ratio pupil/teacher at the low cycle.  | 22. 4            | 22. 4  | 22. 1  | 22     |        |        | 23         |            |
| The ratio pupil /teacher at the high cycle                                   | 16. 2            | 16. 3  | 16. 3  | 16     |        |        | 16. 5      |            |
| The ratio pupil /teacher at the secondary education                          | 17               | 18     | 19     | 19     |        |        | 20         |            |
| Size of class pupil/classroom in the low cycle                               | 22. 5            | 22. 7  | 22. 5  | 22. 3  |        |        | 22. 1      |            |
| Size of class pupil/classroom in the high cycle                              | 26               | 26. 8  | 26     | 26     |        |        | 24         |            |
| Approximate % of girls who finish the 8 year education                       | 97%              | 96%    | 96%    |        |        |        | 98%        |            |
| Approximate % of boys who finish the 8 year education                        | 95%              | 95%    | 97%    |        |        |        | 97%        |            |
|  |                  |        |        |        |        |        | Rural Area | Urban Area |
| Net % registration in the low cycle  | 76%              | 93%    | 96%    |        |        |        | 97%        | 95%        |
| Net % registration in the high cycle   | 86%              | 89%    | 93%    |        |        |        | 92%        | 91%        |
| Net % registration in 8 year education                                       | 81%              | 91%    | 94%    |        |        |        | 94%        | 93%        |
| Net % registration in secondary education                                    | 38%              | 38%    | 42%    |        |        |        | 43%        | 21%        |

## MINISTRY OF AGRICULTURE AND FOOD

**Agricultural land protection and management.** The chart organization of the administrative sections was changed for all the 12 districts of the Republic. The updating process of 17927 properties register was completed in 18 cadaster zones and work in 35 cadastre zones is still going on. The Law on Land Protection was drafted. **Irrigation and drainage system management.** The irrigation and drainage system of Korca plain was rehabilitated. In the districts of Lushnja and Vlora the artificial irrigation system was rehabilitated. 211 SHPU have been set up covering a service surface of 110 604 ha. 180 000 ha land surface was transferred to the SHPU. **Agricultural mechanization.** New equipment was provided with the 448 millions of lek grant. **Agricultural inputs.** Chemical fertilizers. The variety and quantity of fertilizers used were increased. **Seeds:** Ongoing improvement of the legal framework for seeds and seedlings, and that of the private sector industry for the seed production. **Farming production.** The artificial insemination was completed in 40 % of the cow population and 485 centers of cattle artificial insemination are functioning. 313.126 farms of milk production were created. 16 buffalo's farms are state-subsidized. **Scientific research.** 38 projects financed by the Ministry of Agriculture and Food are being implemented and 11 projects are financed by the national program "Agriculture and Food" **Counselling Service** 54 new Agricultural Information Centers are being used. 3025 activities in total have been realized; 263 new titles and prospects and 2333 brochures have been published, etc. **Agro-Processing Industry.** The total production value is 33.914 millions lek with an increase of +10%. The legal framework for the Plant and Plant Sowing Materials Protection was drafted. The expenditure for fight against grasshoppers was reduced by 50 %. **Animals Health protection.** Regulations were approved on: the pseudo-pest disease among fowls, brucelose check up among the sheep and the mad cow disease (BSE); on eggs exports and medicine trade, on bi-valvular moluscs, on residues in products of animal origine., 1500 veterinary licenses were

issued and 1,7 millions lek were obtained. **Food control and quality.** The legislative framework on food was completed. The status of regional laboratories and the technical and methodological support were defined, etc. The regional laboratories of Durrës and Vlora for food control were provided with equipment and electronical devices. 18.000 controls were undertaken and there were 172 administrative violations found. Fines value reached the amount of 4.060.000 and destroyed goods were 3890 kv. The number of analyses made was 36.570; the number of new licenses issued was 370; the number of renewed licenses was 1702. Controls have been undertaken on raw materials and auxiliary material of the food industry during the food processing as well as for the instant products.

### **Improvement of Agro-food Products Marketing.**

The agricultural, farming, fishery and agro-industry producers which meet the criteria for their products to be exported were identified. The construction of wholesale market of the food products was completed in Lushnja. In Korca District nr 3 rural markets were completed. **Fishing and Aqua-culture.** There are ongoing activities in Ohrid Lake, in Saranda, Butrint Lagoon, Divjaka, Vain, Kune, Patok, and Vilun. The first phase for the establishment of Fishing Management Organizations in Vlora and Saranda was finalized. Approximately 1.4 million fish-beds were distributed. The excise tax for the fishing ships was abolished. The trout and shrimps cultivation were raised and the production in 2003 reached the amount of 70 ton compared to the 15 ton in 2002. **Forests and pastures.** 5 management strategies of public forests and 23 management strategies of communal forests were drafted. 68 thousand ha have been inspected in 21 municipalities. 265 ha of land have been forested, 1285 ha forests were rehabilitated, 220 ha pastures were rehabilitated, 28 pieces of arable land were constructed and repaired and 5100 m<sup>3</sup> of mountain dams were constructed.



## Matrix 2003-Annual Review

| Prior actions for 2003  | <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|---------------|--|-----------------|
| <b>Consolidation of the Land Management Offices (LMO) in all districts.</b>   |               |  |                 |
| Compilation and obtaining of the documentation for the land management structures   | 4             |  |                 |
| Approval of the Project /Council of Ministers Decision for the number of employees.   | 4             |  |                 |
| <b>Completion of agricultural land registration and other stock property in rural areas.</b>  |               |  |                 |
| Registration of the agricultural land in 445 ZK   | 2             | -Fund for debt paying to the contractors for 156 Cadaster Zones was obtained.<br>-Delays in giving the financial support by the USAID/ARD due to the failure to pay the contractors. | 2004            |
| Providing property documentation for the Northern region, conflict resolution, land market development in pilot municipalities, publication of brochures on transaction procedure treatment, preparation of documentation on the efficiency of land consolidation, registration and transfer register the state stock property. | 4             | Completion and submittance of formularies. Approval of public property documentation. Organization of counselling services for the unified documentation and its approval.           |                 |
| P/ Council of Ministers Decision on the change of the registration fee for the agricultural land transactions, set up of the land information system.   | 4             |  |                 |
| <b>Drafting of the Law on Land Protection</b>   |               |  |                 |
| Draft law on land protection, set up of the working groups, comparison with other countries legislation.  | 4             |  |                 |
| <b>Civil Code Amendments on the agricultural family</b>   |               |  |                 |
| Draft law   | 4             |  |                 |
| <b>Continuation of investment for Water rehabilitation and Drainage</b>   |               |  |                 |
| Monitoring of the irrigation investment implementation funded by the state budget for the rehabilitation of 4000 ha. Cooperation with the MADDA Project for irrigation rehabilitation of 1500 ha. Monitoring of the drainage investment implementation funded by the state budget for drainage rehabilitation of 6000 ha.       | 4             | -Irrigation and drainage project for 1500 ha. Irrigation and drainage project for 10000ha.   |                 |
| <b>Restructuring of irrigation companies and creation of seven other Drainage Boards.</b>   |               |  |                 |
| Draft, approval, and implementation of the P/GMD on drainage activity. Initial procedures for the creation of the drainage board in Lushnja.  | 4             |  |                 |

<sup>33</sup> Level of completion per criteria



| Prior actions for 2003   | √ <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|-----------------|--|-----------------|
| Identification of the assets that will undergo the privatization process for 35 Water Directorates.  | 3               | -The study will be completed within the year 2004<br>-It is included in the study process on the irrigation and drainage infrastructure. | 2004            |
| Support to the foundation and consolidation of the Associations/Federations of Water Consumers for the improvement and enhancement of the managing capacities.   | 4               |  |                 |
| Budget Preparation. Physical control of maintenance of transferred schemes during the irrigation session of the real irrigated surface. Financial control of the WUA   |                 |  |                 |
| <b>Improvement of the water source management via transfer of the irrigation works rehabilitated for WUA.</b>  | 4               |  |                 |
| Transfer of the irrigation schemes rehabilitated in 16 500 ha to the WUA.  |                 |  |                 |
| <b>Study on the technical situation of the irrigation and drainage system and flood protection in all the country's territory.</b>   | 4               |  |                 |
| Draft of terms of reference for the study  |                 |  |                 |
| <b>Incentive schemes for investments in new technologies and in the mechanization of agriculture, supported by projects such as the Project on Agricultural Production Growth (2KR), the Project of Agricultural Service (Competitive Grants Scheme ), etc and legislation improvement</b>   | 4               | Equipment and new processing technology for agricultural products, approval of 30 grants for technology improvement                      |                 |
| Increase of the mechanization rate and of green houses production by cost reduction of the inputs (price differentiation for the fuel). Restructuring and strengthening of the institutions and of Controlling Laboratories and certification of the chemical fertilizers, seeds and seedlings, fodder, products for plant production (PPP)    |                 |  |                 |
| <b>Financial support for the high quality seed production sector by international donors and different associations</b>  | 4               |  |                 |
| Ongoing activities of the two projects from WB and IFAD  |                 |  |                 |
| <b>Creation of centers for racial improvement in cattle and sheep.</b>   | 4               |  |                 |
| Creation of race herds for production of race material in farming and opening of 20 new IA centers for cattle and sheeps.  |                 |  |                 |
| <b>Enhancement of the research and agricultural counselling network</b>  | 4               |  |                 |
| Consolidation of public counselling structures within the regional directorates of agriculture and food.   | 1               |  | 2007            |
| Providing of contracted service to farmers ( 45 contracts up to the year 2006)   | 4               | -Negotiations with donors are in process   |                 |
| Support for the development of an effective counselling service in areas with the highest productive potential in the country.   |                 |  |                 |
| <b>Restructuring of the agricultural research</b>  | 4               |  |                 |
| The consolidation of the ARI which is the product of the first restructuring phase of the four Agricultural Research Institutes; study and programming of the further restructuring phases of the ARI-s; increase of research contribution to the restructuring of the ARI-s, draft of the research policies supported by foreign consultancy. |                 |  |                 |

| Prior actions for 2003   | √ <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|-----------------|---|-----------------|
| <b>Enhancement of fito-sanitary service and plant protection</b>   |                 |   |                 |
| Keeping the plant diseases and plant predators under control   | 2               | -The tendering process is completed but not on time<br>-Delays in the tendering process   | 2004            |
| Product control for the plant and fito-pharmacy protection   | 4               |   |                 |
| Enhancement of inter-institutional cooperation for epidemy prevention  | 4               |   |                 |
| Raising the producers awareness in order to apply integrated protection for the plants and providing support for the initiatives on the organic chemistry.   | 4               |   |                 |
| <b>Continuation and extension of projects for the improvement of the veterinary and animal health protection.</b>  |                 |   |                 |
| Keeping under control the zoo-notic diseases through cooperation with the Ministry of Health and reduction of infection among animals and people.  | 4               |   |                 |
| Taking measures for the signalling and prevention of the List A and other diseases   | 4               |   |                 |
| Better use of the human and financial resources in the veterinary service of all the levels.   | 3               | -The veterinary directorate has requested better staff structures organization<br>-the law and EU directive implementation requires staff completion. | 2004            |
| <b>Consolidation of the zoo-technique service</b>  |                 |   |                 |
| Restructuring of the zootechnic service within the framework of the establishment of Regional Agricultural Directorates.   | 3               | -Regional Directorates are planned to be functioning before 2004<br>-The Regional Directorates are in the configuration process                       | 2004            |
| Encouragement and support for the creation of permanent units for livestock production in specialized farms of the organic production (it began in 2004) and in industrial complexes for the egg and meat production.  | 4               |   |                 |
| Extension of the industrial breeding in cattle with specialized races for meat at a rate of 50% of the cattle population artificially inseminated.   | 4               |   |                 |
| Incentives for the private operators to product and partly to import the animals with high racial values.  | 4               |   |                 |
| Improvement of the feeding technology of animals.  | 4               |   |                 |
| Financial support on race programs.  | 4               |   |                 |
| <b>Better access to the financial resources and credit</b>   |                 |   |                 |
| More access to financial resources and credit for investment in the priority sectors (mechanization, green houses, fruit-culture vineyards, livestock complexes, processing lines, etc) mainly through the extension of schemes as FKK/FKK of the (FFR) and those of MAFF and extension of the other financial undertakings in competitive grants or the 2KR project in the rural zones. | 4               |   |                 |
| Development of credit unions through the creation of the Save and Credit Associations (with the support of FFR, MAFF, and other actors);   | 4               |   |                 |

| Prior actions for 2003   | √ <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|-----------------|--|-----------------|
| <b>Improvement of the processing technologies</b>  |                 |  |                 |
| Creation of new agro-processing lines through the implementation of the Competitive Grant Program (the Project PSHB) and ongoing activity of the Project of Food Production Growth (2KR);  | 4               |  |                 |
| <b>Analysis of the vineyard and wines production situation and the drafting of supportive policies for their trading</b>   |                 |  |                 |
| Evaluation on mid-term and long-term development of the sector of the wine production  | 4               |  |                 |
| <b>Analysis of the situation of milk production and drafting of supportive policies for production improvement, specifically the milk marketing.</b>   |                 |  |                 |
| Completion and approval of parts of the Albanian Food Code regarding milk and its by-products, nutritive oil and the canned food.  | 4               |  |                 |
| Completion of the legal framework "On milk collection, processing and trading and of the byproducts" in accordance with the sector development policies, according to the Food Code and EU Directives.   | 3               | -A working group is set up and is cooperating with foreign experts from Land O'Lakes.<br>-The implementation scope of the law has been extended by introducing the milk production | 2004            |
| <b>Evaluation of mid-term and long-term development of some sectors</b>  |                 |  |                 |
| Drafting of the fiscal incentive schemes for supporting domestic food production and evaluation of mid-term and long-term development tendencies of the canned fruit and vegetables.   | 4               |  |                 |
| <b>Creation of wholesale markets in Shkoder, Lushnje, Vlore and Korce (Project of Agricultural Services)</b>   |                 |  |                 |
| Completion of works in the wholesale market of agricultural products in Lushnja district.  | 4               |  |                 |
| Ongoing construction of the wholesale market in Korca District   | 4               |  |                 |
| <b>Creation of pilot centers for collection, storage and marketing of products in some rural zones</b>   |                 |  |                 |
| Completion of two rural markets in Korca District (Pojan, Devoll)  | 4               |  |                 |
| <b>Better functioning and management of product markets</b>  |                 |  |                 |
| Strengthening of collection and information dissemination process. Training and technical assistance in quality improvement, labelling, packaging and marketing of the agro-food products. The marketing strategy of the fresh and processed fruit and vegetables. | 4               | Recruitment of qualified staff for the management of wholesale market in Lushnja. Draft of act-agreements  |                 |
| <b>Incentive to agro-food exports in the framework of implementation of the FTA in the region and wider</b>  |                 |  |                 |
| Information on markets and prices of member countries FTA. Publication through the written and electronic media of the periodic results for FTA implementation. Free Trade Agreement signing with countries of the region  | 4               |  |                 |
| <b>Completion of the legislation on products market conditions</b>   |                 |  |                 |

| Prior actions for 2003   | √ <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls | New<br>Deadline |
|--|-----------------|--|-----------------|
| Completion of legislation on food control  | 4               |  |                 |
| <b>Harmonization of legislation on food products with the EU legislation</b>   |                 |  |                 |
| CMD on "Use of additives in food products"   | 4               |  |                 |
| Approving legislation on milk and its byproducts, nutritive oil and canned food  | 4               |  |                 |
| <b>Improvement of control standards on product quality</b>   |                 |  |                 |
| Approval of the technical rules for food production  | 4               |  |                 |
| <b>Strengthening of inspectorates activity in the framework of the DRBU</b>  |                 |  |                 |
| Creation of the Department on Faked Products Analysis at the IKU, SHIU control strengthening on producers and on quality of imported food. Providing equipment. Draft policies regarding the falsification of food products and their labelling  | 4               |  |                 |
| <b>Enhancement of the laboratory network for food products analysis</b>  |                 |  |                 |
| Technical assistance for regional laboratories for food control in Shkoder, Vlore, Durres, Gjirokastr. Standardization of food control laboratories. Training of different levels staff engaged in food control laboratories. Enhancement of check-points of veterinary, fito-sanitary and food quality control. Better cooperation with counterpart institutions and the Consumers' Associations. | 4               |  |                 |
| <b>Drafting and implementation of specific supporting policies for fishing</b>   |                 |  |                 |
| Incentives for using sea space by the private sector increasing the number of licenced companies   | 4               |  |                 |
| Implementation of law on fuel differentiation. Draft of CMD on the quantities for each port.   | 4               |  |                 |
| Efforts on the creation of Fisherman Associations in order to undertake fish resources management.   | 4               |  |                 |
| <b>Rehabilitation of fishing ports</b>   |                 |  |                 |
| Completion of fishing port rehabilitation in Vlore and Sarande   | 4               |  |                 |
| Review of the legal framework in accordance with the actual conditions of the fishing sector.  | 4               |  |                 |
| <b>Efforts for re-starting fish production activities in the existing reservoirs ;</b>   |                 |  |                 |
| Implementation of strategies aimed at use of water-collectors for fishing, repopulation and fish-beds.   | 4               |  |                 |
| <b>Setting up the pilot schemes of aqua-culture in fresh waters until 2003</b>   |                 |  |                 |
| Efforts on exporting bi-valve molluscs and living fish   | 4               |  |                 |

| Prior actions for 2003  | √ <sup>33</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|-----------------|--|-----------------|
| <b>Restructuring of Forest Service</b>  |                 |  |                 |
| Restructuring of the DPPK, Forest Police Sections in the districts. Setting up of Regional Directorates of Forests and Pastures and Pilot Regional Directorates of Elbasan. Decentralization of competencies and division of functions into managing functions and regulating functions. Capacity growth of the interministerial Task Force for the prevention and control of the informal cutting. | 4               |  | 2004            |
| <b>Amendment to the laws on forests and pasture</b>   |                 |  |                 |
| Review and improvement of law " On Forests and Forest Service Police " , No 7623, date 13. 10. 1992   | 3               | -The institutional reform has been already finalized and the strategy of forests and pasture has been reviewed.  | 2004            |
| Amendment of laws "On fauna and hunting" , "On the income account of the DPPK" , "On administrative sanctions" , "On administrative sanctions"  | 4               | -The draft law is being prepared for amendment and it will be presented at the Parliament in June 2004. Due to the entire process of the Institutional Reform and the review of the Forest and Pasture Strategy this Draft law was postponed for review after the finalization of the above. |                 |
| Forest and pasture protection   | 4               |  |                 |
| Bringing forests to municipality jurisdiction. Rehabilitation of the downgraded forests and their protection. Drafting of programs for forest, pasture and protected area enlargement, specifically for the PK Dajt. New processes of protected area administration, mainly at national parks.  | 4               | Completing transfer of 50 thousand ha forests to the municipality jurisdiction. Study ECONET on the enlargement of the surface of the protected areas in 15 territories of the country.  |                 |
| <b>Land protection from erosion and flood prevention</b>  |                 |  |                 |
| Activity of re-foresting  | 4               | Construction of mountain barriers. Enhancement of the interinstitutional cooperation with the MD,MLGD,MO etc.  |                 |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | <sup>34</sup> √ | Responsible institution                            | Budget <sup>35</sup> | Cards <sup>36</sup> | Others <sup>37</sup> |
|--|-----------------|--|----------------------|---------------------|----------------------|
| <b>Sustain agricultural, livestock, agro-food and fishing production. /Land marketing development and property consolidation</b>   |                 |  |                      |                     |                      |
| Land administration consolidation in all districts   | 1               | MAF, PSHB, SRPP                                    | 8                    |                     |                      |
| Ongoing agricultural land registration and other stock property in rural areas.  | 1               | MAF, SRPP  | 42.5                 |                     | 81                   |
| Creation of the land information system  | 1               | IT   |                      |                     |                      |
| <b>Rehabilitation and management of irrigation and draining systems and flood protection</b>                                       |                 |  |                      |                     |                      |
| Investments for water and drainage rehabilitation  | 1               | MAF, BB, BIZH,                                     | 2022                 |                     | 1216                 |
| Investments by state budget for the improvement of the irrigation surface of 5500 ha   | 1               | MAF  | 182                  |                     | 450                  |
| Irrigation and drainage project for the improvement of the irrigation surface of 14500 ha.   | 1               | , MAF Irrigation Project                           | 228                  |                     | 216                  |
| MADA Program. Beginning of rehabilitation of the small irrigation schemes of approximately 1000 ha                                 | 1               | AZHVM  | 40                   |                     |                      |
| Investment by state budget for the improvement of the irrigation surface of 13500 ha.  | 1               |  | 115                  |                     |                      |
| Allocation of state budget for the year 2004 for Water Directorates and Drainage Boards.   | 1               |  |                      |                     |                      |
| The irrigation and drainage project, beginning of irrigation plant rehabilitation with 2 million Euro of Italian credit            | 1               | , MAF Project                                      | 40                   | 250                 |                      |
| Study on the physical situation of the irrigation and drainage system including the assets of the former 35 Directorates included. | 1               | , MAF Land Institute                               | 10                   |                     |                      |
| Establishment of two Drainage Boards   | 1               |  | 20                   |                     |                      |
| <b>Incentives for mechanization and introduction of new technologies. Improvement of input qualities.</b>                          |                 |  |                      |                     |                      |
| Ongoing investments for technology improvement in agricultural mechanization and the seed sector                                   | 2               | MAF PSHB, 2KR, ESHFF, IKB, different associations  | 290                  | 800                 |                      |
| Greater mechanization in green houses through production cost reduction (differentiation of fuel price)                            | 2               | ,MAF PSHB, 2KR, ESHFF, IKB, different associations | 28.5                 |                     |                      |
| <b>Increase of production, improvement of early or late vegetable cultivation index</b>  |                 |  |                      |                     |                      |
| Study of suitable zones and microzones for the enlargement of the green house surface.   | 1               | MAF IP Tirane, PSHB,                               | 6                    |                     |                      |
| Introduction of new technologies for vegetable cultivation in green houses   | 1               | MAF PSHB, IP Tirane                                | 5                    |                     | 1                    |

<sup>34</sup> Prioritization coefficient.

<sup>35</sup> Funds of the Government's budget in millions of Lek

<sup>36</sup> Funds of the projec CARDS in EURO

<sup>37</sup> Other approved investments

| <b>Objectives/ Public Priority Actions</b>   | <b>√<sup>34</sup></b> | <b>Responsible institution</b>    | <b>Budget<sup>35</sup></b> | <b>Cards<sup>36</sup></b> | <b>Others<sup>37</sup></b> |
|--|-----------------------|-----------------------------------|----------------------------|---------------------------|----------------------------|
| <b>Enlargement of fruit trees planted surface</b>  |                       |                                   |                            |                           |                            |
| Study and definition of the potential regions and micro-regions for fruit-trees planting   | 1                     | MAF, IP Vlore, PSHB               | 10                         |                           |                            |
| Support for new technology introduction for fruit trees planting and cultivation   | 1                     | MAF, IP Vlore, PSHB               | 16                         |                           |                            |
| <b>Organization of Vineyard and Wine Cadaster.</b>   |                       |                                   |                            |                           |                            |
| Definition of the administrative structures at the regional DBU  | 1                     | MAF                               | 50                         |                           |                            |
| Pilot project for the office of cadaster for vineyards and wine in Tirana  | 1                     | MAF                               |                            |                           |                            |
| Establishment and organization of the central and regional offices.  | 1                     | MAF                               |                            |                           |                            |
| <b>Further steps for the implementation of racial programs in the livestock</b>  |                       |                                   |                            |                           |                            |
| Creation off here race herds for livestock race material production.   | 2                     | MAF, IKZ, NGO, Private operators  |                            |                           | 10                         |
| Creation of 20 new centers IA with cattle, sheeps and pigs.  | 2                     | MAF                               | 5                          |                           |                            |
| Creation of the database for about 1000 jersey cows identified as pure-race cows, as for Hostein.  | 2                     | MAF, IKZ                          | 3                          |                           | 5                          |
| Creation of the Genealogy Book on Jersey Cows  | 2                     | MAF, IKZ                          |                            |                           |                            |
| The Law "On Livestock Reproduction"  | 2                     | MAF, IKZ                          |                            |                           |                            |
| Staff training at race centers and of 30 specialists at IA   | 2                     | MAF, IKZ                          |                            |                           |                            |
| <b>Mixed food production growth for livestock and qualitative control</b>  |                       |                                   |                            |                           |                            |
| Extension and improvement of livestock food processing industry  | 2                     | MAF, IKZ, Private operators, NGO, |                            |                           |                            |
| Organization of food trading network   | 2                     | NGO MAF, IKZ, Private operators,  |                            |                           |                            |
| Completion of the regional laboratory network of animal food analysis.   | 2                     | MAF, IKZ, Private operators, NGO, | 8                          |                           |                            |
| Incentives for creating food producers associations.   | 2                     | NGO MAF, IKZ, Private operators,  |                            |                           |                            |
| Raising farmers' associations awareness for industrial food quality and safety   | 2                     | MAF, IKZ, Private operators, NGO  |                            |                           |                            |
| Unification of the food evaluation system  | 2                     |                                   |                            |                           |                            |
| <b>Development of farms and industrial centers for livestock production</b>  |                       |                                   |                            |                           |                            |
| Support for the creation of stable units on livestock production with specialized farms and industrial complexes for egg and meat production | 2                     | MAF, IKZ,                         | 4                          |                           |                            |
| Distribution of over 100 thousands dozens of biological material of meat races   | 2                     | MAF, IKZ                          |                            |                           |                            |

| <b>Objectives/ Public Priority Actions</b>   | <b>√<sup>34</sup></b> | <b>Responsible institution</b>                 | <b>Budget<sup>35</sup></b> | <b>Cards<sup>36</sup></b> | <b>Others<sup>37</sup></b> |
|--|-----------------------|--|----------------------------|---------------------------|----------------------------|
| <b>Conservation of the autochthon genetic resources in livestock</b>   |                       |  |                            |                           |                            |
| Keeping under control farms that reproduce animals of autochthon races   | 2                     | MAF, IKZ,                                      |                            |                           |                            |
| <b>Restructuring of the research institutes</b>  |                       |  |                            |                           |                            |
| Implementation program of institute restructuring process, with technical assistance of the World Bank   | 2                     | MAF, Res. Inst.                                | 194                        |                           |                            |
| <b>Identification, testing and introduction of new methods and materials for safe agricultural production from the environmental point of view.</b>  |                       |  |                            |                           |                            |
| Approval of research projects by the Project Review and Approval Commission  | 2                     | MAF, Commission on project review and approval | 4                          |                           |                            |
| <b>Research Project Monitoring and their impact on the country agricultural development</b>  |                       |  |                            |                           |                            |
| Reporting of the institutions by their analyses departments and scientific councils  | 2                     | MAF, Res. Inst., MES                           |                            |                           |                            |
| Implementation of procedures on drafting, evaluation, acceptance, project monitoring in the framework of the National Program "Agriculture and Food" | 2                     | MAF, research institutes, MES                  |                            |                           |                            |
| Drafting of brochures, organization of seminars, publications and other activities to increase scientific research impact on farmers' community.     | 2                     | MAF, research institutes, MES                  |                            |                           |                            |
| <b>Integration in a regional network of agricultural research of the different projects developed in our country</b>                                 |                       |  |                            |                           |                            |
| Monitoring of the cooperation projects developed by Research Institutes and the Science Directorates   | 2                     | MAF  |                            |                           |                            |
| Further involvement of the research institutes in projects financed by donors.   | 2                     | MAF  |                            |                           |                            |
| Membership in international organizations  | 2                     | , MAF  |                            |                           |                            |
| <b>Supporting the big private farms extension</b>  |                       |  |                            |                           |                            |
| Providing ongoing financial support for the agricultural counselling regional centers in Durres and Fier   | 2                     | MAF  | 24                         |                           |                            |
| Efforts for creation of two new regional Centers in Korca and Shkodra  | 2                     | MAF  |                            |                           |                            |
| <b>Information Centers throughout the country</b>  |                       |  |                            |                           |                            |
| Creation of about 100 Information Centers up to the end of 2004  | 2                     | MAF, Projects                                  |                            |                           |                            |
| <b>Providing specific services on contractual basis for the middle farmers</b>   |                       |  |                            |                           |                            |
| Tendering process 10 service contracts a year.   | 2                     | MAF  |                            |                           |                            |
| <b>Providing Services on a contractual basis to farmers in the mountainous areas through the Development Agencies of the Mountainous Areas.</b>      |                       |  |                            |                           |                            |
| Support for the development of mountainous areas   | 2                     | MAF, AZhZM                                     |                            |                           |                            |
| <b>Research activities for new technologies</b>  |                       |  |                            |                           |                            |



| Objectives/ Public Priority Actions  | √ <sup>34</sup> | Responsible institution           | Budget <sup>35</sup> | Cards <sup>36</sup> | Others <sup>37</sup> |
|--|-----------------|-----------------------------------|----------------------|---------------------|----------------------|
| Realization of 20 research projects in the farms.  | 2               | MAF, Res. Inst., UB, PSHB, AZhZM, | 4                    |                     |                      |
| <b>Training for agriculture specialists and farmers</b>  |                 |                                   |                      |                     |                      |
| Organization of 150 training days per year for all specialists.  | 2               | MAF, UB, MES                      | 2.5                  |                     |                      |
| Involvement of the agricultural high schools in the farmers' training program (40 days of training per school/ per year)   | 2               | MAF, UB MES                       |                      |                     |                      |
| <b>Increase of the livestock and agricultural product processing rate</b>  |                 |                                   |                      |                     |                      |
| Support for processing technology improvement  | 2               | MAF, PShB, 2KR                    |                      |                     |                      |
| <b>Improvement of important product supporting policies</b>  |                 |                                   |                      |                     |                      |
| Creation of a working group for the implementation of the vineyards and wine strategy                                      | 3               | MAF                               |                      |                     |                      |
| Analysis of the milk situation and its by-products and drafting of supporting policies for the product quality improvement | 3               | MAF                               |                      |                     |                      |
| Implementation of priority measures for fresh and processed fruit and vegetable production and marketing strategy          | 3               | MAF                               |                      |                     |                      |
| <b>Consumer protection and food quality guarantee. / Strengthening controls on the seed and seedling quality.</b>          |                 |                                   |                      |                     |                      |
| Legislation improvement and amendment  | 1               | MAF                               |                      |                     |                      |
| Creation of authorized regional laboratories for official analyses.  | 1               | MAF, PSHB e ESHFF                 | 117                  |                     | 100                  |
| Introduction of ELISA test at the ESHFF Central Laboratory   | 1               | MAF, PSHB e ESHFF                 |                      |                     |                      |
| <b>Support for the production of certified seedlings.</b>  |                 |                                   |                      |                     |                      |
| Creation of genetically and fitosanitary free material through cloning selection for the seedling supply.                  | 1               | MAF, IP Vlore, ESHFF,             |                      |                     |                      |
| Conservation of the fruit-tree germoplasm collection.  | 1               | MAF, IP Vlore, ESHFF              | 28                   |                     |                      |
| <b>Extension of projects for the improvement of the veterinary protection and animal health protection.</b>                |                 |                                   |                      |                     |                      |
| Drafting of joint projects for the zoo-zones with M. SH  | 2               | MAF, MSH, IKV                     |                      |                     |                      |
| Enhancement of the Epidemiology and Informacion Office   | 2               | MAF, IKV                          |                      |                     |                      |
| Improvement of the human and financial resources policies in the veterinary service  | 2               | MAF                               |                      |                     |                      |
| <b>Improvement of the legislation on food control and food quality</b>   |                 |                                   |                      |                     |                      |
| Improvement of legislation on food quality, deadlines and product marketing conditions                                     | 2               | MAF                               |                      |                     |                      |
| Improvement of control standards   | 2               | MAF, IKU, IKV, Ministry of Health | 6                    |                     |                      |
| <b>Enhancement of food quality control</b>   |                 |                                   |                      |                     |                      |

| Objectives/ Public Priority Actions  | √ <sup>34</sup> | Responsible institution         | Budget <sup>35</sup> | Cards <sup>36</sup> | Others <sup>37</sup> |
|--|-----------------|---------------------------------|----------------------|---------------------|----------------------|
| Strengthening of inspectors activity in the framework of DRBU  | 1               | MAF, IKV, Food Institute, M. SH |                      |                     |                      |
| Enhancement of activity against falsification  | 1               | MAF Food Institute              |                      |                     |                      |
| Creation of food products analyses department at IKU   | 1               | MAF, Food Institute             |                      |                     |                      |
| Strengthening of control over SHIU   | 1               | MAF Food Institute              |                      |                     |                      |
| Strengthening of control over producers  | 1               | MAF, Food Institute             |                      |                     |                      |
| Strengthening of imported food quality control   | 1               | MAF, Food Institute             |                      |                     |                      |
| <b>Enhancement of food control infrastructure</b>  |                 |                                 |                      |                     |                      |
| Providing the necessary infrastructure to SHIU in the districts  | 1               | MAF, Food Institute             |                      |                     |                      |
| Structuring of the Food Inspectorates  | 1               | MAF, Food Institute             |                      |                     |                      |
| <b>Strengthening of analysis laboratory network on food products</b>   |                 |                                 |                      |                     |                      |
| Standardization of food control analyses   | 1               | MAF                             |                      |                     |                      |
| Methodology standardization  | 1               | MAF                             |                      |                     |                      |
| Specification of food control laboratories   | 1               | MAF                             |                      |                     |                      |
| Strengthening of the veterinary, fitosanitary, and food control check points   | 1               | MAF, Ministry of Health         |                      |                     |                      |
| Better cooperation with the interested institutions and the Consumers' Associations  | 1               | MAF Institutes, Associations    |                      |                     |                      |
| <b>Improvement of agro-food products marketing / Improvement of trade conditions</b>   |                 |                                 |                      |                     |                      |
| Creation of wholesale markets in Shkoder, Lushnje, Vlore dhe Korce   | 2               | MAF, PSHB                       |                      |                     |                      |
| Structures for information dissemination on markets  | 2               | MAF, GTZ                        |                      |                     |                      |
| Training on agro-products quality improvement, labelling and packaging   | 2               | MAF                             |                      |                     |                      |
| Support for agro-food exporting in the framework of FTA implementation in the region and wider   | 2               | MAF                             |                      |                     |                      |
| <b>Sustainable management of the natural resources/Improvement of fishing management</b>   |                 |                                 |                      |                     |                      |
| Implementation of specific policies regarding input access for supporting fishing activities   | 2               | MAF P. Fishing                  | 2.6                  |                     | 26.6                 |
| Supporting the creation of Fishermen Associations for the management of fishing resources and rehabilitation of the fishing ports in Shengjin and Durres | 2               | MAF,                            | 76                   |                     | 436                  |
| <b>Strengthening activities in aqua-culture</b>  |                 |                                 |                      |                     |                      |
| Supporting the restart of the activity of fish production in the existing reservoirs   | 2               | MAF P. Fishing                  | 37                   |                     |                      |
| Higher rate growth of repopulation with mullet fish-beds by making efficient Lini economy  | 2               | MAF, P. Fishing                 |                      |                     |                      |

| Objectives/ Public Priority Actions   | √ <sup>34</sup> | Responsible institution  | Budget <sup>35</sup> | Cards <sup>36</sup> | Others <sup>37</sup> |
|---|-----------------|--------------------------|----------------------|---------------------|----------------------|
| <b>Forest Service Restructuring</b>   |                 |                          |                      |                     |                      |
| Separation of the managing functions from those of regulating and controlling | 2               | MAF, GDFF, MLGD          |                      |                     |                      |
| Competences Decentralization  | 2               | MAF, GDFF, MLGD          |                      |                     |                      |
| <b>Legislation improvement on forests and pastures</b>                        |                 |                          |                      |                     |                      |
| Approval of the new law on forests  | 2               | MAF, MLGD GDFF, ME, M. D |                      |                     |                      |
| Amendments to the law on pasture and meadows                                  | 2               | MAF, MLGD GDFF ME, M. D  |                      |                     |                      |
| Amendments to the law on fauna and hunting                                    | 2               | MAF, MLGD GDFF, ME, M. D |                      |                     |                      |
| Amendments to the law on income administration in forests and pasturew        | 2               | MAF, MLGD GDFF, ME, M.D, |                      |                     |                      |
| Rehabilitation and protection of forests and pastures                         |                 |                          |                      |                     |                      |
| Rehabilitation and protection.of downgraded forests and pastures and their    | 2               | MAF GDFF, ME             |                      |                     |                      |
| Tranfer of competencies on forests to municipalities                          | 2               | MAF GDFF, ME             |                      |                     |                      |
| Protection of land from erosion and flood prevention                          |                 |                          |                      |                     |                      |
| Afforestation of damaged areas and bare surfaces                              | 2               | MAF GDFF, ME             |                      |                     |                      |
| Construction of mountain dams   | 2               | MAF GDFF, ME             |                      |                     |                      |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | <sup>38</sup> | Responsible Institutions                           | Deadline | Budget <sup>39</sup> | CARDS <sup>40</sup> | Others <sup>41</sup> | Y <sup>42</sup> |
|---|---------------|--|----------|----------------------|---------------------|----------------------|-----------------|
| <b>Sustainable growth level for agricultural, livestock, agro-food and fishing production /Development of land market and property rights consolidation</b>             |               |  |          |                      |                     |                      |                 |
| Consolidation of the land administration offices in all districts   | 1             | MAF  | 2004     | 32                   |                     |                      |                 |
| Completion of the agricultural land registration and other stock properties in rural areas.   | 1             | The Project on the Stock Property Registration     | 2005     | 80                   | 149                 |                      | 35              |
| Creation of the Land Information System   | 1             | The Land Institution                               | 2007     | 3                    |                     |                      |                 |
| <b>Rehabilitation and management of the irrigation and drainage system and flood protection</b>   |               |  |          |                      |                     |                      |                 |
| Ongoing investments on Irrigation and Drainage Rehabilitation   | 1             | MAF, WB, AZHZM, BIZH                               | 2007     | 6619                 | 1216                |                      | 2640            |
| Creation of the Drainage Boards   | 1             | MAF  | 2007     | 1486                 |                     |                      |                 |
| Drainage systems management by the Drainage Boards  | 1             | MAF  | 2007     | 20                   |                     |                      |                 |
| <b>Supporting mechanization and introduction of new technologies, improvement of input qualities</b>  |               |  |          |                      |                     |                      |                 |
| Ongoing investments for technology improvement and agricultural sector mechanization in the framework of different projects (2 KR, ASP)                                 | 2             | MAF, PSHB, 2KR, ESHFF, IKB, Different associations | 2007     | 290                  | 800                 |                      | 420             |
| Higher green house mechanization and production through production cost reduction ( fuel price differentiation)   | 2             | MAF, PSHB, 2KR, ESHFF, IKB, Different associations | 2004     | 121                  |                     |                      |                 |
| <b>Plant production growth</b>  |               |  |          |                      |                     |                      |                 |
| Production growth, improvement of the index of early and late vegetable production through increase of green houses surface, improvement of the cultivation technology. | 1             | MAF, IP, Tirane, PSHB,                             | 2007     | 49                   |                     |                      |                 |
| Surface extension with fruit trees, to fulfill domestic market demand and decrease imports  | 1             | MAF, IP, Vlore, PSHB                               | 2007     | 53                   |                     |                      |                 |
| Organization and management of the Cadaster on Vineyards and Wine   | 1             | MAF  | 2007     | 150                  |                     |                      |                 |
| <b>Consolidation of the zoo-technique service</b>   |               |  |          |                      |                     |                      |                 |
| New steps for the implementation of race programs in livestock  | 2             | MAF, IKZ, Associations, Private operators.         | 2007     | 5                    | 10                  |                      | 10              |

<sup>38</sup> Prioritization coefficient

<sup>39</sup> Funds of the Government's budget in millions of Lek

<sup>40</sup> Funds of the projec CARDS in EURO

<sup>41</sup> Other approved investments

<sup>42</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>38</sup> | Responsible Institutions                        | Deadline | Budget <sup>39</sup> | Cards <sup>40</sup> | Others <sup>41</sup> | √ <sup>42</sup> |
|---|-----------------|---|----------|----------------------|---------------------|----------------------|-----------------|
| Mixed food production growth for livestock and quality control.   | 2               | MAF, IKZ, Operatore private, OJQ                | 2007     | 6                    |                     |                      |                 |
| Development of farms and industrial centers for livestock production  | 2               | MAF, IKZ  | 2007     | 45                   |                     |                      |                 |
| Preservation of the autocton genetic resources in livestock   | 2               | MBU IKZ   | 2007     | 13                   |                     |                      |                 |
| Draft projects in livestock   | 2               | MBUIKZ  | 2007     | 27                   |                     |                      |                 |
| <b>Enhancement of research efficiency</b>   |                 |   |          |                      |                     |                      |                 |
| Restructuring of the research institutions  | 2               | MAF, Research Institutions                      | 2007     | 650                  |                     |                      |                 |
| Identification, testing and introduction of new methods for agricultural production, environmentally safe. Market needs oriented research | 2               | MAF, Commission of project review and approval. | 2007     | 5                    |                     |                      |                 |
| Monitoring of research projects and their impact on the agricultural development in our country   | 2               | MAF, Research Institutions, MES                 | 2007     | 244                  |                     |                      |                 |
| Integration in the regional network of agricultural research of projects developed by donors  | 2               | MAF   | 2007     | 12                   |                     |                      |                 |
| <b>Enhancement and extension of agricultural efficiency</b>   |                 |   |          |                      |                     |                      |                 |
| Support for private extension to big farmers  | 2               | MAF   | 2007     | 95                   |                     |                      |                 |
| Information Centers development throughout the country  | 2               | MAF, Projects                                   | 2007     | 6                    |                     |                      |                 |
| Providing services to middle farmers on contractual basis   | 2               | MAF   | 2007     | 13                   |                     |                      |                 |
| Providing services to farmers in mountainous areas on contractual basis through the Agency on the Mountainous Area Development            | 2               | MAF AZhZM                                       | 2007     | 3                    |                     |                      |                 |
| Research activities in farming on contractual basis for the development of the new technologies   | 2               | MAF, Res. Inst., UB, PSHB, AZhZM,               | 2007     | 4                    |                     |                      |                 |
| Training for agriculture specialists and farmers  | 2               | MAF, UB, MES                                    | 2007     | 2                    |                     |                      |                 |
| <b>Growth of agricultural and livestock production rate</b>   |                 |   |          |                      |                     |                      |                 |
| Support the processing technology improvements  | 1               | MAF, PShB, 2KR                                  | 2007     | 26                   |                     |                      |                 |
| Supporting policies on specific and important products  |                 |   |          |                      |                     |                      |                 |
| Implementation of the vineyard and wine strategy  | 3               | MAF   | 2004     |                      |                     |                      |                 |
| Analysis of milk and by-products market situation. Draft of supporting policies for production and marketing improvement                  | 3               | MAF   | 2004     | 20                   |                     |                      |                 |
| Measures for implementation of the strategy on fresh and processed fruit and vegetable marketing  | 3               | MAF   | 2004     | 5                    |                     |                      |                 |
| <b>Consumer protection and food quality provisions/ Enhancement of the fito-sanitary service and plant protection</b>                     |                 |   |          |                      |                     |                      |                 |
| Strengthening of control on seed and seedling quality   | 1               | MAF, PSHB e ESHFF                               | 2007     | 8                    |                     |                      |                 |

| Objectives/ Public Priority Actions   | √ <sup>38</sup> | Responsible Institutions          | Deadline | Budget <sup>39</sup> | Cards <sup>40</sup> | Others <sup>41</sup> | √ <sup>42</sup> |
|---|-----------------|-----------------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| Incentives to product certified seedlings   | 1               | MAF, IP Vlore, ESHFF              | 2007     | 1020                 |                     |                      |                 |
| <b>Continuation and extension of projects for the improvement of veterinary and animal health protection</b>                        |                 |                                   |          |                      |                     |                      |                 |
| Keeping under control zoonotic diseases in cooperation with the Ministry of Health; reduction of infection among animals and people | 2               | MAF, MSH, IKV                     | 2007     | 846                  |                     |                      |                 |
| Measures taken for the prevention of the List A diseases and other diseases.  | 2               | MAF, IKV                          | 2007     | 53                   |                     |                      |                 |
| Better use of human and financial resources in the veterinary activities at all levels  | 2               | MAF                               | 2007     | 140                  |                     |                      |                 |
| <b>Improvement of the control legislation on food quality</b>   |                 |                                   |          |                      |                     |                      |                 |
| Improvement of the legislation on quality, deadlines and trading conditions of all food group-products                              | 2               | MAF                               | 2007     | 8                    |                     |                      |                 |
| Improvement of standards and control on product quality   | 2               | MAF, IKU, IKV, Ministry of Health | 2007     | 7                    |                     |                      |                 |
| <b>Strengthening food quality control</b>   |                 |                                   |          |                      |                     |                      |                 |
| Strengthening of inspectors control activity in the framework of the DRBU   | 1               | MAF                               | 2007     | 34                   |                     |                      |                 |
| Enhancement of analysis laboratory network  | 1               | MAF                               | 2007     | 37                   |                     |                      |                 |
| Strengthening of food control infrastructures   | 1               | MAF, Institute of Food            | 2007     | 9                    |                     |                      |                 |
| Strengthening of veterinary, fitosanitary and food quality control check - points   | 1               | MAF, Ministry of Health           | 2007     | 25                   |                     |                      |                 |
| Improvement of the cooperation with interested Institutions and the Consumers' Associations   | 1               | MAF, Institutes, Associations     | 2007     | 4                    |                     |                      |                 |
| <b>Improvement of the agro-food products marketing / Improvement of trade conditions of agricultural products</b>                   |                 |                                   |          |                      |                     |                      |                 |
| Opening of wholesale markets in Shkoder, Vlore and Korce  | 2               | MAF, PSHB                         | 2007     | 130                  |                     | 432                  |                 |
| Enhancement of structures for information collection and dissemination about market situation                                       | 2               | MAF, GTZ                          | 2007     | 12                   |                     |                      |                 |
| Training and technical assistance on quality improvement, labelling, packaging and marketing of agro-food products                  | 2               | MAF                               | 2007     | 8                    |                     |                      |                 |
| Incentives schemes for agro-food exports in the framework of the regional FTA and wider   | 2               | MAF                               | 2007     | 5                    |                     |                      |                 |
| <b>Sustainable management of natural resources / Improvement of the fishing management</b>  |                 |                                   |          |                      |                     |                      |                 |
| Implementation of specific policies of input access for supporting fishing activities   | 2               | MAF                               | 2006     | 14                   |                     |                      |                 |

| Objectives/ Public Priority Actions  | √ <sup>38</sup> | Responsible Institutions            | Deadline | Budget <sup>39</sup> | Cards <sup>40</sup> | Others <sup>41</sup> | √ <sup>42</sup> |
|--|-----------------|-------------------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| Supporting the creation of Fisherman Associations for the management of fish resources                                 | 2               | MAF, P. Fishing                     | 2007     | 35                   |                     |                      |                 |
| Rehabilitation of fishing ports in order to obtain minimal hygienic conditions and standards of fishing and navigation | 2               | MAF, P., Fishing                    | 2007     | 40                   |                     |                      |                 |
| <b>Activity growth in aqua-culture</b>   |                 |                                     |          |                      |                     |                      |                 |
| Supporting the re-start of fish production activity in the existing reservoirs   | 2               | MAF, P. Fishing                     | 2007     | 144                  |                     |                      |                 |
| Higher growth rate population with mullet fish-beds by putting into efficiency the Lini economy                        | 2               | MAF, P., Fishing                    | 2007     | 7                    |                     |                      |                 |
| Amendments to fishing regulations  | 2               | MAF                                 | 2007     |                      |                     |                      |                 |
| Improvement of control and management structures for pasture and forest  |                 |                                     |          |                      |                     |                      |                 |
| Restructuring of the Forest Service  | 2               | MAF, GDFF MLGD                      | 2007     | 1000                 |                     |                      |                 |
| Improvement of the forest and pasture legislation  | 2               | MAF, MLGD GDFF, ME, Min. Of Justice | 2007     | 136                  |                     |                      |                 |
| Forest and pasture rehabilitation and protection   | 2               | MAF, GDFF, ME                       | 2007     | 1500                 |                     |                      |                 |
| Land protection from erosion and flood prevention  | 2               | MAF, ME                             | 2007     | 630                  |                     |                      |                 |

## Monitoring Indicators

| Indicators   | Viti baze 2000 | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|--|----------------|---------|---------|---------|---------|---------|---------|---------|
| Total agricultural production (Annual growth in %)                       |                | 2. 3    | 3. 9    | 4. 1    | 4       | 4. 2    | 4. 3    | 4. 4    |
| Agricultural production  |                | 1. 4    | 2. 3    | 2. 8    | 2. 8    | 3       | 3       | 3       |
| Plant Production   |                | -0. 3   | 1. 4    | 1. 1    | 1. 5    | 2       | 2. 5    | 2. 5    |
| Livestock Production   |                | 3. 5    | 3. 3    | 4. 8    | 4. 3    | 4. 1    | 3. 6    | 3. 6    |
| Agro-industry Production   |                | 7. 8    | 13. 1   | 11. 2   | 10      | 10      | 10      | 10      |
| Fishing Production   |                | 4       | 18. 8   | 1. 9    | 4       | 4       | 4       | 5       |
| Irrigation Surface(ha)   | 203590         | 196282  | 198011  | 216011  | 236000  | 256000  | 276000  | 296000  |
| Mechanization level (Nr. of tractors & automatic agricultural machinery) | 8510           | 8404    | 8406    | 8481    | 8500    | 9000    | 10000   | 10100   |
| Quantity of chemical fertilizer used as inputs (in tons)                 | 117900         | 113400  | 184126  | 185000  | 200000  | 220000  | 250000  | 250000  |
| Quantity of pesticide used as inputs (in tons)                           | 110            | 98      | 106     | 95      | 100     | 110     | 130     | 130     |
| Quantity of guarantee certificates seedlings                             | 300            | 330     | 420     | 500     | 520     | 550     | 600     | 650     |
| Green houses (in ha)   | 462            | 478     | 524     | 553     | 590     | 620     | 660     | 700     |
| Fruit trees and citrus Trees (in ha)                                     | 29000          | 29900   | 31350   | 32000   | 32400   | 32600   | 32800   | 33300   |
| Vineyards (ha)   | 5824           | 6275    | 6700    | 7000    | 7300    | 7600    | 8000    | 8400    |
| Olives (ha)  | 36000          | 36700   | 37500   | 38000   | 38800   | 39500   | 40000   | 40500   |
| Number of livestock farms (>5 cows)                                      | 584            | 722     | 850     | 901     | 955     | 1012    | 1072    | 1136    |
| Number of inseminated cows (%)   | 20             | 27      | 38      | 40      | 45      | 50      | 50      | 55      |
| Number of cows examined for tuberculosis                                 | 232603         | 220000  | 174585  | 66000   | 200000  | 200000  | 200000  | 100000  |
| Number of cows examined for Anthrax                                      | 1488000        | 964500  | 1020608 | 1281000 | 500000  | 500000  | 300000  | 100000  |
| Number of cows vaccinated against Anthrax                                | 1785085        | 1584000 | 1650529 | 870000  | 1000000 | 1000000 | 1000000 | 1000000 |
| Number of cows vaccinated against Brucellosis                            | -              | 1584000 | 1650000 | 100000  | 1000000 | 1000000 | 1000000 | 1000000 |
| Investment in agroindustry (in lek)                                      | 897962         | 1020532 | 1012444 | 2092600 | 1500000 | 1700000 | 1900000 | 2100000 |
| Number of analyses in the Food Control Analyses                          | 32117          | 33237   | 35094   | 36570   | 38070   | 39550   | 40750   | 42100   |
| Number of the functional information centers                             | -              | 32      | 50      | 80      | 100     | 100     | 100     | 100     |
| Number of licenses for reservoir utilization                             | 68             | 80      | 106     | 117     | 120     | 170     | 190     | 200     |
| Forestry (in ha)   | 220            | 342     | 123     | 265     | 270     | 300     | 300     | 300     |



## MINISTRY OF JUSTICE

**Improvement of the legal and institutional framework:** Infrastructure of Heavy Crime Court was founded to rehabilitate the juridical infrastructure and to set up and maintain of the informatics infrastructure in both levels of courts. Ministry of Justice and both levels of the courts are connected through informatics network. The institutional management capacities were strengthened and court issues were automated. Statistical information exchange was computerized. An assessment on judicial infrastructure, current staff skills and needs was made. An assessment for the implementation of the projects in the pilot courts was made

During 2003 was took a legal initiative, on electronic management court issues, which defines clear rules for the managing functions in the courts. An assessment of the current manual system and identification of further steps that would enable transfer into electronic system was made. Controls in courts of Kukes Shkoder Korce Pogradec Sarande, Gjirokaster districts and in the Court of Appeal Durres were strengthened. Controls took place in Courts of Durres, Vlore and Fier specifically on penal issues as: illicit trafficking. The Directorate of Inspection from the Ministry of Justice has also controlled the legality of the prosecutors' activity in Durres, Vlore, Kurbin, Gjirokaster, and Sarande, specilay for cases to which was completed investigations and procedures was not started. While it is concluded that the judiciary independence has marked progress, although not yet in the required

level, it is assessed that this independence, has not been associated proportionally with the performance growth and system fairness.

**Improvements in legislation and rules implementation including their publication:** Institutional Enhancement for every level and for every court (specifically in the high levels such as the Supreme Court, Supreme Council of Justice, and its inspectoriat, the courts of appeal. Increase capacity building through training and increased role of the magistrate school. Improvement on the conditions and means at the judiciary disposal were made. A slight reduction of the appeal level is noticed as viewed at the court statistics as compared to the previous years. Whereas the most evident effect is the rate reduction of the refusal and/or cancellation of the verdicts from the courts of appeal by the Supreme Court meanwhile, the rate of District Court case refusal by the Courts of appeal has not reduced.

**Notary and Advocacy Service:** Reorganization of the executive system. Three training activities have been undertaken and new and more qualitative staff recruitment is on the way. There is control enhancement, procedures have being clarified and uniformed and a more efficient cooperation with the state structures is ensured. As a consequence, the rate of the execution of the judiciary decisions by the executive offices, has reached 50% of cases compared to the 15-20% cases of the year 2001, before starting the reform.

## Matrix 2003-Annual Review

| Prior actions for 2003  | <sup>43</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|---------------|---|-----------------|
| 4 <sup>th</sup> Program of the cooperation EU -Albania  | 2             | -Anticipation of contract   | 2004            |
| Matesterplan of the infrastructure at the Judiciary System  | 2             | -Anticipation of contract   | 2004            |
| Project implementation for the Korca prison   | 2             | -Provision of construction plot<br>-Lack of funds   | 2004            |
| Construction of the Prison in Fush-Kruje  | 3             | -Provision of construction plot<br>-Finalization of the project implementation  | 2006            |
| Master-plan for detentions  | 3             | -Contract anticipation  | 2004            |
| Supervision of the Prison Fushe-Kruje   | 1             | -Provision of the construction plot<br>-Finalization of the project implementation  | 2006            |
| Technical Assistance on Jurisprudence   | 3             | -(Providing of foreign financing<br>-Drafting of Terms of Reference by CE   | 2007            |
| Training CoE  | 3             | Providing of foreign financing<br>-Centralized at KE  | 2007            |
| Construction and supervision of the Korca Prison  | 1             | -Provision of the construction Plot.-Drafting of the project implementation   | 2006            |
| Control enhancement in Courts upon judgement of the penal cases in general and in particular of the penal cases dealing with illegal trafficking and control of sentence policy against the authors of these penalties  | 4             | - Control has been undertaken in the Courts of Districts of Sarande, Gjirokaster, Elbasan, Vlore, Shkoder, Korce, Pogradec, Kukes |                 |
| Prosecutors' activity control on the activity of the Prosecutors on investigation of the cases that have concluded the preliminary investigation and the non-start of the procedures in order to fight against bureaucracy and violation of the subjects'rights in the penal process. | 4             | -Control has been undertaken in the Prosecution Offices of the districts Sarande, Gjirokaster, Vlore, Kurbin, Durres.             |                 |
| Enhancement and further improvement of the judicial inspection structures by restructuring the Inspection Directorate with the necessary framework in order to avoid legal violations in judging penal cases as well as elimination of bureaucracy while handling them.               | 4             |   |                 |
| Transfer of the stock property registration system onto the dependence of the Ministry of Justice, improvement of this system, analysis of the development and fields for further reform in this activity, undertaking of relevant legal and institutional initiatives.               | 3             | -Under process  | 2004            |
| Establishment and functioning of Heavy Crimes Court   | 4             |   |                 |

<sup>43</sup> Level of completion per criteria

| Prior actions for 2003   | √ <sup>43</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|-----------------|---|-----------------|
| Reorganization of the advocacy service in compliance with the constitutional and international standards, professional reorganization of the advocates and reports within the Ministry of Justice.   | 4               |   |                 |
| Adaptation of the legal provisions with the Constitution requirements and anticipation of the provisions in order to reflect identified oversights while exercising the notary public profession.  | 4               |   |                 |
| Improvement and consolidation of the activity fields, organization and functioning of the Ministry of Justice.   | 4               |   |                 |
| Increase the efficiency the Magistrate School in order to organize training of judges and prosecutors.   | 4               |   |                 |
| Measure's enhancement for preventing and fighting against criminality phenomena (Code and area of the relevant Legislation)  | 3               | - The system for protection of witnesses endangered by the criminal structures started to operate.  | 2004            |
| Improvement and consolidation of the penal, material and procedure legal provisions as well as functioning and organizational mechanisms of the relevant structures in the field of prevention and fight against money laundering.                     | 4               |   |                 |
| Further reformation of the judicial system especially in regard to the real stabilization of the career, judges' professional level growth and improvement of the organizational and functioning manner of this system.                                | 1               | -Lack of funds  | 2004            |
| Further improvement of the organization and functioning of all links of the Prosecution system, of the managing post status and competencies etc.  | 4               |   |                 |
| Preparation of the first legal package which foresees the improvement of the system on rules for the trade associations in particular and for exercising trade activity, considering even the reproachment of the legislation with European Union one. | 2               | It is foreseen in the legislative plan of the Ministry of Justice for the year 2004   | 2004            |
| Achievements in the field of legislation approach with the Constitution and the International Standards, etc. Concrete normatives which will enable the conversion of the unjust imprisonment time with money reimbursement.                           | 2               | -It is foreseen in the legislative plan of the Ministry of Justice for the year 2004<br>-Lack of organization   | 2004            |
| Improvement of the activity, organization and functioning efficiency of the Official Publication Center  | 2               | -Cooperation has taken place with the Ministry of Economy on new milieu.<br>-Lack of milieu   | 2005            |
| Provision of qualified ideas on the compliance of the normative draft-acts of the Ministries and Central Institutions with the legislation in force  | 4               |   |                 |
| Signing of bilateral agreements in the penal, civil and administrative field aiming at procedure facilitation.   | 4               |   |                 |
| Extension of prison system capacities through operation of the new reformatories or improvement of the existing ones.  | 3               | - the capacities of the Peqini, Rrogozhine, Lezhe prisons have been extended. The draft decision for the increase of the staff number has been prepared.<br>-Shortage of staff and funds. | 2004            |
| Preparation, approval, and implementation of the normative acts for completing the transfer of pre-detention system under the dependence of the Ministry of Justice.   | 3               | -Transfer is continuing, funds have been obtained<br>-Problems dealing with the transfer of the logistics base.   | 2004            |

| <b>Prior actions for 2003</b>                        | <b>√<sup>4.3</sup></b> | <b>Implementation measures<br/>-Reasons for implementation shortfalls</b>  | <b>New<br/>Deadline</b> |
|--|------------------------|--|-------------------------|
| Measures on the enhancement of the executive organs. | 2                      | <ul style="list-style-type: none"> <li>- Tendering is under process.</li> <li>- The project is continuing (Project Implementation Unit-PIU)</li> </ul> | 2005                    |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | √ <sup>44</sup> | Responsible institution | Budget <sup>45</sup> | Cards <sup>46</sup> | Others <sup>47</sup> |
|--|-----------------|-------------------------|----------------------|---------------------|----------------------|
| <b>Prison system/ improvement of prisoners' conditions</b>   |                 |                         |                      |                     |                      |
| Masterplan of Pre-detention  | 1               | Ministry of Justice     |                      | 400,000             |                      |
| <b>Judiciary System/ Improvement of the judiciary system</b>   |                 |                         |                      |                     |                      |
| Training at the Judiciary. COE   | 1               | Magistrate School       |                      | 1,000,000           |                      |
| Masterplan of the Judicial Infrastructure  | 2               | Ministry of Justice     |                      | 700,000             |                      |
| Legislation/ Improvement of the penal legislation  |                 |                         |                      |                     |                      |
| Draftlaw against terrorism financing   | 2               | MoJ                     |                      |                     |                      |
| Draftlaw on the rat of the additional protocol of the Convention on combatting terrorism   | 2               | MoJ                     |                      |                     |                      |
| Draft-law on annexes and amendments in the Penal Code Corruption, witnesses protection, article 134 etc  | 2               | MoJ                     |                      |                     |                      |
| Draft-law on additions and amendments in the Penal Procedure Code: Corruption, Heavy Crimes Court's competence area (article 75(a), special investigation means, etc   | 2               | MoJ                     |                      |                     |                      |
| Draft-law on some amendments in the law on the ratification of the Penal European Convention on Corruption (release of some reserves, declaration of the central authority of the convention)  | 2               | MoJ                     |                      |                     |                      |
| Draft-law on the ratification of the additional protocol of the Penal Convention on Corruption   | 2               | MoJ                     |                      |                     |                      |
| Draft-law on the (penal etc) responsibility of the juridical persons involved in corruptive acts.  | 2               | MoJ                     |                      |                     |                      |
| Draft-law on additions and amendments in the Penal Code: organized crime, trafficking (especially human trafficking), extension of sanctions with prison and fine, financial crime, cyber-crime, offence- rumour, terrorism area, EU financial interests , the genetic manipulations etc.                                      | 2               | MoJ                     |                      |                     |                      |
| Draft-law on additions and amendments in the Penal Procedure Code: organized crime, special investigation means, completion and improvement of procedures etc.   | 2               | MoJ                     |                      |                     |                      |
| Draft-laws regarding the use of cameras in public and private places aiming at public security and penal attendance.   | 3               | MoJ, MoPO               |                      |                     |                      |
| Draft-law on judicial and legal international cooperation  | 2               | MoJ                     |                      |                     |                      |
| Legal package on the return of the evidence barrier and sequestering in the administrative area, to confiscation specialized agency.   | 2               | MoJ MoF, M oPO          |                      |                     |                      |
| Legal package on children's justice with amendments and changes in: Penal Code, Penal Procedures Code, Law on judicial power organization and functioning; Law on the Prosecution organization and functioning; Law on Ministry of Justice's organization and functioning; Law on Judicial Police organization and functioning |                 | MoJ                     |                      |                     |                      |

<sup>44</sup> Prioritization coefficient.

<sup>45</sup> Funds of the Government's budget in millions of Lek

<sup>46</sup> Funds of the projec CARDS in EURO

<sup>47</sup> Other approved investments

| <b>Objectives/ Public Priority Actions</b>  | <b>√<sup>44</sup></b> | <b>Responsible institution</b>       | <b>Budget<sup>45</sup></b> | <b>Cards<sup>46</sup></b> | <b>Others<sup>47</sup></b> |
|---|-----------------------|--------------------------------------|----------------------------|---------------------------|----------------------------|
| Draft- law on unjust imprisonment compensation  | 3                     | MoJ                                  |                            |                           |                            |
| Draft- law against bureaucracy in the judicial and investigation process                                  | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on pardoning and amnesty  | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification n of the UNO Convention. On corruption                                      | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification of data protection Convention   | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification of the Convention for Compensation of the violent crimes victims            | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification of the 12 <sup>th</sup> Protocol of the European Convention on Human Rights | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification of the 13 <sup>th</sup> Protocol of the European Convention on Human Rights | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on ratification of the additional protocol in the Convention on the cyber-crime                 | 3                     | MoJ                                  |                            |                           |                            |
| Amending draft-law on the trade associations  | 2                     | MoJ                                  |                            |                           |                            |
| Amending draft-law on the trade registration  | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on the abrogation of the first part of Trade Code   | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on the international private rights.  | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on Advisory Commission creation and functioning   | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on additions and amendments to the law on the judicial organization                             | 2                     | MoJ, Supreme Court of Justice (SCJ). |                            |                           |                            |
| Draft-law on Judges' professional evaluation  | 2                     | MoJ, SCJ.                            |                            |                           |                            |
| Draft-law on amendments of Magistrate School's Law  | 3                     | MoJ, SCJ.                            |                            |                           |                            |
| Draft-law on additions and amendments to the law on the Prison Police                                     | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on Sh K B Prisons   | 3                     | MoJ                                  |                            |                           |                            |
| Draft-Instruction on the official translation service' procedures and tariffs                             | 2                     | MoJ                                  |                            |                           |                            |
| Sub-legal draft-acts on Official Publication Center ' functioning   | 3                     | MoJ                                  |                            |                           |                            |
| Sub-legal draft-acts on the transfer of the state property competency (MoDefence, M ofPublicOrder)        | 3                     | MoJ                                  |                            |                           |                            |
| Draft-law on arbitrage.   | 3                     | MoJ                                  |                            |                           |                            |
| Sub-legal draft-acts on the functioning of the Judicial Executive Service                                 | 3                     | MoJ                                  |                            |                           |                            |
| Ministry of Justice' Internal Regulation  | 2                     | MoJ                                  |                            |                           |                            |
| Draft-law on the ratification of the Convention for Contacts with children                                | 3                     | MoJ                                  |                            |                           |                            |
| Draft-manual of the Legislative Technique   | 3                     | MoJ                                  |                            |                           |                            |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √ <sup>48</sup> | Responsible Institutions | Deadline | Budget <sup>49</sup> | Cards <sup>50</sup> | Others <sup>51</sup> | √ <sup>52</sup> |
|---|-----------------|--------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| <b>Prison system/ Improvement of the prisoners' conditions</b>                                |                 |                          |          |                      |                     |                      |                 |
| Masterplan of pre-detention   | 1               | Ministry of Justice      | 2004     |                      | 400,000             |                      |                 |
| The prison Lezhe, the prison Fush-Kruje, the prison Korçe                                     | 1               | Ministry of Justice      | 2006     | 1,700,000            | 8,100,000           |                      | 2,500,000       |
| Pre-detention center construction on prefecture basis   | 1               | Ministry of Justice      | 2007     | 1,000,000            |                     |                      | 1,000,000       |
| <b>The Judicial System, The Improvement of the Judicial System</b>                            |                 |                          |          |                      |                     |                      |                 |
| Training at the Judiciary, COE  | 1               | Magistrate school        | 2004     |                      | 1,000,000           |                      | 1,000,000       |
| Masterplan of the Judicial Infrastructure   | 2               | Ministry of Justice      | 2004     |                      | 700,000             |                      |                 |
| The Heavy Crime Court   | 1               | MoJ                      | 2006     | 500,000              | 5,000,000           |                      |                 |
| Training at the Judiciary   | 1               | Magistrate school        | 2005     |                      | 1,000,000           |                      |                 |
| Appeal Court in Vloza, Korça  | 2               | MoJ                      | 2006     |                      | 3,500,000           |                      |                 |
| Establishment of the Children's Institute   | 2               | MoJ                      | 2007     |                      | 1,000,000           |                      |                 |
| Establishment of the Trade Court  | 2               | MoJ                      | 2007     |                      | 1,500,000           |                      |                 |
| Enhancement of investigating skills   | 2               | Gen. Pros.               | 2007     |                      | 1,500,000           |                      |                 |
| Enhancement of SCJ  | 2               | SCJ                      | 2007     |                      | 900,000             |                      |                 |
| <b>QPZ/ Increasing the QPZ efficiency</b>   |                 |                          |          |                      |                     |                      |                 |
| Support to QPZ  | 1               | QPZ                      | 2007     |                      | 900,000             |                      |                 |
| Rehabilitation of the district courts   | 2               | Ministry of Justice      | 2007     |                      |                     |                      | 8,000,000       |
| <b>Legislation/ Improvement of the penal legislation</b>                                      |                 |                          |          |                      |                     |                      |                 |
| Draft-law against financing of terrorism  | 2               | MoJ                      | 2004     |                      |                     |                      |                 |
| Draft-law on ratification of the additional protocol of the Terrorism Suppression' Convention | 2               | MoJ                      | 2004     |                      |                     |                      |                 |

<sup>48</sup> Prioritization coefficient

<sup>49</sup> Funds of the Government's budget in millions of Lek

<sup>50</sup> Funds of the projec CARDS in EURO

<sup>51</sup> Other approved investments

<sup>52</sup> Financing required

| Objectives/ Public Priority Actions  | √ <sup>48</sup> | Responsible Institutions   | Deadline | Budget <sup>49</sup> | Cards <sup>50</sup> | Others <sup>51</sup> | √ <sup>52</sup> |
|--|-----------------|--|----------|----------------------|---------------------|----------------------|-----------------|
| Draft-law on amendments and changes to the Penal Code : Corruption, witnesses protection, article 134 etc  | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on additions and amendments to the Penal Procedures Code: Corruption, Heavy Crime Court' competence area (article 75(a), special investigation means, etc.   | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on some amendments to the law on the ratification of the Penal European Convention on Corruption (release of some reserves, declaration of the central authority of the convention)  | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on the ratification of the additional protocol of the Penal Convention on Corruption   | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on responsibility (penal etc.) of the juridical persons involved in corruptive activity.   | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on additions and amendments to the Penal Code on: organized crime, trafficking, (especially human trafficking), extension of sanctions with prison and fine, financial crime, cyber-crime, offence/tumor, terrorism field, EU financial interests, genetical manipulations, etc. | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on additions and amendments to the Code of Penal Procedure: organized crime, special investigation means, completion and improvement of procedures etc.  | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on the use of cameras in public and private places for public security and penal attendance aim.   | 3               | MoJ, in coordination with the Ministry of the Public Order                     | 2004     |                      |                     |                      |                 |
| Draft-law on legal and judicial international cooperation.   | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Legal package on return of the evidence barrier and sequestering in the administrative area, to specialized confiscations agency etc   | 2               | MoJ in coordination with the Ministry of Finance and Ministry of Public Order. | 2004     |                      |                     |                      |                 |
| <b>Legal Package on Children' Justice with additions and changes in:</b>   |                 |  |          |                      |                     |                      |                 |
| Penal Code: Penal Procedures Code: Law on judicial power' organization and functioning; Law on the Prosecution' organization and functioning; Law on Ministry of Justice's organization and functioning; Law on Judicial Police' organization and functioning                              |                 | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on unjust imprisonment' compensation   | 3               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law against bureaucracy in the investigation and court process   | 3               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on pardoning and amnesty   | 3               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on the ratification of the Corruption UNO Convention   | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on the ratification of the Data Protection Convention  | 2               | MoJ  | 2004     |                      |                     |                      |                 |
| Draft-law on the ratification of the Convention on compensation of heavy crimes' victims   | 3               | MoJ  | 2004     |                      |                     |                      |                 |



| <b>Objectives/ Public Priority Actions</b>   | <b>√<sup>48</sup></b> | <b>Responsible Institutions</b>                                  | <b>Deadline</b> | <b>Budget<sup>49</sup></b> | <b>Cards<sup>50</sup></b> | <b>Others<sup>51</sup></b> | <b>√<sup>52</sup></b> |
|--|-----------------------|--|-----------------|----------------------------|---------------------------|----------------------------|-----------------------|
| Draft-law on ratification of the 12 <sup>th</sup> Protocol of the European Convention on Human Rights    | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on ratification of the 13 <sup>th</sup> Protocol of the European Convention on Human Rights.   | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on ratification of the additional protocol in the cibernetetic crime' Convention               | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Amending draft-law on trade associations' law  | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Amending draft-law on trade registration law   | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on the abrogation of the first part of Commerce Code.  | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on the private international right   | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-acts on establishment and functioning of the Advisory Commission                                   | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on some annexes and amendments to the law on the judicial organization                         | 2                     | MoJ, coordination with the Supreme Court of Justice is required. | 2004            |                            |                           |                            |                       |
| Draft-law on Judges' professional evaluation   | 2                     | MoJ, in coordination with SCJ                                    | 2004            |                            |                           |                            |                       |
| Draft-law on the amendment of the Magistrate School' law   | 3                     | MoJ, in coordination with SCJ                                    | 2004            |                            |                           |                            |                       |
| Draft-law on some annexes and amendments to the Prison Police' law                                       | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| D/law on the Sh K B Prisons  | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-Instruction on official translation service's procedures and tariffs.                              | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Sub-legal draft-acts on the functioning of the Official Publication Center.                              | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Sub-legal draft-acts on competency transfer of the state land administration (MoDefence.M. Public Order) | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on the arbitrage   | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Sub-legal draft-acts on the Judicial Executive Service' functioning                                      | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Ministry of Justice' Internal Regulation   | 2                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-law on the ratification of the Convention on Contacts with Children                                | 3                     | MoJ  | 2004            |                            |                           |                            |                       |
| Draft-manual of the Legislative Technique  | 3                     | MoJ  | 2004            |                            |                           |                            |                       |

## Monitoring Indicators

| Indicators  | Base line 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|----------------|------|------|------|------|------|------|------|
| Judicial infrastructure Staff assessment.                                 |                | 80%  |      |      |      |      |      |      |
| Reinforce of the legal framework, improvement of judicial public services |                |      |      | 50%  |      |      |      |      |
| Supervision of prosecutor regional office.                                |                | 100% | 90%  | 90%  | 30%  |      |      |      |
| Verification and respond of citizens claims                               |                | 90%  |      |      |      |      |      |      |
| Design and approval of 59 legal frameworks.                               |                |      | 90%  |      |      |      |      |      |
| Notary Assistant registration   |                |      |      | 67%  |      |      |      |      |
| Lower Assistant registration.   |                |      |      | 88%  |      |      |      |      |
| Registration of the mediators for misunderstanding solution.              |                |      |      | 79%  |      |      |      |      |
| Notary test   |                |      |      | 92%  |      |      |      |      |

## MINISTRY OF FINANCE

The current expenditure for the end of the 2003 year was 169.7 billion lek or 22.8% of the GDP. Expenditure has increased by 15 billion lek from 2002; though as a percentage of GDP it remains at a similar level. Interest expenditure has increased by 3 billion lek (4% of the GDP) against planned. Expenditure for the social institutions for social and health protection was on target at 44.8 billion lek. Local government spending was 1% under spent as a result of a 5% shortfall in revenue collection. Payments for unemployment checks and economic aid were 8.8 billion lek (91% of planned expenditure) in comparison to expenditures of 8.7 billion lek in 2002.

Capital spending in 2003 was 62% of planned expenditure and 4.1% of GDP. Capital spending on internal investments by the end of the year was 18.3 billion lek (2.5% of GDP) against planned expenditures of 21.2 billion lek. The shortfall was due to the late submission of investment projects. The Ministry of Finance has taken precautions to ensure this does not happen again, by requesting that the Line Ministries present their investment projects along with their budget requests. Foreign financial investments for 2003 were 12.1 billion lek (1.6% of GDP), less than 50% of initial planned expenditure (by around 16 billion lek). There are two reasons for this, firstly poor

initial projections, and secondly the lack of absorptive capacity by the appropriate ministries.

Department of Education expenditure for 2003 was 21 billion lek (2.82% of GDP), an increase of 2 billion lek from 2002. The government budget for the Department of Education has increased in 2003 from 8.9% of the 2002 budget to 10.5%.

Health Department expenditure for 2003 was 13.2 billion lek (1.77% of GDP), an increase of 1.3 billion lek from 2002. General public expenditure has increased from 6.2% to 6.6%. Increase in Health Department spending in 2003 was a result of an increase in current expenditure. Capital expenditure remained constant.

Transport and Communication Department expenditures in 2003 were 12.3 billion lek (1.7% of GDP) down from the planned 13.6 billion. This was mainly caused by a reduction in planned expenditure in foreign financial investments.

The Department of Agriculture expenditures for 2003 were 5 billion lek (0.7% of GDP) against the planned 7 billion. This failure to accomplish the plan can be attributed to spending only 1.2 billion lek of the 2 billion allocated from foreign financial investments along with reduced expenditure against governmental budget.

## Matrix 2003-Annual Review

| Prior actions for 2003  | √ <sup>3</sup> | -Implementation measures<br>-Reasons for implementation shortfalls | New Deadline |
|---|----------------|--|--------------|
| <b>Amelioration of the legislative acts and subparts for the money laundering prevention and the synchronization with Standard International Conventions</b>  |                |  |              |
| Creating Law no. 9084 (19.06.2003) "Addendums and Revisions in Law no. 8610 for the Prevention of Money Laundering." (17.05.2000)   | 4              |  |              |
| Creating Law no. 9085, (19.06.2003) " Addendums and Revisions in the Penal Procedures Code of the Republic of Albania"  | 4              |  |              |
| Creating Law no. 9086, (19.06.2003) " Addendums and Revisions in the Penal Code of the Republic of Albania"   | 4              |  |              |
| Drafting of Directive no.1163, (18.2.2003) for Gambling Games   | 4              |  |              |
| Drafting of Directive no. 2051, (24.03.2003) for Travel Agencies Investigation  | 4              |  |              |
| Drafting of Directive no. 3038, (6.5.2003) for Notary Actions   | 4              |  |              |
| <b>Coordination with other internal structures for the work against money laundering and economic/financial crime</b>   |                |  |              |
| Cooperation with the office of the District Attorney General, Bank of Albania, Ministry of Public Order, State Information Services, Police (Tariff, Customs Judicial)etc.                                      | 4              |  |              |
| Adherence of the Memorandum of Understanding "Inter-institutional Cooperation for the Prevention of Money Laundering"   | 4              |  |              |
| <b>International cooperation with homologous structures and with international organs</b>   |                |  |              |
| Signing of contracts for the cooperation and sharing of financial information in relation to money laundering with the institutions in Bulgaria, Macedonia and Slovenia.  | 4              |  | 2004         |
| Obtain membership in the Egmond Group "International Organization for the Cooperation of Financial Information Units Against Money Laundering"  | 4              |  |              |
| <b>Analysis, improvement and distribution of financial information to other Agencies</b>  |                |  |              |
| Timely analysis and appropriate distribution of information to in-charge legal police institutions, and District Attorney's office for suspicions and implications of money laundering and financing terrorism. | 4              |  |              |

<sup>53</sup> Level of completion per criteria

| Prior actions for 2003   | √ <sup>3</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New Deadline |
|--|----------------|---|--------------|
| <b>Improvement Of public expenditure management</b>  |                |   |              |
| Improvement of coordination and political relationships to secure improved relationships between organs of the state and allocation of funds, and to secure a higher transparency in the budget process. | 4              | -Preparation of Midterm Budgetary Program for 2005-2007. Preparation of project-law of the state budget for the year 2005 based on budget indicators and sectional priorities which were approved on main governmental documents such as NSSED, PBA etc. Creation of directives for the 2005 budget. Preparation of revisions in the Organic Budget Law in accordance with the new conditions and the progress of reforms in other sections. Improvement of the process of drawing up the yearly budget through revisions in procedures, directions, standards, etc, by planning to increase the transparency of the process. Training of MOF staff and the other Ministries with a contact line for foreign and internal technical assistance. | 2004         |
| Increase of efficiency of public expenditures and fiscal discipline in budget implementation.  | 3              | -Preparation of directives for implementation of the 2005 budget. Creation of Project Actions for employees working on the budget for the year 2004. Creation of directives for the evaluation of investment procedures. Preparation of priority draft of central instructions in accordance with the new Organic Budget Law in order to simplify, and make more transparent the process of budget implementation. Continuation of the fiscal decentralization reform. Preparation of common directives in accordance with the approved legislature.  |              |
| Improvements in the budget system and the budgetary procedures.  | 4              | -Approval of the new Organic Budget law was not achieved during the year 2003   | June 2004    |
| <b>Strengthening Of Institutional Capacity</b>   |                |   |              |
| Modernization of the budgetary system  | 4              | -Improvements in the classification of the existing budget. Publication of the 'Management of Public Finances Manual'   |              |
| Drafting and distributing the methodology for drafting of the progress report.   | 4              | -Training of MOF staff. Reevaluate branch functions.  |              |
| <b>Monitoring, evaluation and drafting of progress report for 2002</b>   |                |   |              |
| Drafting and distributing the methodology for drafting of the progress report.   | 3              | -Improvements and successful maintenance of the system where information is stored. Implementation of the automatic registering of budgetary transfers program.   | 2004         |
| Inclusion of all interested actors throughout all phases of drafting the progress report.  | 4              | -Design of the program was not achieved on time, due to the fact that the process was lengthier than initially projected.   |              |
| Organize consultations with representatives of Line Ministry working groups with local experts etc.  | 3              |   | 2004         |
| Organize trainings in components of the Progress Report  | 4              |   |              |
| Organize meetings with the Inter ministry NSSED working group.   | 4              |   |              |
| Organize a national conference for launching the report  | 4              |   |              |
| Preparation of all documents for the transfer of the report to the Inter-ministry Committee of Economic Politics for its approval  | 4              |   |              |
| Translation and distribution of the report   | 4              |   |              |

| Prior actions for 2003  | √ <sup>3</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New Deadline |
|---|----------------|---|--------------|
| Send the report to the Executive Board of Directors for the World Bank and IMF  | 4              |   |              |
| <b>Strengthening capacity of line ministries and the NSSED office</b>   |                |   |              |
| Constructing of Terms of Reference for the four components of the Trust Fund.   | 4              |   |              |
| Constructing of a training program with the Monitoring and Evaluation Units in Line Ministries along with the Units of the European Integration and the Units of Programming and Growth in the regions, municipalities, and communes. | 4              |   |              |
| Finalize negotiations with DFID concerning the three-year assistance programme including the Terms of Reference and expert inputs.  | 4              |   |              |
| Achieving full-complement of staffing.  | 4              |   |              |
| <b>Institutionalization of the participation process.</b>   |                |   |              |
| Organization of regional and sector consultations on NSSED.   | 4              | -it is a process which will get strengthened gradually and that is why it needs time  | Ongoing      |
| Organization of the national conference with citizen representation and local and national authorities.   | 4              |   |              |
| Organization of business meetings with the parliament representatives.  | 4              |   |              |
| <b>Improve donor coordination by orienting them towards the priorities of NSSED</b>   |                |   |              |
| Organization of joint meetings on the orientation of foreign aid based on NSSED priorities.   | 2              |   | Ongoing      |
| <b>Raise people's awareness of NSSED.</b>   |                |   |              |
| The publication of the Progress Report 2002, of the Midterm Plan of the Public Priority Measures 2003-2006 including CD-Rom.  | 4              |   |              |
| Continuous renovation of NSSED web page.  | 4              |   | Ongoing      |
| Production and distribution of the NSSED newsletter to the public   | 4              |   |              |
| <b>Strengthen the ties between NSSED and MTBP</b>   |                |   |              |
| Expansion of the prioritizing process and costing of the public priority measures at a sector and national level.   | 3              | - The execution for the first time of this process has created difficulties in the exact understanding of this concept. The lack of coordination between NjMV and DoB | 2004         |
| Drafting of the methodology on the priority process.  | 4              |   |              |
| Inclusion of the Budget Office representatives in the Technical sector.   | 4              | -The consolidation and strengthening of the operations in the treasury system.  |              |
| Training Budget Office, Loan and Treasury Office staff and other related sections within MOF. Strengthening and reviewing of the functions of the   |                |   |              |

| Prior actions for 2003   | √ <sup>53</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|--|-----------------|---|--------------|
| regional branches  |                 |   |              |
| The management of the resources and public spending with the help of Treasury.   |                 | -Income and expenditure projections for a five-year period. The prediction of the necessary amount for treasury bonds.                                      |              |
| Securing internal loans with the lowest cost.  |                 | -The construction of a calendar on treasury bonds. Approval of the agreement between MoF and BoA.   |              |
| Management of external debt and of foreign finances.   |                 | -Updating of the databases on external debt. The opening of special accounts in BoA and in the second level banks. Account settlement of the external fund. |              |
| <b>Steady economic growth with real growth of the preliminary gross internal production at 6% and the decline of the general budget deficit from 5.8% of GDP to 4.4 % of GDP</b> |                 |   |              |
| Growth in all economic sectors but with more emphasis in the service and construction area Industry 2.7%, Agriculture 3.0%; Construction 11.3%, Transportation 10.8%.            | 4               | Government  |              |
| Improvement of the economic structure- lowering specific weight of the agricultural sector on Agriculture GDP  | 4               | Government  |              |
| Increase of GDP per person in 2003 by 2.4 times the GDP of 1998  | 4               | Government  |              |
| Synchronizing of fiscal and monetary policy  | 4               | Government  |              |
| Continued institutional and structural reforms in the public administration.   | 4               | Government  |              |
| Improve revenue collection and management of expenditures  | 4               | Government  |              |
| Responsible fiscal policy  | 4               | Government  |              |
| Attract investments particularly foreign investments.  | 4               | Government  |              |
| <b>Abide by a responsible monetary policy (maintain inflation at the 2-4% level) reaching by a 3-4% level by end Of 2003</b>   | 4               |   |              |
| Maintain quantitative objectives from the Bank of Albania  | 4               | Government and Bank of Albania  |              |
| Maintain the exchange rate in stable levels  | 4               | Government and Bank of Albania  |              |
| Better management of public expenditures   | 4               | Government and Bank of Albania  |              |
| Maintain control of the budget deficit   | 4               | Government and Bank of Albania  |              |
| Synchronization of monetary and fiscal policy  | 4               | Government and Bank of Albania  |              |
| Prepare a draft with the amendments for the gambling law (01.12.2000) and include inter ministry comments.   | 3               | -Legislative acts of some states were utilized<br>-Did not obtain approval at the parliament  | 2004         |
| Training for the gambling and casino specialists   | 1               | -No training was provided   | 2004         |
| License gambling organizations   | 4               | -Licenses were given to 11 new organizations  |              |
| Control the activities of all licensed organizations throughout the country  | 3               | -Control appropriate documents<br>-Due to lack of personnel, only a yearly check was implemented throughout the country and in                              | 2004         |

| Prior actions for 2003  | √ <sup>53</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|---|-----------------|---|--------------|
| Creating Directive no. 15 ( 16.07.2003 "Over opening and closing procedures for main, electronic and locations of sports games of chance"                                     | 4               | all organizations<br>-Preparation of materials for the Directive in order to create procedural ease   |              |
| Creating directive no.10 ( 12.03.2003 "For the definition of necessary procedures for concentrated printing of tickets, distribution and control over their use "             | 4               |   |              |
| <b>General Tax Department</b>   |                 |   |              |
| Prior actions for 2003  | √ <sup>54</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
| Creation of new structures based on functions   | 4               | -Implement organization and strengthen institutions   |              |
| Complete procedures manual with responsibilities for each sector, and office ex: registration manual, evaluation for collections, appeal, finance, evasion and investigation, | 3               | -Foreign investments. Obtain and evaluate information and internal experience.<br>-This is a continuous process. From the implementation of the new reform components necessary priorities have arisen which need to be applied | 2006         |
| Complete implementation of the control function   | 4               | -Foreign funding. Strengthening of internal procedural systems.   |              |
| Design objective for each tariff branch for county  | 4               | -Perfect administrative, detailed program of objectives in the yearly operational plan  |              |
| Create appropriate directions   | 4               | -Foreign Investment. Internal line functions  |              |
| Implement registration system for the contributors to the social security and health insurance  | 2               | -Foreign Investment. Internal organization.<br>-It is a continuous process. Problems in connection to transfer of information via ISSH.   | 2004         |
| Begin archiving the security contributors in the 'Branch of Big Tariff Payers', Tirana  | 4               | -Foreign Investment. Internal organization.   |              |
| Implementation of the media program for the education of the taxpayers  | 4               | -Implementation of functional responsibilities  |              |
| Organize the old loans system for tariffs, acknowledging and signing the memorandum of understanding  | 4               | -Improvement of internal procedures in relation to debt collection.   |              |
| Prepare legislative acts for the implementation of the new fiscal package   | 4               | -Implementation of functional responsibilities. Cooperation of all responsible groups.  |              |
| Prepare legislative acts for the archive transfer of the security contributions from Security to Tariffs.   | 4               | -Foreign investment. Internal Line Functions  |              |

<sup>54</sup> Level of completion per criteria



| Prior actions for 2003   | √ <sup>54</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|--|-----------------|--|--------------|
| Fiscal packet to accompany budgetary law for the year of 2004.   | 4               | -Implementation of functional responsibilities. Cooperation of all responsible groups.   |              |
| <b>General Customs Department</b>  |                 |  |              |
| Prior actions for 2003   | √ <sup>55</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
| Improvement of Customs administration  |                 |  |              |
| <b>Increase of archiving and lowering fiscal evasion</b>   |                 |  |              |
| Improvement of administrative plans for the achievement of the monthly plans   | 4               | - Strengthening of transit goods control. Improvement of work and quality in customs checkpoints. Improvement and strengthening of the customs administrative structures and also improvement in professionalism. Improvement and augmentation of the level of internal control.   |              |
| Strengthening cooperation with the General Tax Department, law and legal enforcement offices.  | 3               | - Lack of adherence of NIPT subjects and the provision of new NIPT by DPT has created difficulties in recuperating the customs debt.   | 2004         |
| <b>Preparation of a strategy for the war against smugglers and corruption</b>  |                 |  |              |
| Creation of the checking system after customs process is complete  | 4               | - Improvement and augmentation of the level of internal/domestic check up. Increase the role of the D.O.H in the war against smuggling and fiscal evasion  |              |
| Complete implementation of the informative system ASYCUDA in Tirana and Durres.  | 3               | - Dramatic reduction in subjectivity during the review of customs evasions due to the use of information system ASYCUDA by the Customs Service in Tirana.<br>- Not having been able to take over the object of the customs branch offices due to unsatisfactory construction work.   | 2004         |
| Preparation of the 4 monthly report on corrective actions taken as a result of the internal control reports                                      | 4               |  |              |
| <b>Protection and well being of the customs data.</b>  |                 |  |              |
| Reevaluation and improvement of the information system on dues from customs declarations and strengthening functions in regard to their archival |                 | -We have now begun the technology update of the Custom Service with the ASYCUDA system which has considerable minimized Customs employees subjectivity in the reviewing of evasions. Implementation of the customs amendments aimed at ensuring customs legislation has reached the level of professionalism and responsibility needed during work. The implementation of the project for the technology update of the ASYCUDA +++ customs information in the customs office of Tirana which will soon begin to be used in the Customs office of Durres initially and then in order all other customs centers. |              |

<sup>55</sup> Level of completion per criteria

| Prior actions for 2003  | Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|---|---|--------------|
| <p>Improvement of the information system of the ASYCUDA</p>   | <p>√<sup>55</sup></p>   |              |
| <p><b>Increase professionalism and quality of actions taken against evasions</b></p> <p>Creation of the accountability plan for the customs and its technology update.</p> <p>Definition of stronger staff disciplinary actions, and increase the ability for timely identification of the mistakes committed by staff through the use of an adequate process (within the legal, organizational and structural boundaries)</p> <p>Implementation of the Customs Ethics Code through an ongoing staff training</p> <p>Circulation of staff every 2-3 years</p> |   |              |
| <p><b>Enhance staff motivation for the prevention of wrongful/abusive cases by personnel</b></p> <p>Creation of a system which rewards good motivation</p> <p>Reevaluate the operating and investigating structures within the Office.</p> <p>Use competent internal staff to increase work quality and decrease problem cases. Improve the implementation of the bonus system</p> <p>Trained customs employees</p>   |   |              |
| <p>IN 2003 training will be provide for about 70% of customs employees. The Mission of Cam will also play a special role in the training of anti-smuggling, information and investigation personnel.</p>  | <p>-Continue training of the employees of the Customs administration, primarily done by the CAM-A specialists. In the focus of implementing the free trade contract, with the countries of the area, priority has been given to training the customs staff on "Over the Regulations of Origin" and at the same time training of the Operational-investigative Department continues. 18 different topics have been presented and 228 employees have participated. Topics include internal audit; risk analysis; terrorist attack threat nuclear weapons threat; customs regulations; checking of passenger's luggage, etc.</p>   |              |
| <p><b>Better coordination of the customs offices and other institutions</b></p> <p>Continue to strengthen established cooperative relationships with domestic and foreign institutions.</p>   | <p>-Cooperation with other departments specialized in the war against economic crime including SHISH, Internal Ministry, and General Directory of Tariff Office. The operation of "Contact Group" continues. We have strengthened and increased cooperation with the Law Enforcement structures and SHISH and we have also strengthened and increased cooperation with homologous international structures through the operation of the Contact points with neighboring countries via the help of CAM-A in the reciprocal exchange of information with PAIS or with the SEMS system and the exchange of information according to the Nairobi convention for the verification of suspicious receipts. From the cooperation with the border customs offices in 24 cases sanctions in the sum of 178 million lek and are in the process of evaluation 15 more cases.</p> |              |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions   | <sup>56</sup> √ | Responsible institution        | Budget <sup>57</sup> | CARDS <sup>58</sup> | Others <sup>59</sup> |
|---|-----------------|--------------------------------|----------------------|---------------------|----------------------|
| <b>Macro-Economic focus/ Stable economic increase. Real increase of the gross internal production 6%. Decrease of the general budget deficit by about 5.1% Of GDP</b> |                 |                                |                      |                     |                      |
| Growth rates in the priority economic sectors: Industry 3.1%, Agriculture 3.0%, Construction 10.6%, Transport 10.1%, Services 6.4%,                                   | 1               | Government                     |                      |                     |                      |
| Improvement of economic structure   | 1               | Government                     |                      |                     |                      |
| Synchronization of macro fiscal and monetary politics   | 1               | Government                     |                      |                     |                      |
| Ongoing structural reforms in accordance with the national strategy for the economic and social improvement   | 1               | Government                     |                      |                     |                      |
| Improve method of income collection and better management of expenditures   | 1               | Government                     |                      |                     |                      |
| Responsible fiscal policy   | 1               | Government                     |                      |                     |                      |
| Sufficient monetary reserves to handle months of imported goods and services  | 1               | Government                     |                      |                     |                      |
| Boost direct foreign investments  | 1               | Government                     |                      |                     |                      |
| Increase economic credit  | 1               | Government                     |                      |                     |                      |
| Improve the trade deficit; improve the ratio of covering imports with exports.  | 1               | Government                     |                      |                     |                      |
| Improve the unemployment indicators   | 1               | Government                     |                      |                     |                      |
| Adhere to a responsible monetary policy which will keep inflation at 2.4% per annum   | 1               | Government                     |                      |                     |                      |
| Based on a flexible regimen of the exchange rate the monetary policy will focus on maintaining inflation under the predicted limits                                   | 1               | Government and Bank of Albania |                      |                     |                      |
| Maintain quantitative objectives from the Bank of Albania   | 1               | Government and Bank of Albania |                      |                     |                      |
| Appropriate level for interest rates  | 1               | Government and Bank of Albania |                      |                     |                      |
| Improved management of public expenses  | 1               | Government and Bank of Albania |                      |                     |                      |
| Keep the budget deficit under control   | 1               | Government and Bank of Albania |                      |                     |                      |
| <b>Improve management of public expenses</b>  |                 |                                |                      |                     |                      |

<sup>56</sup> Prioritization coefficient.

<sup>57</sup> Funds of the Government's budget in millions of Lek

<sup>58</sup> Funds of the projec CARDS in EURO

<sup>59</sup> Other approved investments

| Objectives/ Public Priority Actions  | √ <sup>56</sup> | Responsible institution  | Budget <sup>57</sup> | Cards <sup>58</sup> | Others <sup>59</sup> |
|--|-----------------|--|----------------------|---------------------|----------------------|
| Preparation of the New Organic State Budget Law  | 1               | Ministry of Finance  |                      |                     |                      |
| Preparation of the Management of the Public Finances in accordance with the New Organic Budget Law   |                 | Ministry of Finance, Budget Office   |                      |                     |                      |
| Improve coordination and formulation of the budgetary policy in order to establish a stronger strategic relationship with Government programs. Increase transparency and responsibility in the process of drafting and implementing the federal budget.  | 1               | Ministry of Finance, Budget Office   |                      |                     |                      |
| Preparation of the Intermediary Budgetary Program each year including all budgetary institutions   | 1               | Ministry of Finance, Budget Office   |                      |                     |                      |
| Improvement of project law " For accountability and financial transparency " in Parliament and commencement of efforts to prepare legislative subparts, standards and accountable manuals  | 1               | Ministry of Finance  |                      |                     | FSAC                 |
| Preparation of budget legislature each year depending on the Government program  |                 |  |                      |                     |                      |
| Release of directives and standards for the implementation of the federal government aiming for an increase of transparency and inclusion of everyone in this process.   | 2               | Ministry of Finance, Budget Office   |                      |                     |                      |
| Training of staff of MoF and Line Ministries.  | 1               |  |                      |                     |                      |
| Increase control of implementing the national budget via creation of standards and their implementation  | 1               |  |                      |                     |                      |
| Formalize relationship between central and local government, management of public finances, via preparation of the necessary legislative acts.   | 1               | MOF.   |                      |                     |                      |
| Improve budgetary classifications in accordance with international standards.  | 1               | Ministry of Finance, Budget Office   |                      |                     |                      |
| Technological update of the planning methods and methods of implementing state budget.   | 1               | Ministry of Finance  |                      |                     |                      |
| Strengthening of capacity of Budget Office staff, Loan and Treasury Office and also other structures of MOF. Strengthening via a reevaluation of function of the branches throughout the districts.  |                 | World Bank B, DoPA, DFID, Budget Office, Office of Loans and Treasures                             |                      |                     |                      |
| Management of public income and public spending via treasury structures. Consolidation and strengthening of functions in the treasury system   |                 | MoF, Office of Loans and Treasures   |                      |                     |                      |
| Secure borrowing internal loans with the lowest cost   |                 | Macroeconomic Office, Office of Budget, Office of Customs and Tariff Office, and Office of Customs |                      |                     |                      |
| Management of the international loans and foreign investments.   |                 | Office of Loans and Treasures<br>Office of Loans & Treasures,                                      |                      |                     |                      |
| Forecast income and expenditures for a period of 5 years. Forecast essential sum for treasury bonds. . Creation of a calendar for treasury bonds. Approval of the contract between MoF and BoAMoF. Update of the information basis for foreign loans. Service implementation for foreign loans. Opening of special accounts in BoA and banks of the second level. Final account settlement of the foreign loans. |                 | MoF, Office of Loans and Treasures.  |                      |                     |                      |

## General Customs Department

| Objectives/ Public Priority Actions  | $\sqrt{60}$ | Responsible institution   | Budget <sup>61</sup> | Cards <sup>62</sup> | Others <sup>63</sup> |
|--|-------------|---|----------------------|---------------------|----------------------|
| <b>Modernize Customs Service/ Strengthen the administering of human resources, as a prerequisite per for success in the fulfillment of responsibilities and the fight against corruption</b>   |             |   |                      |                     |                      |
| Strengthen the administration of human resources through the adequate implementation of the new structure and the improved Acting Provisions (AP).   | 1           | Ministry of Finance,  | Budget               |                     | Investment CAM-A     |
| Improve the incentives system for the personnel as an anticorruption measure and as a positive influence for performance improvement   | 1           | Judiciary Administrative Dept. CAM-A  | Budget               |                     |                      |
| Improve the evaluation system of the individual achievements of the customs personnel, through job evaluation (analysis of the job positions)  | 2           | Administrative Department, Technical Department, Personnel CAM-A                                | Budget               |                     |                      |
| Creation of the indicator system for performance evaluation of the different structures, and for the whole customs system to achieve the Customs Mission (not only measuring the level of the income gathered but also other mission elements) and also for achievements in the modernization field in order to become members of the EU |             | Ministry of Finance, Administrative Department, Technical and Operational – Investigative CAM-A | Budget               |                     |                      |
| Modernization of the Customs Service   | 3           | Technical Department IRU/Analitr CAM-A  | Budget               |                     | Investment CAM-A     |
| Facilitate trade and passenger travel  | 1           | Technical Dept. IRU/Analitr CAM-A   | Budget               |                     |                      |
| Execute for the international TIR Carnet transit   | 1           | Administrative Dept, Technical  | Budget               |                     |                      |
| Function of the Durres Harbor Customs as a "one-stop-shop"   | 1           | Technical Department, Director of the Rinas Customs Branch, CAM-A                               | Budget               |                     |                      |
| Implementation of the Red/Green channels in the Rinas Airport  | 1           | Technical Department Director of the Tirana Customs Branch, Manager of ASYCUDA, CAM-A           | Budget               |                     |                      |
| Run a pilot program of the simplified procedures in the Customs Branch of Tirana, using the functions of the appropriate module in the ASYCUDA system.   | 3           | Technical Department, CAM-A   | Budget               |                     |                      |
| Simplify procedures of customs clearance for the postal traffic and express mail   | 3           | Technical Department, CAM-A   | Budget               |                     |                      |
| Decentralize and delegate responsibilities in the regional level I level   | 3           | Technical Department, Regional Offices  | Budget               |                     |                      |

<sup>60</sup> Prioritization coefficient.

<sup>61</sup> Funds of the Government's budget in millions of Lek

<sup>62</sup> Funds of the projec CARDS in EUERO

<sup>63</sup> Other approved investments

| Objectives/ Public Priority Actions  | √ <sup>60</sup> | Responsible institution   | Budget <sup>61</sup> | Cards <sup>62</sup> | Others <sup>63</sup> |
|--|-----------------|---|----------------------|---------------------|----------------------|
| <b>Modernize the Customs Service/ Maximize the customs income via the improvement of the technical customs procedures</b>  |                 |   |                      |                     |                      |
| Improve management and implementation of the regulations about origin  | 1               | Technical Department CAM-A  | Budget               |                     | Investment CAM-A     |
| Draft a system of information for a customs evaluation   | 1               | Technical Department CAM-A  | Budget               |                     |                      |
| Maximize income via strengthening of administrative fees, control of the economic regimen and administration of the customs loan   | 1               | Technical Department CAM-A  | Budget               |                     |                      |
| Synchronization and simplification of the procedures for the suspension regimen.   | 3               | Technical Department CAM-A  | Budget               |                     |                      |
| <b>Modernization of the Customs Service</b>  |                 |   |                      |                     |                      |
| Improvement of the statistics  | 3               | Technical Department  | Budget               |                     |                      |
| <b>Modernization of the Customs Service / Increase of the anticrime capacity and anticorruption</b>  |                 |   |                      |                     |                      |
| Improve the system of information management   | 2               | All Departments, ASYCUDA Group  | Budget               |                     | Investment CAM-A     |
| Increase law imposing capacity   | 2               | Operational -Investigational Dept. and CAM-A                              | Budget               |                     |                      |
| Improve intelligence quality   | 1               | Operational -Investigational Dept. and CAM-A                              | Budget               |                     |                      |
| Assistance for customs and police in order to increase operational action against organized crime, corruption and trafficking  | 2               | DPD, Operational - Investigational Dept. CAM-A -Group, OCI/CAM Group      | Budget               |                     |                      |
| Preparation of a detailed and relevant program for the coordination with other agencies, which will have as a goal, the reduction of the chances for organized crime, corruption and illegal traffic to occur. | 2               | DPD, Operational/Investigational Department CAM-A Group and OCI/CAM Group | Budget               |                     |                      |
| Improve the effectiveness of the customs and law enforcement actions taken via work support  | 2               | DPD, Operational/Investigational Department and CAM-A Group OCI/CAM       | Budget               |                     |                      |
| Encouragement for the increase of successful penal investigations  | 2               | DPD, Operational/Investigational Department and CAM-A Group OCI/CAM       | Budget               |                     |                      |

| Objectives/ Public Priority Actions  | √ <sup>60</sup> | Responsible institution  | Budget <sup>61</sup> | Cards <sup>62</sup> | Others <sup>63</sup> |
|--|-----------------|--|----------------------|---------------------|----------------------|
| Consolidation of the External Control Unit and improvement of the performance level by technical staff   | 2               | DPD,<br>Operational/Investigational<br>Department and CAM-A<br>Group OC/CAM, A Posterior<br>Unit | Budget               |                     |                      |
| <b>General Tax Department</b>  |                 |  |                      |                     |                      |
| Objectives/ Public Priority Actions  | √ <sup>64</sup> | Responsible institution  | Budget <sup>65</sup> | Cards <sup>66</sup> | Others <sup>67</sup> |
| <b>Administrative problems</b>   |                 |  |                      |                     |                      |
| Complete implementation of the function of internal control. In this regard re-evaluate and draft regulations on the organization and function of the office of Internal Control and Investigation | 1               | DPT  |                      |                     |                      |
| Collection of the social security and health insurance contributions in the categories below.  | 1               | DPT, ISSH, ISKSH   |                      |                     |                      |
| Taxpayers registered based on law no. 7928, (27.4.1995) "For Taxes in Regard to Increased Value" starting from 1.5.2004.   | 1               | DPT, ISSH, ISKSH   |                      |                     |                      |
| Budgetary institutions starting from 1.8.2004.   | 1               | DPT, ISSH, ISKSH   |                      |                     |                      |
| Creation of the procedures and regulations manual in accordance with the contributions collected in the two categories of the aforementioned taxpayers   | 2               | DPT, Cooperation with the<br>PWC consulate   |                      |                     |                      |
| <b>Improvement of procedures</b>   |                 |  |                      |                     |                      |
| Finish the procedures manuals with the job responsibilities for each function, such as manual of the Human Resources of Evaluate/Collections Access of Finance and Appeal                          | 2               | DPT, Cooperation with the<br>PWC consulate   |                      |                     |                      |
| Reevaluation of the procedures manual for tax control and for loan collection and disciplinary actions   | 2               | DPT  |                      |                     |                      |
| <b>Improve in the legislative focus</b>  |                 |  |                      |                     |                      |
| Creation of the legal subparts in execution of the revision of the 2003 end year fiscal packet   | 1               | DPT  |                      |                     |                      |
| Draft tax laws in line with the respective legal dispositions of the European Union  | 1               | DPT, Cooperation with the<br>PWC consulate   |                      |                     |                      |
| Preparation of the legal draft of the tax procedures   | 1               | DPT, Cooperation with the<br>PWC consulate   |                      |                     |                      |
| Preparation of the draft of the direct taxes law.  | 1               | DPT, Cooperation with the<br>PWC consulate   |                      |                     |                      |

<sup>64</sup> Prioritization coefficient.

<sup>65</sup> Funds of the Government's budget in millions of Lek

<sup>66</sup> Funds of the projec CARDS in EURO

<sup>67</sup> Other approved investments

| Objectives/ Public Priority Actions  | √ <sup>64</sup> | Responsible institution                 | Budget <sup>65</sup> | Cards <sup>66</sup> | Others <sup>67</sup> |
|--|-----------------|---|----------------------|---------------------|----------------------|
| Preparation of the draft of the law in connection to VAT.  | 1               | DPT, Cooperation with the PWC consulate |                      |                     |                      |
| Drafting of legal subparts for all the revised laws  | 1               | DPT, Cooperation with the PWC consulate |                      |                     |                      |
| Preparation of the fiscal package for the end year 2004  | 1               |   |                      |                     |                      |
| <b>Problems that arise from the technology update.</b>   |                 |   |                      |                     |                      |
| Implementation of the informed declaration of taxes over earnings  | 1               | DPT                                     |                      |                     |                      |
| Implementation of the declaration and the payment of the social security contributions and health contributions in the Integrated Tax System, implemented by the priority tax branches | 1               | DPT                                     |                      |                     |                      |
| Implementation of the Collections System of the Social Security for the other tax branches   | 2               | DPT                                     |                      |                     |                      |
| Assign a special identification number for the budgetary institutions for the coding of social security, health, personnel employment income contributions                             | 2               | DPT                                     |                      |                     |                      |



## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | <sup>68</sup> √ | Responsible Institutions           | Deadline  | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|--|-----------------|------------------------------------|-----------|----------------------|---------------------|----------------------|-----------------|
| Preparation of the New Organic State Budget Law  | 1               | Ministry Of Finance                | 2004      |                      |                     |                      |                 |
| Preparation of the Management of the Public Finance Manual in accordance with the New Organic Budget Law   |                 | Ministry Of Finance Budget Office  | 2004      |                      |                     |                      |                 |
| Improve budget coordination and policy formulation to secure a stronger relationship with the strategies and the programs of the government. Increase transparency and responsibility in the process of creating and implementing the State Budget | 1               | Ministry Of Finance, Budget Office | 2005-     |                      |                     |                      |                 |
| Preparation of the Mid-Term Budgetary Program each year including all budgetary institutions   | 1               | Ministry Of Finance, Budget Office | 2004-2007 |                      |                     |                      |                 |
| Preparation of the Budget law each year based on the Government program  |                 |                                    |           |                      |                     |                      |                 |
| Publishing of directives and standards for the implementation of the state budget, aiming to increase transparency and inclusion of all in this process.   | 2               | Ministry Of Finance, Budget Office | 2004-2007 |                      |                     |                      |                 |
| Training of the MOF Staff and Line Ministries.   | 1               |                                    | 2004-2007 |                      |                     |                      |                 |
| Increase the control over the implementation of the state budget, via the creation of standards for its implementation.  | 1               |                                    | 2004-2007 |                      |                     |                      |                 |
| Formalize the agreements between the central and local government over the management of the public finances via the preparation of the other necessary legal acts.  | 1               | MOF, MPVD                          | 2004-2007 |                      |                     |                      |                 |
| Improve budgetary classification in accordance with international standards  | 1               | Ministry Of Finance, Budget Office |           |                      |                     |                      |                 |
| Modernize the planning and implementation methods of the state budget  | 1               | Ministry Of Finance                | 2004-2007 |                      |                     |                      |                 |
| Economic stability and the maintenance of the growth rate (true increase of the economy 6 per cent per year)   | 1               | Government                         | 2004-2007 |                      |                     |                      |                 |
| Maintain growth rates in the primary sectors of the economy, Industry, Agriculture, Construction, Transport, and Services.   | 1               | Government                         | 2004-2007 |                      |                     |                      |                 |
| Better synchronization of the fiscal policy with the monetary one  | 1               | Government                         | 2004-2007 |                      |                     |                      |                 |

<sup>68</sup> Prioritization coefficient

<sup>69</sup> Funds of the Government's budget in millions of Lek

<sup>70</sup> Funds of the projec CARDS in EURO

<sup>71</sup> Other approved investments

<sup>72</sup> Financing required

| Objectives/ Public Priority Actions  | ✓ <sup>68</sup> | Responsible Institutions                  | Deadline  | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | ✓ <sup>72</sup> |
|--|-----------------|---|-----------|----------------------|---------------------|----------------------|-----------------|
| Continue expanding the institutional and structural reforms including here the reforms in the public administration  | 1               | Government                                | 2004-2007 |                      |                     |                      |                 |
| Reorientation of the budgetary expenditures towards the most influenced by poverty sectors (education, health)   | 1               | Government                                | 2004-2007 |                      |                     |                      |                 |
| Improvements in infrastructure, particularly in the energy sector and potable water  | 1               | Government                                | 2004-2007 |                      |                     |                      |                 |
| Boost investment particularly foreign investments.   | 1               | Government                                | 2004-2007 |                      |                     |                      |                 |
| Adhere to a responsible monetary policy (maintain inflation at 2-4% per annum)   | 1               | Government                                |           |                      |                     |                      |                 |
| Maintain quantitative objectives for the Bank of Albania   | 1               | Government and Bank of Albania            | 2004-2007 |                      |                     |                      |                 |
| Maintain the exchange rate in constant levels  | 1               | Government and Bank of Albania            | 2004-2007 |                      |                     |                      |                 |
| Better management of the public expenditures   | 1               | Government and Bank of Albania            | 2004-2007 |                      |                     |                      |                 |
| Keep the budget deficit under control  | 1               | Government and Bank of Albania            | 2004-2007 |                      |                     |                      |                 |
| Synchronization of monetary and fiscal policy  | 1               | Government and Bank of Albania            | 2004-2007 |                      |                     |                      |                 |
| Continue policies of fiscal consolidation  | 1               | Government and Ministry of Finance        | 2004-2007 |                      |                     |                      |                 |
| Better use of the reserves for the increase of income in the war against fiscal evasion, smugglings, corruption, and informal economy  | 1               | Government and Ministry of Finance        | 2004-2007 |                      |                     |                      |                 |
| Effective use of the budgetary expenses  | 1               | Government and Ministry of Finance        | 2004-2007 |                      |                     |                      |                 |
| Continuous strengthening of the financial control and budgetary discipline.  | 1               | Government and Ministry of Finance        | 2004-2007 |                      |                     |                      |                 |
| Approval of the Law " For Accountability and Financial Transparency ", in the Parliament. Preparation and approval of the legal subparts, standards and accountability manuals | 1               | Government, Office of Accountability, MF, | 2004-2007 |                      |                     |                      |                 |
| <b>Improve the Legal Framework</b>   |                 |   |           |                      |                     |                      |                 |
| Proposal of project law " For a change in the law no. 8977, (12.2.2002)" "For the System of Taxes in the Republic of Albania" (Payments for casino licenses)                   | 1               | <b>Ministry of Finance</b>                | Year 2004 |                      |                     |                      |                 |
| Reevaluation and presentation of the draft with revisions about the gambling law no.8701 (1.12.2000) and gaining approval by the Government and the House                      | 1               | Ministry of Finance                       | Year 2004 |                      |                     |                      |                 |
| <b>Improvement of adequate policies</b>  |                 |   |           |                      |                     |                      |                 |
| Creation of policies for the best control of the gambling games, in the increase of income during the war against fiscal evasion, smuggling, corruption and informal economy.  | 1               | Ministry of Finance                       | 2004-2007 |                      |                     |                      |                 |

| Objectives/ Public Priority Actions   | √ <sup>68</sup> | Responsible Institutions   | Deadline  | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup>                      |
|---|-----------------|--|-----------|----------------------|---------------------|----------------------|--------------------------------------|
| Creation of policies for the protection of gambling customers.  | 2               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Creation of the policies in connection with the advanced gambling technology.   | 2               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| <b>Strengthening of capacity with the goal for increase of control</b>  |                 |  |           |                      |                     |                      |                                      |
| Training of office staff  | 1               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Increase control for the implementation of the law in regard to gambling legislature and the legal subparts   | 1               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Continue the licensing process  |                 | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Cooperation with the Office of War to prevent Money Laundering  | 1               | Office for Gambling Laws, Office for the Prevention of Money Laundering  | 2004-2007 |                      |                     |                      |                                      |
| Preparation of detailed bulletins in connection to the gambling activities  | 2               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Continuous control over the activities of the licensed organizations and implementation of the law versus the unlicensed activities   | 1               | Ministry of Finance  | 2004-2007 |                      |                     |                      |                                      |
| Concentrated printing of tickets for games of chance  | 1               | Ministry of Finance  | 2004      |                      |                     |                      |                                      |
| <b>Continuous improvement of the legal basis and in particular of the enforcement of the directives.</b>  |                 |  |           |                      |                     |                      |                                      |
| Continuous synchronization of the Albanian customs legislation with that of the region  | 3               | Offices close to the General Customs Office                              | On going  |                      |                     |                      | Foreign Assistance + 10 million leke |
| Simplify customs legislation and hence procedures   | 3               | Judicial Office J, Procedures Office                                     | 2004      |                      |                     |                      |                                      |
| Preparation of explanatory notes for the Goods Nomenclature   | 3               | Office of Value, of Origin and of Taxes                                  | 2004      |                      |                     |                      |                                      |
| Preparation of regulation and practical manuals for the central, regional and local level.  | 2               | Judiciary Office in Cooperation with the Office close to D, P, D.        | Ongoing   |                      |                     |                      | 2                                    |
| <b>Implement modern techniques for risk analysis and selective control</b>  |                 |  |           |                      |                     |                      |                                      |
| Ensure implementation of the risk manual  | 2               | Office of Information  | 2004      |                      |                     |                      |                                      |
| Improve the system of information in collecting and evaluating information in order to create risk profiles which closest resemble risk reality and objective focus of the chosen controls  | 2               | Office of Information in Cooperation with other customs offices          | 2004      |                      |                     |                      |                                      |
| Continuous evaluation of the risk analysis and the adaptation of the risk indicators in accordance with the problems.   | 2               | Office of Information in cooperation with other customs offices          | Ongoing   |                      |                     |                      |                                      |
| Increase the professionalism of investigators by their applying new technical investigative methods.  | 2               | Office of Investigations Office of Administration and Personnel Training | Ongoing   |                      |                     |                      | 2                                    |
| <b>Put into practice an integrated information system and intelligence system based on the standards of the EU and as a weapon increase the effectiveness of control and minimization of the fiscal evasion, and also fighting illegal trafficking.</b> |                 |  |           |                      |                     |                      |                                      |

| Objectives/ Public Priority Actions  | √ <sup>68</sup> | Responsible Institutions  | Deadline         | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|--|-----------------|---|------------------|----------------------|---------------------|----------------------|-----------------|
| Creation and implementation of an internal information system  |                 | Operational-Investigational Department  | 2004             |                      |                     |                      |                 |
| Creation of regulations and norms which guarantee a well functioning information system, ensuring maintenance of secrecy, and specification of the procedures for the reward for the informers   | 2               | Operational-Investigational Department  | 2004             |                      |                     |                      |                 |
| Training of staff of Technical Operations  |                 | Office of Information   | Ongoing          |                      |                     |                      | 10              |
| Effective use of the information network, CEN of the World Customs organization, and of other agency networks such as "ZEKA" and "RILO", as well as the SEMS system. Implement procedures in order to be effective in the INFOMARIN network. |                 |   |                  |                      |                     |                      | 20              |
| Active participation in the SECI movement with its center in Bucharest (The center of the War against Interborder Crime in South-Eastern Europe)   | 3               | General Customs Office  | Ongoing          |                      |                     |                      | 20              |
| <b>Implementation of the information processing systems of customs declarations and information management.</b>  |                 |   |                  |                      |                     |                      |                 |
| Implementation of the system in all relevant offices   | 1               | Office of Technology, UNCTAD  | 2005             |                      |                     |                      | 700             |
| Publishing the system of the business community and the training of customs staff and other users.   |                 | Office of Ongoing Technology, Office of Print and Relationships with the Public, Office of Administration and Personnel Training Z. | 2004 and Ongoing |                      |                     |                      | 15              |
| Most efficient use of system capacity  | 2               | Office of Technology  | Ongoing          |                      |                     |                      |                 |
| Improve the system of preparing customs statistics in such a way that they best serve the creation of Governmental fiscal policies.  | 2               | Office of Statistics.   | Ongoing          |                      |                     |                      | 5               |
| <b>Improve work effectiveness by improving structure, organizational techniques and work method in central government, regional and branches</b>   |                 |   |                  |                      |                     |                      |                 |
| Continuous improvement of the structures to promote efficiency and flexibility in order to respond to job responsibilities, specific situations and also given job assignments.  | 3               | Offices close to D.P.D., Regional Offices, Customs Branches   | Ongoing          |                      |                     |                      |                 |
| Decentralization and delegation of responsibilities by consolidating the managerial, controlling and decision taking role of the Regional Offices of the Customs Branches  | 2               | Offices close to D.P.D  | 2004 and Ongoing |                      |                     |                      |                 |
| Strengthening of the structure for internal control and external control particularly after de-customization of the goods.   | 2               | Offices close to D.P.D Office of Internal Control   | 2004 and Ongoing |                      |                     |                      |                 |
| Creation of specific regulations of the functions of the Customs branches and also continuous improvement of the minor organization of work in them as a basic factor to guarantee well-being.   | 2               | Offices close to D.P.D. Regional Offices, Customs Branches  | Ongoing          |                      |                     |                      |                 |
| <b>Progress of the Human Resources</b>   |                 |   |                  |                      |                     |                      |                 |
| Rigorous implementation of the Customs administration training strategy by increasing the quality, confirming the empty spots and identifying the  | 2               | Office of Administering and Training Personnel  | Ongoing          |                      |                     |                      |                 |

| Objectives/ Public Priority Actions  | √ <sup>68</sup> | Responsible Institutions  | Deadline | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|--|-----------------|---|----------|----------------------|---------------------|----------------------|-----------------|
| need for training.   |                 |   |          |                      |                     |                      |                 |
| Preparation of efficient training programs for training needs, as well as organization of training classes with a high professional level.   | 3               | Office of Administering and Training Personnel.                           | Ongoing  |                      |                     |                      |                 |
| Continuous training to increase professional and didactic capabilities.  | 3               | Office of Administering and Training Personnel.                           | Ongoing  |                      |                     |                      | 5               |
| Improve evaluation of training programs. Analyse earnings by the training programs   | 3               | Office of Administering and Training Personnel.                           | Ongoing  |                      |                     |                      |                 |
| More effective use of the external training funds particularly the multi-bilateral programs.   | 3               | Office of Administering and Training Personnel. Office of Foreign Affairs | Ongoing  |                      |                     |                      |                 |
| Effective cooperation with the World Organization of Tariffs as well as implementing the recommendations of this organization.   | 2               | Office of Foreign Affairs Offices next to D.P.D                           | Ongoing  |                      |                     |                      | 50              |
| Coordination of training programs with internal funds from the Customs Administrative and those with external funds.   | 3               | Office of Administering and Training Personnel.                           | Ongoing  |                      |                     |                      |                 |
| <b>Increase inclusion of customs personnel in the process of revising, incensement of the level of consciousness and persuading them over the effect and advantages of the revisions.</b>  |                 |   |          |                      |                     |                      |                 |
| Increase the support for and recognition of the need to change by including personnel in discussions and evaluating their suggestions during the preparation of yearly plans   | 3               | Offices close to D.P.D. Office of Administering and training personnel.   | Ongoing  |                      |                     |                      |                 |
| Discuss the advantages of the revisions in such a way that resistance is reduced.  | 3               | Offices close to D.P.D  | Ongoing  |                      |                     |                      |                 |
| Organize thematic workshops and common working groups with the base specialists so personnel can contribute to the solutions rather than just having the solutions imposed on them.  | 3               | Offices close to D.P.D Regional Offices, Customs Branches                 | On Going |                      |                     |                      | 2               |
| <b>Continuous improvement of cooperation interdepartmentally- Custom System and Perfection of Interdecasterial Cooperation.</b>  |                 |   |          |                      |                     |                      |                 |
| Increase Custom Department cooperation through the creation of common working groups for the achievement of given responsibilities.  | 2               | D.P.D Departments   | Ongoing  |                      |                     |                      |                 |
| Increase Cooperation between the Departments involved in customs services via the creation of common working groups for achievement of the given responsibilities.   |                 |   |          |                      |                     |                      |                 |
| Improve the cooperation of the Customs Administration with the Ministry of Public Order, Districts Attorney's Office, National Information Service and particularly with the Tariff Administrations.   | 2               | Department of D.P.D.  | Ongoing  |                      |                     |                      |                 |
| Increase effectiveness of the activity of the Common Contact Group   | 3               | Operational/Investigative Department                                      | Ongoing  |                      |                     |                      |                 |
| <b>Continuous progress of the bilateral relationships and the cooperation with the Foreign Customs Administration and International Organizations through the creation and strengthening of mutual Administrative assistance as well as being inducted in a maximum number of Customs Conventions.</b> |                 |   |          |                      |                     |                      |                 |
| Negotiate and implement a bilateral standard agreements of reciprocal administrative assistance with other E.U. countries for the prevention,  | 2               | Office of Foreign Affairs,  | Ongoing  |                      |                     |                      | 35              |

| Objectives/ Public Priority Actions  | √ <sup>68</sup> | Responsible Institutions   | Deadline          | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|--|-----------------|--|-------------------|----------------------|---------------------|----------------------|-----------------|
| investigation, discovering and punishment of custom violations   |                 | Operational/Investigative Department   |                   |                      |                     |                      |                 |
| Get inducted in the Kyoto Convention for the Customs Procedures, in the Convention of the synchronized system as well as in other conventions for which the customs administration meets the membership criteria           |                 | Office of Foreign Affairs, Office of Procedures, Office of Origin, Value and Tariffs | 2004              |                      |                     |                      | 15              |
| <b>Increase level of Informative Service over Customs Fiscal Legislation and for the economic operators. Increase transparency with the media and the public</b>   |                 |  |                   |                      |                     |                      |                 |
| Institutionalise and develop relationships with the public; publish and periodically propagate periodicals about Customs legislation; publish and distribute practical guides to aid passengers and the economic operators | 2               | Office of Press and Public Relations, Offices close to D.P.D.                        | 2004 and On Going |                      |                     |                      |                 |
| Focus on business-customs cooperation by organizing round tables and participating in reciprocal activities  | 3               | Office of Press and Public Relations, Offices close to D.P.D.                        | On Going          |                      |                     |                      |                 |
| Keep the Mass Media and the general public updated over the activities of the Customs Administration. Organize regular press conferences and publish press releases.   | 3               | Office of Press and Public Relations, Offices close to D.P.D.                        | On Going          |                      |                     |                      |                 |
| Set up near each customs check point information booths with brochures and posters to aid the passengers and the economic operators  | 3               | Office of Press and Public Relations, Offices close to D.P.D., Customs Branches      | On Going          |                      |                     |                      | 5               |
| <b>Boost completion of projects improving Customs Infrastructure, with the goal of simplifying the movements of passengers and goods.</b>  |                 |  |                   |                      |                     |                      |                 |
| Maintain existing structures of the custom system by guaranteeing their reliability.   | 1               | Office of Investments and Logistics  | On Going          |                      |                     |                      |                 |
| Adapt existing structures with the aim to facilitate the movements of goods, instruments and passengers.   | 2               | Office of Investments and Logistics  | On Going          |                      |                     |                      |                 |
| Create Red and Green channels at border customs and separate where possible traffic of goods from traffic of people.   | 2               | Office of Investments and Logistics  | On Going          |                      |                     |                      | 5               |
| Create structures in the new customs points in accordance with contemporary standards and criteria.  | 2               | Office of Investments and Logistics  | On Going          |                      |                     |                      | 1000            |
| <b>Preparation of the NSSED progress report document for 2004, 2005, 2006</b>  |                 |  |                   |                      |                     |                      |                 |
| Draft and distribute the methodology for the drafting of progress reports for 2004, 2005, 2006   | 1               | Office of NSSED, MF  | 2004-2007         |                      |                     |                      |                 |
| Inclusion of all interested actors in all steps of drafting the progress report.   | 1               | Office e NSSED, Line Ministries  | 2004-2007         |                      |                     |                      |                 |
| Organize consultations, round tables with representatives of working groups from the Ministries of the line, with local experts etc.   | 1               | Office of NSSED, MF  | 2004-2007         |                      |                     |                      |                 |
| Organize meetings with the Interministerial working groups for NSSED   | 2               | Office of NSSED, MF  | 2004-2007         |                      |                     |                      |                 |
| <b>Organize National Conferences for report launching</b>  |                 |  |                   |                      |                     |                      |                 |
| Facilitate the process of passing the report to the interministerial committee of economic policy and its approval by the government   | 2               | Office of NSSED, MF, Council of Ministers  | 2004-2007         |                      |                     |                      |                 |
| Publish progress reports   | 2               |  | 2004-2007         |                      |                     |                      |                 |

| Objectives/ Public Priority Actions  | √ <sup>68</sup> | Responsible Institutions                      | Deadline  | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|--|-----------------|---|-----------|----------------------|---------------------|----------------------|-----------------|
| Send the report to the World Bank Executive Board of Directions, and IMF   | 2               | Office of NSSED, IMF, World Bank              | 2004-2007 |                      |                     |                      |                 |
| <b>Strengthen capacity in the Line Ministries and in the NSSED Office</b>  |                 |   |           |                      |                     |                      |                 |
| Continuous qualification of staff in monitoring and evaluation in the Line Ministries and within the NSSED Office          | 1               | Office of NSSED, MF                           | 2005      |                      |                     |                      |                 |
| Technical consultation and support within these groups for the increase and improvement of effectiveness.                  | 1               | Office of NSSED, MF, DFID                     | 2005      |                      |                     |                      |                 |
| Organize training seminars on the NSSED  | 2               |   |           |                      |                     |                      |                 |
| Preparation of Directional Guides for the standardization and unification of the monitoring indicators                     | 1               | Office of NSSED, MF, DFID                     | 2005      |                      |                     |                      |                 |
| Define national monitoring indicators  | 1               | Office of NSSED, MF, IDEA                     | 2005      |                      |                     |                      |                 |
| <b>Institutionalize the process of participation of all interested actors in this process</b>                              |                 |   |           |                      |                     |                      |                 |
| Organize general meetings with representatives of civil society at local, national and regional level                      | 1               | Office of NSSED, MF                           | 2004-2005 |                      |                     |                      |                 |
| Organize meetings and consultations with parliamentary representatives   | 1               | Office of NSSED, MF                           | 2004-2005 |                      |                     |                      |                 |
| Increase capacity of the Civil society in the monitoring process and evaluation.   | 1               | Office of NSSED, MF                           | 2004-2005 |                      |                     |                      |                 |
| Integrate Regional Strategies into the NSSED   |                 |   |           |                      |                     |                      |                 |
| Organize round-table type meetings at the central level  | 2               | Office of NSSED, MF, MPVD, Council of Qarqeve | 2004-2005 |                      |                     |                      |                 |
| Organize meetings with representatives for follow up and planning for the central level.                                   | 2               | Office of NSSED, MF, MPVD, Council of Qarqeve | 2004-2005 |                      |                     |                      |                 |
| Support the Process of Drafting Regional Strategies for all regions  | 2               | Office of NSSED, MF, MPVD, Council of Qarqeve | 2004-2005 |                      |                     |                      |                 |
| Establish structures for monitoring and evaluating at a central level.   | 2               | Office of NSSED, MF, MPVD, Council of Qarqeve | 2007      |                      |                     |                      |                 |
| <b>Better synchronization of integrating agendas in NSSED</b>  |                 |   |           |                      |                     |                      |                 |
| Improve long-term vision in NSSED including here OZHM and SAA  | 1               | Office of NSSED, MF, MPJ, MI                  | 2005      |                      |                     |                      |                 |
| Unification and better standardization of methodology and structures   | 1               | Office of NSSED, MF, MPJ, MI                  | 2005      |                      |                     |                      |                 |
| <b>Synchronization and coordination of foreign aid</b>   |                 |   |           |                      |                     |                      |                 |
| Organize on-going meetings with the donor community  | 1               | MF, ME, Council of Ministers                  | On Going  |                      |                     |                      |                 |
| Draft project proposals for winning grants for specified needs by the Office of NSSED for quality improvement in the NSSED | 1               | MF  | On Going  |                      |                     |                      |                 |

| Objectives/ Public Priority Actions   | √ <sup>68</sup> | Responsible Institutions                                   | Deadline  | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|---|-----------------|--|-----------|----------------------|---------------------|----------------------|-----------------|
| Focus the projects of different investors on the identified priorities in NSSED   | 1               | MF   | On Going  |                      |                     |                      |                 |
| <b>Create map of administrative information in NSSED</b>  |                 |  |           |                      |                     |                      |                 |
| Broaden the national level the pilot -project of Lushnja  | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Review the quality and the value of the administrative information  | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Creation of a plan of action for the improvement and implementation of this information in the creation of maps and political drafts.                           | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Preparation of an information inventory which includes not only public institutions but also private ones   | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Selection of information to be included in the map  | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Preparation of the maps   | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Organization of a national conference   | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| <b>Increase public awareness of the NSSED</b>   |                 |  |           |                      |                     |                      |                 |
| Refresh daily the NSSED website   | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Publication of quarterly newspaper on the activities and issues of the NSSED  | 1               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Preparation of TV ads for the on-going public awareness   | 3               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Implementation of specific programs on radio, national and local television   | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Preparation of posters NSSED posters  | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| Preparation of brochures concerning important issues of implementation and monitoring of NSSED  | 2               | Office of NSSED, MF  | 2004-2007 |                      |                     |                      |                 |
| <b>Reevaluation of the legislation based on the advancements and the new international standards, and the actual conditions of our country</b>                  |                 |  |           |                      |                     |                      |                 |
| Drafting and reviewing of legal and legal subparts in view of the new revisions based on conventions, international agreements and improved national agreements | 1               | Office of Coordination of the War Against Money Laundering | 2004-2007 |                      |                     |                      |                 |
| <b>Increase of capacity and of independence of FIU. Finish acquisition of office goods, training and contemporary qualifications</b>                            |                 |  |           |                      |                     |                      |                 |
| Construction of a contemporary and stable information base.   | 1               | Office of Coordination of the War Against Money Laundering | 2004-2007 |                      |                     |                      |                 |
| Consolidate and broaden cooperation via the FIU, legal subjects and law enforcement in particular the District Attorneys Office, the Police, etc                | 1               | Office of Coordination of the War Against Money Laundering | 2004-2007 |                      |                     |                      |                 |
| Strengthening of cooperation and regional and international coordination  | 1               | Office of Coordination of the War Against                  | 2004-2007 |                      |                     |                      |                 |



| Objectives/ Public Priority Actions   | √ <sup>68</sup> | Responsible Institutions  | Deadline          | Budget <sup>69</sup> | Cards <sup>70</sup> | Others <sup>71</sup> | √ <sup>72</sup> |
|---|-----------------|---|-------------------|----------------------|---------------------|----------------------|-----------------|
| not only with the countries of the region but also on a broader basis, such as the Egmont group   |                 | Money Laundering  |                   |                      |                     |                      |                 |
| Adhere to contemporary developments on the war against money laundering   |                 | Office of Coordination of the War Against Money Laundering                    | 2004-2007         |                      |                     |                      |                 |
| <b>Strengthening implementation of laws for the prevention of money laundering even from nonbank subjects.</b>  |                 |   |                   |                      |                     |                      |                 |
| Drafting and adherence of programs to control of law implementation.  | 2               | Office of Coordination of the War Against Money Laundering                    | 2004-2007         |                      |                     |                      |                 |
| Define procedures for the implementation of administrative sanctions in case of violations, which do not constitute penal acts, complaints and execution of decisions for anti-administrative acts. | 2               | Office of Coordination of the War Against Money Laundering                    | 2004-2007         |                      |                     |                      |                 |
| <b>General Tax Department</b>   |                 |   |                   |                      |                     |                      |                 |
| Objectives/ Public Priority Actions   | √ <sup>73</sup> | Responsible Institutions  | Deadline          | Budget <sup>74</sup> | Cards <sup>75</sup> | Others <sup>76</sup> | √ <sup>77</sup> |
| <b>Modernisation of organizational structures.</b>  |                 |   |                   |                      |                     |                      |                 |
| Continuous monitoring of the function of the national administrative structure.   | 1               | Offices in DPT, per function  | 2004-2007         |                      |                     |                      |                 |
| Study for the improvement of administration in the zone covered by the branch of Tariff and Taxes of Tirana.  |                 | DPT, Tariff Branch in Tirana  | 2004-2007         |                      |                     |                      |                 |
| Continuous scrutiny and revision with the purpose improving the impact of the organizational structure of the General Tax Department (Central Offices).   | 1               | Office of Reforms, Office of Human Resources                                  | 2004 and on going |                      |                     |                      |                 |
| Drafting and implementing necessary administrative structures for collecting social security and health contributions.  |                 | Office of Reform, Other Offices in DPT per function, Regional Tariff branches | 2004-2005         |                      |                     |                      |                 |
| Periodically evaluating the report of work measurement with the purpose of determining the personnel numbers so as to have sufficient staff and proper distribution of human resources.             | 2               | Office of Reforms, Office of Human Resources                                  | 2004 and on going |                      |                     |                      |                 |
| To review the responsibilities of each unit with the goal of good work flow. Amend directives as needed.  | 2               | Office of Reforms, Office of Human Resources                                  | 2004 and on going |                      |                     | Support from DFID    |                 |

<sup>73</sup> Prioritization coefficient

<sup>74</sup> Funds of the Government's budget in millions of Lek

<sup>75</sup> Funds of the projec CARDS in EURO

<sup>76</sup> Other approved investments

<sup>77</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>73</sup> | Responsible Institutions   | Deadline          | Budget <sup>74</sup> | Cards <sup>75</sup> | Others <sup>76</sup> | √ <sup>77</sup> |
|---|-----------------|--|-------------------|----------------------|---------------------|----------------------|-----------------|
| Secure support in the area for the reorganization of the district tariff branches. The goal is a correct implementation of the administration and the procedures. | 2               | Office of Overseeing, Office of Reforms, Office of Tariff Control                            | 2004-2007         |                      |                     |                      |                 |
| Analyze and study the role of the Judicial Police in connection to the DPT and its district branches.   | 3               | Office of Human Resources, interconnected function Offices,                                  | 2004 and on going |                      |                     |                      |                 |
| Review and implement an appropriate structure for the Tariffs Police.   | 1               | Office of Tariffs Police, Office of Human Resources  | 2004-2005         |                      |                     |                      |                 |
| Evaluate workload of the Tariffs Police. Reports on the number of personnel needed.   | 2               | Office of Tariffs Police, Office of Human Resources  | 2004 and on going |                      |                     |                      |                 |
| <b>Reviewing of the legislation</b>   |                 |  |                   |                      |                     |                      |                 |
| Review and redraft the legal tariffs framework, with the goal of creating a cohesive legal tariffs system in line with that of the UN.                            | 1               | Office of Reform and functionally interconnected offices                                     | 2004-2005         |                      |                     |                      |                 |
| Begin the process with the tariff procedures law, later with the direct tariffs, and lastly the tariff law on added value.  | 1               | Office of Reform and functionally interconnected offices                                     | 2004-2005         |                      |                     |                      |                 |
| Form a working group to look at overlapping, incorrect addressing, internal contradictions, and conflicts with other laws.  | 2               | Office of Reforms, Technical and functionally interconnected offices                         | 2004 and on going |                      |                     |                      |                 |
| Review requests for legislation for the tariffs police and the drafting of a legal system including the legal subparts.   | 2               | Office of the Tariff Police  | 2004-2005         |                      |                     |                      |                 |
| <b>The strengthening and documentation of the internal systems and procedures.</b>  |                 |  |                   |                      |                     |                      |                 |
| The internal control staff and the directory of reforms staff will continuously review processes and procedures as part of their responsibilities.                | 2               | Office of Reforms  | 2004-2007         |                      |                     |                      |                 |
| Completion and implementation of all procedure manuals.   | 1               | Office of Reforms, and functionally interconnected offices and the regional tariffs branches | 2004 and on going |                      |                     |                      |                 |
| Completion and implementation of the procedures for administering the documentation.  | 2               | Office of Human Resources and Administration and functionally interconnected offices.        | 2004-2007         |                      |                     |                      |                 |
| Standardization of the evidence and statistical data of DPT in accordance with the government's requests.   | 2               | Office of Statistics and Information   | 2004-2005         |                      |                     |                      |                 |
| Draft and implement the procedures for the collection of the social security and health insurance contributions.  | 1               | DPT,ISSH,ISKSH   | 2004-2005         |                      |                     |                      |                 |
| Ongoing training courses including practical training for the following groups: the Internal Control Staff, the Investigation Staff, the Tariffs Control Staff.   | 1               | Office of Human Resources and Administration and functionally interconnected offices.        | 2004 and on going |                      |                     |                      |                 |
| Implementation in all tariff branches of the reviewing system which oversees with guarding the taxpayers information  | 2               | Office of the Operational Supervision  | 2004-2007         |                      |                     |                      |                 |

| Objectives/ Public Priority Actions  | √ <sup>73</sup> | Responsible Institutions  | Deadline          | Budget <sup>74</sup> | Cards <sup>75</sup> | Others <sup>76</sup> | √ <sup>77</sup> |
|--|-----------------|---|-------------------|----------------------|---------------------|----------------------|-----------------|
| The implementation of the review system in all the tariff branches.  | 2               | Office of Human Resources and Administration                                    | 2004-2007         |                      |                     |                      |                 |
| Define consultants for technical long-term assistance, who will act as co directors in the selected larger tariffs branches.   | 1               | All the offices in DPT and the regional tariff branches in the districts.       | 2004-2005         |                      |                     | Support from DFID    |                 |
| Specify consultants for technical long-term assistance, who will act as coordinators in the selected larger tariff branches.   | 2               | DPT, the responsible offices.   | 2004-2005         |                      |                     |                      |                 |
| Trainings of the Tariffs Police on the methods and procedures but not according to the model of Guardia di Finanzia.   | 2               | Office of Human Resources and the office of Tariffs Police.                     | 2004 and on going |                      |                     |                      |                 |
| Secure equipment for a training school.  | 2               | DPT, Office of Human Resources and the Office of Foreign Affairs and Education. | 2004 and on going |                      |                     |                      |                 |
| Secure funds for the accommodation of General Tax Department in the new offices.   | 1               | DPT   | 2004              |                      |                     |                      |                 |
| <b>The development and reinforcement of the abilities of the inspectors.</b>   |                 |   |                   |                      |                     |                      |                 |
| Provide training courses for the inspectors as a continuation of the current courses; selected staff will continue the selected training according to the method of training the trainers. | 1               | Office of Human Resources and the Office of Foreign Affairs                     | 2004 and on going |                      |                     |                      |                 |
| Provide training courses by trained trainers for all the investigation trainers.   | 1               | Office of Human Resources and the Office of Foreign Affairs                     | 2004 and on going |                      |                     |                      |                 |
| Completion of the control manual with the procedures for unique industries.  | 1               | Office of the Tariffs Control   | 2004-2007         |                      |                     | Support by DFID      |                 |
| Completion and installation of the selection program of the tariff payers on the basis of risk analysis.   | 2               | Office of the Tariffs Control   | 2004              |                      |                     | Support by DFID      |                 |
| Trainings of the Tariff Police on the methods and procedures but not on the models of Guardia di Finanzia.   | 2               | Office of Human Resources and the office of Tariffs Police.                     | 2004 and on going |                      |                     |                      |                 |
| Secure equipment for a training school.  | 2               | DPT, Office of Human Resources and the Office of Foreign Affairs and Education  | 2004 and on going |                      |                     |                      |                 |
| Secure funds for the accommodation of the General Tax Department in new offices.   | 1               | DPT   | 2004              |                      |                     |                      |                 |
| Implementation of an Integrated Tariffs System.  |                 |   |                   |                      |                     |                      |                 |
| Implementation of computerized information for income taxes  | 1               | Office of Technology  | 2004              |                      |                     |                      |                 |
| Implementation of the collection of contributions and the tariffs on personal savings.   | 1               | Office of Technology  | 2004              |                      |                     |                      |                 |
| Implementation of the collection of the akcozes and the national taxes.  | 1               | Office of Technology  | 2004-2005         |                      |                     |                      |                 |
| Equip budgetary institutions with NIPT.  | 2               | Office of Technology and Operational Office                                     | 2004              |                      |                     |                      |                 |

## Monitoring Indicators

| Indicators  | 2000   | 2001   | 2002   | Baseline2003 | 2004   | 2005 | 2006  | 2007  |
|---|--------|--------|--------|--------------|--------|------|-------|-------|
| Expenditure of education sector as percentage of GDP      | 3.24%  | 3.19%  | 2.81%  | 2.85%        | 3.23%  | 3.5% | 3.1%  | 3.65% |
| Expenditure of Health sector as percentage of GDP         | 2.32%  | 2.25%  | 2.02%  | 2.11%        | 2.46%  | 2.8% | 2.9%  | 2.95% |
| Expenditure of agriculture sector as percentage of GDP    | 0.9%   | 0.89%  | 1.06%  | 0.66%        | 0.85%  | 1%   | 1%    | 1%    |
| Expenditure of infrastructure sector as percentage of GDP | 3.03%  | 3.12%  | 2.19%  | 1.76%        | 1.92%  | 2.3% | 2.3%  | 2.2%  |
| Expenditure of social sector as percentage of GDP         | 7.26%  | 7.05%  | 6.81%  | 6.71%        | 6.76%  | 6.8% | 6.85% | 6.9%  |
| GDP in Million lek  | 530906 | 610426 | 677684 | 744974       | 822677 |      |       |       |
| Real GDP Growth in %                                      | 7.3    | 7.6    | 4.7    | 6.0          | 6.0    |      |       |       |
| GDP/capita in USD   | 1086   | 1386   | 1557   | 1950         | 2166   |      |       |       |
| Inflation in %  |        |        |        |              |        |      |       |       |
| - <i>annual average</i>                                   | 0.0    | 3.1    | 5.2    | 2.4          | 3.0    |      |       |       |
| - <i>end of period</i>                                    | 4.2    | 3.5    | 1.7    | 3.3          | 3.0    |      |       |       |
| Total of revenue  |        |        |        |              |        |      |       |       |
| <i>Million Lek</i>  | 130643 | 145639 | 154595 | 167224       | 198052 |      |       |       |
| <i>As % of GDP</i>  | 24.61  | 23.86  | 22.81  | 22.44        | 24.07  |      |       |       |
| Public expenditure  |        |        |        |              |        |      |       |       |
| <i>Million /lek</i>                                       | 170621 | 186049 | 192517 | 201152       | 240360 |      |       |       |
| <i>as % of GDP</i>  | 32.14  | 30.48  | 28.41  | 27.0         | 29.22  |      |       |       |
| Budget deficit  |        |        |        |              |        |      |       |       |
| <i>-Million Lek</i>                                       | -39978 | -40410 | -37921 | -33928       | -42308 |      |       |       |
| <i>as % of GDP</i>  | 7.53   | 6.62   | 5.60   | 4.60         | 5.14   |      |       |       |
| Trade balance in million lek                              |        |        |        |              |        |      |       |       |
|   | -821.0 | -1027  | -1155  | -1336        | -1602  |      |       |       |
| Exports in million \$                                     | 255.4  | 304.6  | 330.2  | 447.1        | 567    |      |       |       |
| Imports in million \$                                     | 1076.4 | 1331.6 | 1485.4 | 1783.4       | 2168   |      |       |       |
| Average exchange rate                                     |        |        |        |              |        |      |       |       |
| <i>-leke/US\$</i>   | 143.7  | 143.5  | 140.2  | 121.9        | 106.48 |      |       |       |

| Indicators   | 2000  | 2001  | 2002   | Baseline2003 | 2004   | 2005   | 2006  | 2007 |
|--|-------|-------|--------|--------------|--------|--------|-------|------|
| -leke Euro   | 132.6 | 128.5 | 132.4  | 137.5        | 135.0  |        |       |      |
| Nominal GDP, in milliard leke                      | 902.5 | 989.3 | 1084.1 | 1187.7       | 1289.0 | 1398.8 |       |      |
| <b>Monetary Sector</b>                             |       |       |        |              |        |        |       |      |
| Growth of monetar offer in %                       | 20.2  | 5.7   | 8.7    | 11.8         | 9.9    | ...    | ...   |      |
| Growth of private credits in %                     | 43.1  | 32.1  | 26.3   | 31.3         | 35.5   | ...    | ...   |      |
| Velocity   | 1.5   | 1.7   | 1.7    | 1.7          | 1.7    | 1.7    | 1.7   |      |
| Interest rate (T-Bills, 3muj)                      | 8.0   | 11.2  | 7.3    | ...          | ...    | ...    | ...   |      |
| Trade balance                                      |       |       |        |              |        |        |       |      |
| In US\$  | -1027 | -1155 | -1336  | -1602        | -1746  | -1870  | -2018 |      |
| As % of GDP  | 24.2  | 23.9  | 21.8   | 20.4         | 20.2   | 19.7   | 19.4  |      |
| Current account balance (without public transfers) |       |       |        |              |        |        |       |      |
| In US\$  | -263  | -435  | -467   | -593         | -635   | -672   | -685  |      |
| As % of GDP  | -6.2  | -9.0  | -7.6   | -7.5         | -7.3   | -7.1   | -6.6  |      |

## MINISTRY OF ECONOMY

**Establishment of the Credit Guaranty FUND of SME:** In the framework of the Italian government's project grant, which is being executed by the European Training Foundation, has been worked on drafting the guarantee credit-scheme for SME, which will be finalized in the year 2004 with the establishment of the **Credit Guaranty FUND of SME**.

**Establishment and enforcement of Business institutions.** In this framework Albanian government has been drafted and approved three legal packages on establishment and functioning of three business supporting agencies accordingly: Foreign Investment Promotion Agency (FIPA); SME-s Promotion Agency, and Exports Promotion Agency. These agencies have been made totally functional during the year 2003.

**Elimination of business bureaucratic barriers:** Ministry of Economy with FIAS' Technical Assistance has been realized the study on defining the business bureaucratic barriers, as well as measures to be undertaken for their elimination. In this framework, the Government has approved Business Bureaucratic Barriers' Action Plan, which is now under process and will continue to be implemented.

**Reduction of the Informal economy:** The government of Albania in partnership with Organization for Economic Cooperation and Development (OECD), has taken the initiative to develop a study which will be made concrete in 2004,

through a concrete measures program for further minimization of this indicator.

**Increase and strengthen the efficiency of Business Advisory Council.** Re-organization and improvement of its functions. Based on the Albanian community business demands on enforcement and further cooperation improvement between business community and the council with initiative of Prime Minister on 23. 01. 2003, a new order, "Council reorganization and the new functioning Statute" has been approved

**The adoption of the European SME Card.** This is one of the main elements of the EU Stabilization and Association Process. In this framework, the priority objectives for 2004 have been set. Which are being monitored and followed by the European Commission

**Establishment of the Independent Competition Authority:** Albanian Parliament has drafted and approved "Competition Law", according to which the Independent Competition Authority will be created. The Competition Policy contributes positively in the process of transition and structural revisions, by increasing chances for a healthy and progressive economy.

**Finalization of the Free Trade Agreement with region's countries.** All agreements have been finalized within the appointed deadline and first positive effects are being experienced.

## Matrix 2003-Annual Review

| Prior actions for 2003   | √ <sup>78</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|-----------------|---|-----------------|
| Implementation of the Action plan for the reduction of administrative barriers | 3               | - Ministry of Economy by a special Council of Ministers Decision (CoMD) is responsible for monitoring program achievement<br>-Administrative Problems | 2004            |
| Establishment of the public information offices                                | 3               | -Cooperation with donors, CARDS program<br>-Organization problems and legislation improvement   | 2004            |
| Strengthening and consolidating of the foreign Investments promotion agency    | 3               | - Ministry of Economy and Supervisory Council' s Contribution   | 2004            |
| Strengthening and consolidating of the Development Agencies of SME             | 3               | - Approval of the sub- legal acts, agency status and their budget by the Government<br>-Cooperation problems with other institutions                  |                 |
| Establishment of the Credit Guaranty Fund                                      | 2               | -Financial Support by the Italian Government. Achievement of fundraising study  | 2004            |
| Establishment of the Competition Authority                                     | 3               | -With the assistance of GTZ.  | 2004            |
| Strengthening and consolidating of the Export Promotion Agency (EPA)           | 3               | -Achieved with governmental support   | 2004            |

<sup>78</sup> Level of completion per criteria

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | ✓79 | Responsible institution | Budget <sup>80</sup> | Cards <sup>81</sup> | Others <sup>82</sup> |
|--|-----|-------------------------|----------------------|---------------------|----------------------|
| <b>Drafting of legal package for the establishment of the Credit Guaranty Fund</b>   |     |                         |                      |                     |                      |
| Signing of the Financial Agreement between the Albanian Government and the Italian Government.   | 1   | MoE, Agency of SME's    |                      |                     | 30millionEuro        |
| Drafting of the Leasing draft-law / Discussion in round tables with financial institutions and business community/ Discussion in Business Advisory Council (BAC)   | 2   | MoE, Agency of SME's    |                      |                     |                      |
| <b>Track engagements in the framework of implementing the European Card of SME</b>   |     |                         |                      |                     |                      |
| Implementation of the engagements/ defined objectives for 2004/ Following up of the bilateral agreements with KE   | 1   | MoE, Agency of SME's    |                      |                     |                      |
| Establishment and strengthening of FDI indicators' database.   |     |                         |                      |                     |                      |
| Establishment of the working group: MoE, MoF, Bank of Albania (BoA)/ Undertaking of the national survey on foreign and joint enterprises   | 2   | MoE, FIPA               |                      |                     |                      |
| Accomplishing of a country economic situation' study, in order to identify the level of the informal economy in Albania / Drafting of a completed program with the appropriate recommendations based on this study | 2   | MoE, FIPA               |                      |                     |                      |
| Self - evaluation of plan's impact / Institutions Surveys  | 1   | MoE, FIAS               | 4                    |                     |                      |
| Establishment of the public information offices nearby each Ministry/Establishment of the working group for setting up this offices  | 2   | MoE                     | 11                   |                     |                      |
| Incentive's study and proposal for exports promotion   | 3   | ME, EPA                 |                      |                     |                      |
| Improvement of BAC' functioning. Preparation of the SEED study's recommendations regarding to the BAC effectiveness's increase /Preparation of the Action Plan   | 3   | MoE                     |                      |                     |                      |
| Drafting the Council of Ministers' draft-decision on fairs and exhibits' organization in a national level.   | 3   | MoE                     |                      |                     |                      |

<sup>79</sup> Prioritization coefficient.

<sup>80</sup> Funds of the Government's budget in millions of Lek

<sup>81</sup> Funds of the projec CARDS in EURO

<sup>82</sup> Other approved investments



## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | <sup>83</sup> √ | Responsible Institutions | Deadline | Budget <sup>84</sup> | Cards <sup>85</sup> | Others <sup>86</sup> | Y <sup>87</sup> |
|---|-----------------|--------------------------|----------|----------------------|---------------------|----------------------|-----------------|
| <b>Increase the entrepreneur's qualification level and improvement of the professional standards for the institutions that offer business services/ increase the trainers and business consultants' professional standards through accreditation; increase the quality of SME training programs</b> |                 |                          |          |                      |                     |                      |                 |
| Increase the efficiency of Accreditation Department.  | 2               | Accreditation Department | 2005     | 15                   |                     |                      | 100 mije Euro   |
| <b>Supporting of Small and Medium Enterprises/Following up the engagements in the framework of European Card of SME' implementation</b>   |                 |                          |          |                      |                     |                      |                 |
| Implementation of defined engagements/objectives for 2004 and adherence of bilateral meetings with KE   | 1               | MoE, the Agency of SME   | 2004     |                      |                     |                      | 100 mije Euro   |
| <b>Drafting of the legal package for the establishment of Guaranty Credit Fund</b>  |                 |                          |          |                      |                     |                      |                 |
| Signing of the Financial agreement between the Albanian government and the Italian Government   | 1               | MoE, Agency of SME-s     | 2004     |                      |                     | 30millionEuro        |                 |
| <b>Reduction of business administrative barriers /Application of monitoring and self-evaluation system for implementation on removal of the administrative barriers policy</b>  |                 |                          |          |                      |                     |                      |                 |
| Establishment of the Public Information Office  | 1               | MoE, Line Ministriés     | 2005     | 5                    |                     |                      | 100 mije Euro   |
| <b>Elimination of Business Barriers</b>   |                 |                          |          |                      |                     |                      |                 |
| Self - evaluation of plan's impact / Institutions Surveys   | 1               | MoE, FIAS                | 2004     | 4                    |                     |                      | 70 mije EURO    |
| <b>Facilitation of the information and complaints'</b>  |                 |                          |          |                      |                     |                      |                 |
| Establishment of the public information offices nearby each Ministry/Establishment of the working group for setting up this offices   | 2               | MoE                      | 2004     | 11                   |                     |                      |                 |
| <b>Financing Services for Business/ Extension of guaranty-credit schemes as well as application of leasing schemes based on the execution of leasing law</b>  |                 |                          |          |                      |                     |                      |                 |
| Drafting and approval of the leasing law  | 1               | MoE, Line Ministriés     | 2005     |                      |                     |                      | 50,000 Euro     |

<sup>83</sup> Prioritization coefficient

<sup>84</sup> Funds of the Government's budget in millions of Lek

<sup>85</sup> Funds of the projec CARDS in EURO

<sup>86</sup> Other approved investments

<sup>87</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>83</sup> | Responsible Institutions                  | Deadline | Budget <sup>84</sup> | Cards <sup>85</sup> | Others <sup>86</sup> | Y <sup>87</sup> |
|---|-----------------|---|----------|----------------------|---------------------|----------------------|-----------------|
| <b>Inducing of IHD's/ Establishment and strengthening of FDI indicators' database</b>   |                 |   |          |                      |                     |                      |                 |
| Establishment of the working group: MoE, MoF, Bank of Albania (BoA)/ Undertaking of the national survey on foreign and joint enterprises  | 2               | MoE, FIPA                                 | 2004     |                      |                     |                      | 50 milje Euro   |
| <b>Accomplishing of a country economic situation' study, in order to identify the level of the informal economy in Albania</b>  |                 |   |          |                      |                     |                      |                 |
| Drafting of a completed program with the appropriate recommendations based on this study  | 2               | MoE, FIPA                                 | 2004     |                      |                     |                      | 150000 Euro     |
| <b>Infrastructure and business technology/Extension of business incubators and industrial parks.</b>  |                 |   |          |                      |                     |                      |                 |
| Increase the number of incubators and industrial parks all over the country   | 2               | ME, Ministry of Labour and Social Affairs | 2007     |                      |                     |                      | 50,000 Euro     |
| <b>Regional and sectorial Development of Small and Medium Enterprises(SME) / Development of regional/sectorial studies and analysis as well as extension of the projects to the faraway areas of the country.</b> |                 |   |          |                      |                     |                      |                 |
| Extension of Business Agencies Network  | 2               | MoE                                       | 2007     |                      |                     |                      | 100,000 Euro    |
| Strengthening of the State - Business Partnership/ Improvement of BAC' functioning.   |                 |   |          |                      |                     |                      |                 |
| Preparation of the SEED study's recommendations regarding to the BAC effectiveness' increase /Preparation of the Action Plan  | 3               | MoE                                       | 2004     |                      |                     |                      | 10,000 Euro     |

## Monitoring Indicators

| Indicators  | Baseline<br>2000 | 2001  | 2002    | 2003  | 2004 | 2005 | 2006 | 2007 |
|---|------------------|-------|---------|-------|------|------|------|------|
| Contribution of the private sector in the employment rate |                  |       | 62%     |       |      |      |      |      |
| The contribution of the private sector in GDP             |                  |       | 75%     | 75%   |      |      |      |      |
| Number of new established business                        | 7031             | 6720  | 6121    |       |      |      |      |      |
| Employment in the private sector (No)                     |                  |       | 201.365 |       |      |      |      |      |
| Export increase in %                                      | -6.2%            | 17.1% | 4.5%    | 14.5% |      |      |      |      |
| Exports in mln\$  | 259.6            | 303.9 | 338.1   | 441.6 |      |      |      |      |
| Direct foreign investments /mln\$                         | 143.0            | 207.0 | 150.0   | 178.2 |      |      |      |      |

## MINISTRY OF INDUSTRY AND ENERGY

**Electrical Energy Sector:** short, medium and long term development and restructuring policies were drafted for this sector until the year 2015 to meet the European Union standards and those of the open competitive market. The National Strategy for the Energy was drafted and approved. This identifies concrete steps, which will be taken in this sector until the 2015. The law No.. 9072, (22.05.2003) "For the Electric Sector" was passed.

**Hydrocarbons Sector:** Around a 10% increase in the production of crude oil and gasoline was achieved for the year. In 2004 an increase of 430 thousand tons is predicted, up from the 398 thousand tons which were produced in 2003. Nineteen Hydrocarbon Agreements were signed for crude oil research with foreign companies and US\$350 million was invested. The legal framework for licensing for processing, transportation and the exporting of crude oil, gas, and their sub products was agreed.

**Mining Sector:** 379 permits for mineral use and research were granted. The process of closing fully utilised mines along with the privatization of their assets continued. Concessions have been granted for 30 mines and 7 Mineral Companies, (3 mines, 2 chromium plants, 1 enrichment factory, 1 selection impl.). 110 Mineral Use Permits have been issued for 44 subjects, 70 Mineral

Galleries along with their assets (about 278 buildings machinery etc.), capital transfer for 10 construction buildings of the local government and KESH. For the Copper branch: have been closed and transferred to the privatization process 48 mining assets and two of them have been privatized. Under concession three Copper Plant (in Rubik) one mine, one enrichment plant (soc. BER-ALB) one demolition company (Copper Plant Laç) and under capital transfer 13 construction buildings of the local government and KESH. In the branch of Iron-Nickel have been closed and undergone the asset privatization process 13 mineral companies. In the branch of Coals: have been closed and gone through the privatization process 35 mineral assets (mines, enrichment factories etc) six usage permits have been given and also their assets have been leased.

**Industry Sector:** A study was conducted on the possibility of constructing industrial parks. V.K.M No. 398, (13.06.2003) removed the process of licensing agencies, which invest and operated in the non-food industry. Economic analysis concluded that the industrial sector will improve in the metallurgical field, shoe-leather, confection, and wood, where for the 2003 the volume of product sold has been increased with 9% more than the year 2002. This production increase was accompanied by an increase of the work force by 4% as compared to 2002

## Matrix 2003-Annual Review

| Prior actions for 2003   | <sup>88</sup> √ | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|-----------------|---|-----------------|
| <b>Creation of a financially and technically powerful electric industry</b>  |                 |   |                 |
| Implementation of the action plan for 2003-2004  | 4               | Approved with VKM No. 27, (16.01.03)  |                 |
| Predict electrical energy needs in the light of the National Electrical Strategy   | 4               | Achieved  |                 |
| Preparation of a broader plan for the Albanian Electro-Energetic System (LCEP) in the light of the National Electrical Strategy  | 4               | Achieved  |                 |
| Preparation of a detailed action plan till mid 2005 with costs for the rationalization of the Distribution Tariff.   | 4               | Achieved  |                 |
| Refresh the action plan for the Electro-Energetic Sector for 2004-2005   | 4               | Achieved  |                 |
| Continue the tariff rationalization  | 4               | Achieved  |                 |
| <b>Creation of an effective and transparent legal and regulative framework</b>   |                 |   |                 |
| Presentation and approval of the Electro-energy Sector Law   | 4               | The Working Group was established with foreign assistance. Law No. 7092, (22.5.03) was approved.  |                 |
| Preparation and approval of the legislation which authorizes the Ministry of Social Work and Social Cases in cooperation with the Ministry of Industry and Energy and the Finance Ministry to set up a mechanism which will facilitate the impact that the electrical energy tariff increase will cause to the low-income consumer group and to stabilize a minimum service level. | 4               | The Working Group with members from four Ministries: PFSC, ME, MF, MIE, was set up; after coming up with several variations, an action plan was approved with the Decision No. 797, (4.12.03) |                 |
| Approve and adopt the Building Energy Code   | 4               | Achieved  |                 |
| Prepare a National Strategy for the Electrical Energy- Phase 1   | 4               | Achieved by AKE with foreign assistance   |                 |
| Prepare a Energy Conservation Plan as a part of the National Energy Strategy   | 4               | Achieved  |                 |
| Preparation of methodology for the creation of Regional and National Energy database.  | 4               | Achieved  |                 |
| Preparation and approval by government of an implementation program for the National Strategy.   | 4               | Achieved and approved with VKM No 647, (11.9.2003).   |                 |
| Select and gain government approval for an Electrical Energy Transmission market model.  | 4               | The proposed model has been drafted based on the law for the electrical energy sector. It will be approved in May 2004  |                 |
| <b>Separation of KESH Sha into separate legal entities</b>   |                 |   |                 |

<sup>88</sup> Level of completion per criteria

| Prior actions for 2003  | √ <sup>88</sup> | Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|-----------------|--|-----------------|
| Complete a study in cooperation with KESH to identify the necessary number of distributive offices for the separation of KESH   | 4               | Achieved   |                 |
| Withdraw private capital and foreign investments  | 4               | Achieved   |                 |
| Preparation of privatization and investment policies in the distribution and generation sector  | 2               | -Partly<br>-Delay in the drafting of policies  |                 |
| Creation of a competitive electrical energy market in accordance with the European Union requirements for the electrical energy sector reform (Directive 96/92 EU) and with the commitments of Albania under the Thessalonica Agreement for the support of the integration of Albania into the Electrical Energy Regional Market of Southeastern Europe (REM) and the connections with the UCTE system. | 4               | -Decision No. 797 has been approved, (4.12.2003) "For the creation of the Operator of the Transiting System Society Sh.a. Tirana (OTS Sh.a Tirana)" The Athens Memorandum was signed in December 2003 in connection to engaging the countries of the region in the creation of the electrical energy market<br>-It is a complex on-going process which cannot be achieved within a year. The responsibilities for 2003 have been achieved. | 2005            |
| Partake in the Electrical Energy Management Committee (REM) meetings  | 4               | We have participated   |                 |
| <b>Complete restructuring of the hydrocarbon sector societies with public properties</b>  |                 |  |                 |
| Execute VKM No. 28 (16.01.2003) for the liquidation of APC. The decisions of the Overseeing Councils for the Sector Societies for the administrative restructuring will be overseen.  | 4               | All administrative measurements have been taken to achieve objective   |                 |
| <b>Privatization of the crude oil societies with public property</b>  |                 |  |                 |
| Bring to point of sale the "SERVCOM SHA" society  | 3               | -Creation of legal subparts. Preparation for wealth registration for privatization folder<br>-Difficulties in the achievement of wealth registration   | 2004            |
| Bring to point of sale the "TRANSAFTA" LTD Patos in implementation of VKM 30 (16.1.2003)  | 2               | -Wealth registration, document preparation<br>-Difficulties in the achievement of wealth registration  | 2004            |
| Bring to point of sale the "Mechanic Plant" LTD Patos in implementation of VKM 29 (16.1.2003)   | 2               | -Wealth registration, document preparation<br>-Difficulties in the achievement of wealth registration  | 2004            |
| Bring to point of sale 51% of the state shares of the "Petrolimpex" sh.a. Tirana society  | 4               | Auction was completed  |                 |
| Prepare for privatization the "ARMO" SH.A. Fier society. Adhere to the procedures from the project-law and other judicial acts to arrive at point of sale.  | 2               | -Law No. 9117 (24. 07. 2003) for the privatization of the society has been passed. The sublegal acts are under process.<br>Wealth is being registered<br>-Communication among decision-making structures has slowed down the process. Difficulty in the achievement of wealth registration   | 2004            |
| <b>Strengthening of the production, processing and importing capacity for crude oil and its sub products</b>  |                 |  |                 |

| Prior actions for 2003  | √ <sup>88</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|-----------------|--|-----------------|
| Increase crude oil and gas production on the part of "Alb petrol sh.a." and in the framework of implementing the Hydrocarbon Agreement in the zone of the Patos-Marinze contract.                       | 3               | <ul style="list-style-type: none"> <li>- Alb petrol achieved the program. The project MH for Patos- Marinze was achieved</li> <li>- The prediction for crude oil production from MH in the Patos-Marinze zone was not achieved</li> </ul>  |                 |
| Preparation of project decision for privatization.  | 3               | <ul style="list-style-type: none"> <li>- The prediction was achieved but difficulty in meeting deadlines.</li> </ul>   |                 |
| Diversification of the resources supplied by crude oil and its sub products via the coastal installations (terminal) of transport and their deposits  | 4               | <ul style="list-style-type: none"> <li>- The prediction was achieved</li> <li>- Difficulties in meeting deadlines.</li> </ul>  |                 |
| Finish the draft for the project-decision in regard to the crude oil and gas sub products, market control and administration  | 4               | <ul style="list-style-type: none"> <li>The common Directive of the three Ministers has emerged for this issue on the 2nd of September</li> </ul>   |                 |
| <b>Mineral sector/Adherence and implementation to the Chromium Concession Agreement</b>   |                 |  |                 |
| Track the investment of US\$6.0 million, for the third furnace and the gas clearance implant of UFK Elbasan, Law No 8590 (23.03.2000), and the accomplishment of producing 40000 tons of FeCr per year. | 4               | <ul style="list-style-type: none"> <li>- The plant for gas refinement and the investment for the third furnace continue according to schedule.</li> <li>- This program needs time as it contains many steps</li> </ul>   |                 |
| Track adherence of the agreement by OSHA to achieve the work in the Mines, the enrichment factory, and UFK Elbasan and Burrel.  | 3               | <ul style="list-style-type: none"> <li>- US\$8.82 million have been invested for the concession of (UFK Elbasan and the Katjel and Pojske mines) exceeding the responsibilities of the first and second stage. The production is increasing.</li> <li>- The penalties have been set, and the concessionary has been requested to pay compensation</li> </ul> | 2004            |
| Implement penalties per contract for failure to achieve milestones.   | 3               | <ul style="list-style-type: none"> <li>- Has not been completely finalized between the Ministry of Finance, the Ministry of Economy and MIE</li> </ul>   |                 |
| Accomplishment of the investments as per the years minimum.   | 3               | <ul style="list-style-type: none"> <li>- 2000/1.23 2001/4.4 2002/2.77 2003/0.12</li> </ul>   | 2005            |
| Achievement of the production of the Konc mine and Ferrochromium 00t  | 3               | <ul style="list-style-type: none"> <li>- Non implementation on the part of the concessionary for the second concession</li> <li>- 2000/Min 7.2/FeCr 8.8, 2001/min 13.2/ FeCr 19.8, 2002/Min 18.9/ FeCr 24.5, 2003/Min 9.1/FeCr 15.3</li> </ul>   | 2004            |
| Track the OSHA agreement for work in the Mines, the Enrichment Factory and the UFK Elbasan and Burrel.  | 2               | <ul style="list-style-type: none"> <li>- Concession agreement for the mine and the Bulqize enrichment factory. The plant of selection Klos and UFK Burrel, has proceeded very slowly with investment delays even though production has been relatively okay.</li> </ul>  | 2007            |
| Accomplish investments for the assets, which will be handed over (total value is US\$20.6 million).   | 2               | <ul style="list-style-type: none"> <li>- Until now for the concession objects has been invested about 2.0 min USD.</li> <li>- Delayed investment commencement</li> </ul>   | 2008            |
| Draft the study and agreement along with preparing and having the technological test in UBRUBIK for the definition of the technical economic parameters for the production of blister copper            | 2               | <ul style="list-style-type: none"> <li>- The study from ITNPM- has been concluded and the implementation of the technological examination will be decided within the conservation period.</li> </ul>   | 2004            |
| Execution of the protocol agreements for the definition of the assets and their handover  | 4               | <ul style="list-style-type: none"> <li>- Achieved</li> </ul>   |                 |

| Prior actions for 2003  | √ <sup>88</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|-----------------|---|-----------------|
| Definition of the new status of Sh.A. Alboromium and Sh.a. Alb copper after the approval of the concession and privatization objectives   | 4               | -The study has been completed and has been sent for assessment to the Ministry of Economy.  |                 |
| Accomplishment of the identified responsibilities in this study   | 4               |   |                 |
| Deregistration of societies   | 4               |   |                 |
| Closure of the chromium, copper, coal and iron –nickel mines (which are closed in implementation of the approved DCMs, which are not taken under concession asset privatization or their liquidation. <sup>89</sup>                 | 4               |   |                 |
| The preparation of needed documents for privatization and liquidation.  | 4               | -Has been prepared as per closure of mines  |                 |
| Drafting of DCMs for the closure of mines, which will not be taken under concession.  | 4               | -VKM No. 555 (01.08.2003). "For the Complete Closure of the Iron Nickel Mines, Copper, Phosphor and Chromium" for closure during 2004.  |                 |
| Track continuously the closure of mines regulations with adherence and implementation of the appropriate DCMs.  | 4               | -The work done for the closures done during the 2002 year has been checked and a summary prepared. The planned closure of the chromium, copper, coal, and iron nickel mines continues as per the projects drafted during the year of 2003 |                 |
| Engage the Albanian Geological Service in important studies for the national economy  | 4               | Council of Ministers' decision No.555, date 01.08.2003. "For full closure of some iron-nickel, copper, chromium" that will be closed during the year 2004   | 2004            |
| Evaluation and management of subterranean waters in the primary water-keeping basins, priority given to urban and tourist zones. Study the basins in Elbasan, Korçe and Vlore.  | 3               | -Finished in some zones with continuing study of other zones.   | 2004            |
| Conduct complex studies of the territory administration and natural springs on a local and national scale. Complete the studies in the areas Tirana- -Durrës-Kavajë and districts Shkoder-Vlore-Korçe-Gjirakoster-Kukes-Diber-Lezhe | 3               | -Finished in some zones with continuing study of other zones.   | 2004            |
| Study of civil geology characteristics connected to infrastructure problems in our country. Monitor disintegrations and skids in the Boville and Dallaka Dams.  | 4               | -The study has finished and the monitoring continues  |                 |
| Studies for the designation of appropriate areas for urban waste primarily for the urban zones for the regions Laç-Kruje-Rreshen-Rogozhine-Cerrik-Peqin.  | 4               | -Concluded  |                 |
| Review the principal laws upon which the Mineral Industry and SHGJSH is based   | 4               | -The study has finished and the monitoring continues.   |                 |
| Creation of the Draft, for the Amendment of the Albanian Mineral Law No.7796 (17.02.1994)   | 4               | -Finished draft which is awaiting approval in KM.   |                 |
| Creation of the draft, for the Amendment of the Law for SHGJSH  | 4               | -Finished draft which is awaiting approval in KM.   |                 |

<sup>89</sup> Preliminary evidence has been gathered on the mines or on their sections which will be privatized or liquidated. Consequently the mines will be closed according to the Council of Ministers Decision as a part of the shutting down project, prepared by ITNPM ensuring savings that need to be made.



| Prior actions for 2003  | √ <sup>88</sup> | -Implementation measures<br>-Reasons for implementation shortfalls | New<br>Deadline |
|---|-----------------|--|-----------------|
| Study the possibility of industrial parks and means for their development   | 4               | -Investment by I.S.P. Metallurgy                                   |                 |
| Set objectives and identify open spaces of ex-Metallurgical Plant in Elbasan with consideration for developing an industrial park           | 4               | -I.S.P. Metallurgy, Elbasan  |                 |
| Study the infrastructure in the ex-Metallurgical Plant of Elbasan and identify measures to allow for the development of an industrial park. | 4               | -I.S.P. Metallurgy Elbasan   |                 |
| Draft the park project in the ex-Metallurgical Plant of Elbasan.  | 4               | -I.S.P. Metallurgy, Elbasan  |                 |
| Study the possibility of industrial park developments and means for their development   | 4               | -Investment by I.S.P. Metallurgy                                   |                 |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | $\sqrt{00}$ | Responsible institution | Budget <sup>91</sup> | CARDS <sup>92</sup> | Others <sup>93</sup> |
|--|-------------|-------------------------|----------------------|---------------------|----------------------|
| <b>Electro energy Sector /Creation of a financially and technically powerful electrical energy</b>   |             |                         |                      |                     |                      |
| Implementation of the 2004-2005 action plan  | 1           | KESH                    |                      |                     |                      |
| Continue structural reform   | 1           | KESH                    |                      |                     |                      |
| Refreshment of the action plan for the Electrical energy sector for 2005-2006  | 1           | KESH                    |                      |                     |                      |
| Continue rationalization of tariffs  | 1           | ERE                     |                      |                     |                      |
| Improve the organization and management of KESH  | 2           |                         |                      |                     | 243800               |
| Improve consumer services  | 2           | KESH                    |                      |                     |                      |
| Creation of an effective and transparent legal and regulatory framework  |             |                         |                      |                     |                      |
| Drafting and approval of the Law for Energy Audits and Identification  | 2           | MIE, ERE, AKE           |                      |                     |                      |
| Adopt a network code which foresees a continuous and steady operation of the transmission and distribution network as well as the dispersion of the electro energetic system   | 2           | ERE                     |                      |                     |                      |
| Approval of regulations to license independent producers of the Electrical Energy (IPP) and approval of the buying agreements for the electrical energy  | 2           | ERE                     |                      |                     |                      |
| Approval of regulations for the payment of accounts which define the regulations for the limitations and the regulations which need to be adhered by the system operator for the limitation and balancing of the system. | 2           | ERE                     |                      |                     |                      |
| <b>Removal of the private and foreign investments</b>  |             |                         |                      |                     |                      |
| I and MIE need to bring the distribution offices to the privatization point.   | 2           | MIE                     |                      |                     |                      |
| I and MIE need to bring to the privatization point the generation sector.  | 2           | MIE                     |                      |                     |                      |
| Synchronization of the regulations with the market regulations and the network code with the Regional Market for Electrical Energy members   | 3           | ERE MIE,                |                      |                     |                      |
| Creation of a competitive electrical energy market in accordance with the requirements of the European Union for the Electrical Energy Sector Reform.  | 2           | ERE, KESH, MIE          |                      |                     |                      |
| <b>Hydrocarbon Sector/ Preparation of the Strategy for the Development of the Hydrocarbon Sector</b>   |             |                         |                      |                     |                      |

<sup>90</sup> Prioritization coefficient.

<sup>91</sup> Funds of the Government's budget in millions of Lek

<sup>92</sup> Funds of the projec CARDS in EURO

<sup>93</sup> Other approved investments

| Objectives/ Public Priority Actions   | √ <sup>00</sup> | Responsible institution                                     | Budget <sup>91</sup> | Cards <sup>92</sup> | Others <sup>93</sup> |
|---|-----------------|---|----------------------|---------------------|----------------------|
| In support with the National Electrical Strategy approved with VKM No. 424 (26.06.2003) the Strategy for the Development of the Hydrocarbon Sector will be drafted  | 1               | MIE, (DPH, D.P.ZH, D.J., QKSHH, AKH, AKE, Alb petrol Sh.A.) |                      |                     |                      |
| <b>Privatization of the crude oil societies with public properties/Preparation for privatization of the anonymous society "SERVCOM" Fier</b>  |                 |   |                      |                     |                      |
| Bringing the organization to point of sale.   | 2               | MIE, ME, SERVCOM SH.A.                                      |                      |                     |                      |
| <b>Preparation for privatization of LTD. "Mechanic Plant of Crude Oil " Kuçove</b>  |                 |   |                      |                     |                      |
| Bringing the organization to point of sale.   | 2               | MIE, ME, UMIN Kuçove.                                       |                      |                     |                      |
| Preparation for privatization of LTD. "Mechanical Plan" Patos/ Bring the organisation to point of sale.   | 3               | MIE, ME, U.M.P.   |                      |                     |                      |
| Preparation for privatization of LTD. "Transnafta" Patos/ Bring the organisation to point of sale.  | 3               | MIE, ME   |                      |                     |                      |
| Preparation for privatization of anonymous society "ARMO" Sh.A. Fier/ Bring the organisation to point of sale. ARMO Sh.A. Fier. Release of legal subparts for privatization (VKM).  | 1               | ME, MIE, ARMO   |                      |                     |                      |
| Preparation for privatization of the anonymous society "Alb petrol" Patos. Designate the method and the continuation of the privatization process of the society. Prepare the draft for the society privatization law. Legal subparts for privatization.  | 1               | ME, MIE, ME, IMI, MIE                                       |                      |                     |                      |
| <b>Implementation of the strategy for securing stability in furnishing fuel and burning parts</b>   |                 |   |                      |                     |                      |
| Accomplish investments for the construction of the coastal fuel and liquid gas deposits in Porto Romano and Vlore   | 1               |   |                      | 321000              |                      |
| Finish the project for the construction of the port in Porto Romano Durres. (From I.ST. and Q.K.SH.H.)  | 1               |   |                      | 374500              |                      |
| Handling and adherence of procedures with the interested societies for the construction of the coastal deposits and ports in Porto-Romano and in the zone of ex Soda Plant PVC Vlore, and the criteria for the establishment of the concession agreement. | 2               |   |                      |                     |                      |
| Adherence of procedures for the finalization of the approval of the P/Law "For some amendments and revisions of the Law No. 8450 (24.02.1999) " For the Treatment, Transport and Trade of Crude Oil, Gas and their Sub Products"                          | 2               |   |                      |                     |                      |
| Preparation of legal subparts acts  | 3               |   |                      |                     |                      |
| <b>Integration of Alb Petrol/For the improvement of the contract zone Patos-Marinze after the conclusion of the Hydrocarbon Agreement for the development of this place.</b>  |                 |   |                      |                     |                      |
| The taking over of the contract zone and simultaneously the restructuring for the developments of this zone.  | 3               | MIE, Alb petrol.  |                      |                     |                      |
| Improvement of the environmental situation where there are hydrocarbon sector activities.   |                 | MIE, MM, QKSHH, Alb petrol Sh.A. Armo SH.A.                 | 5000                 |                     |                      |
| In accordance with the National Strategy for the preservation of the environment conduct studies and monitoring of the environment in the gas and oil-bearing zones.  | 2               | MIE, MM, QKSHH, Alb petrol Sh.A. Armo SH.A.                 |                      |                     |                      |

| Objectives/ Public Priority Actions   | √ <sup>00</sup> | Responsible institution                  | Budget <sup>91</sup> | Cards <sup>92</sup> | Others <sup>93</sup> |
|---|-----------------|--|----------------------|---------------------|----------------------|
| Drafting of strategies for future mineral development based also on the regional policies for the effective management of natural mineral resources in the region.  | 1               | DPM, ITNPM, SHGJSH, DPZH, DJ             | 9000                 |                     |                      |
| Drafting and approval of reference terminology.   | 2               |  |                      |                     |                      |
| Drafting of the strategy for mineral developments.  | 1               |  |                      |                     |                      |
| Following up the implementation of the concessionary contract Chrome and copper   | 2               | DPM. (Monitoring Sector) (O.Sh.A).       |                      |                     |                      |
| Track the achievement of the investments and the production as well as the solution of the problems in the process of the Concession of Chromium in UFK Elbasan, etc Law No 8590 (23.03.2000).                          | 2               |  |                      |                     |                      |
| Track the achievement of the investments and the production as well as the solution of the problems in the process of the Concession of Chromium in the Mine of Bulqiza, UFK Burrel etc. and Law No.8791 (10.05.2001).  | 2               |  |                      |                     |                      |
| Track the achievement of the investments and the production as well as the solution of the problems in the process of the Concession of Copper in the Mine of Munelle etc. Law No 8761 (02.04.2001).                    | 2               |  |                      |                     |                      |
| Continuous improvement of the process of giving mineral permits   |                 |  |                      |                     |                      |
| Creation of a new package with legal subparts for the regulation of the process for giving mineral permits after the amendment of the Albanian Mineral Law No.7796 (17.02.1994).  | 3               | DPM, ITNPM, D. Judiciary                 |                      |                     |                      |
| Provisional or final closure of the chrome, copper, coal, iron-nickel, etc mines which are no longer deemed viable along with the privatization of the different assets, or their liquidation.                          | 1               | General Office of Mines ITNPM, Sh.Gj.Sh. | 42000                |                     |                      |
| Completion of the map of closed mineral assets and final identification of the mineral objects, which need to be closed.  | 2               |  |                      |                     |                      |
| Creation of guidelines for the closure of mineral objects specified under point 1. Definition of the form and placement of indicative and informative signage of the closed mineral objects per contemporary standards. | 2               |  |                      |                     |                      |
| Preparation of the necessary documentation for the privatization of the special assets, the mineral objects and their deposition in the Ministry of Economy.  | 1               |  |                      |                     |                      |
| Continuous tracking of the implementation of the program for mine closure.  | 3               |  |                      |                     |                      |
| Monitoring of mineral objects and measures which need to be taken for the elimination of life-threatening and environmental hazards.  | 1               | DPM, ITNPM, DJ                           | 16000                |                     |                      |
| Drafting of the liquidation schedules for the closed coal, iron nickel and other mines.   | 2               |  |                      |                     |                      |
| Drafting of the liquidation schedules for the closed chromium and copper mines.   | 2               |  |                      |                     |                      |
| Identify the necessary structural and legal measures for proposing an efficient structure and an action plan for monitoring mineral objects.  | 2               |  |                      |                     |                      |
| Conduct studies for the national economy.   | 2               |  |                      |                     |                      |
| Evaluation and management of subterranean waters in the primary basins with priority given to urban and tourist zones in some regions of the country.   | 3               |  |                      |                     |                      |
| Complete studies for the territorial administration and natural resources (geology-territory-environment), in some regions.   | 3               |  | 22215                |                     |                      |
| Complete studies in the field of geographic environment and its monitoring in some regions.   | 3               |  | 33268                |                     |                      |

| <b>Objectives/ Public Priority Actions</b>  | $\sqrt{p0}$ | <b>Responsible institution</b>      | <b>Budget<sup>91</sup></b> | <b>Cards<sup>92</sup></b> | <b>Others<sup>93</sup></b> |
|---|-------------|-------------------------------------|----------------------------|---------------------------|----------------------------|
| Evaluation of geological dangers through geo-engineering studies evaluating the stability and expansion of the public infrastructure in some regions.   | 3           |                                     | 50242                      |                           |                            |
| Conduct studies and projects for emergency needs based on local government requirements (water supplies, geodynamic phenomena, engineering geology, hydro geological drillings), in some regions. | 2           |                                     | 42225                      |                           |                            |
| Conduct studies for the rehabilitation of the environment in mineral zones (those used and those still being utilised) in some regions.   | 2           |                                     |                            |                           |                            |
| <b>Sector of Non-Food Industry/ Implementation of the strategy for the development of the sector of the Non-Food Industry</b>   | 2           |                                     |                            |                           |                            |
| Draft measures implementation of the strategy   | 1           | MIE (DPI, Subordinate Institutions) |                            |                           |                            |
| Privatization of the state offices (remaining assets) including preparation of the documentation and bringing the process to point of sale  | 2           | MIE, ME                             |                            |                           |                            |
| Privatization of the "sh.a Shares" where there is 100% state ownership. Preparation of the documentation bringing the process to point of sale  | 3           |                                     | MIE, ME                    |                           |                            |
| Track the approval of the law for the non-food industry   | 2           |                                     |                            |                           |                            |
| Approval of the law for the industry and drafting of legal subparts. Drafting and the approval of legal subpart acts in the non-food industry sector.   | 2           | MIE, ME                             |                            |                           |                            |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | <sup>94</sup> | Responsible Institutions | Deadline | Budget <sup>95</sup> | Cards <sup>96</sup> | Others <sup>97</sup> | <sup>98</sup> |
|---|---------------|--------------------------|----------|----------------------|---------------------|----------------------|---------------|
| <b>Creation of a financially and technologically powerful electricity industry</b>  |               |                          |          |                      |                     |                      |               |
| Implementation of the action plan for 2004-2005   | 1             | KESH                     | 2004     |                      |                     |                      |               |
| Continuation of the Structural Reform   | 1             | KESH                     | 2007     |                      |                     |                      |               |
| Refreshing the action plan for the electrical sector for 2005-2006  | 1             | KESH                     | 2004     |                      |                     |                      |               |
| Continue tariff rationalization.  | 1             | ERE                      | 2007     |                      |                     |                      |               |
| Improvement of the KESH administration and management   | 2             | PMU/MIE                  | 2007     |                      |                     |                      |               |
| Approval of the appointed prices for the transfer of the electrical energy through the generation, transition and distribution companies  | 2             | ERE                      | 2004     |                      |                     |                      |               |
| Licensing of the corporate companies.   | 3             | ERE                      | 2004     |                      |                     |                      |               |
| Improvement consumer services   | 2             | KESH                     |          |                      |                     |                      |               |
| Creation of an effective and transparent legal and regulatory framework   |               | MIE, KESH, ERE           | 2007     |                      |                     |                      |               |
| Drafting and approval of the Law for the Energy Audits and Identification   | 2             | MIE, ERE, AKE            | 2004     |                      |                     |                      |               |
| Adoption of a network code which foresees a continuous and steady operation of the transmission and distribution networks as well as the dispensation of the electro energy system                              | 2             | ERE                      | 2004     |                      |                     |                      |               |
| Approval of the regulations to license Independent Producers of the Electrical Energy (IPP) and approval of the agreement for buying electrical energy  | 2             | ERE                      | 2004     |                      |                     |                      |               |
| Approval of regulations for the payments of accounts, which define the restrictions, and the regulations, which need to be adhered by the system operator for the restrictions and the balancing of the system. | 2             | ERE                      | 2004     |                      |                     |                      |               |
| <b>Removal of private capital and foreign investments.</b>  |               |                          |          |                      |                     |                      |               |
| MIE needs to bring the distribution offices to the point of privatization.  | 2             | MIE                      | 2007     |                      |                     |                      |               |
| MIE needs to bring to the point of privatization the sector of generators.  | 2             | MIE                      |          |                      |                     |                      |               |
| Synchronization of the regulations with the market regulations and the network code with the Regional Market for Electrical Energy members.   | 3             | MIE, ERE                 | 2007     |                      |                     |                      |               |

<sup>94</sup> Prioritization coefficient

<sup>95</sup> Funds of the Government's budget in millions of Lek

<sup>96</sup> Funds of the projec CARDS in EURO

<sup>97</sup> Other approved investments

<sup>98</sup> Financing required

| Objectives/ Public Priority Actions   | <sup>94</sup> √ | Responsible Institutions                                    | Deadline  | Budget <sup>95</sup> | Cards <sup>96</sup> | Others <sup>97</sup> | ∇ <sup>98</sup> |
|---|-----------------|---|-----------|----------------------|---------------------|----------------------|-----------------|
| Creation of a competitive electrical energy market in accordance with the requirements of the European Union for the Electrical Energy Sector Reform.   | 2               | KESH, ERE, MIE  | 2007      |                      |                     |                      |                 |
| <b>Hydrocarbon Sector/Preparation of the strategy for the Hydrocarbon Sector Development</b>  |                 |   |           |                      |                     |                      |                 |
| The creation of a strategy for the development of the Hydrocarbon system in accordance with the National Strategy for Energy  | 1               | MIE, (DPH, D.P.ZH, D.J., QKSHH, AKH, AKE, Alb petrol Sh.A.) | 2004-2005 |                      |                     |                      | 200000<br>USD   |
| <b>The privatization of the crude oil corporations with public property</b>   |                 |   |           |                      |                     |                      |                 |
| Preparation for the privatization of the anonymous society "SERVCOM" Fier. Bring to point of sale   | 2               | MIE, ME, SERVCOM SH.A.                                      | 2004      |                      |                     |                      |                 |
| Preparation for privatization of the SH.P.K "Mechanical Plant for Crude Oil" Kuçove. Bring to point of sale   | 2               | MIE, ME, UMN Kuçove.  | 2004      |                      |                     |                      |                 |
| Preparation for privatization of LTD. "Mechanical Plant" Patos.   | 2               | MIE, ME, U.M.P.   | 2004      |                      |                     |                      |                 |
| Preparation for privatization of LTD. "Tran soil" Patos.  | 3               | MIE, ME   | 2004      |                      |                     |                      |                 |
| Preparation for privatization of the anonymous corporation "ARMO" Sh.A. Fier. Bring the ARMO Sh.A. Fier society to point of sale. The enactment of the legal subparts acts of privatization (VKM).  | 1               | ME, MIE, ARMO   | 2004-2005 |                      |                     |                      |                 |
| Preparation for privatization of the anonymous corporation "Alb petrol" Patos. Designate the method and the continuation of the privatization process of the society. The preparation of the legal draft for the privatization of the society. The legal subparts privatization acts. | 1               | ME, MIE, ME, IMI, MIE                                       | 2004-2010 |                      |                     |                      |                 |
| Implementation of the strategy for securing a stable supply of fuel and burning material  |                 | ME, (DPH, QKSHH), MRr. T.T., KRTRSH                         | 2004-2007 |                      |                     |                      |                 |
| Accomplish investment for the construction of the coastal fuel and liquid gas deposits in Porto Romano and Vloira.  | 2               |   | 2004-2007 |                      |                     | 321000               |                 |
| Finish the project for the construction of the Porto Romano Port Durrës. (From I.ST. and Q.K.SH.H.)   | 2               |   | 2004-2007 |                      |                     | 374500               |                 |
| Handling and adherence of procedures with the interested societies for the construction of the coastal deposits and port in Porto Romano and in the zone of ex Soda Plant PVC Vloira, per the criteria for the establishment of the composition.                                      | 2               |   | 2004-2007 |                      |                     |                      |                 |
| Adherence of the procedures for the conclusion of the finalization of the approval of the P.Law. "For some addendums and revisions of the Law No. 8450, (24.02.1999) for the treatment, transportation and trading of crude oil, gas, and their sub products.                         | 2               |   | 2004-2007 |                      |                     |                      |                 |
| Preparation of the legal subparts.  | 3               |   | 2004-2007 |                      |                     |                      |                 |
| Integration of Alb petrol for the improvement of the contracted zone Patos Marinez after the conclusion of the Hydrocarbon Agreement for the development of this v.p.   |                 | MIE, Alb petrol.  | 2004-2007 |                      |                     |                      |                 |
|   |                 |   | 2004      |                      |                     |                      |                 |

| Objectives/ Public Priority Actions  | <sup>94</sup> | Responsible Institutions                    | Deadline  | Budget <sup>95</sup> | Cards <sup>96</sup> | Others <sup>97</sup> | ∑ <sup>98</sup> |
|--|---------------|---|-----------|----------------------|---------------------|----------------------|-----------------|
| Taking over of the contracted zone and simultaneously the restructuring for normal development of zone usage.  | 3             | MIE, Alb petrol.                            | 2004      |                      |                     |                      |                 |
| Improvement of the environmental situation in the places of hydrocarbon sector activity.   | 2             | MIE, MM, QKSHH, Alb petrol Sh.A, Armo SH.A. | 2004-2015 | 5000                 |                     |                      | 12 mln USD      |
| In accordance with the National Strategy of the Preservation of the Environment hold studies and monitoring the environment in the gas and oil-bearing zones.  | 3             | MIE, MM, QKSHH, Alb petrol Sh.A, Armo SH.A. | 2004-2015 |                      |                     |                      |                 |
| <b>Mineral Sector Drafting of strategies for future mineral development based also on the regional policies for the effective management of natural mineral resources in the region.</b>                               |               |   |           |                      |                     |                      |                 |
| Drafting and approval of the reference terminology. Drafting of the strategy for mineral developments  | 1             | DPM, ITNPM, SHG-JSH, DPZH, DJ               | 2004-2005 | 9000                 |                     |                      |                 |
| Track the execution of the agreement for the concession of chrome and copper.  | 2             | DPM. (Sector of Monitoring), (O.Sh.A.).     | 2004      |                      |                     |                      |                 |
| Track the achievement of the investments and the production as well as the solving of the problems in the process of the concession of chrome in UFK Ebasan etc Law No 8590 (23.03.2000).                              | 2             |   | 2004-2007 |                      |                     |                      |                 |
| Track the achievement of the investments and the production as well as the solving of the problems in the process of the concession of chrome in the Mine in Bulqiza Burrel etc, Law No.8791 (10.05.2001).             | 2             |   | 2004-2007 |                      |                     |                      |                 |
| Track the achievement of the investments and the production as well as the solving of the problems in the process of the concession of chrome in the Mine of Munella etc, Law No 8761 (02.04.2001).                    | 3             |   | 2004-2007 |                      |                     |                      |                 |
| <b>Continuous improvement of the process of granting mineral permits.</b>  |               |   |           |                      |                     |                      |                 |
| Creation of a new framework with legal subparts acts, for the regulation of the process of granting mineral permissions after the amendment of the Albanian mineral legal system. Law No.7796 (17.02.1994).            | 3             | DPM, ITNPM, D. Judicial                     | 2004-2007 | 6000                 |                     |                      |                 |
| Provisional or final closure of the chrome, copper, coal, iron-nickel, etc mines which do not currently or in the future have any use. The privatization or liquidation of different assets.                           | 1             | Gen. Office of Minerals ITNPM. Sh.Gj.Sh.    | 2004-2007 | 42200                |                     |                      |                 |
| The completion of the map of closed mineral objects final identification of the mineral objects that need to be closed   | 1             |   | 2004      |                      |                     |                      |                 |
| Composition of the guidelines for the closure of the mineral objects defined in first part of the project Definition of the form and placement of the signage in the closed down mineral objects, to modern standards. | 2             |   | 2004      |                      |                     |                      |                 |
| Preparation of the necessary documentation for the privatization of special assets, of the mineral assets and their reserves in the Ministry of Economy.   | 1             |   | 2004      |                      |                     |                      |                 |
| Continuous tracking of implementation of the program for mine closure.   | 3             |   | 2004      |                      |                     |                      |                 |



| Objectives/ Public Priority Actions  | √ <sup>14</sup> | Responsible Institutions              | Deadline    | Budget <sup>95</sup> | Cards <sup>96</sup> | Others <sup>97</sup> | √ <sup>98</sup> |
|--|-----------------|---------------------------------------|-------------|----------------------|---------------------|----------------------|-----------------|
| Monitoring of the mineral objects and the measures that need to be taken for the elimination of the life and environment threatening hazards.  | 1               | DPM, ITNPM, DJ.                       | 2004-2007   | 16000                |                     |                      | 6 mln USD       |
| Conduct important studies for the national economy.  | 2               | Albanian Geological Service. (A.G.S.) |             |                      |                     |                      |                 |
| The evaluation and the management of the subterranean waters in the main basins, with priority given to the urban and tourist zones, in some regions.                                      | 3               |                                       | 2004-2007   | 22215                |                     |                      |                 |
| Conduct studies in service of the administration of the territory and the natural resources (geology-territory-environment), in some regions.  | 3               |                                       | 2004-2007   | 33268                |                     |                      |                 |
| Conduct studies in geographic environment and its monitoring in some regions.  | 3               |                                       | 2004-2007   | 50242                |                     |                      |                 |
| Evaluation of geological dangers, geological and engineering studies for the evaluation of the stability and the expansion of public infrastructure, in some regions.                      | 3               |                                       | 2004-2007   | 42225                |                     |                      |                 |
| Studies and projections for emergency needs based on the local government needs (water supplies, geodynamical phenomenon, engineering geology hydro geological drillings) in some regions. | 2               |                                       | 2004-2007   |                      |                     |                      |                 |
| Re-estimation of the primary metallic and nonmetallic material and their early economical circulation.   | 2               |                                       | 2004-2007   | 13200                |                     |                      |                 |
| Conduct scientific studies on the legalities of the geological construction and the metallogeny of our country.  | 3               |                                       | 2005-2007   | 10770                |                     |                      |                 |
| Expand the information system, database, GIS, and ensure the fast transmission of information.   | 3               |                                       | 2005-2007   |                      |                     |                      |                 |
| Techno-economical estimates for the efficient use of the nonmetallic minerals.   | 2               |                                       | 2004-2007   |                      |                     |                      |                 |
| Conduct studies for the rehabilitation of the environment in the used and non-used mineral zones, in some regions.   | 2               |                                       | 2004-2007   |                      |                     |                      |                 |
| <b>Non-Food Sector</b>   |                 |                                       |             |                      |                     |                      |                 |
| Implement the strategy for the development of the non-food sector of the industry  |                 | MIE, (DPI, subordinate institutions)  | 2004-2007   |                      |                     |                      |                 |
| Draft measures for its implementation. Implement the strategy.   | 1               | MIE, (DPI, subordinate institutions)  | 2004-2007   |                      |                     |                      |                 |
| <b>Privatization of the public property in the non-food industry</b>   |                 |                                       |             |                      |                     |                      |                 |
| Privatize the government corporations (the remaining assets). Prepare the documentation and bring the process to point of sale   | 2               | MIE, ME                               | 2004 – 2005 |                      |                     |                      |                 |
| Privatization of the "sh.a. Shares" where the state owns 100% of them. Prepare the documentation and bring the process to point of sale  | 3               | MIE, ME                               | 2004 – 2005 |                      |                     |                      |                 |
| Development of the legal system for the non-food industry.   |                 | MIE                                   | 2004 - 2006 |                      |                     |                      |                 |
| Track the approval of the law for the non-food industry.   | 2               |                                       |             |                      |                     |                      |                 |

| Objectives/ Public Priority Actions   | √ <sup>94</sup> | Responsible Institutions | Deadline    | Budget <sup>95</sup> | Cards <sup>96</sup> | Others <sup>97</sup> | √ <sup>98</sup> |
|---|-----------------|--------------------------|-------------|----------------------|---------------------|----------------------|-----------------|
| Approval of the law for the industry and the drafting of the legal subparts acts in the nonfood industry sector | 2               | MIE, ME                  | 2004 - 2006 |                      |                     |                      |                 |

## Monitoring Indicators

| Energy indicators  | Responsible Agency     | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|--|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public investment in the energy sector (millions of lek) |                        | 2.283   | 4.818   | 6.332   | 14.254  | 20.865  | 9.217   | -       | -       |
| The sources of energy (Prod):                            |                        |         |         |         |         |         |         |         |         |
| Hydroelectric energy                                     | DPE-KESH-AKE           | 394.58  | 355.21  | 296.27  | 371.52  | 398.01  | 467.74  | 483.87  | 591.40  |
| Crude Oil -sub products                                  | DPH-ALBPETROL-ARMO-AKE | 314.3   | 329.36  | 352     | 480     | 500     | 510     | 530     | 530     |
| Natural gas  | DPH-ALBPETROL-ARMO-AKE | 10.00   | 7.80    | 7.66    | 12.33   | 13.77   | 15      | 16.5    | 16.5    |
| Coal   | DPM-AKE                | 7.14    | 8.57    | 9.00    | 9.43    | 10.00   | 11.50   | 12.50   | 12.50   |
| Firewood   | MBU-DPP-AKE            | 258.00  | 256.00  | 251.00  | 244.00  | 241.11  | 267.20  | 279.40  | 291.50  |
| Solar energy   | AKE                    | 1.10    | 1.90    | 2.33    | 3.11    | 3.56    | 3.8     | 4.7     | 5.8     |
| Total  |                        | 985.13  | 958.84  | 918.26  | 1120.39 | 1166.45 | 1275.24 | 1326.97 | 1447.70 |
| Energy sources (Import):                                 |                        |         |         |         |         |         |         |         |         |
| Hydroelectric energy                                     | DPE-KESH-AKE           | 86.62   | 112.17  | 159.53  | 144.48  | 99.50   | 172.58  | 177.42  | 129.03  |
| Crude Oil -Sub products                                  | DPH-ALBPETROL-ARMO-AKE | 150.00  | 268.00  | 446.00  | 500.00  | 520.00  | 530     | 550     | 550     |
| Liquid gas   | DPH-ALBPETROL-ARMO-AKE | 15.00   | 23.00   | 36.00   | 50.00   | 65.00   | 75      | 80      | 80      |
| Coal   | DPM-AKE                | 9.86    | 12.03   | 15.33   | 19.01   | 23.12   | 25      | 30      | 30      |
| Firewood   | MBU-DPP-AKE            | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    |
| Solar energy   | AKE                    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    |
| Total  |                        | 838.80  | 902.18  | 980.91  | 892.25  | 882.09  | 727.58  | 520.52  | 460.03  |
| Energy sources (Prod.+Imp):                              |                        |         |         |         |         |         |         |         |         |
| Hydroelectric energy                                     | DPE-KESH-AKE           | 481.20  | 467.38  | 455.80  | 516.00  | 497.51  | 640.32  | 661.29  | 720.43  |
| Crude Oil  | DPH-ALBPETROL-ARMO-AKE | 1056.63 | 1107.34 | 1158.05 | 1208.76 | 1259.47 | 1040    | 1080    | 1080    |
| Gas  | DPH-ALBPETROL-ARMO-AKE | 10.00   | 7.80    | 7.66    | 12.33   | 13.77   | 15      | 16.5    | 16.5    |
| Coal   | DPM-AKE                | 17.00   | 20.60   | 24.33   | 28.44   | 33.12   | 36.50   | 42.50   | 42.50   |
| Firewood   | MBU-DPP-AKE            | 258.00  | 256.00  | 251.00  | 244.00  | 241.11  | 267.20  | 279.40  | 291.50  |
| Solar energy   | AKE                    | 1.10    | 1.90    | 2.33    | 3.11    | 3.56    | 3.8     | 4.7     | 5.8     |
| Total  |                        | 1823.93 | 1861.02 | 1899.17 | 2012.64 | 2048.54 | 2002.82 | 1847.49 | 1907.73 |
| The produced energy per inhabitant                       |                        | 592.12  | 604.28  | 614.95  | 647.29  | 652.44  |         |         |         |
| HEC/TEC-e  | DPE-KESH-AKE           | 459.02  | 390.51  | 331.22  | 340.16  | 430.43  | 435.00  | 450.00  | 550.00  |

| Energy indicators                                    | Responsible Agency  | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|--|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Import   | DPE-KESH-AKE        | 105.26  | 156.45  | 177.45  | 215.00  | 154.80  | 160.50  | 165.00  | 120.00  |
| Total  |                     | 564.27  | 546.96  | 508.67  | 555.16  | 585.23  | 595.50  | 615.00  | 670.00  |
| The consumed energy by sector                        |                     |         |         |         |         |         |         |         |         |
| Population   | DPE-DPH-DPM-AKE     | 373.02  | 374.87  | 375.22  | 388.33  | 392.20  | 476.10  | 495.40  | 515.10  |
| Services   | DPE-DPH-DPM-AKE     | 334.71  | 332.86  | 336.22  | 345.55  | 351.22  | 288.90  | 314.80  | 342.10  |
| Industry   | DPE-DPH-DPM-DPL-AKE | 290.23  | 324.50  | 335.33  | 354.22  | 376.23  | 375.40  | 405.50  | 437.50  |
| Agriculture  | DPE-DPH-DPM-AKE     | 192.17  | 194.75  | 196.22  | 205.33  | 218.23  | 296.80  | 321.30  | 346.50  |
| Transportation                                       | DPE-DPH-DPM-AKE     | 570.09  | 595.85  | 602.44  | 633.22  | 654.33  | 708.20  | 736.80  | 765.60  |
| Others   | DPE-DPH-DPM-AKE     | 25.57   | 25.17   | 25.33   | 26.33   | 25.66   | 8.90    | 9.50    | 10.20   |
| Total  | DPE-DPH-DPM-AKE     | 1785.79 | 1848.01 | 1870.76 | 1952.98 | 2017.87 | 2154.30 | 2283.30 | 2417.10 |
| The consumed energy/habitant                         |                     |         |         |         |         |         |         |         |         |
| The consumed energy by sector                        |                     |         |         |         |         |         |         |         |         |
| Population   | DPE-AKE             | 211.82  | 211.24  | 205.22  | 200.32  | 196.44  | 225.58  | 236.33  | 250.35  |
| Services   | DPE-AKE             | 53.75   | 47.03   | 43.22   | 50.33   | 56.44   | 86.86   | 92.02   | 97.352  |
| Industry   | DPE-AKE             | 78.26   | 74.61   | 80.12   | 85.45   | 90.21   | 123.668 | 140.524 | 154.714 |
| Agriculture  | DPE-AKE             | 16.68   | 14.90   | 13.22   | 17.89   | 25.33   | 9.546   | 10.492  | 10.922  |
| Others   | DPE-AKE             | 2.44    | 3.19    | 4.33    | 5.78    | 6.34    | 4.11    | 3.22    | 2.33    |
| Total  | DPE-AKE             | 362.95  | 350.98  | 346.11  | 359.77  | 374.76  | 449.76  | 482.58  | 515.66  |
| The consumed energy/habitant                         |                     | 183.18  | 177.60  | 164.70  | 178.55  | 189.58  | 192.91  | 199.22  | 217.04  |
| The level of deposits from the consumption of energy | DPE                 | 61.6    | 76.3    | 89.9    | 90.3    | 92.4    | 94.2    | 92.2    |         |
| The Level of loss in the net in %                    | DPE                 | 53.8    | 44.8    | 41.7    | 39.2    | 35.8    | 33.2    | 30.2    |         |

## MINISTRY OF EUROPEAN INTEGRATION

During 2003 seven rounds of negotiations out of which three political rounds and four technical rounds have been held. Have been negotiated 71 articles (out of 135 articles which are included in the draft MSA). 25 articles out of 71 are open for analyzing. The rest of 46 articles per concluded in general. Still remains 64 articles to be negotiated in the next round. Six appendix have been negotiated and remain to be negotiated one. Negotiated annexes 6, there remains one annex to be negotiated. The total number of proposed annexes in the MSA draft is seven, but the final number of the annexes is subject of negotiation. The negotiated protocols amount in four remaining other two for further negotiation out of total of six proposed protocol on MSA draft. Exact number of protocols is purpose of negotiations. In December 2003, it has been agreed and ratified "The Agreement of Re-admittance in the community of the unauthorized people". The report of the European commission for Albania during the year 2003 constitutes an important decision in the focus of our obligations to monitor the process of Association and Stabilization. Being concentrated in the priorities given in the report for the 12 coming months. The Ministry of European Integration has evidenced with realism and objectivity the progress that has been made. In the year 2003, in framework of the Trade Agreement and the economic Cooperation with EU there has been held Sixth Meeting of the Mutual Committee Albania-EU and also three working groups meetings, respectively of economy and finance, the Infrastructure and the Agriculture and Fishing. The working groups are a technical monitoring instrument which are very important, since in their fundamentals lies the mutual

exchange of information between Albania and the EU. Estimating in this way the existing situation, identifying all the institutional and legal problems which exist in the lowest technical levels of the state's administration and there are being identified the directions for addressing these problems. The main financial instrument in support of the process of Stabilization and Association is the CARDS program which is being managed and coordinated by the Ministry of European Integration. The main progress in the CARDS program during 2003 are the ratification on February 2003 of two Financial Agreements in the framework of the regional and national program cards 2002 for a total of 88.4 Mil Euro €. The ratification on December 2003 by the Albanian Parliament of the two financial agreements of the CARDS 2003 program for a total of 78 mil euro and also the beginning of the drafting of CARDS 2004 program for a total of 58,5 MIL Euros. In the framework of the approximation of the legislation during the year 2003 there have been prepared the bases for the necessary legal and legal subparts framework about the approximation of the legislation by defining the role, the functions, the competences of institutions that are included in the process of the approximation of the legislation. Also the procedures and the necessary methodology to harmonize legislations. Also, there have been prepared the necessary regulation in the law 9000, dated 30.01.2003: "For the organization and operation of the Council of Ministers" and also VKM nr. 584, date 28.08.2003 "For the approval of the statute of the Council of Ministers" setting thus the fundamentals of norms for approximation of the legislation process.

## Matrix 2003-Annual Review

| Prior actions for 2003   | <sup>99</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|--|---------------|--|--------------|
| <b>The successful coordination of the political and technical negotiations with the EU on Stabilization and Association Agreement</b>                                    |               |  |              |
| Establishment of the Albanian Negotiating Group  | 4             | - Approval of Council of Ministers' Decision for establishment and functioning of the Albanian Negotiating Group.  |              |
| Training of the Albanian negotiators   | 4             | -Cooperation Agreements with Spain, Greece, GTZ etc<br>-Organization of training courses in and out of the country   |              |
| Development of negotiation rounds  | 4             | -Development of seven negotiation rounds according to the predictions –every six weeks– and according to the calendar one political round followed by two technical rounds.  |              |
| <b>Establishment of Working Groups for SAA (Stabilization Association Agreement) negotiation</b>   |               |  |              |
| Evaluation of economic and financial effects that derive from integration process  | 3             | -Inter-ministerial Working Group' establishment and functioning for accounting the economic and financial effects that derive from Stabilization Association Agreement implementation.<br>-Still remains to be drafted the detailed plan for coverage of engagement revenues in the framework of trade liberalization of the in the framework of SAA the |              |
| Preparation of the Government Action Plan for the improvement of citizens free movements   | 4             | Establishment and functioning of the working group according to the Prime Minister's orders Nr. 277 date 8.10.2002 "For the establishment of the Inter-ministerial Working Group for drafting the Albanian Government Action Plan For the improvement of citizens free movement"   |              |
| <b>Monitoring of stabilization and association process</b>   |               |  |              |
| Organization of the joint meetings EU-Albania in the framework of trade and economic cooperation agreement of the year 1992, and the joint consultative group EU-Albania | 4             | -A meeting of the joint committee EU –Albania Three meetings of the working groups. Two meetings of the joint consultative group EU-Albania  |              |
| Preparation of Progress Report for the Process of Stabilization Association  | 4             | - Reports for the Progress of Integration Process have been prepared each month as well as preparation of the Annual Report of Progress and Priorities for the next 6 months.  |              |
| <b>Increase the transparency in the European integration process</b>   |               |  |              |
| Inclusion of the interested business groups during the negotiations on free trade agreement between Albania and EU, in the framework of MSA                              | 4             | -Close cooperation with the Ministry of Economy, Agriculture and Food, Industry and Energy fics. Publication of the sensitive Albanian products' supply in the line ministries' websites, as subject of the EU negotiations. Consultative meetings with the interested business groups.  |              |
| The information of the parliamentary structures on the European Integration process  | 4             | - Hearings sessions' organization. Organization of consultative meetings with the Foreign Affairs and European Integration' Parliamentary Commission   |              |
| Organization of consultative meetings with the structures that aren't subordinate (hanged) to the Executive  | 4             | -Meeting organization with: High State Control, The supreme court, the general prosecutions, Radio and television national council, Civil Servant Commission, Supervising Insurance Commission, Central Commission of Elections  |              |

<sup>99</sup> Level of completion per criteria

| Prior actions for 2003   | √ <sup>op</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New Deadline |
|--|-----------------|--|--------------|
| Organization of consultative meetings with the civil society                                     | 3               | -Organization of roundtables with the civil society.<br>-Lack of participation   |              |
| Organization of awareness campaign on the process of the country's European integration          | 2               | -Organization of television programs, publication in the written media, organization of roundtables meetings, etc. Cooperation with BBC in the organization of a set of TV series over the integration process |              |
| Publication of the study " Monitoring of the Albania's Progress toward the European Integration" | 4               | - Lack of funds/coordination<br>-Cooperation me GTZ.<br>- Lack of funds/coordination   |              |
| Publication of the "European" periodical on the process of European integration.                 | 1               | -Cooperation me GTZ<br>- Lack of funds/coordination  |              |
| Establishment of the department's website  | 1               | -Project investment from the European Community<br>- Funds allocation not in time  |              |
| <b>Programming and implementation of the CARDS Program</b>                                       |                 |  |              |
| Drafting of the national program CARDS 2003  | 4               | -Job coordination of the of all the actors involved in this process  |              |
| Drafting of the regional program CARDS 2003  | 4               | - Job coordination of the of all the actors involved in this process   |              |
| Monitoring coordination of the implementation of CARDS programs 2001 and 2002                    | 3               | -Monitoring job coordination on data collection<br>-Delays created by the CARDS program' Executive Institution, the EU delegation in Tirana due to its restructuring   |              |
| Project area definition of the CARDS Program 2004  | 4               | -Job coordination of all the actors involved in the process  |              |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | <sup>100</sup> √ | Responsible institution                           | Budget <sup>101</sup> | CARDS <sup>102</sup> | Others <sup>103</sup> |
|--|------------------|---|-----------------------|----------------------|-----------------------|
| <b>Coordination and monitoring of the European Integration Process</b>   |                  |   |                       |                      |                       |
| Coordination, monitoring, and preparation direction of the main institutions for the development of the negotiations rounds.   | 1                | MoEI, The negotiation group                       |                       |                      |                       |
| Accounting of the Integration Process financial costs  | 1                | MoEI, MoF, MoE, MoAF, MoIE, NIS, GCD,             |                       |                      |                       |
| Increasing the professional skills of the negotiating group and the other structures that are directly connected to SAA through training programs on European integration issues offered by donor's community. | 1                | MoEI and TIPA                                     |                       |                      |                       |
| <b>Monitoring of the SAA priorities' achievement /Organization of joint meetings between EU-Albania</b>  |                  |   |                       |                      |                       |
| Drafting, approval, and monitoring of the Action Plan in answer to the European partnership  | 1                | MoEI, Negotiating group and Included Institutions |                       |                      |                       |
| Joint consultative groups of EU-Albania meetings, 4 working groups' meetings: Economic and financial issues, Infrastructure issues, Agriculture and Fishing issues, and Legislation Approximation              | 1                | MoEI, Negotiating group and Included Institutions |                       |                      |                       |
| Organization of European Integration Inter-ministerial Committee' meetings. Organization of Sectorial roundtables with central institutions  | 1                | MoEI  |                       |                      |                       |
| Preparation of the periodical progress report on European integration process  | 1                | MoEI in cooperation with Line Ministries          |                       |                      |                       |
| <b>Monitoring and coordination of the CARDS program</b>  |                  |   |                       |                      |                       |
| Drafting of the CARDS 2004 program   | 1                | MoEI, Line Ministries, EU Delegation              |                       |                      |                       |
| <b>Drafting of the indicative yearlong program 2005-2006</b>   |                  |   |                       |                      |                       |
|  | 1                | MoEI, Line Ministries, EU Delegation              |                       |                      |                       |

<sup>100</sup> Prioritization coefficient.

<sup>101</sup> Funds of the Government's budget in millions of Lek

<sup>102</sup> Funds of the projec CARDS in EURO

<sup>103</sup> Other approved investments



| Objectives/ Public Priority Actions  | √ <sup>100</sup> | Responsible institution  | Budget <sup>101</sup> | Cards <sup>102</sup> | Others <sup>103</sup> |
|--|------------------|--|-----------------------|----------------------|-----------------------|
| <b>Drafting of the CARDS 2005 Program</b>  |                  |  |                       |                      |                       |
|  | 1                | MoEI, Line Ministries, EU Delegation   |                       |                      |                       |
| <b>Drafting of the CARDS 2006 Program</b>  |                  |  |                       |                      |                       |
|  | 1                | MoEI, Line Ministries, EU Delegation   |                       |                      |                       |
| Monitoring of the CARDS Program implementation   |                  |  |                       |                      |                       |
| <b>Approximation of the Albanian legislation with the European one</b>   |                  |  |                       |                      |                       |
| Drafting, approval and implementation of the national program for the approximation and synchronization of the Albanian legislation.       | 1                | MoEI, in Cooperation with the Working Group for the approximation of the Legislation |                       |                      |                       |
| Tracking the preparation of sectorial strategies on legislation approximation  | 2                | MoEI, Line Ministries,   |                       |                      |                       |
| Drafting and presentation of a professional study on approximation' theoretical and practical issues                                       | 2                | MoEI, the Working Group for the approximation of the Legislation                     |                       |                      |                       |
| Laws effects assessment and quality improvement of legal norms and legislative process.  | 2                | MoEI, the Working Group for the approximation of the Legislation                     |                       |                      |                       |
| Determining of the Albanian legislation to be approximated; Identification of the Albanian legislation done with foreign assistance.       | 3                | MoEI, the Working Group for the approximation of the Legislation                     |                       |                      |                       |
| Prove economic and social impact of the legislature.   | 3                | MoEI, the Working Group for the approximation of the Legislation                     |                       |                      |                       |
| Opposition to the draft-acts, which get proposed by other state organism.  | 2                | MoEI,  |                       |                      |                       |
| Legal education promotion by paying attention toward the European and Administrative Right   | 3                | MoEI., the Working Group for the approximation of the Legislation                    |                       |                      |                       |
| Appropriate and competitive level of identified personnel appointed to approximate the legislation and professional support for the group. | 2                | MoEI, Line Ministries  |                       |                      |                       |
| Analysis and preparation of appropriate materials referring to the experiences of other candidate's countries for EU membership.           | 3                | MoEI, Working Group for the approximation of the Legislation                         |                       |                      |                       |
| Raised awareness and cooperation with the state administration, the private sector and the civil society for the approximation process.    | 3                | MoEI, Working Group for the approximation of the Legislation                         |                       |                      |                       |

| Objectives/ Public Priority Actions   | √ <sup>100</sup> | Responsible institution  | Budget <sup>101</sup> | Cards <sup>102</sup> | Others <sup>103</sup> |
|---|------------------|--|-----------------------|----------------------|-----------------------|
| Building up the infrastructure and functioning of the Documentation Center, equipment with acquis communautaire, official recognition by EU.  | 2                |  |                       |                      |                       |
| Translation of the necessary documents for the approximation process  | 2                | MoEI, Donors and other interested persons  |                       |                      |                       |
| <b>Strengthening the Cooperation with Institutions not Subordinate to the executive</b>   |                  |  |                       |                      |                       |
| Organize periodical meetings with the institutions not subordinate to the executive   | 3                | MoEI and the High State Control, Constitutional Court, General District Office, the National Council of Radio-Television, The Civil Service Commission, Supervising Insurance Commission, Central Commission of Elections. |                       |                      |                       |
| Informing of the parliamentary structures on European Integration process. Hearing sessions' organization; Informing for each round of negotiations. Organize consultative meetings with Foreign Affairs and European Integration' Parliamentary Commission | 3                | Foreign Affairs and European Integration' Parliamentary Commission and other parliamentary structures.   |                       |                      |                       |
| Increase the transparency with the public   |                  |  |                       |                      |                       |
| Publication of the periodical " European" on European Integration Process   | 2                | MoEI and GTZ   |                       |                      |                       |
| Establishment of the Ministry's Website   | 2                | MoEI   |                       |                      |                       |
| Organization of the consultative meetings with civil society and business community   | 2                | MoEI   |                       |                      |                       |

## MINISTRY OF CULTURE YOUTH AND SPORTS

The following laws have been drafted and approved: Law on Cultural Heritage, Law on Subventions, Law on Concessions, Law on the Adherence of the RA to the Universal Copyright Convention, Law on Libraries, Law on Some Supplements and Amendments in the Cinematography Law. In addition, were drafted the bills on sports; on copyright in RA and the adjoining rights; and on the book in the RA.

The Foundation of the National Institute of Photography –MARUBI; On the Establishment of the National Restoration Council and its Regulation; the Standard Regulation on the Administration of Castles and Fortresses; On the Proclamation of the National Day of Cultural Heritage; the Regulation of the Functioning of the Board of Butrint; The Annual Agreement of the Member Institutions of the Board of Butrint; The Draft-Regulation of the Office for the Administration and Coordination of Butrinti; the Statute of the Institute of Cultural Monuments; the Statute of the National History Museum; the Statute of the National Center for the Inventory of National Properties; the Statute of the Museum of Medieval Art in Korça; the Statute of the National Museum “Gj. Kastrioti Skënderbeu”, Kruja; the Statute of the National museum “Onufri”, Berat; the Statute of the National Folklore Festival Gjirokastra 2004; the Regulation of the National Restoration Council; the Regulation of castles and fortresses;

### **Cultural, material and spiritual heritage:**

**Material heritage:** the computerized cataloguing of cultural monuments, under the administration of national cultural institutions; the creation of the registry of lost objects; the reassignment of cultural properties under the administration of the National Park of Butrint (three sculptures); the establishment of the Museum Center, for the purpose of training workers and specialists of the national museum network and as an information center. **Non-material property:** the consolidation of the national scheme of the organization of characteristically national Folklore Festivals; the extension of the structure and contents of the musical compilation “National Heritage in CD” (*lab iso-polyphony* and *tosk iso-polyphony*); the organization of the national ethno-folkloric concert and “The Typical

National Folklore Festival of Folk Musical Instruments” and “The Typical National Folklore Festival of Iso- polyphony” on the occasion of the beautification of Mother Theresa (Tirana); the project “The Dibra Chamber”, (Peshkopi); the project “The Dukagjini Sofra” (Tropojë); “The Russian Ballet Night”; the typical national folkloristic festival of the folk Albanian urban song (11-14 Mars); the project: “The National Meeting of Folk Instruments” (Gjirokastra); the project : “The National Folklore Festival CIOFF 2003” (Përmet); the publication “Kruja City Songs Through Years”; the typical national folklore festival of rhapsody (Lezha); the participation (the Gramshi folkloristic group) in the international folklore festival in Byyk Çekmexhe (Turkey); participation (the Myzeqe Ensemble of Fieri) in the international festival in Balçoca, Izmir, Turkey.

In the field of theatre the following projects have been organized: the International Theatre Festival “Butrinti 2000”; the National Acting Festival; the International Festival of Alternative Theatre “Skampa 2003”; the wide-national puppet festival “Xinxifillo”; the Festival of Balkan Comedy in Korça, the staging of the play “The Unburned Log”, by director Pëllumb Kulla, as well as the play “Power” (with the participation of Albanian artists that live abroad.) In the film field: the first edition of Tirana Film Festival, the participation in the Medfilm Festival (Italy). In the music field: the National Festival of Songs for Children, the Third Chopin Festival, the Festival of New Albanian Music, the Concert on the Occasion of the Beautification of Mother Theresa, the International Violin Competition”; the announcement of the “Muse” prizes for the best modern musical composition. In the field of visual art: the National Competition for the Statue of Mother Theresa; “Onufri” competition, “Marubi” photography competition, the exposition “November 6”, the week of Albanian culture in Denmark (the polyphonic group Ergjëria (Gjirokastra), the group of the ballerinas of the Dance Academy, Albanian cuisine; (picture exhibition); exhibition of the national Albanian costumes and the screening of a film on Albanian traditions and cultural heritage (Geneva, Switzerland).

## Matrix 2003-Annual Review

| Prior actions for 2003  | √ <sup>104</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------------------|---|-----------------|
| Legislation: Law on Cultural Heritage -The law on concessions –The law on subventions. -Law on the adherence of the RA to the Universal Copyright Convention. -The law on libraries. Some Supplements and Amendments in the Law on Cinematography.  | 4                | -The creation of the Working Group, the completion of procedures up to their approval   |                 |
| -The draft-law on sports. -The draft-law on the copyright in the RA and the adjoining rights. The draft-law on the book in the RA   | 3                | -The creation of the work group, the setting of the procedures and their preparation.<br>-The wrong determination by MKRS of deadlines for attaining ideas by line ministries and mistaken forecasts by ministries.                                     | 2004            |
| The approval of the sub-legal acts for the enforcement of the above laws.   | 3-4              | -The setting of the work group, and the following of proper procedures.   | 2004            |
| The promotion of cultural heritage values: their consolidation and safeguarding in time and space. In line with the programs the following were realized: - The Festival of Rhapsody Lezha; The festival of Urban Songs; The Festival for Mother Theresa (instead of the Iso polyphony Vjora and the Festival of Musical Instruments, Korça) The Festival of CIOFF; The festival of Folk Instruments Gjirokastra; The Dibra Chamber; Days of European Cultural Heritage; The Cultural Heritage and the Youngsters; The Spiritual Heritage in Discs; | 4                | -The coordination of action of the responsible structures in MKRS and the government structures and corresponding cultural institutions<br>-The change was introduced due to the activities for the beautification of Mother Theresa.                   |                 |
| Restoration interventions in cultural monuments: The Pllana Church The Church of Lushnja , the Sanctuary of Backa , The Vokopola Bridge, Vesho's House, of Haxhi Alushi, Rotonada Durrës, chapel of Kozma-Damian, the Church of Kamenno, the Brataj's Bridge, the Hoshteva bridge.  | 3                | -There have been drafted the study projects for restoration interventions and enforcement projects.   | 2004            |
| Registration of Albanian cultural properties: the registration of cultural properties under the property of the state.  | 4                | -The national institutions have compiled the records of objects, data based on QKIPK data.  |                 |
| The draft-project for the integrated rehabilitation of the architectural and archaeological heritage: the annual report on the state of cultural heritage and the list of priorities.   | 4                | -Cooperation between the Institute of Cultural Monuments, The Archaeological Institute and the Council of Europe  |                 |
| The promotion of Albanian art and culture (mainly through the support of national art and culture institutions, but also artists and artistic groups in national activities)  | 3-4              | -The setting of the work groups; the organization of the projected competitions and projects; the enforcement of the annual national projects, which sustain the policies of MKRS for 2003.<br>-The projection of time deadlines and the lack of funds. | 2004            |
| The safeguarding of the national cultural identity of the Albanian Diaspora.  | 4                | -The organization of activities in different European countries. Financial support for the activities.  |                 |
| Measures for the enforcement of the National Youth Strategy   | 4                | - The national youth strategy has been completed and approved in the Youth Parliament.  |                 |
| Cooperation with local governments and youth NGO-S network in a national scale  | 2                | -Direct contacts with the responsible people for the youth activities in different municipalities of the country.<br>-Lack of funds   | 2004            |

<sup>104</sup> Level of completion per criteria

| Prior actions for 2003  | √ <sup>104</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------------------|--|-----------------|
| The perfection of promotion programs for the increase of the number of sport practitioners. | 3                | -Continuous contacts with the Albanian Sport Federations for the improvement of the promotion programs.<br>- This is an ongoing process and it is expected to intensify from year to year. | 2004            |
| The enhancement of achievements in national and international activities.                   | 2-3              | - The preparation of programs for quality athletes.<br>-The failure to coordinate programs, as well as the failure to assess the situation by the Federations.                             | 2004            |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | <sup>105</sup> √ | Responsible institution   | Budget <sup>106</sup> | Cards <sup>107</sup> | Others <sup>108</sup> |
|--|------------------|---|-----------------------|----------------------|-----------------------|
| <b>National Heritage /Networking of historical and archaeological centers, conversion into public visiting sites, equipment with brochures and other promotion materials.</b>          |                  |   |                       |                      |                       |
| Promotion of cultural heritage values. Their consolidation and their preservation in time and space.   | 1                | The office of Cultural Heritage, Dependent inst.  | 200                   |                      |                       |
| Restoration interventions in the monuments of culture.   | 1                | The Institute of Cultural Monuments   | 85.6                  |                      |                       |
| Draft-plan for the integrated rehabilitation of architectural and archaeological heritage.   | 2                | The office of Cultural Heritage   |                       |                      |                       |
| The registration of the Albanian cultural properties.  | 1                | The National Center for the Inventory of the Cultural Properties.   |                       |                      |                       |
| <b>Legislation improvement in the sector of art and culture.</b>   |                  |   |                       |                      |                       |
| The issue of relevant sub-legal acts, the promotion of ways and forms for the enforcement of the legal framework, the creation of the Albanian office for the copyright.               |                  |   | 7                     |                      | 1                     |
| <b>The organization and support of cultural -artistic activities and competitions</b>  |                  |   |                       |                      |                       |
| The promotion of the Albanian culture and art, by primarily supporting national institutions of art and culture.   | 1                | Drejtoria e Artit, Drejtoria Jurdike  |                       |                      |                       |
| The organization and the support of national and annual activities.  | 1                | The office of art, Dependent institutions   |                       |                      | 1                     |
| The drafting of the project-ideas and the announcement of the competitions by the DA   | 1                | The Office of Art   | 210                   |                      |                       |
| The protection of the universal and constitutional right of the citizens in RA for the information and the formation through the book and its distribution in the territory of the RA. | 1                | Office of Written Culture and Heritage, National Library, AQTLASH, LSHA, Association of Albanian Publishers | 44                    |                      |                       |

<sup>105</sup> Prioritization coefficient.

<sup>106</sup> Funds of the Government's budget in millions of Lek

<sup>107</sup> Funds of the projec CARDS in EURO

<sup>108</sup> Other approved investments

| Objectives/ Public Priority Actions   | $\sqrt{105}$ | Responsible institution  | Budget <sup>106</sup> | Cards <sup>107</sup> | Others <sup>108</sup> |
|---|--------------|--|-----------------------|----------------------|-----------------------|
| The completion of the legal framework for the books and libraries   | 1            | Office of Written Culture and Heritage, National Library, AQTALASH, LSHA, Association of Albanian Publishers |                       |                      |                       |
| <b>Organization of public activities (competitions, public readings, book fairs etc)</b>  | 1            | D.Kultures se Shkruar dhe Komunikimit, B. Kombetare, AQTALASH, LSHA, Sh. botuesve Shqiptare                  |                       |                      |                       |
| Projects development in the field of book distribution, libraries and archives  | 2            | D. Written Culture and Communication B. National , AQTALASH, LSHA  |                       |                      |                       |
| <b>The drafting of the platform for the promotion of new technologies in the information field as well as the establishment of relevant institutions.</b>                             |              |  |                       |                      | <b>2</b>              |
| The upgrading of working techniques, trainings, cooperation with various donors/(The better coordination of youth policies in a national level.                                       | 1            | DKPR, M.P.   |                       |                      |                       |
| <b>Youth / The setting of the aiding structures for training, supporting youth work</b>   | 2            | D.Kultures se Shkruar dhe Komunikimit, D. Ekonomike, D.Juridike, DAP, BKomblare                              |                       |                      |                       |
| The modernization of working techniques with the young people. (Training).  |              |  |                       |                      | <b>3</b>              |
| The issuance of relevant sub-legal acts, the involvement of youth in the active life in and out of the country.   | 1            | D.JDA, KRSH, CE, Ministries, Universities, etc   |                       |                      |                       |
| Intensification of the cooperation methods of the Office Youth with the donors that operate in the youth field.   | 2            | DKPR, UNICEF   |                       |                      |                       |
| Sports/. The accomplishment of high achievements in national and international activities.  | 1            | M.K.R.S, KRSH, CE,   |                       |                      |                       |
| Programming and cooperation of the national and non-national structures for the improvement of Albanian sports quality.   | 2            | The Albanian Sport Federations, MKRS   |                       |                      |                       |
| The increase of population percentage that practices sports from 3% to 6%   |              |  |                       |                      | <b>2</b>              |
| The improvement of local and international sports infrastructure to create better access to sports.   | 1            | M.K.R.S, MPVD  |                       |                      |                       |
| Creation of space for the promotion of cultural and sporting values of the country. Setting and boosting of relations for integration and cooperation.                                |              | MKRS, IMK, QKIPK, QKVF, MHK, etc.  | 170                   |                      |                       |
| Cooperation for the file "Gjrokastra" as a cultural heritage guarded by UNESCO. Cooperation for the file "Voskopoja" as a cultural heritage guarded by the "Heritage Without Borders" |              | MKRS, Municipality Gjrokastra, District Voskopoja  |                       |                      |                       |

## Monitoring Indicators

| Indicators                            | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Investments total                     | 259,205 | 374,219 | 299,098 | 380,410 | 382,990 | 469,000 | 504,000 | 570,000 |
| Cultural heritage, museums, libraries | 148,260 | 125,334 | 84,473  | 164,398 | 183,740 | 205,000 | 230,000 | 260,000 |
| Art and National Culture              | 57,913  | 181,005 | 142,310 | 118,022 | 109,250 | 164,000 | 164,000 | 180,000 |
| Sport development                     | 53,032  | 67,880  | 72,315  | 97,990  | 90,000  | 100,000 | 110,000 | 130,000 |



## NATIONAL INSTITUTE OF STATISTICS

**Legal framework.** New statistical law, "For the Public Statistics", has been drafted. National statistical program in accordance Agreement of Stabilization and Association and in line with SAA, NSSD and MTEF has been drafted. During 2003 was analyzed program of the statistical works, were planned human and financial resources and was drafted memorandum of understanding with line ministries.

**Social statistics:** following on the work made during 2002, in 2003 INSTAT has improved quality of the social statistics and has better coordinate other administrative data collector agencies. Due to the delays occurred during the implementation of the civil office program the above-mentioned task failed. The standard living conditions sector, labor force and education, has fulfilled the tasks of information.

**Economical Statistics:** INSTAT has cooperated with the other agencies, mainly the General Customs and Tariffs Office. The combination of the three sources has made possible the realization in time of the objective and carry out correct information for users.

**The improvement of the statistical means:** There have been improved

registries, nomenclatures and programs of data processing. There has been daily updated website and systematically attended the media relations.

**Panel survey of LSMS 2003:** it has been accomplished during the months May-June. Were 1782 families, selected by LSMS 2002(3600 families) took part in LSMS 2003. In the panel questionnaire has been included information on the demographical situation, the living conditions, long-term equipment, emigration, education, communication, health, job market, public and private transfers, and subjective data on the economical situation of the family. By using CSPro application was enable electronic data entry. Data clinging process started and the database was designed. During LSMS 2003 survey were piloted two areas, Tirana and Durrës. In these two districts data collection were made using laptops avoiding further data entry. The poverty and inequality maps have been drafted based on the data of population and housing Census 2001 combined with the results of LSMS 2002 as well as other reliable administrative data. These maps have been completed by the graphical standpoint, but the explanation material is still in process.

## Matrix 2003-Annual Review

| Prior actions for 2003  | <sup>109</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|----------------|--|-----------------|
| The approximation of the Albanian legal framework on statistics with the EU legislation.                      | 4              |  |                 |
| <b>The improvement of social statistics / The individual statistics</b>                                       |                |  |                 |
| The preparation of the REPOBA projections.  | 3              | -Continuous attendance of cooperation with the donors<br>-Organizational problems of the donor's agenda of REPOBA. | 2004            |
| The demographic analysis of emigration and gender.  | 3              | -Continuous attendance of cooperation with the donors<br>-Organizational problems of the donor's agenda of REPOBA. | 2004            |
| The continuous attendance of the administrative record.   | 4              |  |                 |
| The preparation of the registration atlas.  | 3              | -Continuous attendance of cooperation with the donors<br>-Organizational problems of the donor's agenda of REPOBA. | 2004            |
| The publishing of the first analysis of education by using ISCED 97   | 4              |  |                 |
| The publication of the first analysis of death reasons based on the ICD9 nomenclature                         | 4              |  |                 |
| Family statistics   |                |  |                 |
| The drafting of the method for the estimation of the indicators of the family statistics in a regional level. | 4              |  |                 |
| The setting of the first poverty results (by LSMS 1st wave)   | 4              |  |                 |
| The achievement of LSMS 2nd wave  | 4              |  |                 |
| Meetings of Data User Group   | 4              |  |                 |
| The preparation of the database accessible by everyone  | 4              |  |                 |
| <b>The improvement of economical statistics / The improvement of the estimation of the indicators.</b>        |                |  |                 |
| The improvement of the indication of CPI  | 4              |  |                 |
| The improvement of the selection base of ASN  | 4              |  |                 |
| The improvement of the calculation methodology of IKN   | 4              |  |                 |
| <b>The publication of statistical economic indicators:</b>  |                |  |                 |
| The publication of foreign trade indicators.  | 4              |  |                 |
| The publication of the indicators of the enterprise registry  | 4              |  |                 |

<sup>109</sup> Level of completion per criteria

| <b>Prior actions for 2003</b>  | $\sqrt{100}$ | <b>Implementation measures<br/>-Reasons for implementation shortfalls</b>   | <b>New<br/>Deadline</b> |
|--|--------------|---|-------------------------|
| Publication of price statistics, Publication of indicators of the Enterprise Statistics                | 4            |   |                         |
| <b>New methodology to increase the number of economical statistics indicators.</b>                     |              |   |                         |
| Improving the National Accounts estimation methodology   | 3            | -Follow-up of the actions with a EU delegation<br>-new procedures for disbursement of PHARE-CARDS                   | 2006                    |
| Starting to collect FDI statistics   | 2            | -better collaboration with respectives agencies<br>-The change in the internal structure of the Ministry of Economy | 2005                    |
| <b>Improvement of statistical measures in INSTAT/ Adaptation of international nomenclatures.</b>       |              |   |                         |
| Republishing of revised NACE +CPA  | 4            |   |                         |
| The organization of meetings in the Nomenclature Council and the publishing of the newsletter          | 4            |   |                         |
| The daily update of newspaper correspondences in collaboration with the Customs.                       | 4            |   |                         |
| <b>Strengthening of cartography</b>  |              |   |                         |
| Purchase of town images with more than 50000 citizens  | 1            | -Lack of funds  | 2007                    |
| Digitalization of EKA atREPOBA   | 2            | - Lack of funds   | 2007                    |
| <b>IT quality improvement</b>  |              |   |                         |
| Local net restructuring  | 4            |   |                         |
| The development of the statistical database and the upgrading of safety measures                       | 4            |   |                         |
| The development of the procedures of metadata through the implementation of Corporate Data Modem (CDM) | 3            | -The preparation of the project wire<br>-Failure to find donations  | 2007                    |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions  | √110 | Responsible institution  | Budget111 | Cards112 | Others113   |
|--|------|--------------------------|-----------|----------|-------------|
| The sustainable establishment of a social statistics system, capable of monitoring poverty   |      | INSTAT, SSDP, World Bank | 10,000    |          | 417,000 USD |
| The establishment and improvement of the LMS sector  | 2    |                          |           |          |             |
| The establishment and functioning of Data User Groups  | 3    |                          |           |          |             |
| The correct communication with the SSDP process (Social Services Delivery Project)           | 1    |                          |           |          |             |
| Communication according to the activity projects with the World Bank, (local office, Tirana) | 1    |                          |           |          |             |
| Updating the enterprise registry according to the tax administration registries.             |      | General Tax Department   |           |          |             |
| Cooperation Agreement with the Office of Tariffs   | 1    |                          |           |          |             |
| The continuous information exchange with the Office of Tariffs.                              | 2    |                          | 60,000    |          |             |

110 Prioritization coefficient.

111 Funds of the Government's budget in millions of Lek

112 Funds of the projec CARDS in EURO

113 Other approved investments

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √ <sup>114</sup> | Responsible Institutions  | Deadline | Budget <sup>115</sup> | Cards <sup>116</sup> | Others <sup>117</sup> | Y <sup>118</sup> |
|---|------------------|---|----------|-----------------------|----------------------|-----------------------|------------------|
| <b>The establishment of a national statistical system able to help the drafting of socio-economical development policy.</b>   |                  |   |          |                       |                      |                       |                  |
| The drafting and annual update of the National Program of Statistics in a five-year period  | 1                | INSTAT, the Council of Ministers, the Line Ministries               | 2005     |                       |                      |                       | 850000 Euro      |
| The drafting of the law on national statistics in the Republic of Albania...  | 1                |   | 2004     |                       |                      |                       |                  |
| <b>The improvement of the estimation method of PBB calculation and the reinforcing of economical statistics.</b>  |                  |   |          |                       |                      |                       |                  |
| The establishment and improvement of the National Calculations sector   | 2                | INSTAT, Ministry of Finances, Ministry of Agriculture and Nutrition | 2006     | 24,000                | 1,000,000            | 406,000               |                  |
| Cooperation Agreement with MBU  | 2                | INSTAT, Ministry of Finances, Ministry of Agriculture and Nutrition | 2006     |                       |                      |                       |                  |
| <b>The sustainable establishment of a social statistics system, capable of monitoring poverty</b>   |                  |   |          |                       |                      |                       |                  |
| The establishment and improvement of the LSMS sector  | 2                | INSTAT, SSDP, World Bank  | 2006     | 10,000 USD            | 417,000 USD          |                       |                  |
| The establishment and functioning of the Data User Group  | 3                |   |          |                       |                      |                       |                  |
| The correct communication with the process of SSDP (Social Services Delivery Project)   | 1                |   |          |                       |                      |                       |                  |
| Communication according to the activities program with the World Bank, (local office, Tirana)   | 1                |   |          |                       |                      |                       |                  |
| <b>The improvement of the administrative data collection and processing system.</b>   |                  |   |          |                       |                      |                       |                  |
| The passing of the law  | 2                | The line ministries and INSTAT                                      |          |                       |                      |                       |                  |
| The drafting and signing of the cooperation agreement with the statistical agencies.  | 2                |   |          |                       |                      |                       |                  |
| <b>The expansion of the coverage field of conjectural and structural surveys on enterprises, mainly for the sector of services and agricultural products processing</b> |                  |   |          |                       |                      |                       |                  |
| Sample extension  | 1                | INSTAT  | 2007     | 50,000 USD            |                      |                       | 50,000 USD       |

<sup>114</sup> Prioritization coefficient

<sup>115</sup> Funds of the Government's budget in millions of Lek

<sup>116</sup> Funds of the projec CARDS in EURO

<sup>117</sup> Other approved investments

<sup>118</sup> Financing required

| Objectives/ Public Priority Actions  | √ <sup>114</sup> | Responsible Institutions | Deadline | Budget <sup>115</sup> | Cards <sup>116</sup> | Others <sup>117</sup> | √ <sup>118</sup> |
|--|------------------|--------------------------|----------|-----------------------|----------------------|-----------------------|------------------|
| Methodological searches  |                  |                          |          |                       |                      |                       |                  |
| Field work   |                  |                          |          |                       |                      |                       |                  |
| The improvement of the added value calculation in agriculture                    |                  |                          |          |                       |                      |                       |                  |
| The engaging of the Office of Statistics in MBU                                  | 1                | MBU and INSTAT           | 2006     | 5,000                 | 160,000 Euro         |                       |                  |
| The improvement of the calculation method  | 2                |                          |          |                       |                      |                       |                  |
| The improvement of the calculation method of informal economy.                   |                  |                          |          |                       |                      |                       |                  |
| The adoption of the international methodology                                    | 2                | INSTAT and experts       | 2006     | 500 Euro              | 40,000 Euro          |                       |                  |
| Updating the enterprise registry according to the tax administration registries. |                  |                          |          |                       |                      |                       |                  |
| Cooperation agreements with the Office of Tariffs                                | 1                | The office of Tariffs    | 2004     | 1500 Euro             |                      |                       |                  |
| Continuous information with the Office of Tariffs.                               | 2                |                          | 2006     |                       |                      |                       |                  |
| The creation of the system of metadata   |                  |                          |          |                       |                      |                       |                  |
| The provision with the required technical base.                                  | 3                | INSTAT                   | 2007     | 200,000 Euro          | 600,000 Euro         |                       |                  |
| The provision with the required technical assistance.                            | 2                |                          |          |                       |                      |                       |                  |
| The adoption of the other international experiences.                             | 1                |                          |          |                       |                      |                       |                  |
| The increase of the human resources in INSTAT                                    | 2                |                          |          |                       |                      |                       |                  |

## Monitoring Indicators

| Indicators  | Institution | 2000 | 2001 | 2002       | Baseline2003 | 2004       | 2005       | 2006               | 2007       |
|---|-------------|------|------|------------|--------------|------------|------------|--------------------|------------|
| The Structural Survey of Enterprises (ASN)*                     | INSTAT      |      |      | 8510       | 8510         | 8510       | 8510       | 8510               | 15000      |
| The Midterm Statistics of the Enterprises (ATN)*                | INSTAT      |      |      | 4800       | 4800         | 6000       | 6000       | 6000               | 6000       |
| The Production Prices Index (IPP)*                              | INSTAT      |      |      | 2000       | 2000         | 2000       | 2000       | 2000               | 2000       |
| The Consumption Prices Index (ICP)*                             |             |      |      | 12 prefect | 12 prefect   | 12 prefect | 12 prefect | 12 prefect         | 12 prefect |
| Building Costs Index (IBC)*                                     |             |      |      | 92         | 172          | 172        | 172        | 172                | 240        |
| Minority Trade Index (IMT)*                                     |             |      |      | 6500       | 6500         | 6500       | 6500       | 6500               | 6500       |
| Survey of the newly established enterprises                     |             |      |      |            |              |            |            |                    |            |
| Survey of Living Standards (SSS)*                               |             |      |      | 3600       | 1700         | 6000       | 6000       | 5000               | 4000       |
| The GDP calculation   |             |      |      |            |              |            |            |                    |            |
| Publication of information*                                     |             |      |      |            |              |            |            |                    |            |
| Information for social data researchers*                        | INSTAT      |      |      |            | x            |            |            |                    |            |
| The amplification of the statistical offices in the districts * | INSTAT      |      |      |            |              |            |            |                    |            |
|   |             |      |      |            | 4mod         | 5mod       | 5mod       | 5 training modules |            |

\* The sizes of the chosen sample. Publication during the 1st semester of the coming year

## MINISTRY OF DEFENSE

During 2003 salaries of the Ministry of Defense staff has been increased with 8% compared with 2002. Officer's profits increased with 5%, deputy officers 9% and lansquenet 11%. Also compensation is ensured in order to adjust inequalities of the organizational structures and difficulties level for the entire Armed Forces. During 2003 was ensured as well a fund of 100 thousand Lek for military housing. This initiative will be supported during 2004 as well. This measure will improve the quality of life and will reduce the social problems of Army Forces.

In framework of improving quality of staff during 2003 was ensured legal framework for social and professional issues. In these regards was established degree system of military force in accordance with functions and financial treatment and the law for military service in Republic of Albania.

In framework of FA project due to the above-mentioned measures and laws on Military reforms during 2003 has been reduced number of officers according the planed timetable of the project.

Ministry of defense has been prepared training framework to enable additional skills to the staff in reserve

due to military reform creating the possibilities to employ the staff in civil business.

Ministry of defense has started the inventory of military properties and will follow up the process, until the end, during 2004.

During 2003 following on the collection of military arms, ministry of defense has closed military magazines and is following up the collection of ammunitions and other military materials as: ammunitions, equipments, weaponry and the closure of garrisons and military buildings.

Annihilation with detonation of 2537 Tons ammunitions and 5404 tons with industrial treatment was made.

Remained 11670 tons ammunitions of small weapons to be annihilation until 2006 in collaboration with NATO (NAMSA).

During 2003 eight drillings has been organized with international institutions. 3 compulsory drillings in framework of Adriatic Cards and 8 drillings according bilateral and multilateral agreements have been organized.

Albania is partner in 10 areas of collaboration with NATO out of the total of 24 areas of PWP.



## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | √ <sup>119</sup> | Responsible institution   | Budget <sup>120</sup> | CARDS <sup>121</sup> | Others <sup>122</sup> |
|--|------------------|---|-----------------------|----------------------|-----------------------|
| <b>Reforming and restructuring of Armed Forces</b>   |                  |   |                       |                      |                       |
| Civil Defense Base, Rapid Reaction Brig., Helicopter Unit (SAR structure), Naval Districts (Elements of Coastal Guard) Defense University, Units at disposal of NATO/PPP missions, Troop Schools, Training Brigade |                  | Land Forces, Air Forces, Naval Forces, Doct. Train. Commando, Logistics Support, Commando |                       |                      |                       |
| <b>Modernization of Armed Forces</b>   |                  |   |                       |                      |                       |
| AF modernization plan on basis of 2002-2010 Long - Term Program  |                  | Land Forces   | 406                   |                      |                       |
| Gradual completion of some elements on basis of TOP organizational tables of AF priority structures  |                  | Air Forces  |                       |                      |                       |
| Supply of HU with multi-role helicopters   |                  | Naval Forces, Doct. Train. Commando   |                       |                      |                       |
| <b>Modernization of Armed Forces</b>   |                  |   |                       |                      |                       |
| Chemical equipment   |                  | Land Forces   |                       |                      |                       |
| Supply of two coastal guard ships to Naval F   |                  | Air Forces  |                       |                      |                       |
| Chemical logistics engineering equipment (some special equipment, transport means, helmets)  |                  | Naval Forces, Doct. Train. Commando., Logistics Support Command                           |                       |                      |                       |
| <b>Human Resources System Development</b>  |                  |   |                       |                      |                       |
| Preparation of the programme for the reduction of the number of officers   |                  | Human Resources Department  | 6486                  |                      |                       |
| Increase of the professional soldiers percentage(45%)  |                  | Human Resources Department  |                       |                      |                       |
| Reduction of the number of active soldiers, increase of that of subordinate officers 13%   |                  | Types of Forces   |                       |                      |                       |
| Implementation of Council of Minister decision on rank -funct  |                  |   |                       |                      |                       |
| <b>Logistic Support for Armed Forces</b>   |                  |   |                       |                      |                       |
| Logistic support for AF on the basis of 2002-2010 implementation plan (by priorities)  |                  | Logistics Department  | 1943                  |                      |                       |
| Development of the program for the collection and destruction of illegal armament –ammunition among civilians  |                  | Types of KML Forces   |                       |                      |                       |
| <b>Development of the Armed Forces infrastructure</b>  |                  |   |                       |                      |                       |
| Implementation of the investment programs (reconstructions - constructions)  |                  | KML Logistics Department  | 942.5                 |                      |                       |

<sup>119</sup> Prioritization coefficient.

<sup>120</sup> Funds of the Government's budget in millions of Lek

<sup>121</sup> Funds of the projec CARDS in EURO

<sup>122</sup> Other approved investments

| Objectives/ Public Priority Actions  | √ <sup>119</sup> | Responsible institution                        | Budget <sup>120</sup> | Cards <sup>121</sup> | Others <sup>122</sup> |
|--|------------------|--|-----------------------|----------------------|-----------------------|
| Constructions on the basis of the infrastructure program (Kucove airfield and port infrastructure)   |                  | Types of Forces                                |                       |                      |                       |
| <b>Expansion of future bilateral cooperation</b>   |                  | Department of Support and Integration Policies |                       |                      |                       |
| Plans for future cooperation with the U.S.A.   |                  | Military Planning Department                   |                       |                      |                       |
| Regional cooperation Preparation of plans on the basis of "Adriatic Charter"   |                  |  |                       |                      |                       |
| <b>Integration into NATO structures</b>  |                  | MM Depart., DPI/DPU, Forces                    |                       |                      |                       |
| Preparation of Membership programs; PARP, MAP, IPP, PWP; their preparation and revision, in accordance with the annual cooperation program with the NATO team (up to 2007). Development of Partnership Objectives by deadlines |                  |  |                       |                      |                       |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | √ <sup>123</sup> | Responsible Institutions  | Deadline | Budget <sup>124</sup> | CARDS <sup>125</sup> | Others <sup>126</sup> | √ <sup>127</sup> |
|--|------------------|---|----------|-----------------------|----------------------|-----------------------|------------------|
| <b>Reforming and restructuring of the Armed Forces</b>   |                  |   |          |                       |                      |                       |                  |
| Armed Forces, Civil Defense Base, Rapid Reaction Brigade, Helicopter Regiment, Commando Regiment   | 3                | SHP, Land Forces, Air Forces                                    | 2007     |                       |                      |                       |                  |
| Naval Districts, Training Brigades, Defense University   | 1                | Naval Forces, Doct. Train. Commando.                            | 2007     |                       |                      | 5.285.000Euro         |                  |
| Units for NATO/PP - missions, Troop Schools, Implementation of AF Strategic Distribution   | 3                | Logistics Support Commando                                      | 2007     |                       |                      |                       |                  |
| Gradual completion of AF structure on the basis of TOP organizational tables   | 2                | Land Forces   | 2004     |                       |                      |                       |                  |
| <b>Modernization of the Armed Forces</b>   |                  |   |          |                       |                      |                       |                  |
| AF modernization plan on the basis of 2002-2010 Long-Term Program  | 1                | Air Forces  | 2007     |                       |                      |                       |                  |
| Supply of HU with multi-role helicopters, SAR structure  | 1                | Naval Forces, Doct. Train. Commando, Logistics Support Commando | 2007     |                       |                      |                       |                  |
| Supply of Naval Forces with coastal guard ships, chemical logistics engineering equipment  | 2                | Naval Forces Doct. Train. Commando, Logistics Support Commando. | 2007     |                       |                      |                       |                  |
| <b>Reorganization of the Armed Forces</b>  |                  |   |          |                       |                      |                       |                  |
| Logistic support for AF on the basis of 2002-2010 implementation program (by priorities)   | 2                | KML Logistics Department  | 2007     |                       |                      |                       |                  |
| Implementation of the program for the collection and destruction of illegal armament –ammunition among civilian  | 1                | Types of Forces   |          | 4.294                 |                      |                       |                  |
| <b>Development of the Armed Forces infrastructure</b>  |                  |   |          |                       |                      |                       |                  |
| Implementation of investment programs (reconstructions - constructions) With PIP/NATO structures. Constructions on the basis of the infrastructure program (Kucove airfield and port infrastructure) | 2                | KML Logistics Department  | 2007     | 4.951,7               |                      |                       |                  |
|  | 1                | Types of Forces   |          |                       |                      |                       |                  |
| <b>International activities, missions in foreign countries</b>   |                  |   |          |                       |                      |                       |                  |

<sup>123</sup> Prioritization coefficient

<sup>124</sup> Funds of the Government's budget in millions of Lek

<sup>125</sup> Funds of the project CARDS in EURO

<sup>126</sup> Other approved investments

<sup>127</sup> Financing required

| <b>Objectives/ Public Priority Actions</b>   | <b>√<sup>123</sup></b> | <b>Responsible Institutions</b>            | <b>Deadline</b> | <b>Budget<sup>124</sup></b> | <b>Cards<sup>125</sup></b> | <b>Others<sup>126</sup></b> | <b>√<sup>127</sup></b> |
|--|------------------------|--|-----------------|-----------------------------|----------------------------|-----------------------------|------------------------|
| Accroding to the framework for military cooperation  | 1                      | Defense and Integration Policy Department, | 2007            |                             |                            |                             |                        |
| Regional cooperation, Preparation of plans on the basis of "Adriatic Charter"  | 1                      | Military Planning Department               |                 |                             |                            |                             |                        |
| <b>Integration into NATO structures</b>  |                        |  |                 |                             |                            |                             |                        |
| Preparation of Membership programs PARP, MAP, IPP, PWP: their preparation and revision, in accordance with the NATO team (up to 2007) Development of partnership objectives by deadlines | 1                      |  |                 | 3.704                       |                            |                             |                        |



## MINISTRY OF ENVIRONMENT

The strengthening of the environmental structures: the new structure of the Environmental Ministry was prepared and made operational. The Environmental Institute was made operational. Eight documents regarding the cooperation between the Environmental Institute and counterpart structures were approved. Ten Internal Orders to facilitate the implementation of the legislation were compiled and approved. In the field of international cooperation, relations were established with the European Environmental Agency. The Assembly approved five laws related to environmental issues and the Council of Ministers approved 12 such Decisions. The report on the 2001-2002 Environmental Situation was drawn up and approved. The Internet page was launched. More than 20 training, public awareness, and public educational activities were organized. The memorandum on understanding between the Environmental Ministry and the environmental non-profit organizations was signed.

Reduction of the existing level of pollution: the bidding procedures for the removal of

arsenic solution from Nitrate-Ammonia Plant in Fier were completed. The feasibility study on the hot zone in Porto-Romano Durrës is in its final stages and the work on the project for "Pre-Investment Study on Vlore Hot zone" has begun. The projects, which will be financed by CARDS 2002, were prepared and the Ozone Project unit was established. The draft "Evaluation of the technological needs for the reduction of gases with glasshouse effect" and "Evaluation of the Adoption Technological Needs in Coastal Area" were prepared.

Sustainable use of resources: The report on the 2002-2003 Environmental Situation in Oher Water Basin was prepared. The draft agreement on cooperation between Albania and Macedonia on sustainable Protection and Development of Oher Lake Basin was finalized. In the framework of the project "Protection of coastal and lagoon eco-systems in the Mediterranean region" the maps of endangered habitats and species were drawn up and a paper containing information about cultural monuments in the project area has been prepared.

## Matrix 2003-Annual Review

| Prior actions for 2003   | √ <sup>128</sup> | Implementation measures   | Reasons for implementation shortfalls   | New Deadline |
|--|------------------|---|---|--------------|
| Preparation and approval of the Program on EM restructuring and strengthening of ME capacities.  | 4                | - The new structure was approved. Additional funds were obtained (DFID) to continue the initiated process   | - The new structure was approved. Additional funds were obtained (DFID) to continue the initiated process   |              |
| Consolidation of the branches and the inspectorate offices   | 4                | - The strengthening process is a long-term objective. Additional funding was obtained (DFID) to continue the initiated process.   | - The strengthening process is a long-term objective. Additional funding was obtained (DFID) to continue the initiated process.   |              |
| Establishment of the Inter-Ministerial Committee on Implementation of National Action Program on Environment   | 4                | - The committee has held one meeting and has agreed on a plan of actions, which the line ministries should carry out  | - The committee has held one meeting and has agreed on a plan of actions, which the line ministries should carry out  |              |
| Strengthening of relations with European Environmental Agency (EEA).   | 3                | - The process continues.  | - The process continues.  | 2007         |
| Job description of every EM department, completion and approximation of the environmental legislation, etc   | 3                | - The work on ratification/adherence to conventions and relevant protocols and the approval of sub-legal acts for the implementation of newly approved laws will continue   | - The work on ratification/adherence to conventions and relevant protocols and the approval of sub-legal acts for the implementation of newly approved laws will continue   | 2007         |
| EM staff training (junior and senior) to carry out new tasks in the framework of new EM structure  | 3                | - The process continues. Training has been organized with the support of different institution projects (DFID, UNEP MAP, BERCEN dhe DAP). DFID has organized two study tours in Slovenia and Czech Republic. The process continues                                      | - The process continues. Training has been organized with the support of different institution projects (DFID, UNEP MAP, BERCEN dhe DAP). DFID has organized two study tours in Slovenia and Czech Republic. The process continues                                      | 2007         |
| Logistic support for EM and ARM with communication devices (vehicles, radio/mobile phones), e-mail network connection, Internet, etc).   | 3                | - The process continues. It has been implemented with DFID donation, BERCEN project of REReP  | - The process continues. It has been implemented with DFID donation, BERCEN project of REReP  | 2007         |
| Strengthening of the environmental inspectorate office   | 2                | - The process continues. It has been implemented through the new DFID project.  | - The process continues. It has been implemented through the new DFID project.  | 2007         |
| Reorganization, equipment supply, and training of the Environmental Institute staff – Project in the framework of the ISO Accreditation for one environmental monitoring laboratory  | 4                | - The project proposed by ECAT Tirana has still not been confirmed.   | - The project proposed by ECAT Tirana has still not been confirmed.   |              |
| Determining the authority and responsibility of the local government units in the environmental field  | 1                | - The process continues. The final goal is the accreditation of the Environmental Institute in three years' time.   | - The process continues. The final goal is the accreditation of the Environmental Institute in three years' time.   |              |
| Increasing public awareness and participation in environmental protection issues   | 4                | - Lack of funds. The REReP program in the framework of the Stability Pact, didn't cover the financial needs requested for the project (a budget of 40,000 EUR). The possibility to do it through the next 2002 CARDS project (the legislative part) will be considered. | - Lack of funds. The REReP program in the framework of the Stability Pact, didn't cover the financial needs requested for the project (a budget of 40,000 EUR). The possibility to do it through the next 2002 CARDS project (the legislative part) will be considered. | 2007         |
| Preparation, organization, and updating of the environmental database and statistics   | 4                | - The planned activities were carried out.  | - The planned activities were carried out.  |              |
| Council of Minister Decision "On approval of the documentation requested for environmental permission and features of environmental permission"  | 1                | - Lack of funds. Project proposed for 2003 Regional CARDS program was not approved  | - Lack of funds. Project proposed for 2003 Regional CARDS program was not approved  | 2007         |
| Council of Minister Decision "On approval of temporary regulations for air discharges"   | 4                |   |   |              |
| Instructions and regulations "On the organization and operation of the environmental control service". (A number of regulations and instructions regarding the separate activity of this structure and its cooperation with counterpart structures). | 4                |   |   |              |
| Council of Minister Decision "On the organization and operations of environmental inspection offices"  | 3                | - The debate on the document took longer than planned. This prevented its approval by 2003. The document is still going through the process of obtaining Council of Minister approval   | - The debate on the document took longer than planned. This prevented its approval by 2003. The document is still going through the process of obtaining Council of Minister approval   | 2004         |

<sup>128</sup> Level of completion per criteria

| Prior actions for 2003   | √ <sup>128</sup> | Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|------------------|--|-----------------|
| Draft Council of Ministers Decision "On the conditions requested for issuing permission for the export, import, and the transit of solid waste". This task has been accomplished with the completion of two acts: the Council of Ministers Decision "On regulations and procedures for the import of waste for purposes of using, processing, and recycling them" and the Instructions of the Environmental Minister "On regulations and procedures for exports and transit regime of waste" | 4                |  |                 |
| EM Instruction "On conditions requested for issuing environmental permissions for polluted water treatment facilities"   | 4                |  |                 |
| EM Instruction "On monitoring of liquid discharges".   | 4                |  |                 |
| EM Instructions regarding the tasks of EM departments in the environmental monitoring process and for the implementation of Council of Ministers Decision "On environmental monitoring in Republic of Albania".  | 4                |  |                 |
| EM Instruction "On classification, packing, and labeling of dangerous substances" and the law "On chemical substances and preparations" were drafted.  | 4                |  |                 |
| "The list of high-level environmental pollution activities" was drawn up as part of the Council of Ministers Decision "On approval of the list of activities, which affect the environment and for which environmental permissions are required."  | 4                |  |                 |
| Compilation of Pollution Release and Transfer Registers (PRTR).  | 1                | - The 2004 EM program activities do not include the ratification of PRTR Protocol, which would open the way to the funding and completion of these registers<br>- Lack of funds. The project proposed in 2003 Regional CARDS was not approved. | 2004-2007       |
| Council of Ministers Decision "On approval of air quality standards".  | 4                |  |                 |
| Council of Ministers Decision "On approval of procedures for declaration of protected areas".  | 4                |  |                 |
| Council of Ministers Decision "On protected area management".  | 4                |  |                 |
| Council of Ministers Decision "On approval of lists of flora species under protection".  | 4                |  |                 |
| Council of Ministers Decision "On authorizing the use of caves".   | 4                |  |                 |
| Publication of "1999-2000 Report on Environmental Situation".  | 3                | The possibility for its publication or its production in a CD during 2004 will be considered. The report has been already included in the EM Internet page<br>- Lack of funds  | 2004            |
| Compilation and approval of "2001-2002 Report on Environmental Situation".   | 4                | - The publication of the report is planned to be done during 2004  |                 |
| Launching EM Internet Page <a href="http://www.moe.gov.al">www.moe.gov.al</a>  | 4                | - The page will be continuously updated  |                 |
| Preparation, negotiation and implementation of the project on approximation of legislation, etc.   | 2                | - The basic documents for the implementation of the project in this area have been fully prepared<br>- Waiting for the required procedures to begin the project  | 2007            |
| Public awareness activities in cooperation with the media  | 4                | -25 activities held during 2003. Such activities take place on a continuous basis  |                 |
| Public awareness and participation in the decision-making process  | 4                | -The process continues   |                 |



| Prior actions for 2003   | √ <sup>128</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|------------------|---|-----------------|
| Use of the arsenic solution from the Nitrogen Plant in Fier no more allowed  | 2                | - Funding from Phare was finally obtained and all procedures for the initiation of the work have been carried out.<br>- The project is expected to take place in 2004               | 2004            |
| Feasibility study on the hot zone in Porto Romano in Durres funded by World Bank                                     | 3                | -Project ends in early 2004   | 2004            |
| Pre-investment study on rehabilitation of the hot zone in Vlore funded by UNEP-MAP.                                  | 3                | - Project ends in early 2004.   | 2004            |
| Establishment of a water treatment facility in Oil Refinery in Ballish funded by 2002 CARDS.                         | 2                | - The necessary documentation has been prepared<br>-Still waiting for the announcement procedures and the project procurement by the EC Delegation in Tirana                        | 2007            |
| Feasibility study and implementation project for a dangerous waste landfill funded by 2002 CARDS.                    | 2                | - The necessary documentation has been prepared   | 2007            |
| Implementation of action plan for bringing ozone-thinning substances out of use, funded by UNEP DTIE.                | 4                | - We are waiting for the announcement procedures and the project procurement by the EC Delegation in Tirana<br>-The 2003 tasks have been fully accomplished. The project continues. |                 |
| Implementation of the action plan for weather changes consequences   | 4                | - The 2003 tasks have been fully accomplished. The project continues.   |                 |
| Contribution to the finalization of the feasibility study on sewage treatment facilities in three towns              | 4                |   |                 |
| Project on "Protection of Ohrid Lake" funded by World Bank.  | 3                | - The project continues. The project is expected to continue for further 6-12 months from January 2004  | 2004            |
| Evaluation of the fish stock of endangered endemic fish in Ohrid Lake.   | 1                | -Lack of funds. Funding on basis of a 2003 Regional CARDS project could not be obtained.  | 2007            |
| Project "On protection of Mediterranean coast and boggy eco-systems".  | 3                | -The project was suspended for a period of one year due to the oil exploration activity of INA Naftaplina Company.  | 2005            |
| Regional project (between Albania and Montenegro) on "Protection of Shkoder Lake".                                   | 1                | - Funding has not been approved yet.  | 2007            |
| Project "On National Park in Butrint: preservation of bio-diversity and global inheritance".                         | 2                | - Project Preparation Funding (25,000 \$) was approved, but activities have not begun, because the grant Agreement has not been signed yet.<br>-Delays in grant Agreement signing   | 2007            |
| Project "Sustainable protection and management of Karavasta Lagoon".   | 2                | - Project Preparation Funding (25,000 \$) was approved.   | 2007            |
| Project "Integrated management of eco-systems in the border region of Prespa Park".                                  | 2                | - Activities have not begun, because the grant Agreement has not been signed yet  | 2007            |
| Project on the development of ecological and cultural tourism in the Albanian Alps (Kelmendi).                       | 1                | - PDF of project document has been approved<br>-Lack of funds. Funding requested in the framework of 2003 Regional CARDS was not provided.  | 2007            |
| Contribution to pilot projects implementing combined measures against soil erosion                                   | 4                | -Implementation supervised by MBU   | 2007            |
| Contribution to the expansion of protected areas   | 4                | - Implementation supervised by MBU  | 2007            |
| Contributions to pilot community projects for the sustainable protection and exploitation of local natural resources | 4                | - Implementation supervised by MBU  | 2007            |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions   | <sup>1,29</sup> | Responsible institution  | Budget <sup>1,30</sup> | Cards <sup>1,31</sup> | Others <sup>1,32</sup>   |
|---|-----------------|--|------------------------|-----------------------|--------------------------|
| <b>Strengthening of the environmental structures</b>  |                 |  |                        |                       |                          |
| Strengthening and expansion of the capacities of ENVIRONMENTAL MINISTRY, ARM, Environmental inspectorate offices, the monitoring network and the Environmental Institute      | 12              | Government, Environmental Ministry, DAP, counterpart ministries in EU member or candidate countries, Dutch Government project. | 33.034                 |                       | 1,09 MEUR, 300,000 Pound |
| Strengthening of the relations of the Environmental Ministry with the European Environmental Agency (EEA). First phase.: Regional project (including Albania and Yugoslavia). | 15              | Environmental Ministry, Government, line ministries, environmental monitoring network, EEA, BE (2001 Regional CARDS Program)   |                        |                       | 500,000 EUR              |
| Appointment of the environmental contact points in the central institutions   | 16              | Line ministries, Environmental Ministry  | 7.75                   |                       |                          |
| Determining the authority and the responsibilities of the local government units in the environmental field   | 15              | MPVD, Environmental Ministry, EU, EC Delegation in Tirana.   |                        | 1,33 2.5              |                          |
| <b>Preparation of the policy documents and instruments for the environment</b>  |                 |  |                        |                       |                          |
| Design of the National Strategy on Environmental Protection   | 13              | Environmental Ministry, line ministries, government, EU, EC Delegation in Tirana.  |                        | 2.5                   |                          |
| Design of the strategy for the integrated monitoring of the environment   | 14              | Environmental Ministry, government, line ministries, monitoring institutions, government, EU, EC Delegation in Tirana.         |                        | 2.5                   |                          |
| Design of the strategy for the introduction of environmental education in the educational system  | 13              | MAASH, Environmental Ministry, government, EU, EC delegation in Tirana.  |                        | 2.5                   |                          |
| Design of the draft-law on ratification of the Convention on Persistent Organic Pollutants (POPs)   | 14              | Environmental Ministry   | 7.75                   |                       |                          |
| Design of the draft -law on the ratification of the amendments in the Basel Convention on the crossborder traffic of the dangerous substances                                 | 14              | Environmental Ministry   | 7.75                   |                       |                          |

<sup>1,29</sup> Prioritization coefficient.

<sup>1,30</sup> Funds of the Government's budget in millions of Lek

<sup>1,31</sup> Funds of the project CARDS in EURO

<sup>1,32</sup> Other approved investments

<sup>1,33</sup> Part of the 2.5 MEUR National CARDS 2002 that will become operative during 2004

| Objectives/ Public Priority Actions  | √ <sup>1,29</sup> | Responsible institution   | Budget <sup>1,30</sup> | Cards <sup>1,31</sup> | Others <sup>1,32</sup> |
|--|-------------------|---|------------------------|-----------------------|------------------------|
| Design of the draft –law on the ratification of the Protocol on Pollutant Transfer Registers (PRTR)  | 14                | Environmental Ministry  | 7.75                   |                       |                        |
| Design of the draft – law on the evaluation of the environmental impact in the crossborder context   | 14                | Environmental Ministry  | 7.75                   |                       |                        |
| Design of the draft –law on the ratification of the Emergency Protocol in the framework of Barcelona Convention "On Mediterranean protection from pollution" | 14                | Environmental Ministry  | 7.75                   |                       |                        |
| Design of the draft –Council of Ministers Decision on the approval of the national waste catalogue   | 14                | Environmental Ministry  | 7.75                   |                       |                        |
| Design of the draft – Council of Ministers Decision on the approval of the liquid discharge norms  | 15                | Environmental Ministry  | 7.75                   |                       |                        |
| Publication of "1999-2000 Report on Environmental Situation"   | 15                | Environmental Ministry  | 7.75                   |                       |                        |
| Publication of "2001-2002 Report on Environmental Situation"   | 15                | Environmental Ministry  | 7.75                   |                       |                        |
| Updating of the Environmental Ministry Internet page   | 15                | Environmental Ministry  | 7.75                   |                       |                        |
| Preparation, negotiation, and implementation of a project on the approximation with the European environmental legislation, practices, and mentality         | 15                | Environmental Ministry, civil society, EU (2002 National CARDS program)   |                        | 2.5                   |                        |
| Public awareness in cooperation with the media   | 15                | Mediat, Environmental Ministry, line ministries, monitoring institutions, environmental non-profit making institutions, donor community | 7.75                   |                       |                        |
| Public awareness and participation in environmental decision-making.   | 15                | Environmental Ministry, non-profit making organizations   | 4                      |                       |                        |
| <b>Reduction of existing pollution</b>   |                   |   |                        |                       |                        |
| Use of the arsenic solution from Nitrogen Plant in Fier no more allowed.   | 13                | Environmental Ministry, MIE, MRTT, Fier Prefecture, EU (PHARE Program) in REReP framework   |                        | 1                     |                        |
| Feasibility study on the rehabilitation of the hot zone in Porto Romano, Durres  | 14                | Environmental Ministry, MEPP, World Bank  | 22.1                   |                       | 250,020 \$             |
| Pre-investment study on the rehabilitation of hot zone in Vlore  | 14                | Environmental Ministry, MEPP, local government, UNEP MAP  |                        |                       | 300,000 \$             |
| Establishment of water treatment facility in Oil Refinery in Ballsh.   | 14                | Environmental Ministry, MIE, EU (2002 National CARDS program)   |                        | 0.9                   |                        |
| Feasibility study and implementation project for a dangerous waste landfill.   | 14                | Environmental Ministry, MIE, EU (2002 National CARDS program)   |                        | 0.6                   |                        |
| Implementation of the action plan for bringing ozone-thinning substances out of use  | 14                | Environmental Ministry, line ministries and institutions, UNEP DTIE   | 0.6                    |                       | 653,000 \$             |
| Implementation of the action plan for weather changes consequences   | 14                | MoEnvironment, AKE, MIE, MSH, UNDP  |                        |                       | 100,000\$              |
| Implementation of POP project  | 12                | Environmental Ministry, GEF/UNDP  | 0.3                    |                       | 378,000 \$             |

| <b>Objectives/ Public Priority Actions</b>  | <sup>1,29</sup> √ | <b>Responsible institution</b>                            | <b>Budget</b> <sup>1,30</sup> | <b>Cards</b> <sup>1,31</sup> | <b>Others</b> <sup>1,32</sup> |
|---|-------------------|---|-------------------------------|------------------------------|-------------------------------|
| <b>Sustainable use of resources</b>   |                   |   |                               |                              |                               |
| Project on "Protection of Ohrid Lake".  | 12                | Environmental Ministry, Pogradec municipality, World Bank | 7.354                         |                              | 1.7 \$                        |
| Project on "On protection of Mediterranean coastal and boggy eco-systems"   | 12                | Environmental Ministry, Vlore municipality, UNDP          | 5.148                         |                              | 1.7 \$                        |
| Project "Integrated management of the eco-system in the border region of Prespa Park". The Environmental Minister has signed the project proposal and the funding request to GEF/WB for a Project Development Fund (PDF) (expected to require a budget of 6-8 MEUR) | 12                | Environmental Ministry, GEF/BB                            | 1.1                           |                              | 25,000 \$                     |
| Implementation of the bio-security project  | 12                | Environmental Ministry, GEF/UNDP                          | 0.549                         |                              | 185,000 \$.                   |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √ <sup>134</sup> | Responsible Institutions   | Deadline    | Budget <sup>135</sup> | Cards <sup>136</sup> | Others <sup>137</sup>       | √ <sup>138</sup>  |
|---|------------------|--|-------------|-----------------------|----------------------|-----------------------------|-------------------|
| <b>Strengthening of the environmental structures</b>  |                  |  |             |                       |                      |                             |                   |
| Strengthening and expansion of the capacities of ENVIRONMENTAL MINISTRY, ARM and Environmental inspectorate offices, the monitoring network and the Environmental Institute   | 12               | Government, Environmental Ministry, DAP, counterpart ministries in EU member or candidate countries, Dutch Government project. | 2004 - 2007 |                       |                      | 1,09 MEUR.<br>300,000 Pound |                   |
| Strengthening of the relations of the Environmental Ministry with the European Environmental Agency (EEA). First phase: Regional project (including Albania and Yugoslavia).  | 15               | Environmental Ministry, Government, line ministries, environmental monitoring network, EEA, BE (2001 Regional CARDS Program)   | 2004        |                       |                      | 500,000 EUR                 |                   |
| Strengthening of the relations of the Environmental Ministry with the European Environmental Agency (EEA). Second phase: Regional project including Albania, Yugoslavia, Croatia, Macedonia, and Bosnia-Herzegovina). | 15               | Environmental Ministry, Government, line ministries, environmental monitoring network, EEA, BE (2002 Regional CARDS Program)   | 2004-2007   |                       | 2 mln<br>EUR139      |                             |                   |
| Strengthening of the environmental inspectorate offices   | 12               | Environmental Ministry, donor community, ECAT Tirana   | 2006 -2007  |                       |                      | Rreth 800,000               |                   |
| Establishment of a contemporary national network for environmental monitoring   | 14               | Environmental Ministry, EU, EC Delegation in Tirana.   | 2006 - 2007 |                       |                      |                             | CARDS<br>2004.140 |
| Appointment of the environmental contact points in the central institutions.  | 16               | Line ministries, Environmental Ministry  | 2004-2007   |                       |                      |                             |                   |
| Determining the authority and the responsibilities of the local government units in the environmental field   | 15               | MPVD, Environmental Ministry, EU, EC Delegation in Tirana..  | 2004-2007   |                       | 2.5 MEUR141          |                             |                   |
| <b>Preparation of the environmental policy documents and instruments</b>  |                  |  |             |                       |                      |                             |                   |
| Design of the National Strategy on Environmental Protection   | 13               | Environmental Ministry, line ministries, government, EU, EC Delegation in Tirana.  | 2004-2005   |                       | 2.5 MEUR             |                             |                   |
| Design of the Strategy on the integrated monitoring of the environment  | 14               | Environmental Ministry, government, line ministries, monitoring institutions, government, EU, EC Delegation in Tirana.         | 2004-2007   |                       | 2.5 MEUR             |                             |                   |

<sup>134</sup> Prioritization coefficient

<sup>135</sup> Funds of the Government's budget in millions of Lek

<sup>136</sup> Funds of the project CARDS in EURO

<sup>137</sup> Other approved investments

<sup>138</sup> Financing required

<sup>139</sup> This fund is available for 5 countries (it has been promised to regional CARDS for the year 2002). It hasn't become still effective. . .

<sup>140</sup> CARDS 2004 is still in discussion. It hasn't become still effective

<sup>141</sup> 2.5 Million EURO from national CARDS 29002, will become operativ during 2004. Many of the priority actions will be financed by this fund, but division according to the priorities is still under process..

| Objectives/ Public Priority Actions  | √ <sup>1,34</sup> | Responsible Institutions   | Deadline  | Budget <sup>1,35</sup> | Cards <sup>1,36</sup> | Others <sup>1,37</sup> | √ <sup>1,38</sup>   |
|--|-------------------|--|-----------|------------------------|-----------------------|------------------------|---------------------|
| Design of the strategy on the introduction of environmental education in the educational system  | 14                | MASH, Environmental Ministry, government, EU, EC delegation in Tirana.   | 2004-2005 |                        | 2.5 MEUR              |                        |                     |
| Design of the draft law on the ratification of the Convention on Persistent Organic Pollutants (POPs)  | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft law on the ratification of the Basel Convention on crossborder traffic of the dangerous substances                                       | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft law on the ratification of the Protocol on Pollutant Transfer Registers (PRTR)   | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft law on the evaluation of the environmental impact in the crossborder context   | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft –law on the ratification of the Emergency Protocol in the framework of Barcelona Convention "On Mediterranean protection from pollution" | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft decision on the approval of the national waste catalogue   | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the draft Council of Minister Decision on the approval of the liquid discharge norms   | 14                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Design of the Pollution Release and Transfer Registers (PRTR).   | 14                | Environmental Ministry, line ministries, donor community   | 2005-2007 |                        |                       |                        | Kerkohe<br>financim |
| Publication of "1999-2000 Report on Environmental Situation"   | 15                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Publication of "2001-2002 Report on Environmental Situation"   | 15                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Updating of the Environmental Ministry Internet page   | 15                | Environmental Ministry   | 2004      |                        |                       |                        |                     |
| Preparation, negotiation and implementation of a project on the approximation with the European environmental legislation, practices, and mentality          | 15                | Environmental Ministry, civil society, EU (2002 National CARDS program)  | 2004-2007 |                        | 2.5 MEUR              |                        |                     |
| Public awareness about environmental issues in cooperation with the media  | 15                | Media, Environmental Ministry, line ministries, monitoring institutions, environmental non-profit making institutions, donor community | 2004-2007 |                        |                       |                        |                     |
| Public awareness and participation in environmental decision-making  | 15                | Non-profit making organizations  | 2004-2007 |                        |                       |                        |                     |
| <b>Reduction of the existing pollution</b>   |                   |  |           |                        |                       |                        |                     |
| Use of the arsenic solution from Nitrogen Plant in Fier no more allowed  | 14                | Environmental Ministry, MIE, MRTT, Fier Prefecture, EU (PHARE Program) in RERep framework  | 2004-2005 |                        |                       | 1 MEUR.                |                     |
| Feasibility study on the rehabilitation of the hot zone in Porto Romano, Durres  | 14                | Environmental Ministry, MEPP, World Bank   | 2004      |                        |                       | 250,020 USD            |                     |

| Objectives/ Public Priority Actions  | √ <sup>134</sup> | Responsible Institutions   | Deadline  | Budget <sup>135</sup>     | Cards <sup>136</sup> | Others <sup>137</sup>      | √ <sup>138</sup>             |
|--|------------------|--|-----------|---------------------------|----------------------|----------------------------|------------------------------|
| Pre-investment study on rehabilitation of hot zone in Vlore  | 14               | Environmental Ministry, MEPP, local government, UNEP MAP             | 2004-2005 |                           |                      | 300,000 USD                |                              |
| Rehabilitation of Porto Romano hot zone  | 14               | Environmental Ministry, MIE, local government, donor community       | 2005-2007 |                           |                      |                            | Kerkoheht financim           |
| Rehabilitation of Vlore hot zone   | 14               | Environmental Ministry, MIE, local government, donor community       | 2006-2007 |                           |                      |                            | Kerkoheht financim           |
| Feasibility study on the solution of environmental and health problems caused by the former Metallurgical Plant in Eibasan   | 14               | Environmental Ministry, MIE, Eibasan municipality, donor community   | 2006-2007 |                           |                      |                            | Kerkoheht financim           |
| Establishment of water treatment facility in Oil Refinery in Ballsh.   | 12               | Environmental Ministry, MIE, EU (2002 National CARDS program)        | 2004-2007 | 0.9 MEUR                  |                      |                            |                              |
| Feasibility study and implementation project on a dangerous waste landfill.  | 12               | Environmental Ministry, MIE, EU (2002 National CARDS program)        | 2004-2005 | 0.6 MEUR                  |                      |                            |                              |
| Commencement of work on construction of a landfill for dangerous waste   | 12               | Environmental Ministry, MIE, MRRTT, EU (2004 National CARDS program) | 2006-2007 | 4mln EUR <sup>142</sup> . |                      |                            |                              |
| Implementation of action plan for bringing ozone-thinning substances out of use  | 14               | Environmental Ministry, line ministries and institutions, UNEP DTIE  | 2004-2005 |                           |                      | 653,000 USD                |                              |
| Implementation of the action plan for weather changes consequences   | 14               | Environmental Ministry, AKE, MIE, MSH, UNDP                          | 2004-2005 |                           |                      | 100,000 USD                |                              |
| Implementation of POP project  | 12               | Environmental Ministry, GEF/UNDP                                     | 2004-2007 |                           |                      | 378,000 USD                |                              |
| <b>Sustainable use of resources</b>  |                  |  |           |                           |                      |                            |                              |
| Project on "Protection of Ohrid Lake".   | 12               | Environmental Ministry, Pogradec municipality, World Bank            | 2004      |                           |                      | 1.7 mln USD                |                              |
| Project on "On protection of Mediterranean coastal and boggy eco-systems"  | 12               | Environmental Ministry, Vlore municipality, UNDP                     | 2004-2005 |                           |                      | 1.7 mln USD                |                              |
| Regional project (Albania – Montenegro) on "Protection of Shkoder Lake". The Environmental Ministers of the two countries have signed the project proposal                                   | 12               | Environmental Ministry, GEF/WB                                       | 2004-2007 |                           |                      | 4.5 mln USD <sup>143</sup> |                              |
| Project on "Butrint national park: protection of bio-diversity and global inheritance". The Environmental Minister has signed the project proposal and the funding request to GEF/World Bank | 12               | Environmental Ministry, GEF/WB                                       | 2005-2007 |                           |                      |                            | 940,000 EUR <sup>144</sup> . |

<sup>142</sup> At about 4mln EUR. It is required to be financed from CARDS 2004, following the CARDS 2002.

<sup>143</sup> Joint Funds at about 4.5 mln USD isn't still disposable.

<sup>144</sup> 940,000 EUR.

It isn't still approved

| <b>Objectives/ Public Priority Actions</b>  | <b>√<sup>1,34</sup></b> | <b>Responsible Institutions</b>  | <b>Deadline</b> | <b>Budget<sup>1,35</sup></b> | <b>Cards<sup>1,36</sup></b> | <b>Others<sup>1,37</sup></b> | <b>√<sup>1,38</sup></b> |
|---|-------------------------|----------------------------------|-----------------|------------------------------|-----------------------------|------------------------------|-------------------------|
| Project on "Sustainable protection and management of Karavasta lagoon". The Environmental Minister has signed the project proposal and the funding request to GEF/WB  | 12                      | Environmental Ministry, GEF/WB   | 2005-2007       |                              |                             |                              | 99,000 EUR.             |
| Project on "Integrated management of eco-systems in border region of Prespa Park". The Environmental Minister has signed the project proposal and the funding request to GEF/WB for a Project Development Fund (PDF) (expected to require a budget of 6-8 MEUR) | 12                      | Environmental Ministry, GEF/WB   | 2004-2006       |                              |                             | 928,000 USD                  |                         |
| Implementation of the regional project "On integrated management of the eco-systems in the border region of Prespa Park", is expected to begin. There will be a joint budget for both countries (Albania and Macedonia).  | 12                      | Environmental Ministry, GEF/WB   | 2006-2007       |                              |                             | 6-8 Mln USD                  |                         |
| Implementation of the bio-security project  | 12                      | Environmental Ministry, GEF/UNDP | 2004-2007       |                              |                             | 185,000 USD.                 |                         |



## Monitoring Indicators

| Indicators   | 2000 | 2001 | 2002 | 2003         | 2004        | 2005      | 2006      | 2007      |
|--|------|------|------|--------------|-------------|-----------|-----------|-----------|
| State budget for Environmental Ministry in millions of lek                                     | 59   | 69   | 203  | 322          | 287.185     | 310       | 350       | 400       |
| Ministry staff   | 70   | 83   | 83   | 99           | 100         | 120       | 120       | 120       |
| Number of employees with access to communication means   | 25   | 25   | 25   | 64           | 84          | 70        | 90        | 100       |
| Percentage of trained staff in the Ministry, ARM and environmental inspectorate offices        |      |      |      | 80%          | 90%         | 90%       | 100%      | 100%      |
| Environmental contact persons in other ministries  |      |      |      |              |             |           |           |           |
| Number of inter-sector environmental structures at central level                               |      |      | 19   | 20           | 14          | 12        | 13        | 13        |
| Number of drafted and approved legal and sub-legal acts  |      |      |      | 95           | 100         |           |           |           |
| Number of policy documents and sector legal and sub-legal acts compiled in cooperation with ME |      |      |      | 8            | 12          |           |           |           |
| Number of legal and sub-legal acts and policy documents drafted with NGO consultancy           | 15   | 18   | 32   | 15           | 27          | 45        | 45        | 45        |
| Number of public awareness activities organized by EM in cooperation with NGO and in total     | -    | -    | 40   | 45           | 50          | 48        | 48        | 48        |
| Number of EM activities carried out in cooperation with the media                              |      |      |      |              |             |           |           |           |
| Available EM Internet page   |      |      |      |              |             |           |           |           |
| Funds allocated for environmental research and rehabilitation projects                         |      |      |      | 6.4 mln leks | 12 mln leks | 15 mln \$ | 15 mln \$ | 15 mln \$ |
| Number of feasibility studies on treatment of polluted areas                                   | 1    | 7    | 1    | 2            | 1           | 3         | 3         |           |
| Number of rehabilitated hot zones  | -    | 0    | 0    | 0            | 2           | 1         | 1         |           |
| Feasibility studies on sewage treatment facilities in towns                                    | 1    | 1    | 3    | 3            |             |           |           |           |
| Funds allocated for protected areas (in 000/lekg)  | 7800 | 8500 |      |              |             |           |           |           |
| Number of projects for sustainable protection and use of the natural resources and assets      |      |      | 4    | 4            | 5           |           |           |           |

## MINISTRY OF LABOUR AND SOCIAL AFFAIRS

**Labor Market:** the legislation on employment promotion was improved, short-term studies of the labor market were developed, with the aim of bringing demand in line with the supply, training of the employment service staff and the establishment of contemporary facilities in the Regional Employment Offices in Fier, Durres, Gjirokaster and Shkoder. The system of the quantitative and qualitative indicators to monitor 2003 employment service performance was introduced, the computerized program for the storage of data about job seekers and the companies operating with the Employment Services was brought into operation. The number of people employed by the end of 2003 through job mediation increased by 11%. The level of registered unemployment was reduced to 12.4%, compared to 13 % at the beginning of 2003. The Professional Training Center in Shkoder began its activity in the new facilities and the work on the reconstruction of the facilities in the Professional Training Centers in the towns of Elbasanit and Fier began. The legal basis was prepared, eight curricula for various professions were revised, and new courses have been opened in different regions of the country for professions for which there is demand on the labor market.

**Social Protection and Care:** The study on "Evaluation of the criteria and indicators for the distribution of assistance", intended to be used as an instrument for improving the distribution scheme of the Economic Assistance block-grant, was carried out. The number of the families receiving Economic Assistance was reduced in a gradual and well-studied way. The quantitative indicators for poverty evaluation were improved and the evaluation of its qualitative indicators has

begun. The Information and Documentation Center (SHSSH) has begun its activity. Social Units were established in four regional offices to step up social response to poverty and other social problems. Three massive training sessions for local government employees took place in Shkoder, Durres and Vlore. 105 local government employees from all over the country were trained in these sessions. The draft law "On Social aid and services" was compiled. The Center for reception of the trafficking victims was established and made operational in Tirana. The "National Strategy on social protection for Roma community" and "National Strategy on disabled people" were prepared.

**Social Insurance:** The number of contributors to the scheme has increased with 114 700 people over 2002 level. The number of the contributors in the rural areas increased to 238,000 people, compared to 126.500 in 2002. The GDP share of the social insurance deficit was reduced from 0.32 % in 2002 to 0.31 %. The pension reform was carried out and a number of legal improvements were made. The urban pensions increased by 10 percent, and the rural pensions rose by 20 percent, with an annual benefit of about 1.7 billion leks. The work continues on reducing the differences in the level of pensions contracted in different periods. The study "On possibility for replacing pension rises with their indexation" was carried out and approved. The reform of the structures in charge of the collection of contributions continues with the approval of the legal procedures for the gradual transfer of the contributions' collection function from the ISSH to the tax authorities.

## Matrix 2003-Annual Review

| Prior actions for 2003   | <sup>145</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|----------------|--|-----------------|
| <b>Labor Market – Institutionalization and formalization of labor market</b>   |                |  |                 |
| Improvement of law no.7995 date 20.09.1995 "On promotion of employment"  | 4              |  |                 |
| Draft of Council of Minister Decision on doctor's associations   | 4              |  |                 |
| Study on short and medium-term development of the labor market   | 4              |  |                 |
| Training, qualification, and specialization of the employment service staff (80 specialists)   | 4              | Done on the basis of the Sh.K.P. –ANPE France cooperation agreement  |                 |
| Establishment of contemporary facilities in the Employment Offices in accordance with the services they offer                        | 3              | The facilities in the Employment Offices in Shkoder, Durres, Fier dhe Gjirokastra have been improved<br>Insufficiency of funds   | 2004            |
| <b>Enhancement and improvement of the employment service quality</b>   |                |  |                 |
| Evaluation of the quantitative and qualitative indicators for the performance of employment services                                 | 4              |  |                 |
| Accomplishment of 7,000 intermediations in the employment offices  | 4              | Good cooperation of the Employment Offices with the business community and the social partners   |                 |
| Computerization of the Employment services in regional and local offices   | 2              | -Preparation of the draft agreement with AMS Sweden; Cooperation of the Sh.K.P General Department at the regional and local level<br>-Failure to sign the agreement with AMS Sweden. Lack of energy during working hours and poor condition of computers. Failure of the Ministry of Economy to organize the bid for the purchase of the electronic equipment  | 2004            |
| Pilot project on employment service on the basis of French experience, and its extension to other regions                            | 4              | Implementation of the SHKP –ANPE France cooperation agreement  |                 |
| Establishment of the trainer group for the qualification of the employment service specialists                                       | 4              | Implementation of the SHKP –ANPE France cooperation agreement  |                 |
| <b>Quantitative and qualitative development of the professional training system in accordance with the needs of the labor market</b> |                |  |                 |
| Increased number of professional training centers (establishment of six new professional training centers)                           | 2              | -Based on the Strategy on the Employment and Professional Training, new professional training centers were to be opened in the districts of Shkoder, Fier, Berat, Lezhe, Elbasan, etc. during 2003. On the basis of the allocation of funds for their construction, the construction of the new Professional Training Center was completed in Shkoder and the work has begun for the reconstruction of the facilities, to be used as Professional Training Centers in Fier and Elbasan<br>-The objective of Professional Training Centers in Berat and Lezhe was not achieved due to lack of funds | 2005            |
| Determination of the standards for the development of professional training curricula. (Draft of the sub-legal acts)                 | 4              |  |                 |

<sup>145</sup> Level of completion per criteria

| <b>Prior actions for 2003</b>   | $\sqrt{145}$ | <b>Implementation measures<br/>-Reasons for implementation shortfalls</b>   | <b>New<br/>Deadline</b> |
|---|--------------|---|-------------------------|
| Support for the Professional Training Centers to open professional training courses for specific skills demanded by the labor market (66% more people than 2002)  | 3            | -Funding from PARSH Project, Land O' Lakes and cooperation with the business community<br>-Insufficiency of the state funds for opening new courses   | 2005                    |
| Increased number of private companies offering professional training  | 3            | -Establishing the legal basis at the beginning of the year<br>-Finalizing of license issuance procedures in May 2003  | 2004                    |
| Study on the establishment of the National Center for Professional Training and Education   | 4            | Study in cooperation with German PARSH project  |                         |
| Draft decision "On establishment of the National Center of Professional Training and Education"   | 4            | Draft of the Council of Minister Decision "On procedures for the establishment and organization of the professional training institutions under the Ministry of Labor and Social Affairs"   |                         |
| <b>Development of measures to stimulate employment growth</b>   |              |   |                         |
| Draft of the National Employment Fund statute   | 4            |   |                         |
| Continued implementation of the employment promotion program  | 4            |   |                         |
| <b>Social Protection/ Economic Assistance and Disability /Coverage of poor families with Economic Assistance</b>  |              |   |                         |
| Improvement of the criteria for the allocation of the Economic Assistance Funds on the basis of higher social and economic indicators of the administrative units   | 3            | -The information about the social and economic indicators for the separation of the Economic Assistance block-grant has been improved<br>-Local government decisions  | 2004                    |
| Revision of the methodology used for the calculation of the bloc grant.   | 1            | -The revision of the methodology of the Economic Assistance block-grant calculation has not been made yet<br>Local government structures  | 2004                    |
| Improvement of the information and reporting system of the socio-economic data. Strengthening of the control and monitoring mechanisms of the Economic Assistance and PAK scheme. Inspection of 100 administrative units twice a year. Compilation and periodical updating of the Poverty Map | 3            | Establishment of the integrated information systems of the Economic Assistance, the Disability, the social information and the National Disability Observatory data. Future use of monitoring indicators for all regional offices and the monitoring of these indicators. Updating the data about the social-economic indicators in the National Poverty Map. The use of new methodologies for inspection, coordination and cooperation with counterpart structures. The removal of the legally ineligible families from the scheme.<br>Difficulties in the computerization of the information collection network Restructuring of the Control Department in March 2003 | 2004                    |
| Improvement of the managerial structures of the Economic Assistance at the central and local level  | 4            | The social structures have been set up in the four pilot regions of Tirane, Shkoder, Durres, Vlore.   |                         |
| Training of the social administrators   | 4            | Three massive training sessions for the local government administrators in Shkoder, Durres, and Vlore have taken place  |                         |
| <b>Social protection-Social care/ Community-based decentralization and distribution to the communities</b>  |              |   |                         |
| Draft law on Social Services: Institutionalization of community services structures at regional level (Community Care Planning Committees)  | 3            | Draft of the integral law on Social Services. Establishment of the Community Care Planning Committees and the preparation of the draft Plan on Community Care.<br>Delays in WB action   | 2004                    |

| Prior actions for 2003  | √ <sup>1/45</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline   |
|---|-------------------|--|---|
| Improvement and institutionalization of the relations with the NGOs. Finalization of the database containing all NGOs operating in the social service sector.                         | 4                 | The procedures for the establishment of contractual relations have been improved. 30 cooperation contracts have been signed with non-profit organizations operating in the field of social services. The activity of 52 non-profit organizations, which have contracts with MPCPS, has been monitored. The database of the non-profit organizations offering social services has been completed. ASED, "Hope and Homes for children", ADRA, "Hope for World" have also made important contributions.   | 2005  |
| <b>Improvement of the typology and quality of the social services</b>   | 3                 | The residential service structures were added new service typologies, such as the Polyvalent Centers in Kamez, Sarande, Korce, the establishment of the Center for Reception of Trafficking Victims, the framework for the beginning of the de-institutionalization process of the orphan children institutes, in cooperation with the English "Hope and homes for children", has been drafted. A new branch, INALPES, for the specialistic pedagogy, was opened in Vlore University. The transformation of the classic residential centers into centers with family homes.<br>Organizational and financial problems in the decentralization process | 2005  |
| <b>Social Insurances / Enhanced financial sustainability of the social insurance scheme</b>   | 4                 | Changes to legislation. Transfer of contributions' collection from ISSH to the tax administration  | 2006  |
| Increased number of the contributors to the social insurance scheme.  | 1                 | Bilateral agreements on social insurances. Public awareness campaign<br>Failure to collect all contributions   | 2004  |
| Inclusion of the employed emigrants in the social insurance scheme  | 3                 | Establishment of the structures for debt management<br>Lack of cooperation with the institutions on the reduction of the informal market to a minimum.   | 2004  |
| Increase of the revenues at a faster rate than the expenditures for the scheme, at an average rate of 6-8%.   | 2                 | Failure to collect all contributions   | 2005  |
| Reduction of contributions evasion to a minimum, through reduced scope of the informal sector and the management of the debts   | 4                 | Establishment of full legal framework  | 2005  |
| <b>Increased level of benefits from social insurances</b>   | 4                 | The necessary acts and modalities were prepared  | The study was carried out, the necessary legal and sub-legal acts were compiled Ongoing process of their implementation |
| Increase of urban pensions by 10% and rural pensions by 20%.  | 4                 | The study was carried out and approved   | 2004  |
| Finalization of the process of reducing the differences between pensions set by law before 1996 and those after this year   | 4                 | Pilot programs are being implemented. Ongoing process of introduction of the social insurance number<br>Lack of funds  | 2004  |
| <b>Development of the institutional capacities</b>  | 3                 | Study on the methodology for pensions indexation   | 2004  |
| Bringing a computerized information system for social insurances into operation. Computerization of the systems of contributions and benefits from the supplementary insurance scheme | 3                 | Study on the methodology for pensions indexation   | 2004  |

| Prior actions for 2003   | √ <sup>1/45</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|-------------------|--|-----------------|
| Procurements and application for technical assistance, information analysis and proposed solutions.                            | 4                 |  |                 |
| Improvement of the services by expanding local social insurance network with the establishment of 10 new agencies              | 2                 | Ongoing implementation of the pilot program on the monitoring and computerization of the pensions<br>Lack of funds | 2004            |
| Approval of legal and sub-legal acts for the cooperation procedures between Tax Administration and Social Insurance Institute. | 4                 |  |                 |
| Improvements in the structure and process of contributions collection and monitoring   | 4                 | New structures for the contributions collection have been established  |                 |
| Preparation of the draft contract for the management of indicators under monitoring  | 4                 | Draft contract   |                 |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions  | <sup>146</sup> √ | Responsible institution | Budget <sup>147</sup> | CARDS <sup>148</sup> | Others <sup>149</sup> |
|--|------------------|-------------------------|-----------------------|----------------------|-----------------------|
| <b>Labor Market/ Institutionalization and formalization of labor market</b>  |                  |                         |                       |                      |                       |
| Council of Ministers Decisions for implementation of Law No. 7995, 20.09.1995 "On Employment Promotion" after the Assembly approval of the changes in this law   | 1                | MPCS, SHKP              |                       |                      |                       |
| Study on the short and medium-term development of the labor market   | 3                | MPCS, SHKP              | 0.1                   |                      |                       |
| Development of human resources training, qualification and specialization for employment service offices by the trainer group  | 2                | SHKP                    | 7                     |                      |                       |
| Development of the capacities and organization of the National Employment Service system at a regional level   | 3                | SHKP                    | 25                    |                      |                       |
| Establishment of contemporary facilities in two Employment Service Offices (addition)  | 3                | SHKP                    |                       |                      |                       |
| Promotion and establishment of private institutions offering employment services   | 3                | MPCS, SHKP              |                       |                      |                       |
| <b>Expansion and improvement of employment service quality</b>   |                  |                         |                       |                      |                       |
| Establishment of a modern and integrated system of employment services (an additional number of 8,500 job seekers getting jobs through mediation)  | 1                | MPCS, SHKP              |                       |                      |                       |
| Ongoing computerization of the system of regional and local Employment Offices   | 1                | MPCS, SHKP and donors   | 33.2                  |                      |                       |
| <b>Quantitative and qualitative development of the professional training system in accordance with the market needs</b>  |                  |                         |                       |                      |                       |
| Ongoing investments in the new Professional training Centers in Elbasan, Fier and the reconstruction of the Professional Training Center in Tepelene   | 3                | SHKP, donors            | 54.5                  |                      |                       |
| Enhanced training capacity of the professional training centers (training of 9,000 people)   | 1                | SHKP, donors            |                       |                      |                       |
| Incentives to private companies and Non-Profit Organizations engaged in professional training activity to increase the number of people trained in accordance with the labor market needs (6,500 trained people) | 2                | MPCS, SHKP, donors      |                       |                      |                       |
| Improvement of the relations between the employment offices and professional training centers  | 2                | SHKP                    |                       |                      |                       |
| Ongoing improvement and modernization of the existing curricula and the compilation of new curricula   | 2                | MPCS, SHKP, donors      |                       |                      |                       |
| Completion of the legal framework in the field of professional training  | 2                | MPCS                    |                       |                      |                       |
| Increased utilization of the infrastructure in the framework of the cooperation with the Ministry of Education and Science   | 3                | MPCS, MASH              |                       |                      |                       |
| Increased number of private companies offering professional training (changed)   | 2                | MPCS                    |                       |                      |                       |
| <b>Development of incentive schemes for increasing employment</b>  |                  |                         |                       |                      |                       |

<sup>146</sup> Prioritization coefficient.

<sup>147</sup> Funds of the Government's budget in millions of Lek

<sup>148</sup> Funds of the projec CARDS in EURO

<sup>149</sup> Other approved investments

| Objectives/ Public Priority Actions   | <sup>146</sup> √ | Responsible institution                  | Budget <sup>147</sup> | Cards <sup>148</sup> | Others <sup>149</sup> |
|---|------------------|--|-----------------------|----------------------|-----------------------|
| Implementation of the existing employment promotion program giving priority to new programs for the employment of female job seekers                                      | 1                | MPCS                                     | 200                   |                      |                       |
| Draft of sub-legal acts for the establishment of the National Employment Fund   | 1                | MPCS, SHKP                               |                       |                      |                       |
| <b>Social Protection – Economic assistance/Providing poor families with economic assistance</b>   |                  |  |                       |                      |                       |
| Improvement of the method for NE funds allocation, based on the social-economic indicators network of the administrative units.   | 1                | Sh.S.Sh, MPCS, Sh.S.Sh, Local government | 0.5                   |                      | 0.5                   |
| Improvement of the information system and reporting of the socio-economic data (revision of the methodology used for the calculation of the bloc grant).                  | 2                | Sh.S.Sh                                  | 0.5                   |                      | 2                     |
| Strengthening of the mechanisms used to control and monitor the NE scheme.  | 3                | Sh.S.Sh                                  | 0.2                   |                      | 0.8                   |
| Preparation and periodical updating of the Poverty Map (at national and regional level).  | 2                | Local government                         | 1                     |                      | 0.5                   |
| <b>Increased coverage of the social and economic needs of the vulnerable families</b>   |                  |  |                       |                      |                       |
| Application of the criteria for NE allocation in accordance to the needs and the social situation of the beneficiary families.  | 1                | SHSSH, Local structures                  |                       |                      |                       |
| Gradual reduction of the number of families abusing with NE, PAK schemes  | 1                | SHSSH, Local structures,                 |                       |                      |                       |
| Increased level of NE payment for every family  | 1                | SHSSH, Local structures,                 |                       |                      |                       |
| <b>Implementation of active programs on reintegration of poor people into the social and economic life</b>  |                  |  |                       |                      |                       |
| Draft model for the inclusion of the poor people in the employment promotion program and in the private initiatives   | 1                | Sh.S.Sh                                  | 280                   |                      |                       |
| Establishment of the legal basis to determine the institutional modalities and procedures for the promotion of social business  | 1                | Sh.S.Sh                                  |                       |                      |                       |
| <b>Coverage of the disability categories (it should be added in full) with social assistance (cash)</b>   |                  |  |                       |                      |                       |
| Draft of sub-legal acts for the implementation of Law No. 9143, date 16.10.2003 " On Status of Labor Disabled People"   | 2                | MPCS                                     |                       |                      |                       |
| Implementation of Council of Ministers Decision No. 786, date 26.11.2003" On PAK commissioning and payment"   | 2                | SHSSH                                    |                       |                      |                       |
| Increased level of payment for PAK  | 1                | MPCS, SHSSH                              |                       |                      |                       |
| <b>Social protection-Social care/ Community-based decentralization and distribution of social services</b>  |                  |  |                       |                      |                       |
| Approval of the Law " On Social Assistance and Services".   | 1                | MPCS                                     |                       |                      |                       |
| Timetable of sub-legal acts for the implementation of this law.   | 2                | MPCS SHSSH                               |                       |                      |                       |
| Structural improvement and enhanced capacities of the regional offices (pilot regions) for planning community-based services  | 1                | Sh.S.Sh                                  | 8                     |                      | 30                    |
| Extension of the community-based services to all regions (continued implementation of the World Bank project on the community-based distribution of the social services). | 2                | Sh.S.Sh                                  | 4                     |                      | 3                     |
| Establishment of the Observatory in all SHSSH Regional Offices  | 2                | Sh.S.Sh                                  |                       |                      |                       |
| Integrated Map of Social Needs and Services at national and regional level.   | 2                | SHSSH                                    |                       |                      |                       |



| <b>Objectives/ Public Priority Actions</b>   | <sup>146</sup> √ | <b>Responsible institution</b>                  | <b>Budget</b> <sup>147</sup> | <b>Cards</b> <sup>148</sup> | <b>Others</b> <sup>149</sup> |
|--|------------------|---|------------------------------|-----------------------------|------------------------------|
| Improved institutionalization of the relations with non-profit organizations   | 1                | MPCS  |                              |                             |                              |
| <b>Improvement of the typology and quality of the social services (added in full)</b>  |                  |   |                              |                             |                              |
| Draft of the standards and methodologies for social services.  | 1                | Sh.S.Sh, Tirana, Vlore, Durres, Shkoder Regions | 5                            |                             | 2                            |
| Promotion of new typologies of social public and non-public services   | 2                | Sh.S.Sh   |                              | 8                           |                              |
| Transformation of 4 residential centers and application of new forms of community services.  | 2                | Sh.S.Sh   |                              |                             |                              |
| Improved quality of the services in the residential centers, creating new rooms for daily services.  | 1                | Sh.S.Sh   |                              |                             |                              |
| <b>Enhanced institutional and human capacities at central, regional, and local level (it should be added in full)</b>  |                  |   |                              |                             |                              |
| Training of 20% of SHSSH staff at the center and regional level (from DFID package).   | 2                | MPCS-SHSSH                                      |                              |                             |                              |
| Enhanced capacities of the local government for the management/monitoring of the social services.  | 2                | SHSSH   |                              |                             |                              |
| Establishment of the Training unit. Preparation of the training plans  | 1                | SHSSH   |                              |                             |                              |
| Enhanced capacities of the local government and the non-profit organizations for implementation of services in the districts: Tirane, Vlore, Durres, Shkoder with British Council assistance | 2                | SHSSH, Project Unit                             |                              |                             |                              |
| Training of the social administrators as social workers  | 2                | SHSSH   |                              |                             |                              |
| <b>Social Insurances /increased level of benefits from social insurances</b>   |                  |   |                              |                             |                              |
| Annual increase of urban pensions 10% and rural pensions 20-25%.   | 1                | ISSH, MPCS                                      | 0.76                         |                             |                              |
| Pensions Indexation  | 2                | ISSH, MPCS                                      | 1.04                         |                             |                              |
| <b>Development of institutional capacities</b>   |                  |   |                              |                             |                              |
| Implementation of the project on registration and computerization of the pensions system and the introduction of a computerized information system on social services                        | 1                | ISSH  | 20                           |                             |                              |
| Enhanced service quality in the allocation of benefits from the social insurance system.   | 3                | ISSH  | 30.1                         |                             |                              |
| Improvement of the services through the expansion of the network of local social insurance agencies. Establishment of three new agencies   | 3                | ISSH  | 10                           |                             |                              |
| <b>Enhanced financial sustainability of the social insurance scheme</b>  |                  |   |                              |                             |                              |
| Increase of the number of contributors to the social insurance scheme with 70, 000 people  | 1                | ISSH  | 1600                         |                             |                              |
| Inclusion of the emigrants employed abroad into the social insurance scheme  | 2                | ISSH  |                              |                             |                              |
| Increase of revenues at a faster rate than the expenditures for the scheme   | 2                | ISSH  |                              |                             |                              |
| Lower evasion in contributions through the reduction of the informal sector and the debts management   | 2                | ISSH  |                              |                             |                              |
| Reduction of the state subsidies to the pension fund   | 2                | ISSH  |                              |                             |                              |

| Objectives/ Public Priority Actions   | √ <sup>146</sup> | Responsible institution | Budget <sup>147</sup> | Cards <sup>148</sup> | Others <sup>149</sup> |
|---|------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Continued implementation of measures on the merger of the urban and rural schemes | 2                | ISSH                    | 650                   |                      |                       |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | <sup>150</sup> √ | Responsible Institutions | Deadline    | Budget <sup>151</sup> | Cards <sup>152</sup> | Others <sup>153</sup> | <sup>154</sup> √ |
|---|------------------|--------------------------|-------------|-----------------------|----------------------|-----------------------|------------------|
| <b>Labor market/institutionalization and formalization of labor market</b>  |                  |                          |             |                       |                      |                       |                  |
| Council of Ministers Decisions for implementation of Law No. 7995, 20.09.1995 "On Employment Promotion" after the Assembly approval of this law amendments  | 1                | MPCS/SHKP                | 2004        |                       |                      |                       |                  |
| Study on the short and medium-term development of the labor market  | 3                | MPCS SHKP                | 2004 - 2007 | 0.3                   |                      |                       |                  |
| Development of the human resources capacities, infrastructure and the organization of the National Employment Service at a regional level (continued construction and reconstruction of employment offices) | 2                | SHKP                     | 2004-2007   | 130                   |                      |                       |                  |
| Support for the establishment of private institutions offering employment services  | 3                | MPCS, SHKP               | 2004-2007   |                       |                      |                       |                  |
| <b>Expansion and improvement of the employment service quality</b>  |                  |                          |             |                       |                      |                       |                  |
| Establishment of a modern and integrated system of employment services (the number of job seekers finding jobs through mediation increases with 500 a year)   | 1                | MPCS, SHKP               | 2004-2007   |                       |                      |                       |                  |
| Continued system computerization of regional and local Employment Offices   | 1                | MPCS, SHKP, Donors       | 2004-2007   | 133                   |                      |                       |                  |
| Development and improvement of relationships with other market actors   | 2                |                          | 2004-2007   |                       |                      |                       |                  |
| <b>Quantitative and qualitative development of the professional training system in accordance with the market needs</b>   |                  |                          |             |                       |                      |                       |                  |
| Expansion of the network of public professional training centers (to regions where there are no such centers)   | 1                | MPCS, SHKP, Donors       | 2004 - 2007 | 220                   |                      |                       |                  |
| Enhanced training capacities of professional training centers (number of trainees increases with 500 every year)  | 1                | SHKP, Donors             | 2004 - 2007 |                       |                      |                       | 100              |
| Attracting and encouraging private companies and non-profit organizations engaged in professional training activity, to become partners in public training in accordance with the needs of the labor market | 2                | MPCS, SHKP, Donors       | 2004 - 2007 | 8                     |                      |                       |                  |

<sup>150</sup> Prioritization coefficient

<sup>151</sup> Funds of the Government's budget in millions of Lek

<sup>152</sup> Funds of the projec CARDS in EURO

<sup>153</sup> Other approved investments

<sup>154</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>150</sup> | Responsible Institutions | Deadline    | Budget <sup>151</sup> | Cards <sup>152</sup> | Others <sup>153</sup> | √ <sup>154</sup> |
|---|------------------|--------------------------|-------------|-----------------------|----------------------|-----------------------|------------------|
| Improvement of the relations between the employment offices and the professional training centers   | 2                | SHKP                     | 2004 – 2007 |                       |                      |                       |                  |
| Continued improvement and modernization of the existing curricula and the compilation of new curricula  | 2                | MPCS, SHKP, Donors       | 2004 – 2007 |                       |                      |                       |                  |
| Completion of the legal framework in the field of professional training   | 2                | MPCS                     | 2004-2005   |                       |                      |                       |                  |
| Increased utilization of the infrastructure in the framework of the cooperation with Ministry of Education and Science  | 3                | MPCS, MASH               | 2004 - 2005 |                       |                      |                       |                  |
| Support for the Professional Training Centers to open professional training courses in specific skills requested by the labor market  | 3                | SHKP, Donors             | 2004 –2007  |                       |                      |                       |                  |
| <b>Development of the incentive schemes for employment growth</b>   |                  |                          |             |                       |                      |                       |                  |
| Implementation of the existing employment promotion program giving priority to the new programs for the employment of female job seekers                                    | 1                | MPCS                     | 2004-2007   | 1100                  |                      |                       |                  |
| Draft of sub-legal acts for the establishment of the National Employment Fund   | 1                | MPCS, SHKP               | 2004-2007   |                       |                      |                       |                  |
| Preparation of new employment promotion programs for specific social groups   | 1                | MPCS                     | 2004-2005   |                       |                      |                       |                  |
| <b>Social Protection – Economic assistance/ Coverage of poor families with economic assistance</b>  |                  |                          |             |                       |                      |                       |                  |
| Improvement of the methodology for the quantitative evaluation of the needs in the allocation of the NE funds, in accordance with the network of social-economic indicators | 1                | SHSSH                    | 2004-2007   | 3                     |                      | 2                     |                  |
| Finalization of the system of social-economic indicators and the improvement of the NE database   | 2                | SHSSH                    | 2004-2007   | 2                     |                      | 5                     | 3                |
| Strengthening the mechanisms for controlling and monitoring the NE scheme   | 2                | MPCS-SHSSH               | 2004-2007   | 0.2                   |                      | 0.8                   |                  |
| Improvement of the NE managerial structures at central, regional, and local level   | 3                | SHSSH                    | 2004-2007   |                       |                      |                       |                  |
| Preparation and periodical updating of the Poverty Map (at national and regional level)   |                  | SHSSH                    | 2004-2007   | 3                     |                      | 2                     | 1                |
| Pilot project for NE distribution of services to the community and local government units   | 2                | MPCS, SHSSH, MPVD        | 2004-2007   | 280                   |                      |                       |                  |
| <b>Increased coverage of the social and economic needs of the families benefiting NE</b>  |                  |                          |             |                       |                      |                       |                  |
| Full application of the criteria for NE allocation in accordance to the needs and the social situation of the beneficiary families.   | 1                | SHSSH-MPCS               | 2004-2007   |                       |                      |                       |                  |
| Gradual reduction of the number of families abusing with NE scheme  | 1                | SHSSH-MPCS               | 2004-2007   |                       |                      |                       |                  |

| Objectives/ Public Priority Actions  | √ <sup>150</sup> | Responsible Institutions    | Deadline   | Budget <sup>151</sup> | Cards <sup>152</sup> | Others <sup>153</sup> | √ <sup>154</sup> |
|--|------------------|-----------------------------|------------|-----------------------|----------------------|-----------------------|------------------|
| Increased level of NE payment for every family   | 1                | MPCS-SHSSH                  | 2004-2007  |                       |                      |                       |                  |
| <b>Implementation of active programs on re-integration</b>   |                  |                             |            |                       |                      |                       |                  |
| Implementation of new models (for women and Rom people in NE scheme) in employment/promotion programs and the private initiatives  | 2                | MPCS-SHSSH, SHKP            | 2004-2007  |                       |                      |                       |                  |
| <b>Coverage of disability categories with social assistance (cash)</b>   |                  |                             |            |                       |                      |                       |                  |
| Draft of sub-legal acts for the implementation of Law No. 9143, date 16.10.2003 " On Status of Labor Disabled People"  | 3                | MPCS-SHSSH                  | 2004-2007  |                       |                      |                       |                  |
| Implementation of the Council of Minister Decision No. 786, date 26.11.2003" On PAK commissioning and payment"   | 2                | SHSSH-MPCS                  | 2004 -2007 |                       |                      |                       |                  |
| Increased PAK payment  | 1                | MPCS-SHSSH                  | 2004-2007  |                       |                      |                       |                  |
| <b>Social care/ Community-based decentralization and distribution of social services</b>   |                  |                             |            |                       |                      |                       |                  |
| Approval of Law "On Social Assistance and Services"  | 3                | MPCS-SHSSH                  | 2004       |                       |                      |                       |                  |
| Timetable of sub-legal acts for the implementation of this law.  | 3                | MPCS-SHSSH                  | 2004-2005  |                       |                      |                       |                  |
| Consolidation of the Community Care Planning Committees and revision of their programs   | 2                | SHSSH                       | 2004-2007  |                       |                      |                       |                  |
| Structural improvement and enhanced capacities of the regional offices (pilot regions) for planning community-based services   | 1                | SHSSH-MPCS                  | 2004-2007  | 16                    |                      | 10                    | 4                |
| Improved institutionalization of the relations with non-profit organizations   | 2                | MPCS-SHSSH                  | 2004-2007  |                       |                      |                       |                  |
| <b>Improvement of the typology and quality of the social services</b>  |                  |                             |            |                       |                      |                       |                  |
| Draft of social service standards for children, elderly people, PAK and women, who are victims of trafficking  |                  | MPCS-SHSSH, WB project unit | 2004-2007  |                       |                      |                       |                  |
| Improved quality of the services in the residential centers, creating more opportunities for daily services.   |                  | SHSSH                       | 2004       |                       |                      |                       |                  |
| <b>Enhanced institutional and human capacities at central, regional, and local level</b>   |                  |                             |            |                       |                      |                       |                  |
| Training of 20% of SHSSH staff in the center and regional level (from DFID package).   | 2                | MPCS-SHSSH                  | 2004-2005  |                       |                      |                       |                  |
| Enhanced capacities of the local government for the management/monitoring of the social services.  | 2                | SHSSH                       | 2004-2007  |                       |                      |                       |                  |
| Establishment of the Training Unit. Preparation of the training programs   | 1                | SHSSH                       | 2004-2007  |                       |                      |                       |                  |
| Enhanced capacities of the local government and the non-profit organizations for implementation of services in the districts: Tirane, Vlore, Durres, Shkoder with British Council assistance | 2                | SHSSH, Project Unit         | 2004-2007  |                       |                      |                       |                  |

| Objectives/ Public Priority Actions  | √ <sup>150</sup> | Responsible Institutions | Deadline  | Budget <sup>151</sup> | Cards <sup>152</sup> | Others <sup>153</sup> | √ <sup>154</sup> |
|--|------------------|--------------------------|-----------|-----------------------|----------------------|-----------------------|------------------|
| Training of the social administrators as social workers  | 2                | SHSSH                    | 2004-2007 |                       |                      |                       |                  |
| <b>Increased level of benefits from social insurances</b>  |                  |                          |           |                       |                      |                       |                  |
| Annual increase of the urban and rural pensions by 10%.  | 1                | ISSH                     | 2004-2007 | 8.8                   |                      |                       |                  |
| Pensions Indexation  | 2                | ISSH, MPCOS              | 2004-2005 |                       |                      |                       |                  |
| <b>Development of the institutional capacities</b>   |                  |                          |           |                       |                      |                       |                  |
| Bringing a computerized information system on social services into operation.  | 1                | ISSH                     | 2004-2006 | 20                    |                      |                       |                  |
| Enhanced service quality in the allocation of benefits from the social insurance system.   | 3                | ISSH                     | 2004-2005 | 30.1                  |                      |                       |                  |
| Improvement of the services through the expansion of the network of local social insurance agencies and the establishment of 10 new agencies   | 3                | ISSH                     | 2004-2007 | 30                    |                      |                       |                  |
| Enhanced financial sustainability of the social insurance scheme   |                  |                          |           |                       |                      |                       |                  |
| Increase of the number of contributors to the social insurance scheme with 70, 000 people  | 1                | ISSH                     | 2004-2007 | 4900                  |                      |                       |                  |
| Continued implementation of the measures for the merger of the urban and rural schemes through increased participation in the scheme and the gradual increase of the rural contributions until they are equal with urban contributions | 2                | ISSH                     | 2004-2007 | 2070                  |                      |                       |                  |

## Monitoring Indicators

| Indicators   | Responsible Agency  | Baseline 2000 | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
|--|---------------------|---------------|--------|--------|--------|--------|--------|--------|--------|
| Labor Market   |                     |               |        |        |        |        |        |        |        |
| Basic indicators   |                     |               |        |        |        |        |        |        |        |
| Number of people employed in the private non-agricultural sector   |                     |               | 205276 | 207742 | 211169 | 215390 | 221800 | 228000 | 235000 |
| Number of registered unemployed people   | ShKP, MPCS          | 215085        | 180513 | 172385 | 163700 | 160000 | 157000 | 153000 | 150000 |
| Number of unemployed people, who receive unemployment payment  | ShKP, MPCS          | 21265         | 19564  | 15324  | 13201  | 13000  | 13000  | 13000  | 13000  |
| Unemployment payment fund /in 000 leks   | Ministry of Finance | 1373          | 1890   | 1130   | 1100   | 1100   | 1100   | 1100   | 1100   |
| Number of employment promotion projects  | Finance Ministry    | 417           | 187    | 163    | 1      | 170    | 200    | 200    | 200    |
| Fund of employment promotion projects /in 000 leks.  | Finance Ministry    | 546           | 388    | 303    | 150    | 200    | 300    | 300    | 300    |
| Sector indicators  |                     |               |        |        |        |        |        |        |        |
| Number of people employed in employment promotion programs   | ShKP, MPCS          | 11773         | 4769   | 4167   | 90     | 3500   | 5500   | 5500   | 5500   |
| Number of labor office mediations for employment   | ShKP                | 6331          | 3793   | 5233   | 7500   | 8500   | 9000   | 9500   | 10000  |
| Number of trained people   | ShKP                | 7277          | 7252   | 8687   | 8500   | 9000   | 9500   | 10000  | 10500  |
| Other indicators   |                     |               |        |        |        |        |        |        |        |
| Number of people employed by the employment promotion programs from the contingent of those, who receive NE and unemployment payment | ShKP                |               |        | 2760   | 37     | 1000   | 1200   | 1200   | 1200   |
| Number of announced job opportunities  | ShKP                |               |        |        | 9400   | 10000  | 10500  | 11000  | 11500  |
| Number of visits to companies  | ShKP                |               |        |        | 8700   | 10000  | 11000  | 12000  | 13000  |
| Social Protection – Economic Assistance  |                     |               |        |        |        |        |        |        |        |
| Enhanced efficiency of NE and disability   | SHSSH               |               |        |        |        |        |        |        |        |
| NE budget/in million leks  |                     | 4440          | 4596   | 4200   | 4000   | 4000   | 5270   | 5600   | 6000   |
| No. of benefitting families /in thousand   | SHSSH               | 150           | 143    | 132    | 130    | 126    | 121    | 117    | 114    |
| NE level /per family   | SHSSH               | 2966          | 3213   | 2617   | 2977   | 3200   | 4428   | 4869   | 5405   |
| Disabled people /in thousand   | SHSSH               | 38            | 41     | 43     | 45     | 47     | 49     | 51     | 52     |
| Caretakers/in thousand   | SHSSH               | 5,8           | 6,5    | 6,8    | 7,3    | 7,8    | 8      | 8,3    | 8,5    |
| Disability budget/in million lek   |                     | 2203          | 2781   | 3367   | 4180   | 4700   | 5163   | 5965   | 6772   |
| Average monthly level of disability/in thousand leks   | SHSSH               | 4,3           | 5,1    | 5,8    | 6,2    | 6,7    | 7,1    | 7,5    | 8      |
| NE Monitoring Scheme   |                     |               |        |        |        |        |        |        |        |
| NE inspection scheme   | SHSSH               | 260           | 280    | 480    | 500    | 510    | 515    | 520    | 525    |
| Urban families in the scheme/in %  | SHSSH               | 42            | 43     | 43     | 42     | 43     | 43     | 44     | 45     |
| Rural families in the scheme/in %  | SHSSH               | 58            | 57     | 57     | 58     | 57     | 57     | 56     | 55     |

| Indicators   | Responsible Agency | Baseline 2000 | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
|--|--------------------|---------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Social Protection- Social Care</b>  |                    |               |        |        |        |        |        |        |        |
| Consolidation of the Social Care Institutions (IPSH)   |                    |               |        |        |        |        |        |        |        |
| Establishment and consolidation of the residential centers                                       |                    |               |        |        |        |        |        |        |        |
| Daily centers  | SHSSH              | 20            | 20     | 20     | 20     | 20     | 21     | 21     | 22     |
| Number of customers in IPSH  | SHSSH              | 980           | 990    | 1038   | 1100   | 1200   | 1300   | 1300   | 1400   |
| IPSH budget/in millions  | SHSSH              | 250           | 270    | 300    | 300    | 330    | 350    | 380    | 400    |
| <b>Expansion of Social Service typology</b>  |                    |               |        |        |        |        |        |        |        |
| Compilation of the Poverty Map   | SHSSH              |               | 1      | 1      | 2      | 2      | 2      | 2      | 2      |
| Compilation of the regional Poverty Map  | SHSSH              |               |        |        | 24     | 24     | 24     | 24     | 12     |
| Number of beneficiaries from non-profit making organizations                                     | SHSSH              |               |        |        | 5000   | 5500   | 6000   | 6500   | 4150   |
| Fund for Social Services/thousand USD  | SHSSH, WB          |               | 624    | 2400   | 2410   | 2420   | 2430   | 2440   | 2276   |
| <b>Social Insurances</b>   |                    |               |        |        |        |        |        |        |        |
| Average number of requests examined by an employee every month                                   | ISSH               | 24            | 24     | 24     | 24     | 26     | 26     | 28     | 30     |
| Average error percentage for an employee after examining the requests                            | ISSH               | 1.3           | 1.2    | 1.1    | 11     | 10     | 10     | 8      | 7      |
| Percentage of requests awaiting final verification two months after the initiation of procedures | ISSH               | 20-25%        | 24%    | 22%    | 23%    | 22%    | 22%    | 20%    | 20%    |
| Ratio of Social Insurance contributors to the population aged from 18 to the retirement age      | ISSH               | 0.26          | 0.31   | 0.38   | 0.39   | 0.40   | 0.41   | 0.42   | 0.43   |
| Number of contributors   | ISSH               |               | 468131 | 477735 | 536733 | 650019 | 695974 | 745746 | 795746 |
| Current deficit of urban pension scheme as share of the GDP.                                     | ISSH               | 0.30          | 0.32   | 0.31   | 0.28   | 0.26   | 0.25   | 0.24   | 0.23   |
| Urban pension deficit forecast as share of the GDP/ in leks.                                     | ISSH               | 1630          | 1885   | 1651   | 1551   | 1446   | 1341   | 1236   | 1027   |
| System dependency coefficient (number of contributors/ number of retired people)                 | ISSH               | 0.94          | 0.94   | 1.14   | 1.12   | 1.16   | 1.20   | 1.25   | 1.28   |



## MINISTRY OF FOREIGN AFFAIRS (MPJ)

During 2003 the Foreign Affairs Ministry focused its activity on a number of priorities, such as: NATO membership, EU integration, regional cooperation, promotion of the country's development through expansion of the bilateral and multilateral cooperation, improvement of its image, protection of the Albanian citizens' rights all over the world, the fulfillment of the obligations of our country in the framework of global and regional forums. Regarding the EU integration, the work has begun on the formulation of an European integration strategy. The Foreign Ministry has played and will continue to play a key role in the negotiations with the EU to facilitate the adoption of measures by the Albanian state for the creation of the necessary administrative infrastructure, so that the Stabilization and Association Agreement becomes effective. During 2003 the Albanian Foreign Ministry has also played an important role for the intensification of the cooperation with the EU on political dialogue and the Common Foreign and Security Policy (CFSP).

Regarding NATO membership, the Foreign Affairs Ministry has been very active in promoting and conveying the image of Albania as a stability factor in the region, enhancing the effective role of our country in the regional cooperation on issues related to security, consolidation of democracy, peace, stability, market economy, and the rule of law in the region, as well as for the strengthening of NATO's southeast wing, in region. Adriatic Charter 3 has been signed and work has

continued on the preparation of the National Strategy on NATO integration. There has been political dialogue on issues of mutual interest and the bilateral economic cooperation has been promoted. A positive, tangible impulse has been given to the legal basis for cooperation with the signing of a number of agreements on economy, trade, circulation of the citizens, the prevention of trafficking, transport, education, etc. The circulation of the citizens has also been facilitated through the improvement of the visa regime, the opening of the new border points, and the signing of the repatriation agreements. Special attention has been also given to commitments undertaken by our country in the framework of its participation in international global and regional organizations, with the aim, among others, of securing projects of interest for the country. In this framework, Albania has been adequately represented in a number of international UN, Council of Europe and OSCE activities. Another achievement this year was the successful participation in the coalition against terrorism.

In the framework the regional initiatives, such as the Stability Pact, South East Cooperation Initiative, Black Sea Economic Cooperation Initiative, etc, there has been an intensive cooperation in economic issues, including trade liberalization, foreign investment promotion, and the promotion of the globalization process. In the legislation field, the "Law on the foreign service in the Republic of Albania" was approved on 03.07.2003.

## Matrix 2003-Annual Review

### Prior actions for 2003

|  | <sup>155</sup> | <b>-Implementation measures<br/>-Reasons for implementation shortfalls</b>  | <b>New<br/>Deadline</b> |
|--|----------------|---|-------------------------|
| Continued process for the integration into the Euro-Atlantic structures  |                |   |                         |
| Continued negotiations on the Stabilization and Association Agreement  | 3              | - Preparation of the material on progress in the reform process. The intensification of the diplomatic activity in the Commission structures and the Member countries to promote the European integration process.<br>- The speed of the negotiations will depend on their quality and the ability of the national structures to implement the obligations stemming from the SAA.   | 2004                    |
| Preparation of the National Strategy on European Integration   | 3              | <sup>156</sup> A draft with ideas about what an integration strategy should represent and contain has been prepared. The preparation of the strategy on the approximation process with the European standards.<br>- The organization of the consultative meetings of the Foreign Affairs Minister with all the Assembly political parties on the preparation of the National Integration Strategy.  | 2004                    |
| Strengthening of the relations with the European Parliament  | 3              | - Coordination and organization of inter-parliamentary activities in cooperation with the Assembly of Albania, in particular with the European Parliament delegation for South East Europe.<br>- Consolidation and deepening of the cooperation with the Parliamentary Commission on European Integration   | 2007                    |
| Participation in the Common Foreign and Security Policy (CFSP) of the EU.  | 4              | - Participation in CFSP requires coordination with the EU on joint positions, actions and declarations, as well as bilateral contacts with the EU member countries.<br>- The coordination of the positions on various issues began in January 2004 and is continuing. More effective use of the positions for increased inter-ministerial coordination. Cooperation on the implementation of Thessalonica Summit agenda on Western Balkans. | 2004                    |
| Revision of the National Security Strategy Document.   | 3              | - It is continuing, inter-institutional coordination  | 2004                    |
| Preparation of the National Strategy on Albania's Integration into NATO (2003 – 2006)  | 3              | - Inter-institutional coordination.   | 2004                    |
| Completion of the new national document of the Membership Action Plan (MAP fifth cycle)  | 4              | - Inter-institutional coordination and coordination with international partners. It is continuing   | 2004                    |
| Monitoring and following the A3 initiative. The First Meeting of the Joint Partnership Charter Commission, Washington November 2003 and preparation of the activities for the next 6 months, which will be finalized at the Joint Commission meeting in Shkup in May 2004. | 4              | - Inter-institutional coordination and coordination with international partners   | 2004                    |
| Monitoring the development of bilateral cooperation  |                |   |                         |
| Assistance in the negotiations between the line ministries with the relevant authorities of the other countries on bilateral agreements in different fields: economy, trade, circulation of the citizens, prevention of trafficking, transport.                            | 4              | - Lack of a better inter-ministerial coordination, lack of the commitment by the other side, and the failure to make the planned official visits, during which the relevant agreements were to be signed. A better coordination with the other institutions and the other signatory side will be sought.  | 2004                    |

<sup>155</sup> Level of completion per criteria

<sup>156</sup> - The goal of the National Integration Strategy, which is a long-term document (up to 10 years), is to lay down the priorities in the process of the integration into the EU with the final objective being the EU membership. It is an extensive and complex process

| Prior actions for 2003   | √ <sup>1.55</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|-------------------|---|-----------------|
| education.   |                   |   |                 |
| Strengthening of the regional cooperation  |                   |   |                 |
| Organization of the Pact's most important meetings: the Working Roundtable Meetings and the Regional Meeting in Tirana on 4-5 December 2003 with the participation of 65 delegations with about 260 participants from foreign countries and International Organizations, which are members and partners of the Pact. | 4                 | - Inter-institutional coordination  | 2003            |
| Albania's increased engagement in international organizations.   |                   |   |                 |
| Strengthening of Albania's cooperation with the UN and its active participation in the UN activities   | 4                 | -Increased political role of our country on the international arena. Making public the positions of our country on issues discussed in the UN system. Entering into coalitions with different countries on various issues   |                 |
| Monitoring Albania's commitments stemming from documents approved by international conferences and other international activities  | 4                 | -Increased awareness of the Albanian central institutions about the international commitments undertaken by our country   |                 |
| Monitoring the implementation of commitments undertaken by our country as member of the international coalition against terrorism.   | 4                 | - It is continuing<br>- Increased specific contribution of our country to this coalition and the submission of the relevant reports to the UN structures  |                 |
| Continued work on the qualitative improvement of Albania's image, the intensification of its role in the OSCE, and the strengthening of the cooperation with the Organization  | 3                 | - Presentation of the developments in our country in a convincing way and a positive spirit, as well as through Albania's increased role and more active participation in the Permanent Council and in important OSCE activities. The fulfillment of the obligations stemming from the Maastricht Ministerial decisions and other OSCE documents. The possibility of the ratification of the Open Skies Treaty and the Revised CFE Treaty will be considered. | 2007            |
| Continued work on reshaping the relations with the OSCE, reorientation of the assistance in accordance with the new mandate of the OSCE Presence in Albania  | 3                 | - Close monitoring of the work on the implementation of the projects in the framework of the current mandate of the Presence in Albania.  | 2004            |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions   | <sup>157</sup> Responsible institution | Budget <sup>158</sup> | CARDS <sup>159</sup> | Others <sup>160</sup> |
|---|--|-----------------------|----------------------|-----------------------|
| <b>Continuing the process of the integration into the European Union</b>  |  |                       |                      |                       |
| More effective use of political lobbying for integration  | 1 MPJ, Integration Ministry            | 7 350 000             |                      |                       |
| Continuing the negotiation process for the Stabilization and Association Agreement with EU                                  | MPJ, Integration Ministry              |                       |                      |                       |
| Expansion of the cooperation with the EU in the field of Common Foreign Policy and Security                                 | MPJ, Integration Ministry              |                       |                      |                       |
| Preparation of the National Strategy on the European Integration  | MPJ, Integration Ministry              |                       |                      |                       |
| <b>Continuing the process of integration into NATO</b>  | 1 MPJ, Defense Ministry                | 13 650 000            |                      |                       |
| Successful representation of our country in Istanbul summit   | MPJ, Defense Ministry                  |                       |                      |                       |
| Cooperation on activities in the framework of Adriatic Charter  | MPJ, Defense Ministry                  |                       |                      |                       |
| Development of the cooperation in 3+3 format (Albania, Croatia, Macedonia, and Italy, Turkey, and Greece)                   | MPJ, Defense Ministry                  |                       |                      |                       |
| Finalization of the National Security Strategy and the National Strategy on NATO membership                                 | MPJ                                    |                       |                      |                       |
| <b>Development of regional cooperation</b>  | 2 MPJ and other institutions           | 9 975 000             |                      |                       |
| Deepening the political dialogue through exchange of bilateral visits   | MPJ and other institutions             |                       |                      |                       |
| Monitoring the implementation of the commitments in the framework of the Regional Initiatives and the Stability Pact        | MPJ and other institutions             |                       |                      |                       |
| Promotion and intensification of the economic and trade development and the development of the bilateral commissions        | MPJ and other institutions             |                       |                      |                       |
| <b>Development of the bilateral relations with other countries</b>  | 2 MPJ and other institutions           | 12 600 000            |                      |                       |
| Deepening the political and economic dialogue through bilateral contacts and the conclusion of agreements                   | MPJ and other institutions             |                       |                      |                       |
| <b>Protection of the interests of the Albanians living in foreign countries</b>   | 2 MPJ, MPR, etc                        | 12 600 000            |                      |                       |
| Cooperation with the neighboring countries on the improvement of the required standards                                     | MPJ, MPR, etc                          |                       |                      |                       |
| <b>Improvement of the country's image</b>   | 2 MPJ and other institutions           |                       |                      |                       |
| Utilization of all domestic capacities and the foreign assistance; the implementation of specific projects for this purpose | MPJ and other institutions             |                       |                      |                       |

<sup>157</sup> Prioritization coefficient.

<sup>158</sup> Funds of the Government's budget in millions of Lek

<sup>159</sup> Funds of the projec CARDS in EURO

<sup>160</sup> Other approved investments

| Objectives/ Public Priority Actions   | √157 | Responsible institution    | Budget158  | Cards159 | Others160 |
|---|------|----------------------------|------------|----------|-----------|
| <b>Albania's increased engagement in the international organizations</b>  | 2    | MPJ                        | 15 750 000 |          |           |
| Increased active participation in the activities of the global and regional international organizations and enhanced representation               |      | MPJ                        |            |          |           |
| Monitoring the commitments undertaken by the Albanian government in acts approved by international conferences and other international activities |      | MPJ and other institutions |            |          |           |
| The aim is to achieve our country's membership in the UN Economic and Social Council and the World Francophonie Organization                      |      | MPJ                        |            |          |           |

## Matrix 2004 – 2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √ <sup>161</sup> | Responsible Institutions          | Deadline         | Budget <sup>162</sup> | CARDS <sup>163</sup> | Others <sup>164</sup> | Y165 |
|---|------------------|-----------------------------------|------------------|-----------------------|----------------------|-----------------------|------|
| <b>Continuing the process of the integration into the European Union</b>  | 1                |                                   | 2004-2007        | 29 400 000            |                      |                       |      |
| Monitoring the implementation of the Stabilization and Association Agreement  |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Coordination of our foreign policy positions with those of the EU   |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Monitoring the NATO membership process  | 1                | MPJ and Ministry of Defence       | 2004-2007        | 53 550 000            |                      |                       |      |
| Monitoring the implementation of the commitments in the framework of the Adriatic Charter   |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Achieving the successful participation in the NATO summit, which is expected to approve the membership of our country                                 |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| <b>Development of the regional cooperation</b>  | 1                | <b>MPJ and other institutions</b> | <b>2004-2007</b> | <b>40 950 000</b>     |                      |                       |      |
| Intensification of the contacts in the bilateral framework and in the framework of regional initiatives   |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| <b>Development of the bilateral relations with other countries</b>  | 2                | <b>MPJ and other institutions</b> | <b>2004-2007</b> | <b>52 500 000</b>     |                      |                       |      |
| Intensification of the contacts at different levels   |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Materialization of the cooperation with the signing of agreements   |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| <b>More active participation of our country in the international organizations</b>  | 2                | <b>MPJ and other institutions</b> | <b>2004-2007</b> | <b>63 000 000</b>     |                      |                       |      |
| Successful participation in all international activities  |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Monitoring the commitments undertaken by the Albanian government in the acts approved by international conferences and other international activities |                  | MPJ and other institutions        |                  |                       |                      |                       |      |
| Strengthening of the relations with Diaspora  | 3                | MPJ                               | 2004-2007        | 31 500 000            |                      |                       |      |
| Activities on protecting and developing the Albanian culture and traditions in Diaspora   |                  | MPJ                               |                  |                       |                      |                       |      |

<sup>161</sup> Prioritization coefficient

<sup>162</sup> Funds of the Government's budget in millions of Lek

<sup>163</sup> Funds of the projec CARDS in EURO

<sup>164</sup> Other approved investments

<sup>165</sup> Financing required

| <b>Objectives/ Public Priority Actions</b>                                | $\sqrt{161}$ | <b>Responsible Institutions</b> | <b>Deadline</b> | <b>Budget162</b> | <b>Cards163</b> | <b>Others164</b> | <b>Y165</b> |
|---|--------------|---------------------------------|-----------------|------------------|-----------------|------------------|-------------|
| Activities to attract investments from Diaspora                           |              | MPJ                             |                 |                  |                 |                  |             |
| Consolidation of foreign service  | 2            | MPJ                             | 2004-2007       | 21 000 000       |                 |                  |             |
| Restructuring and a better distribution of the diplomatic representations |              | MPJ                             |                 |                  |                 |                  |             |
| Protection of the interests of the Albanian citizens in the world         | 1            | MPJ                             | 2004-2007       | 50 400 000       |                 |                  |             |
| Improvement of the consular service                                       |              | MPJ                             |                 |                  |                 |                  |             |

## MINISTRY OF LOCAL GOVERNMENT AND DECENTRALIZATION

For the water supply and sewerage function: The inventory has been completed and the Council of Ministers has approved the inventory list of all water supply and sewerage systems, which are under the administration of joint stock companies and NUK. 17 local government units have submitted requests to to assume ownership of 40 Water Supply-Sewerage systems. A draft decision "On the transfer of immoveable state property of the Water Supply-Sewerage systems to the local government ownership" was compiled in cooperation with the Territorial Arrangement and Tourism Ministry, and the Economy Ministry. The inventory of 110 Water Supply systems was made. The Amendment of the Council of Minister Decision no. 479 date 29.07.1998 "On the liberalization of the potable water tariffs" was prepared and submitted for approval by the Council of Ministers. A joint program on the training of the service personnel in the municipalities and communes, and the personnel of the joint stock companies and the water supply-sewerage enterprises, as well as for the enhancement of the management capacities of the local government units was drawn up.

Joint functions in Pre-university education: The policy document "On agreement on decentralization in the field of pre-university education" was prepared and approved. The document for a pilot project on the decentralization of the pre-university education investments in Tirana municipality was prepared and approved. The process of the inventory and transfer of the schools to the ownership of the local government units got underway.

Joint functions in the primary health system and public health protection: the policy document on the decentralization of

the primary health service and public health protection was drawn up.

Social care and poverty reduction: the draft decision "On differentiated financial support for some communes," aimed at giving support to the 80 poorest communes, was compiled. The draft decision on a pilot project to link economic assistance with community work and service was compiled.

Urban planning and urban land management: The law "On some changes in the law on Urban Planning" was approved. The administration and management of the agricultural land by agricultural land administration and management offices in 12 councils and regions came into effect. Support was given to the establishment and operation of KRRTs.

Regional council functions: the policy document on the role of the regional council was finalized.

Civil status service: The strategy on the modernization of the civil status was approved with Council of Minister Decision No. 176 date 30.10.2003 and its implementation process has begun. The civil status service was restructured. The General Civil Status Deptment was established.

Fiscal decentralization: the application of the legal package on the fiscal decentralization got underway. The instructions of the 2003 fiscal manual were issued. The revenues from the local taxes increased by 1.6%. The state budget transfer, and the revenues from the small business taxes and the vehicle registration tax increased by 6.7%. The transfer for the regions was reduced by 4%. The national strategy on Local Government training was approved.



## Matrix 2003-Annual Review

| Prior actions for 2003   | 166 | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|-----|--|-----------------|
| <b>Transfer of the function of water supply, sewerage, and land management</b> |     |  |                 |
| Water supply and sewerage  | 4   | <ul style="list-style-type: none"> <li>- The inventory list of 53 enterprises and Water-Sewerage joint stock companies has been approved with a Council of Minister decision. The division and the order of transfer has been determined. The draft decision on the transfer of 40 water supply-sewerage systems to 18 municipalities and communes has been compiled. The process is continuing. The ME and the MRITTT has submitted reports on the economic and social situation of these companies. The MPVD has made proposals for the approximation of the legislation by compiling amendments in three draft laws and one draft decision. In regard to the rural water supply systems, 80 communes have made the inventory of 113 water supply systems they have under their administration.</li> <li>- The Council of Minister Decision has not been compiled. The communes are expected to submit their requests for the transfer of the water supply systems. Ineffective coordination among the responsible institutions and slow actions.</li> </ul> |                 |
| Urban land management  | 3   | <ul style="list-style-type: none"> <li>- With the improvements in the existing law "On Urban Planning" some powers have been transferred, such as the establishment of KRRRTs in all the municipalities and in about 20 communes. The working group has been set up in the MRITTT and the work has begun on drafting the new law on urban planning and urban land management</li> <li>- The reason for the shortfall in the attainment of the 2003 target is the lack of coordination among the responsible institutions and the slow actions. Cooperation with other actors on drafting of the law is needed.</li> </ul>  | 2004            |
| Separation of the function of Pre-University Education                         | 3   | <ul style="list-style-type: none"> <li>- The KND has approved the policy document on the decentralization of the pre-university education. The draft law and the draft decision have been compiled at the expert level. The KND has also approved the document on the investment pilot project in Tirana municipality. Under the 2004 budget the investment funds for the pre-university education are allocated to this municipality.</li> <li>- The Education and Science Ministry has not approved the draft law and the draft decision compiled at the expert level. Lack of coordination among responsible institutions and slow actions</li> </ul>   | 2004            |
| Separation of the function of Primary Health Care                              | 3   | <ul style="list-style-type: none"> <li>- The work on the compilation of policy document for the decentralization of the primary health care is continuing. Under the 2004 budget the funds for the operational expenditures will be allocated as conditional transfer.</li> <li>- The Health Ministry has not accepted our proposals. The Health Ministry working group has not began its work on the legal amendments. A more effective cooperation among the responsible institutions is needed.</li> </ul>  | 2004            |
| Separation of the function of social assistance                                | 4   | <ul style="list-style-type: none"> <li>- The draft law "On social services" has been prepared. Decision no.758, date 13.11.2003 on a pilot project for the economic assistance has been approved. The study on improvements in the unconditional transfer formula has been finalized. The study takes account of SKZHEs priorities and is reflected in the 2004 budget.</li> </ul>   |                 |
| Separation of the function of Public Order                                     | 3   | <ul style="list-style-type: none"> <li>- The draft law "On municipal and communal police" has been prepared. The local police structures have been established and made operational in 65 municipalities and 85 communes. The work has begun on preparing the amendments in the law "On state police", in cooperation with the Associations of the locally elected people, the municipalities and the communes</li> <li>- The reason for the shortfall in the attainment of the target lies with the lack of coordination among responsible institutions</li> </ul>  | 2004            |

166 Level of completion per criteria

| Prior actions for 2003   | √ <sup>166</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|------------------|--|-----------------|
| Framework regulation on the delegated functions of agricultural land management  | 4                | - The Council of Minister Decision "On functions of the land management structures" has been approved and the structures have been set up in every region.   |                 |
| Framework regulation on the delegated functions for the modernization of civil status service  | 4                | - The General Civil Status Department has been set up and changes have been made in some structures of the prefecture administration and some municipalities. The process has not been completed due to shortcomings in the institutional organization and lack of funds. The ad-hoc technical group on technical problems related to the software, hardware, the identity number, etc. has been set up and the process for the implementation of the Norwegian pilot project is continuing. With its decision no. 716 date 30.10.2003 the Council of Minister approved "The National Strategy on the modernization of the Civil Status Service. A number of decisions have been approved. See at the bottom of the page the list of the Council of Minister decisions approved and due to be approved. <sup>167</sup> |                 |
| Civil emergency service. Consolidation of the Civil Emergency structures at all levels. Higher technical and professional level of the personnel and greater quality in Planning and Coping with Civil Emergencies | 4                | - The civil emergency offices have been established in the line ministries and the Regional Prefectures and the personnel for these offices has been selected. A number of decisions have been approved: See notes at the bottom of the page. <sup>168</sup>   |                 |
| Anti-fire and rescue service. Establishment and consolidation of the National training Center for PMNZSH   | 4                | - The capital transformation of the PMNZSH station building into a training center, on the basis of the Local Government and Decentralization Minister, has taken place. The building has been partly reconstructed and adjusted for a training center, and the process for the purchase of its equipment will soon begin. The sub-legal acts have been approved: Council of Minister Decision no. 78, date 06.02.2003 "On PMNZSHK uniform and badge", the Council of Minister Decision no 77, date 06.02.2003, "On criteria and norms for the establishment of the fire protection stations and their supply with personnel", Council of Minister Decision no.656, date 18.01.2003" On unification of the PMNZSH functions with those of the State Police"  |                 |

<sup>167</sup> Council of Minister Decision "On structure and personnel of the Civil Status Service in the local government units", Council of Minister Decision "On regulations and acts performed by the civil status offices and the obligations of the citizens about the transfer of their civil status data.", Council of Minister Decision "On the tariffs of the services delivered by the Civil Status Service. ". A number of acts have been compiled and subjected for approval. They include: Council of Minister Decision "On the form, component elements, registration, deadlines for the use of basic documents and acts compiled and issued by the civil status offices and the regulations for the issuance of these documents.", the Council of Minister Decision on "Compilation and updating of the National Civil Status Register," the Council of Minister Decision "On installation and regulations for the use of the information technology and network of the Civil Status Service. ". The orders issued by the prime minister include: "On the structure and personnel of the General Civil Status Department," "On some additions in the personnel of the regional civil status branches as part of the prefect administrations.", Orders and instructions issued by the minister include: "On the compilation by the civil status offices of the lists of the dead people, who continue to be registered in the fundamental registers.", "On the compilation of the data by the civil status offices for the other state institutions." "On the participation of the representatives of the civil status offices as parties in trials for the rectification of civil status elements.", "On the registration of the judicial facts in other countries about the Albanian citizens, the foreign citizens and the people without citizenship with permanent residence in Albania", "On procedure for the change of the name and the surname", "On indication of civil status components in the civil status documents", "On the marriage procedures of the Albanian citizens with foreign citizens", "On the procedure for the temporary designation of the identity number of newly born babies". The following regulations have been approved and distributed: "On operation of the civil status branches in the regions, "On operation of the civil status offices in the communes and municipalities.", "On the operation of the civil status service in the Albanian diplomatic representations and consulates." The manual of "Summary of the legal acts for the activity of the Civil Status Service" has been approved and distributed. The program "On the qualification of the Civil Status Service" and the qualification plan have been prepared.

<sup>168</sup> Council of Minister Decision no.533, date 1.8.2003. "On participation of the citizens in the prevention and coping with civil emergencies", the Council of Minister Decision "On regulations, operation, rights, and the responsibilities of the civil emergency service", the Council of Minister Decision "On allocation of funds for state reserve material and equipment to prevent and cope with civil emergencies" Council of Minister Decision "On responsibilities and tasks of the Department of Planning and Coping With Civil Emergencies", the Council of Minister Decision "On determining the tariffs for the temporary use of private vehicles by the state bodies in emergency situations", the Council of Minister Decision "On the composition, operation, and responsibilities of the Advisory Commission of civil emergency specialists", the Council of Minister "On establishment and operation of the National System of Planning and Coping With Civil Emergencies", the Council of Minister Decision "On criteria for the declaration of the civil emergency situations", and the Instructions "On criteria for the selection of the personnel for the civil emergency structures," On composition, operation, and responsibilities of the Civil Emergency Commission in the Region," "On the criteria, composition, organization, and the operation of the Local Commission of the Civil Emergencies in the municipalities and communes."

| Prior actions for 2003  | √ <sup>166</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|------------------|---|-----------------|
| Regulation of the inter-municipal cooperation and the relations with the regional council   | 3                | <ul style="list-style-type: none"> <li>- The MPVD, CE, UNDP, Sida and associations of head regions have organized conferences, meetings, and seminars, and the National conference "On the role of the regional council" has taken place. The work has begun on the implementation of the policy document for "the role of the regional council," which was approved in May 2003. Some local government units have delegated the urban planning function to the Region.</li> <li>- Approval of the relevant legal act</li> </ul>  | 2004            |
| <b>Completion of the legal and sub-legal framework, procedures and guidances and their phased implementation in accordance with the strategy on fiscal decentralization</b> |                  |   |                 |
| Legal framework of taxes, tariffs, and local taxes, in particular   | 4                | - All instructions have been compiled and published in the 2003 Manual of Local Taxes.  |                 |
| Legal framework of the tax on donations, inheritance, testaments, and local lotteries   | 2                | <ul style="list-style-type: none"> <li>- Cooperation with the Finance Ministry on the compilation of the relevant legal act</li> <li>- The work is continuing on collecting data for the compilation of the draft law on the newly established tax on gifts, inheritance, testament, and local lotteries</li> </ul>   | 2004            |
| Separate taxes (tax on personal income and tax on company profit)   | 4                | - The study has begun. The tasks laid down for 2003 have been carried out. Cooperation among institutions.  |                 |
| Transfer of the logistics related to the tax, which is transferred to the local government  | 4                | - It will be immediately done with the transfer in 2004. (for one tax)  |                 |
| Improvement of state budget funding schemes for the local government budget   | 4                | - The Decentralization Department and the Economic Department have monitored the results of the 2003 formula. The KIND has approved the criteria for improvements in the formula for the separation of the unconditional transfer in 2004 and they have been included in 2004 budget.   |                 |
| Transfer of the property right to the local government units  | 3                | <ul style="list-style-type: none"> <li>- The property inventory and transfer office has been set up in every municipality and commune. The Advisory Board for the examination of complaints and proposals has been set up in the Local Government and Decentralization Ministry. The instruction "On the compilation of the requests of Local Government Units" has been approved and distributed. The preliminary lists of the public immovable property inventory in the local government government units has been approved and submitted for approval by the Council of Ministers. The preliminary lists of property, which will be recommended for transfer to ownership or use by local government units, have been drawn up. The final lists of the property, which will be transferred to the local government units, will be made on the basis of the inventory requirements and the requests of the local government units and the central administration. The lists will be submitted for approval by the Council of Ministers.</li> <li>- It has not been fully achieved due to lack of funds and organizational problems.</li> </ul> | 2007            |
| <b>Application of a set of measures focused on improvement of local governance standards and practices, the institutional relations, the structures and capacities</b>      |                  |   |                 |
| Strengthening of the internal and external control, and the standardization of methods and procedures   | 3                | <ul style="list-style-type: none"> <li>- In cooperation with the Finance Ministry, the financial audit structures have been set up in 12 Prefectures following the approval of Law no.9009, date 13.02.2003 "On internal audit in the public sector".</li> <li>The preparation of the draft law on the audit in the local government units will be completed during 2004.</li> <li>- The establishment of the audit training unit is completed during 2004</li> </ul>   | 2004            |

| Prior actions for 2003  | √166 | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------|--|-----------------|
| Strengthening of the capacities through the application of the civil servant status; the qualifications (establishment of the center for training and technical assistance  | 4    | <ul style="list-style-type: none"> <li>- The approval of the legal status of the agency and its registration with the court. The regions and the municipalities are included in the civil service status. Various qualification courses organized by state agencies and different non-profit making organizations have taken place. The human resource development centers are operating in the regions of Fier, Kukës and Gjirokastrë through cooperation with UNDP. The National Training Strategy for the local government has been approved. The establishment of the National Training Center, as a coordination center for the training of the locally elected and appointed officials, has been approved with Council of Minister Decision No. 717, date 30.10.2003.</li> <li>- The Statute should be approved and the Agency should be registered with the court.</li> </ul> | 2004            |
| Increased capacities in fiscal administration (revenue collection and administration of expenditures), including the preparation of the medium-term expenditure framework at the local level                                    | 4    | <ul style="list-style-type: none"> <li>- Various manuals and methodologies on the tax administration and revenue collection have been prepared. The Local Government and Decentralization Ministry, donors, and non-profit making organizations have organized different qualification seminars aimed at increasing the technical capacities of the local administration personnel. The necessary logistics for the computerization of the revenue collection have also supplied.</li> </ul>   |                 |
| Enhanced capacities through training in the preparation of regional development policies and the delivery of services   | 4    | <ul style="list-style-type: none"> <li>- The Local Government and Decentralization Ministry has cooperated with donors on the preparation of the economic development programs at local level. Five head regions and 20 municipalities and communes have prepared their development programs. Some projects on the local economic development (markets, water supply systems, etc.) have been implemented.</li> </ul>  |                 |
| Improvement of the cooperation between government bodies (Ministry and their branches, prefecture etc.) with the local government authorities (municipality/commune, regions) and support for crossborder cooperation programs) | 4    | <ul style="list-style-type: none"> <li>- The law "On the prefect", as an institution regulating relations between the local government and the de-concentrated state bodies at a local level, has been approved.</li> </ul>  |                 |
| Annual monitoring of the progress in the decentralization reform  | 4    | <ul style="list-style-type: none"> <li>The outcome of the formula for the separation of the unconditional transfer has been monitored. On the basis of the monitoring results, the fund allocations have reflected readjustments in the fiscal capacities and the 2004 draft budget.</li> </ul>  |                 |
| <b>Application of a set of measures and activities focused on increasing public access to local governance</b>  |      |  |                 |
| Extension of the action plan on reduction of corruption to the local level in accordance with the specific conditions of every local government unit  |      |  |                 |
| Education of the public on the decentralization reform and on the citizens' rights (citizen's charter) for local governance   | 4    | <ul style="list-style-type: none"> <li>Organization of different seminars, conferences, and publications in cooperation with the associations of the locally elected people, the non-profit making organizations, and various donors engaged in activity in the local government.</li> </ul>   |                 |
| Increased information to the community about the access of the community and the citizens to the decision-making process  | 4    | <ul style="list-style-type: none"> <li>Establishment of the advisory (citizens') groups in some municipalities</li> </ul>  |                 |
| Dissemination of the experience gained in the involvement of the local communities in local infrastructure investments (community works projects)   | 3    | <ul style="list-style-type: none"> <li>FZSH, and others.</li> </ul>  | 2004-2007       |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions   | √169 | Responsible institution        | Budget170 | CARDS171 | Others172 |
|---|------|--------------------------------|-----------|----------|-----------|
| <b>Transfer of the separate functions/Water supply and sewerage function</b>  |      |                                |           |          |           |
| Transfer of the water supply networks to local government ownership, inventory of the water supply networks, which are under the administration of the local government units | 1    | ME, MRrTT, MPVD, MPVD          |           |          |           |
| Approximation of the sector legislation   | 1    | ME, MRrTT, MPVD                |           |          |           |
| Urban planning  |      | MRrTT in cooperation with MPVD |           |          |           |
| Drafting and approval of the law on urban planning and urban land management  |      | MPVD, MRrTT                    |           |          |           |
| Establishment of the structures responsible for urban planning in NJQV in accordance with the legal changes   |      | MPVD, MRrTT                    |           |          |           |
| Local urban roads, full transfer of the inventory and capital expenditures to NJQV  |      | MPVD, MRrTT                    |           |          |           |
| Transfer of the urban roads to ownership/administration of the NJQV   |      | MRrTT, MF, MPVD                |           |          |           |
| Inclusion of the grant fund on urban road capital expenditures in 2005 budget law   |      |                                |           |          |           |
| Transfer of the public services to NJQV   |      |                                |           |          |           |
| Compilation of the sub-legal acts for the implementation of law no. 9096,date 03.07.2003 "On some changes in the law "On road transport"                                      |      | MTT, MPVD                      |           |          |           |
| Transfer of the cultural and sport services   |      |                                |           |          |           |
| Classification of the cultural and sport institutions at the local level  |      | MKRS, MPVD                     |           |          |           |
| Finalization of the inventory of the facilities and their transfer to NJQV  |      | MKRS, MPVD                     |           |          |           |
| Consolidation of the NJQV activity in the intensification of the economic development   |      | MPVD , ME                      |           |          |           |
| Continued compilation of the Regional development programs  |      | MPVD                           |           |          |           |
| Continued compilation of the municipality/commune development programs  |      |                                |           |          |           |
| Strengthening of the municipal police   |      |                                |           |          |           |
| Transfer of the road traffic powers to the the local government   |      | MPVD, MRP, MTT                 |           |          |           |
| Amendment of law "On municipal and communal police"   |      | MRP, MPVD                      |           |          |           |
| Amendment of "Road Code in Republic of Albania"   |      | MRP, MPVD, MTT                 |           |          |           |
| Joint functions/ determining the powers for the joint functions in education  |      |                                |           |          |           |

<sup>169</sup> Prioritization coefficient.

<sup>170</sup> Funds of the Government's budget in millions of Lek

<sup>171</sup> Funds of the projec CARDS in EURO

<sup>172</sup> Other approved investments

| Objectives/ Public Priority Actions   | √169 | Responsible institution | Budget170 | Cards171  | Others172   |
|---|------|-------------------------|-----------|-----------|-------------|
| Transfer of the pre-education powers to NUQV  |      | MASH, MF, MPVD          |           |           |             |
| Monitoring of the decentralization of pre-university education investments in Tirana municipality   |      | MPVD, MF, MASH          |           |           |             |
| Draft law on changes in law "On pre-university education", Draft decision on powers and tasks of local government authorities for the pre-university education  |      | MASH, MF, MPVD          |           |           |             |
| Determining the powers for the joint functions in health  |      |                         |           |           |             |
| Separation and transfer of the powers to the local government units   |      | MSH, MPVD               |           |           |             |
| Drafting required changes in relevant acts  |      | MSH, MPVD               |           |           |             |
| On social care and poverty reduction  |      |                         |           |           |             |
| Compilation of the sub-legal acts for the implementation of the law "Social assistance and services"  |      | MPCS, MPVD              |           |           |             |
| Delegated functions/ Economic assistance for needy families   |      |                         |           |           |             |
| Improvement of the legal framework on economic assistance for implementation of the Council of Minister Decision no. 758, date 13.11.2003   |      | MPCS, MPVD              |           |           |             |
| Agricultural land management  |      |                         |           |           |             |
| Consolidation of the agricultural land management structures in Regions, municipalities and communes  |      | MBU, MPVD               |           |           |             |
| Inventory of the areas damaged by erosion, flooding, illegal constructions, etc   |      |                         |           |           |             |
| Modernization of the civil status service   |      |                         |           |           |             |
| Improvement of the Civil Status structures in Regions, municipalities and communes and the computerization of Civil Status Service  |      | MPVD                    |           | 2.5 mln E | 210 000 USD |
| Council of Minister decision "On introduction of National Civil Status Registry and its registration procedures", Council of Minister decision "On introduction of computer technology and network for the Civil Status Service and the regulations for their use", Emergency amendments in law no.8950, date10.10.2002 "On Civil Status", Preparatory work for amendments in law "On Civil Status" |      | MPVD                    |           |           |             |
| Training of employees in the implementation of the legal package and the use of the computerized system   |      |                         |           |           |             |
| Raising the technical and professional level of the personnel, and increasing the quality in Planning and Coping with Civil Emergencies   |      | MPVD (DPGJC)            |           |           |             |
| Establishment of 3 Regional Operational Centers of Civil Emergency  |      |                         |           |           |             |
| Increasing the technical and professional level of the civil emergency personnel in the ministries, those under the responsibility of the regional Prefects, and in the municipalities and communes (seminars, workshops, training, electronic equipment in 6 Regions, Manuals for Civil Emergencies)   |      | MPVD                    |           |           |             |
| Council of Minister decision "On preparation of the national Civil Emergency plan", Council of Minister decision "On allocation of funds for state reserve material and equipment for the prevention and coping with civil emergencies"   |      | MPVD                    |           |           | 47 875 \$   |
| Consolidation of the national training center for PMNZSH.   |      |                         |           |           | 64 390 \$   |
| Final preparations for and the operation of the Training Center for PMNZSH. Trainers' training for the PMNSZH National training center. Periodical training of the PMNZSH personnel   |      | MPVD                    | 11,700    |           |             |
| Introduction of Eurocodes in fire protection and rescue operations  |      | MPVD                    |           |           |             |

| Objectives/ Public Priority Actions  | √169 | Responsible institution                             | Budget170 | Cards171 | Others172 |
|--|------|---|-----------|----------|-----------|
| Determining the role of the Regional Council   |      | MPVD – monitoring it with all Ministries, by sector |           |          |           |
| Improvement of the legislation on the powers of the regional council for the implementation of the policy document   |      | MPVD  |           |          |           |
| Qualification seminars to explain the powers of the Regional Council   |      | MPVD  |           |          |           |
| Fiscal Decentralization/ Enhanced local financial autonomy through fiscal decentralization   |      | MPVD, MF  |           |          |           |
| Consolidation of the local fiscal administration   |      | MPVD, MF  |           |          |           |
| Compilation of the draft law on taxes on donations, inheritance, testament and the local lotteries   |      | MPVD, MF, Donors                                    |           |          |           |
| Monitoring the results of the formula for the separation of the unconditional transfer. Monitoring of the local fiscal package   |      | MPVD, MF  |           |          |           |
| Approval of the Ethical Code for local tax officials, Training for local finance officials   |      | MPVD  |           |          |           |
| Improvement of the budget funding schemes for local government budget  |      | MPVD  |           |          |           |
| Drafting of the instruction for 2004 local budget  |      | MPVD  |           |          |           |
| Monitoring the results of formula for the separation of the 2004 unconditional transfer and conclusions for improvements in 2005   |      | MPVD, MF  |           |          |           |
| Effective management of the public funds   |      | MPVD, MF  |           |          |           |
| Compilation of the draft law on local government finances (for inter-governmental relations)   |      | MF, MPVD  |           |          |           |
| Enhancement of local management capacities   |      | MPVD  |           |          |           |
| Transfer of the property rights to local government units and their inventory  |      | Ministries, AITPP                                   | 40        |          |           |
| Consolidation of the Advisory Board for the examination of complaints and proposals  |      | MPVD (AITPP)  |           |          |           |
| Continuing the inventory process of public immoveable property in the central institutions and NJQV. Submission of the preliminary inventory lists of public immoveable property by the central institutions and the NJQZ to the Council of Ministers for approval |      | MPVD (AITPP)  |           |          |           |
| On the basis of inventory requirements and requests of the NJQV and the central administration institutions, the compilation of the preliminary lists of property recommended for transfer to NJQV ownership or use  |      | MPVD (AITPP)  |           |          |           |
| Compilation of the final lists of property transferred to NJQV and their approval by the Council of Ministers Distribution of the approved lists to every NJQV and district ZRPP   |      | MPVD (AITPP)  |           |          |           |
| Establishment and consolidation of the internal control  |      | MPVD  |           |          |           |
| Establishment of the audit training unit in the Financial Control Department in MPVD   |      | MPVD  |           |          |           |
| Compilation of the draft law on auditing in local government units   |      | MPVD  |           |          |           |
| Preparation of the methodical Manual on audit in NJQV  |      | MPVD  |           |          |           |
| Enhanced management capacities of the local government units   |      | MPVD  |           |          |           |
| Establishment and consolidation of the National Training Agency  |      | MPVD  |           |          |           |
| Training of the locally elected people and the local administration staffs by the Agency   |      | MPVD  |           |          |           |
| Strengthening of the role of Inter-Ministerial Decentralization Committee  |      | MPVD, KNID  |           |          |           |
| Preparation of the documents for KNID meetings, Activity of the Specialist Group on Decentralization   |      |   |           |          |           |

| Objectives/ Public Priority Actions  | √169 | Responsible institution | Budget170 | Cards171 | Others172 |
|--|------|-------------------------|-----------|----------|-----------|
| Improvement of the administrative-territorial division   |      |                         |           |          |           |
| Compilation of the draft law on criteria, financial support, and the voluntary merger                      |      | MPVD. (Working group)   |           |          |           |
| Establishment of the joint commission, organization of consultations and negotiations on voluntary changes |      | MPVD Local associations |           |          |           |



## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | <sup>173</sup> | Responsible Institutions       | Deadline  | Budget174 | Cards175 | Others176 | Y177 |
|---|----------------|--------------------------------|-----------|-----------|----------|-----------|------|
| <b>Transfer of separate functions/ Water supply and sewerage service</b>  |                |                                |           |           |          |           |      |
| Finalization of the legal and sub-legal framework on the basis of which the Local Government Units exercise the powers for their separate and joint functions | 1              | ME, MRrTT, MPVD, MPVD          | 2004      |           |          |           |      |
| Transfer of the water supply networks to local government ownership and their inventory   | 1              | ME, MRrTT, MPVD, MPVD          | 2004      |           |          |           |      |
| Approximation of the sector legislation   | 1              | ME, MRrTT, MPVD                | 2004      |           |          |           |      |
| Qualification program for SHA and NUK personnel   | 1              | MRrTT, MPVD, ME                | 2004-2005 |           |          |           |      |
| <b>Urban planning</b>   |                |                                |           |           |          |           |      |
| Drafting and approval of the law on urban planning and urban land management, and the establishment of the relevant structures                                | 2              | MRrTT in cooperation with MPVD | 2004      |           |          |           |      |
| <b>Local urban roads, full transfer of the inventory and capital expenditures to NJQV</b>   |                |                                |           |           |          |           |      |
| Transfer of the urban roads to ownership/administration of the NJQV   | 2              | MPVD, MRrTT                    | 2004      |           |          |           |      |
| Inclusion of the grant fund on urban road capital expenditures in 2005 budget law   | 2              | MRrTT, MF, MPVD                | 2004      |           |          |           |      |
| Transfer of the public services to NJQV   |                |                                |           |           |          |           |      |
| Compilation of the sub-legal acts for the implementation of law no. 9096, date 03.07.2003 "On some changes in the law "On road transport"                     | 2              | MTT, MPVD                      | 2004      |           |          |           |      |
| <b>Transfer of cultural and sports services</b>   |                |                                |           |           |          |           |      |
| Classification of the cultural and sport institutions at the local level  | 2              | MKRS, MPVD                     | 2004      |           |          |           |      |
| Finalization of the inventory of the facilities and their transfer to NJQV  | 2              | MKRS, MPVD                     | 2004      |           |          |           |      |
| <b>Consolidation of the NJQV activity in the intensification of the economic development</b>  |                |                                |           |           |          |           |      |
| Continued compilation of the Regional, municipalities/communes development programs   | 2              | MPVD, ME                       | 2004      |           |          |           |      |

<sup>173</sup> Prioritization coefficient

<sup>174</sup> Funds of the Government's budget in millions of Lek

<sup>175</sup> Funds of the projec CARDS in EURO

<sup>176</sup> Other approved investments

<sup>177</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>173</sup> | Responsible Institutions | Deadline | Budget174 | Cards175 | Others176 | Y177 |
|---|------------------|--------------------------|----------|-----------|----------|-----------|------|
| Strengthening of the municipal police   |                  |                          |          |           |          |           |      |
| Transfer of the road traffic powers to the local government   | 2                | MPVD, MRP, MTT           | 2004     |           |          |           |      |
| Amendment of the laws "On municipal and communal police", "Road Code in the Republic of Albania"                                      | 2                | MRP, MPVD, MTT           | 2004     |           |          |           |      |
| <b>Joint functions/ determining the powers for the joint functions in education</b>   |                  |                          |          |           |          |           |      |
| Transfer of the pre-university education powers. Monitoring of the pre-university investment decentralization in Tirana municipality  | 2                | MASH, MF, MPVD           | 2004     |           |          |           |      |
| Draft law on changes in the law "On pre-university education"   | 2                | MPVD, MF, MASH           | 2004     |           |          |           |      |
| Draft decision on powers and tasks of local government authorities for the pre-university education.                                  | 2                | MASH, MF, MPVD           | 2004     |           |          |           |      |
| <b>Determining the powers for the joint functions in health</b>   |                  |                          |          |           |          |           |      |
| Division and transfer of the powers to the local government units   | 2                | MSH, MPVD                | 2004     |           |          |           |      |
| Drafting required changes in relevant acts  | 2                | MSH, MPVD                | 2004     |           |          |           |      |
| <b>On social care and poverty reduction</b>   |                  |                          |          |           |          |           |      |
| Compilation of the sub-legal acts for the implementation of the law "Social assistance and services"                                  | 2                | MPCS, MPVD               | 2004     |           |          |           |      |
| <b>Delegated functions/ Economic assistance for needy families</b>  |                  |                          |          |           |          |           |      |
| Improvement of the legal framework on economic assistance for implementation of the Council of Minister Decision no. 758.d.13.11.2003 | 2                | MPCS, MPVD               | 2004     |           |          |           |      |
| <b>Agricultural land management</b>   |                  |                          |          |           |          |           |      |
| Consolidation of the agricultural land management structures in Regions, municipalities and communes                                  |                  | MBU, MPVD                | 2004     |           |          |           |      |
| Inventory of the areas damaged by erosion, flooding, illegal constructions, etc   |                  | MBU, MPVD                | 2004     |           |          |           |      |
| <b>Modernization of the civil status service</b>  |                  |                          |          |           |          |           |      |
| Improvement of the Civil Status structures in Regions, municipalities and communes  | 1                | MPVD                     | 2007     |           |          |           |      |
| Initiation of the process for the establishment of the National Registry and the computerization of the Civil Status Service          | 1                | MPVD                     | 2007     |           |          |           |      |
| Council of Minister decision "On introduction of National Civil Status Registry and its registration procedures"                      | 1                | MPVD                     | 2007     |           |          |           |      |

| Objectives/ Public Priority Actions   | √ <sup>173</sup> | Responsible Institutions | Deadline  | Budget174 | Cards175 | Others176 | Y177    |
|---|------------------|--------------------------|-----------|-----------|----------|-----------|---------|
| Council of Minister decision "Introduction of computer technology and network for the Civil Status Service and the regulations for their use"   | 1                | MPVD                     | 2007      |           |          |           |         |
| Emergency amendments in law 8950, date 10.10.2002 "On Civil Status"   | 1                | MPVD                     | 2007      |           |          |           |         |
| Preparatory work for amendments in law "On Civil Status"  | 1                | MPVD                     | 2007      |           |          |           |         |
| Training of employees in the implementation of the legal package and the use of the computerized system   | 1                | DPGJC                    | 2007      |           |          |           |         |
| <b>Raising the technical and professional level of the personnel, and increasing the quality in Planning and Coping with Civil Emergencies</b>  |                  |                          |           |           |          |           |         |
| Establishment of 3 Regional Operational Centers of Civil Emergency  |                  | MPVD                     | 2004      |           |          |           | 3 min E |
| Increasing the technical and professional level of the civil emergency personnel in the ministries, those under the responsibility of the regional Prefects, and in the municipalities and communes. Electronic equipment in 6 Regions. Manuals for Civil Emergencies |                  | MPVD                     | 2004      |           | 929,011  |           |         |
| Council of Minister decision "On preparation of the national Civil Emergency plan". Council of Minister decision "On allocation of funds for state reserve material and equipment for the prevention and coping with civil emergencies"                               |                  | MPVD                     | 2004      |           |          |           |         |
| <b>Consolidation of the national training center for PMNZSH</b>   |                  |                          |           |           |          |           |         |
| Final preparation and the operation of the Training Center for PMNZSH   |                  | MPVD                     | 2004      |           |          |           |         |
| Trainers' training for the PMNSZH National training center. Periodical training of the PMNZSH personnel   |                  | MPVD                     | 2004      |           |          |           |         |
| Introduction of Eurocodes in fire protection and rescue operations  |                  | MPVD                     | 2004      |           |          |           |         |
| <b>Determining the role of the Regional Council</b>   |                  |                          |           |           |          |           |         |
| Improvement of the legislation on the powers of the regional council for the implementation of the policy document  | 1                | MPVD                     | 2004      |           |          |           |         |
| Qualification seminars to explain the powers of the Regional Council  | 1                | MPVD                     | 2004      |           |          |           |         |
| <b>Fiscal Decentralization/ Enhanced local financial autonomy through fiscal decentralization</b>   |                  |                          |           |           |          |           |         |
| Consolidation of the local fiscal administration  | 1                | MPVD                     | 2004-2005 |           |          |           | 1 minE  |
| Compilation of the draft law on taxes on donations, inheritance, testament and the local lotteries  | 1                | MPVD, MF                 | 2004      |           |          |           |         |
| Monitoring the results of the formula for the separation of the unconditional transfer. Monitoring of the local fiscal package  | 1                | MPVD, MF                 | 2004      |           |          |           |         |
| Approval of the Ethical Code for local tax officials Training for local finance officials   | 1                | MPVD, MF MPVD, Donors    | 2004-2005 |           |          |           |         |

| Objectives/ Public Priority Actions   | √ <sup>173</sup> | Responsible Institutions | Deadline  | Budget174 | Cards175 | Others176 | Y177 |
|---|------------------|--------------------------|-----------|-----------|----------|-----------|------|
| Improvement of the budget funding schemes for local government budget   |                  |                          |           |           |          |           |      |
| Drafting of the Instruction for 2004 local budget   |                  | MPVD, MF                 | 2004      |           |          |           |      |
| Monitoring the results of formula for the separation of the 2004 unconditional transfer and conclusions for improvements in 2005 2005                         |                  | MPVD                     | 2004      |           |          |           |      |
| <b>Effective management of the public funds</b>   |                  |                          |           |           |          |           |      |
| Consolidation and establishment of the accounting units in all municipalities and communes  |                  | MF, MPVD                 | 2004-2005 |           |          |           |      |
| Compilation of the draft law on local government finances (for inter-governmental relations)  |                  | MPVD, MF                 | 2004      |           |          |           |      |
| Enhancement of the local management capacities  |                  | MF, MPVD                 | 2004      |           |          |           |      |
| Transfer of the property rights to local government units   |                  |                          |           |           |          |           |      |
| Consolidation of the Advisory Board for the examination of complaints and proposals   |                  | MPVD                     |           |           |          |           |      |
| Continuing the inventory process of public immoveable property in the central institutions and NJQV   |                  | Ministries, AITPP        |           |           |          |           |      |
| Submission of the preliminary inventory lists of public immoveable property by the central institutions and the NJQZ to the Council of Ministers for approval |                  | MPVD                     |           |           |          |           |      |
| Compilation of the preliminary lists of property recommended, which will be transferred to NJQZ ownership or use  |                  | Ministries, AITPP        |           |           |          |           |      |
| Compilation of the final lists of property transferred to NJQV and their approval by the Council of Ministers   |                  | MPVD (AITPP)             |           |           |          |           |      |
| <b>Establishment and consolidation of the internal control</b>  |                  |                          |           |           |          |           |      |
| Establishment of the audit training unit in the Financial Control Department in MPVD  | 2                | MPVD                     | 2004      |           |          |           |      |
| Compilation of the draft law on auditing in local government units  | 2                | MPVD                     | 2004      |           |          |           |      |
| Preparation of the methodical Manual on audit in NJQV   |                  |                          |           |           |          |           |      |
| <b>Enhanced management capacities of the local government units in 2004</b>   |                  |                          |           |           |          |           |      |
| Establishment and consolidation of the National Training Agency   | 2                | MPVD                     | 2004      |           |          |           |      |
| Training of the locally elected people and the local administration staffs by the Agency  | 2                | MPVD                     | 2004      |           |          |           |      |

| Objectives/ Public Priority Actions   | √ <sup>173</sup> | Responsible Institutions           | Deadline  | Budget174 | Cards175 | Others176 | Y177 |
|---|------------------|------------------------------------|-----------|-----------|----------|-----------|------|
| <b>Strengthening of the role of Inter-Ministerial Decentralization Committee</b>  |                  |                                    |           |           |          |           |      |
| Preparation of the documents for KND meetings. Activity of the Specialist Group on Decentralization   |                  | MPVD, KND                          | 2004      |           |          |           |      |
| <b>Improvement of the administrative-territorial division</b>   |                  |                                    |           |           |          |           |      |
| Compilation of the draft law on criteria, financial support, and the voluntary merger   |                  | MPVD, (Working group               | 2004      |           |          |           |      |
| Submission of the changes in the administrative division on voluntary basis to the Assembly for approval  |                  | MPVD                               | 2005      |           |          |           |      |
| Establishment of the joint commission, Organization of consultations and negotiations on voluntary changes, Preparations of proposals for voluntary mergers |                  | MPVD Local government associations | 2004-2005 |           |          |           |      |

## Monitoring Indicators

| Indicators  | Responsible Agency  | Baseline<br>2000 | 2001 | 2002    | 2003     | 2004     | 2005 | 2006 | 2007 |
|---|---------------------|------------------|------|---------|----------|----------|------|------|------|
| Inventory of water supply systems for every local unit                                  | MoTAT               |                  |      |         | 53       |          |      |      |      |
| Inventory of each special water supply systems for every local unit                     |                     |                  |      |         | 113      | 115      |      |      |      |
| Number of local unit that have made the inventory of water supply.                      |                     |                  |      |         | 80       | 115      |      |      |      |
| Number of local unit that benefit from transfer   |                     |                  |      |         | 18       | 50       |      |      |      |
| Transfer draft plan to the local units  | MoTAT/MOLGD         |                  |      |         | 18       | 50       |      |      |      |
| Transfer of water supply systems to the local units                                     | MoTAT/MoLGD/MoE/MoF |                  |      |         |          | 40       |      |      |      |
| Number of legal & sub-legal acts prepared and Adopted to enable exercising of functions | MoLGD/MoTAT         |                  |      | 35      | 45       | 45       |      |      |      |
| Number of established inter-ministerial structures serving to process progress          | MoLGD/MoTAT /OJQ    |                  |      | 5       | 11       | 11       |      |      |      |
| Number of policy documents prepared in cooperation with NGO                             | MoLGD               |                  |      | 1       | 3        |          |      |      |      |
| Number of activities carried out in cooperation with the media                          | MoLGD               |                  | 25   | 40      | 80       | 100      |      |      |      |
| Number of rural roads (regional and local   | MoLGD               |                  | 4139 | 4139    | 9451     | 9451     |      |      |      |
| Number of regional rural roads  | MoLGD               |                  | 4139 | 4139    | 4471     | 4471     |      |      |      |
| Number of local rural roads   | MoLGD               |                  |      |         | 4980     | 4980     |      |      |      |
| Number of Minister's instructions   | MoLGD               |                  | 10   | 14      | 20       | 21       |      |      |      |
| Establishment of the Civil Registry Office in the Ministry                              | MoLGD               |                  |      | 3       | 13       | 13       |      |      |      |
| Computerization of the Civil Registry Office  | MoLGD               |                  |      |         | 14       | 50       |      |      |      |
| Training of Civil Registry servants   | MoLGD               |                  |      |         | 544      | 500      |      |      |      |
| State budget  |                     |                  |      | 9500000 | 6300000  | 6277000  |      |      |      |
| Local revenues  |                     |                  |      | 9500000 | 14354000 | 17621000 |      |      |      |
| Small businesses tax revenues   |                     |                  |      | 3020635 | 3045000  | 4000000  |      |      |      |
| Local Source  |                     |                  |      |         | 8054000  | 11344000 |      |      |      |
| Number of legal/sub-legal acts on fiscal decentralization                               |                     |                  |      | 3       | 10       | 12       |      |      |      |
| Conditional grant   |                     |                  |      | 227900  | 239000   | 200000   |      |      |      |
| Investment funds from the unconditional grant 2002(for 2003 conditional transfers).     |                     |                  |      | 505000  | 682900   |          |      |      |      |
| Distribution of equalizing funds  |                     |                  |      | 1399110 | 644000   | 125000   |      |      |      |
| Number of established local structures  |                     |                  |      | 386     | 386      | 386      |      |      |      |
| Established local structures  |                     |                  |      | 7       | 374      | 260      |      |      |      |
| Preparation of assets inventory and transfer schedule                                   |                     |                  |      | 7       | 110      | 260      |      |      |      |
| Number of AITP guidelines   |                     |                  |      | 3       |          |          |      |      |      |

| Indicators   | Responsible Agency | Baseline<br>2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|--------------------|------------------|------|------|------|------|------|------|------|
| Number of public assets transferred to the local units                       |                    |                  |      |      | 30%  | 70%  |      |      |      |
| Local administrative structures  |                    | 410              | 386  | 386  | 386  | 386  |      |      |      |
| Local control structures   |                    |                  | 200  | 250  | 250  | 250  |      |      |      |
| Number of local units with civil servant status                              |                    |                  | 77   | 77   | 77   | 77   |      |      |      |
| Number of local structures that use administration of local revenue software |                    |                  | 10   | 20   | 20   | 20   |      |      |      |

## MINISTRY OF PUBLIC ORDER

The fight Against trafficking and criminal activities: the structure of the Criminal Police was changed. The effectiveness of the Judicial services increased. The number of registered criminal offences is 772. 1,764 perpetrators have been subjected to criminal proceedings, 847 have been arrested, 738 are being criminally prosecuted without being arrested, and 179 are on the search lists. 281 people have been criminally prosecuted for being involved in drug trafficking.

The fight against crimes in the economic and financial sector: 702 cases involving 839 people have been registered.

The fight against terrorism: There have been 31 incidents. Investigations have been successful for 22 of them.

The Structural Reform: career promotion: Introduction of police ranks: police ranks on the basis of four fundamental criteria were introduced. These criteria include

Police Education, police employment seniority, qualifications and training, and the Periodical Job Evaluation. The purge of the police ranks from corrupted elements has continued.

The immoveable property owned by the Public Order Ministry has been registered. The Council of Minister Decision "On approval of the inventory list of the immoveable state property, which are transferred under the administration of the Public Order Ministry" was approved. The National Plan of Asylum in the Republic of Albania was approved with Public Order Minister No.1895, Date 29.08.2003.

The border control and the regional cooperation: the Council of Minister Decision no. 118 date 27.02.2003 "On 2003-2006 border control and the border integrated management" was approved.

Increased road safety: increased professional level of the units by testing all the units of the basic role.



## Matrix 2003-Annual Review

| Prior actions for 2003  | <sup>178</sup> √ | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|------------------|---|-----------------|
| <b>Safeguarding public order</b>  |                  |   |                 |
| Transfer of the detention system under the responsibility of the Justice Ministry   | 2                | - Cooperation with Justice Ministry – Lack of funds, and organizational problems.   | 2004            |
| Regulation of the procedures for foreigners   | 4                |   |                 |
| Increased police presence in the community  | 3                | -Transfer of the detention system under the responsibility of the Justice Ministry  | 2005            |
| Increased police qualification  | 3                | - This is an ongoing task, recurrent training exercises of the police personnel are continuing                              | 2005            |
| Fight against criminality   |                  |   |                 |
| Registration of the residence of all people, who commit revenge and blood feud murders, with the aim of capturing them  | 4                |   |                 |
| Short and long term qualification and training of the personnel engaged in the fight against organized crime, in cooperation with ICITAP and PAMECA, missions   | 4                |   |                 |
| <b>Sector against Illegal Trafficking</b> Supply of equipment to all police units engaged in the fight against illegal trafficking so that they become capable of carrying out their tasks.   | 4                |   |                 |
| - International organizations and NGOs have submitted reports, analyses, and studies on the fight against trafficking; the cooperation with them will continue  | 3                |   | 2004            |
| -Organization of the special unit (Delta-Force) for the prevention and elimination of illegal trafficking through the use of navigation means   | 4                | -Continuing the B. M. supply process during 2004<br>- Lack of sufficient funds  |                 |
| Border control, regional cooperation  |                  |   |                 |
| Analysis of the situation, data analysis and verification of the implementation of EU recommendations. Preparations have been made to study the areas used for illegal trafficking activities and make recommendations for their elimination; studies on the effective use of the border police forces; studies on crossborder trafficking, its pattern, and the measures needed for its prevention | 4                |   |                 |
| Collection of data, information, and studies from international organizations, the police authorities of the neighboring countries, and the non-profit making organizations engaged in the fight against trafficking and crossborder crime  | 4                |   |                 |
| The new structure of the border police has been prepared.   | 4                |   |                 |
| The center for the reception and accommodation of foreign citizens has been established. They are divided into two categories: asylum seekers and illegal emigrants.  | 2                | - Talks with IOM to secure funds<br>- Finding a suitable facility for the establishment of the Center for illegal emigrants | 2004            |
| Organization of the border surveillance on the basis of a signal and response capacity system   |                  |   |                 |
| Standard procedures for surveillance, signalling, and interception of illegal acts have been prepared   | 2                | Preparation of different proposals for changes in the DPPSH framework   | 2004            |
| Institutionalization, through a sub-legal act, of the cooperation among all services of the state police on exchange of information related to border crime   | 3                | - The draft has been prepared in due time<br>- No change in the law "On State Police  | 2004            |

<sup>178</sup> Level of completion per criteria

| Prior actions for 2003  | √ <sup>178</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------------------|--|-----------------|
| Creating facilities in the points of entrances and exits from the Republic of Albania and the installation of equipment to carry out the necessary controls of the people   | 4                |  |                 |
| Increased cooperation among various operators on enhancing border security. The Memorandum of understanding on inter-ministerial cooperation and coordination for integrated border management has been prepared                                  | 4                |  |                 |
| Signing of the agreements with the neighboring countries on border cooperation  | 4                |  |                 |
| Computerization and telecommunications. Setting up the National Communication System in HF band for some Regional Police Departments Setting up radio-communication mini-systems in UHF band in the Police Departments of Berat and Vlore Regions | 4                |  |                 |
| Installation of a Relay Radio System for the region of Tirane, Vlore, Durres, Sarande, Gjirokaster.   | 1                | - TMS System is being implemented by the international organizations of ICITAP and PAMECA.   | 2004            |
| Increased radio security. Preparation of a new organizational structure for the road police   | 3                | -Establishment and implementation of the structure of Tirana Road Police station and sub-station in Durres Port. Another, more effective structure has been prepared and is in the process of being approved.<br>- Delays in the approval of the new structure   | 2004            |
| Legal education to road police units to increase their efficiency, reduce complaints from the community and fight corruptive phenomena  | 3                | - The Letter-Instruction of General Police Director No. 164 date 03/02/2003 "On ethics in relations with the citizens and the procedures for tackling complaints" has been prepared and distributed to the local police stations, organizational measures have been taken to monitor the assigned tasks.   | 2005            |
| Increased role and responsibility of the road police service through the intensification of cooperation with the road ownership entity on the improvement of the road infrastructure  | 3                | - The Joint Instruction of Public Order Minister and Transport and Telecommunication Minister "On establishment fo Task Force units" has been compiled.  | 2004            |
| A Public Order Ministry Order on special ability certificates to road police officers using State Police vehicles and on the organization of the qualification test commission has been drafted   | 2                | The joint Action Plan of the Road Police Director and the General Director of the Road Transport Service has been drawn up.<br>-Delays in implementation<br>- The questions of the theoretical and driving examination have been drawn up and distributed to the local officers for study<br>The examination program has been prepared, the examination will begin in January<br>-Delays in implementation | 2004.           |
| Increased professional and operational level of the special forces and the rapid intervention forces. Organizational improvement of the structures of the rapid intervention and special forces   | 3                | - Some new special units have been set up such as: special anti-explosive Unit, special Negotiation Unit, special Helicopter Unit. The instructions for the operation of these units have been compiled and approved. .  | 2004            |
| Implementation of the ranks in the State Police. Organization of the State Police personnel in conformity with its legal status   | 4                | Reorganization of the State Police structures on the basis of the approved ranks.  |                 |

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | √179 | Responsible institution  | Budget180 | Cards181 | Others182 |
|--|------|--|-----------|----------|-----------|
| <p><b>Fight against corruption and office abuses in the State Police ranks and increased capacities for anti-crime prevention</b></p> <p>Deeper changes in their structure and, in particular, their activity by eliminating some gaps and shortcomings in the legal and sub-legal infrastructure through a change and addition in the law (article 5)</p> <p>Increased cooperation with the prosecutor office on an active investigation of possible cases of corruption and crime collaboration, continued response to police violations by further strengthening the regulations and standard policies, and greater preventive efforts against corruption and other illicit acts</p> <p>A study on the reevaluation of the SHKB organizational structure, the elimination of the ineffective structures, and their replacement with more effective structures will be carried out</p>   | 2    | SHKB Department<br>SHKB Department<br>SHKB Department  |           |          |           |
| <p><b>On safeguarding public order and safety, and on raising policing level by all police services</b></p> <p>Revision of the local structures of public order police to achieve as effective police service as possible, close to the citizens, and able to prevent violations of public order and security</p> <p>The draft regulations "On behavior of police on duty," will be prepared to identify legal violations in police relations with the citizens. The reception and detention facilities in police stations will be restructured and supplied with the necessary facilities</p> <p>The transfer of the whole detention system from the State Police structures to the Justice Ministry structure should be completed</p> <p>Necessary improvements in the organization of the border police structures with the aim of achieving the integrated border management, in accordance with the Strategy on the Integrated Border Management</p> <p>Realization of effective border control and the strengthening of the entry-exit regime in the Republic of Albania to raise the effectiveness of the fight against crossborder crime and the organized crime</p> | 3    | Central Public Order Department<br><b>Central Department of Border Police</b><br>Central Public Order Department<br>Central Public Order Department<br>Central Public Order Department<br>Central Public Order Department<br>Central Public Order Department | 36,000    |          |           |
| <p><b>Continued operation of the expert commissions at the central and local levels, in cooperation with the archive sector</b></p> <p>In compliance with law 8745, date 11.02.99, "On information classified as State Secret", Council of Minister Decision no. 122., and Council of Minister Decision no.5, a security certificate for NATO classified information, on the basis of the list approved by the Minister, will be issued. The certification process will continue in the districts of Tirane, Kukes, and Vlore.</p>   | 1    | <b>Administration Department</b><br>Administration Department  | 16,500    |          |           |
| <p><b>Computerization of Police Departments in Korçe, Elbasan, Gjirokastr, Fier, Lezhe.</b></p> <p>Continuation of the computerization process</p>   | 2    | <b>Administration Department</b><br>Administration Department Information Section  | 40,000    |          |           |

179 Prioritization coefficient.

180 Funds of the Government's budget in millions of Lek

181 Funds of the projec CARDS in EURO

182 Other approved investments

| Objectives/ Public Priority Actions  | √/179    | Responsible institution                       | Budget180 | Cards181 | Others182 |
|--|----------|---|-----------|----------|-----------|
| Finalization of the ONLINE gathering and reply process of the SILPSH database  |          | Administration Department Information Section | 119,500   |          |           |
| Further computerization of the road police in accordance with the World Bank project   |          | Administration Department Information Section | 13,000    |          |           |
| Finalization of the armament registration process in the structures of the Public Order Ministry and the General Police Department |          | Administration Department Information Section |           |          |           |
| Support of TIMS program with human resources in conformity with the needs  |          | Administration Department Information Section |           |          |           |
| <b>Implementation of a strategy and the revision of the action plan on Asylum issues</b>   | <b>2</b> | <b>Department for Refugees</b>                |           |          |           |
| Completing procedures for processing and making decisions on asylum seeker applications within the set deadlines                   |          | Department for Refugees                       |           |          |           |
| Bringing the National Center for Asylum Seeker Reception in Babru into operation   |          | Department for Refugees                       |           |          |           |
| Cooperation with the Dutch government, which supports the Asylum system in Albania   |          | Department for Refugees                       |           |          |           |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √183 | Responsible Institutions  | Deadline | Budget184     | Cards185       | Others186   | V187 |
|---|------|---|----------|---------------|----------------|-------------|------|
| <b>Organization of the border surveillance through a signal and response capacity system</b>  |      |   |          |               |                |             |      |
| Introduction of contemporary methods and techniques for the detection of illegal border crossings                                       |      | MRP, General Police Department in cooperation with foreign organizations  | 2006     |               |                |             |      |
| Organization of the communication to ensure an exchange of information between the two levels   |      | General State Police Department   | 2004     | 7,064,000 USD |                |             |      |
| Greater cooperation among various operators on strengthening border controls  |      | MPJ, MRP  |          |               |                |             |      |
| Signing of agreements with neighboring countries on border cooperation  |      | MPJ, MRP  | 2006     |               |                |             |      |
| Signing of agreements with neighboring countries on limited border circulation  |      | MPJ, MRP  | 2005     |               |                |             |      |
| <b>Computerization of the whole Road Police activity</b>  |      |   |          |               |                |             |      |
| Collection, processing, and transmission of data and information  |      | Central Road Police Department  | 2006     |               |                | 130,000 USD |      |
| Compilation of draft normative acts on sequestration and confiscation of vehicles   |      | Central Road Police Department  | 2004     |               |                |             |      |
| Supply of vehicles to Road Police service and its modernization   |      | Central Road Police Department  | 2007     |               |                |             |      |
| Adoption of all-sided measures with the assistance of donors, and the better administration of the funds collected from fines and taxes |      | Central Road Police Department  | 2007     |               |                |             |      |
| Telecommunications/Finalization of the computerization of the fundamental registry of the State police vehicles                         |      | Central Police Department, Continued identification of the real technical condition of the vehicles and the registration of the accurate number of the regular vehicles | 2004     |               | 1,157,000 Euro |             |      |

183 Prioritization coefficient

184 Funds of the Government's budget in millions of Lek

185 Funds of the projec CARDS in EURO

186 Other approved investments

187 Financing required

## Monitoring Indicators

| Indicators                     | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------------|------|------|------|------|------|------|------|------|
| Cases                          |      |      |      |      |      |      |      |      |
| Crimes against persons         |      | 1586 | 1726 |      |      |      |      |      |
| of which: assassinations       |      | 179  | 144  |      |      |      |      |      |
| Crimes against property        |      | 1322 | 1766 |      |      |      |      |      |
| of which: violent or with guns |      | 214  | 208  |      |      |      |      |      |
| Financial crimes               |      | 753  | 771  |      |      |      |      |      |
| Drug trafficking               |      | 250  | 227  |      |      |      |      |      |
| Human trafficking              |      | 544  | 704  |      |      |      |      |      |
| Discovery                      |      |      |      |      |      |      |      |      |
| Crimes against persons         |      | 1499 | 1619 |      |      |      |      |      |
| of which: assassinations       |      | 147  | 112  |      |      |      |      |      |
| Crimes against property        |      | 929  | 1101 |      |      |      |      |      |
| of which: violent or with guns |      | 165  | 139  |      |      |      |      |      |
| Financial crimes               |      | 747  | 763  |      |      |      |      |      |
| Drug trafficking               |      | 230  | 201  |      |      |      |      |      |
| Human trafficking              |      | 529  | 681  |      |      |      |      |      |

## MINISTRY OF TRANSPORT AND TELECOMUNICATION

**Land Transport:** The road sections of North-South, East-West, tourist roads and crossborder roads were constructed. Roads and railway infrastructure were built and maintained. The World Bank project on Road Maintenance (about 1,000km) was implemented during 2003. This project served as a good practice to set up a new maintenance system by contracting private companies. The emergency phase of road rehabilitation has ended. The priorities for the future will continue to include the rehabilitation of the network in accordance with the European standards, and focused efforts on strengthening and increasing the effectiveness of public measures for road safety. During 2003 the state budget was mainly used for the maintenance of the existing railway network, the rehabilitation of the passenger platforms in the railway stations and the renovation of the passenger carriages. A contract on the modernization of Tirana-Durres railway line (about 35km) and its connection with Rinas Airport was signed in September 2003. The feasibility study on the railway line, which will connect Albania with Macedonia and achieve the integration of the Albanian railway system into the railway network, is in the final stage. The Scientific Council of the Transport Institute is now expected to give its approval.

**Ports:** The ports' processing capacities were increased and the support basis for

the facilitation of private activities and services was set up. Budgetary investments have been particularly made in the Ports of Sarande, Shengjin and Vlore to increase their processing capacities. The work is continuing on the construction of harbor infrastructure in Durres Port.

**Aeroport:** Implementation of the Master Plan on Air Traffic and on the construction of the new passenger terminal in Mother Theresa Airport. The construction of Kukes airport got underway. It is scheduled to end in 2004.

**Telecommunications:** The liberalization of the service was deepened and a better coverage of the Albanian territory with telephone lines was achieved. The number of users increased by 20,000. Albtelecom lost its exclusivity for fixed urban and inter-urban lines. The international telephony service will be open to competition in April 2005. The cellular telephony market increased from 800,000 users at the end of 2002 to 1,150,000 users at the end of 2003.

**Postal Service:** New operators have been licensed on the postal market and the financial activities have been expanded. The Council of Minister approved in April a plan on medium and long-term reforms. The number of service deliverers increased from 6 in 2002 to 8 in 2003

## Matrix 2003-Annual Review

| Prior actions for 2003   | √ <sup>188</sup> | Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|------------------|---|-----------------|
| Rehabilitation and construction of the national road network, which mainly includes:<br>-East-West and North-South national road corridors<br><br>-Tourist roads                 | 3                | -See notes at the end of the page. <sup>189</sup><br>-Interruption of work by BE-HA-SE company in Rrogozhine-Elbasan road in 2002; delays in the work due to lack of funding<br><br>- Work continued on Orikum-Dhemi, Divjak-Seman, Koplik-Razem and Dardhe road sections. The study on the design of Konispor-Sarande road was finalized.    | 2004            |
| - Crossborder roads, particularly detailed studies and projects on construction of Durres-Kukes-Morine road and, afterward, the initiation of the construction work on this road | 4                | - The feasibility study of Durres-Kukes-Morine road was completed and the work has begun in Milor-Rreshen (linking with Montenegro), Liqenasi Road (Korce) sections<br>-The seven maintenance contracts have been completed.  |                 |
| Improvement of the maintenance system of road infrastructure through increased financing and the reorganization of the maintenance services                                      | 4                | Implementation of the projects on highway signals. In cooperation with IST, the text for the compilation of the road education curricula in the schools has been prepared.  |                 |
| Increasing road traffic safety through improvement of the relevant elements affecting this safety, in accordance with the Road Code requirements                                 | 4                | - See notes at the end of page <sup>190</sup>   |                 |
| Increased processing capacities of the sea ports, focusing on their rehabilitation on basis of the relevant development Master Plans.  | 3                | - 11.2km of railway line in Shkoder-Bajze section was rebuilt and the whole Shkoder-H. Hotit section was rehabilitated. Tirana-Durres line was rehabilitated. Improvements were made in the infrastructure (passenger stations, storage facilities, signalling). The pre-feasibility study on Vore-H. Hotit section has been carried out.     | 2005            |
| Rehabilitation of the railway network, achieving its integration into the railway system and into the other transport corridors.   | 4                | - The documentation of the concessionary contract for the new passenger terminal in "Mother Theresia" airport has been prepared. The work on the construction of Kukes Airport has begun and the new parking area for the civil airplanes has been completed. The Master Plan approved with Council of Minister decision in 2002 was revised. |                 |

<sup>188</sup> Level of completion per criteria

<sup>189</sup> East-West Corridor: About 80% of the work has been carried out in Rrogozhine-Elbasan (36km) section. The construction work is continuing on Elbasan-Librazhd (30km) section. The work has been completed in Qukes-Qaf Thane (25km) section. The work continues on studying and designing Qaf Thane-Pogradec-Korce (61km) section. North-South Corridor: The work has been completed on Lezhe-Balldren section and the work is continuing on three other sub-sections of Lezhe-Shkoder (36km) road. The work has been completed in Tapize-Fush Kruje section and on the bridges over Mat and Drim (8km) Rivers. The work has been completed on Sukth-Durres section (Shkkozet connection road and in Dajlan interchange). The work continues on the preparation of a detailed project for Fier- Tepelene and Tepelene-Gjirokaster sections.

<sup>190</sup> Durres Port: 180ml in quays and support area were rehabilitated, the finalization of the feasibility study will be followed by the detailed project on the Passenger Terminal. The EBI Project for the rehabilitation of the breakwater, protection, engineering work etc. Vlore Port: The funding of the second stage and 2B is being negotiated. The quay and the passenger passageway in dock 0 have been expanded. Shengjin Port: Quays and breakwater are built, designing work etc. Sarande Port: The new quay and the passenger terminal have been built, designing work. The implementation of the master plan on the Air Traffic has begun and the feasibility study on the air navigation service has been carried out.



| Prior actions for 2003  | √ <sup>188</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|------------------|---|-----------------|
| Improvement of the regulatory and institutional framework for the improvement of the management, administration, and the preparation of policies on sector development      | 4                | - The legal basis and the bilateral agreements on the road and naval transport have been prepared and approved, the relevant documents for the ratification of some international conventions etc. have been prepared.  |                 |
| Establishment of the Albanian Naval Administration with all the relevant institutional structures for a better management of the port infrastructure                        | 4                | The staff of the Naval Transport Department, the ports, and the General Captain's Office was evaluated and restructured.  |                 |
| Improvement of the service and the economic indicators of the railways through their restructuring, privatization   | 4                | The General Railway Department is carrying out a study on the restructuring options and the possibilities for the privatization of Albanian Railways Ltd  |                 |
| Implementation of the master plan on Air Traffic, implementation of the Master Plan on the development of the air transport in the Republic of Albania, and its feasibility | 4                | The Master Plan project was approved in May 2003. After the procurement procedures the work will begin as soon as the EC delegation concludes the contract with the bid-winning company, Louis Berger (November 2003)   |                 |
| Privatization of Albletecom ltd. telephone service company  | 4                | - The second phase of the restructuring of this company has been carried out  |                 |
| Liberalization and introduction of competitiveness into the fixed telephony market and the escalation of this competition in the cellular telephony market                  | 4                | - With its amendment in "Liberalization" chapter of the Council of Minister Decision no. 288 "On approval of the Development Policy Document of Telecommunications in the Republic of Albania", the Council of Minister Decision 464, date 03.07.2003 abolished the exclusivity of Albletecom |                 |
| Development of the information technology   | 4                | - "The national strategy on the development of information technology" was approved in April 2003 with the Council of Minister Decision no.216 date 1 0.04.2003   |                 |
| Increased level of the telephony penetration into urban and rural areas   | 4                | - The penetration of the fixed telephony reached 8.4% at the end of 2003.   |                 |
| Preparation of the document on postal policies in the Republic of Albania   | 4                | - "The document on the development of the postal services in the Republic of Albania" was approved with Council of Minister Decision no 539, date 01.08.2003  |                 |
| Licensing of the new operators in the regulated market  | 4                | - Eight service deliverers, or twice more than 2002, exercised their activity during 2003.  |                 |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions   | √191 | Responsible institution | Budget192 | Cards193 | Others194                     |
|---|------|-------------------------|-----------|----------|-------------------------------|
| <b>Transport: Rehabilitation of the existing transport infrastructure network</b>   |      |                         |           |          |                               |
| Rehabilitation and construction of the national road network, which mainly includes:  |      |                         |           |          |                               |
| -East-West and North-South national road corridors  | 1    | DPRR & MTT              | 4000      |          | 20.55 Mln Euro<br>6.8 Mln USD |
| -Tourist roads  | 2    |                         | 600       |          | 800000 Euro                   |
| - Crossborder roads, particularly detailed studies and projects on construction of Durres-Kukes-Morine road and, afterward, the initiation of the construction work on this road  | 1    |                         | 2500      |          |                               |
| Improvement of the maintenance system of the road infrastructure through increased financing and the reorganization of the maintenance services   | 2    | DPRR                    |           |          | 9 Mln USD                     |
| Increasing road traffic safety through improvement of the relevant elements affecting this safety, in accordance with the Road Code requirements  | 2    | MTT , DPRR, DPSHTRr     | 156       |          |                               |
| Increased processing capacities of the sea ports, focusing on their rehabilitation on basis of the relevant development Master Plans.   | 1    | MTT & Ports             | 262       |          | 2.2 Mln USD & 3.8 Mln Euro    |
| Rehabilitation of the railway network, achieving its integration into the railway system and into the other transport corridors.  | 2    | MTT % I.S. Transp       | 400       |          |                               |
| Implementation of the concessionary contract on the construction of the new passenger terminal in Mother Theresa Airport at Rinas, and the construction of the new parking area for the airplanes and the extension of this activity in the airports of Kukes and Vlore | 2    | MTT & DPAC              | 493       |          | 7 Mln USD                     |
| <b>Transport: Commercialization of the transport services and the privatization of the state services</b>   |      |                         |           |          |                               |
| Establishment of the Albanian Naval Administration with all the relevant institutional structures, which will help to achieve a better management of the port infrastructure  | 2    | MTT                     | 30        |          |                               |
| Improvement of the service and the economic indicators of the railways through their restructuring, privatization   | 2    | MTT& DPH                | 460       |          |                               |
| Implementation of the master plan on Air Traffic  | 1    | MTT & DPAC              | 133       |          | 7.3 Mln USD                   |

<sup>191</sup> Prioritization coefficient.

<sup>192</sup> Funds of the Government's budget in millions of Lek

<sup>193</sup> Funds of the projec CARDS in EURO

<sup>194</sup> Other approved investments

| <b>Objectives/ Public Priority Actions</b>   | <b>√/191</b> | <b>Responsible institution</b> | <b>Budget192</b> | <b>Cards193</b> | <b>Others194</b> |
|--|--------------|--------------------------------|------------------|-----------------|------------------|
| <b>Telecommunications and posts: deepening liberalization of the telecommunications sector</b>   |              |                                |                  |                 |                  |
| Privatization of the Alblecom ltd. telephone service company   | 2            | MTT & ME                       | 7                |                 |                  |
| Liberalization and introduction of competitiveness into the fixed telephony market and the escalation of this competition in the cellular telephony market | 3            |                                |                  |                 |                  |
| Development of the information technology  | 3            |                                |                  |                 |                  |
| Increased level of the telephony penetration into urban and rural areas  | 2            |                                |                  |                 |                  |
| Telecommunications and posts: Establishment of Post-Bank in the Albanian Posts, and the liberalization of the postal service market                        |              |                                |                  |                 |                  |
| Licensing of the new operators into the regulated market   | 3            | MTT Albanian Post              | 7                |                 | 3                |
| Expansion of the "Albanian Post" financial activities  | 3            |                                |                  |                 |                  |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | <sup>195</sup> | Responsible Institutions | Deadline | Budget <sup>196</sup> | Cards <sup>197</sup> | Others <sup>198</sup>       | Y199            |
|--|----------------|--------------------------|----------|-----------------------|----------------------|-----------------------------|-----------------|
| <b>Transport: Rehabilitation of the existing transport infrastructure network</b>  |                |                          |          |                       |                      |                             |                 |
| - East-West and North-South national road corridors (main roads)   | 1              | DPRR & MTT               | 2008     | 3500                  |                      | 75.5 Mln Euro<br>10 Mln Usd | 63 Mln<br>Euro  |
| The branches linking the above corridors with other national roads (Lushnje-Fier, Fier-Vlore, various by-passes)   | 1              |                          | 2008     |                       |                      | 49 Mln Euro                 | 80 Mln<br>Euro  |
| - tourist roads  | 2              |                          | 2007     | 10000                 |                      |                             | 11 Mln<br>Euro  |
| - Crossborder roads, particularly detailed studies and projects on construction of Durres-Kukes-Morine road and, afterward, the commencement of the construction work on this road   | 1              |                          | 2007     | 12.000                |                      | 56 Mln USD                  | 460 Mln.<br>USD |
| Improvement of the maintenance system of the road infrastructure through increased financing and the reorganization of the maintenance services  | 2              | DPRR                     | 2006     | 1500                  |                      | 30 Mln USD                  |                 |
| Increasing road traffic safety through improvement of the relevant elements affecting this safety, in accordance with the Road Code requirements.  | 2              | MTT , DPRR, DPSHTRr      | 2006     | 156                   |                      | 14 Mln USD                  |                 |
| Increased processing capacities of the sea ports, focusing on their rehabilitation on basis of the relevant development Master Plans.  | 1              | MTT & Ports              | 2006     | 1.000                 |                      | 38 Mln Euro                 |                 |
| Rehabilitation of the railway network, achieving its integration into the railway system and into the other transport corridors.   | 2              | MTT % I.S.Transp         | 2005     | 1.200                 |                      |                             |                 |
| Implementation of the concessionary contract on the construction of the new passenger terminal in Mother Theresa Airport at Rinas, and the construction of the new parking area for the airplanes; the beginning of this work in the airports of Kukes and Vlore | 2              | MTT & DPAC               | 2005     | 3.000                 |                      | 48 Mln Euro, 8 Mln<br>USD   | 1 Mln<br>USD    |
| <b>Transport: Commercialization of the transport services and the privatization of the state services</b>  |                |                          |          |                       |                      |                             |                 |
| Establishment of the Albanian Naval Administration with all the relevant institutional structures for a better management of the port infrastructure   | 2              | MTT                      | 2005     | 120                   |                      |                             |                 |
| Improvement of the service and the economic indicators of the railways through their restructuring, privatization  | 2              | MTT & DPH                | 2005     | 2200                  |                      |                             |                 |

<sup>195</sup> Prioritization coefficient

<sup>196</sup> Funds of the Government's budget in millions of Lek

<sup>197</sup> Funds of the projec CARDS in EURO

<sup>198</sup> Other approved investments

<sup>199</sup> Financing required

| <b>Objectives/ Public Priority Actions</b>   | <b>√<sup>195</sup></b> | <b>Responsible Institutions</b> | <b>Deadline</b> | <b>Budget<sup>196</sup></b> | <b>Cards<sup>197</sup></b> | <b>Others<sup>198</sup></b> | <b>Y199</b>   |
|--|------------------------|---------------------------------|-----------------|-----------------------------|----------------------------|-----------------------------|---------------|
| Implementation of the master plan on Air Traffic   | 2                      | MTT & DPAC                      | 2006            | 550                         |                            |                             | 29 Mln<br>USD |
| <b>Telecommunications and posts: deepening liberalization of telecommunication sector</b>  |                        |                                 |                 |                             |                            |                             |               |
| Privatization of the Alblecom ltd. telephone service company   | 2                      | MTT & ME                        | 2004            |                             |                            |                             |               |
| Liberalization and introduction of competitiveness into the fixed telephony market and the escalation of this competition in the cellular telephony market | 3                      |                                 | 2005            |                             |                            |                             |               |
| Development of the information technology  | 3                      |                                 | 2005            |                             |                            |                             |               |
| Increased level of the telephony penetration into urban and rural areas  | 2                      |                                 | 2004            | 30                          |                            |                             | 7 Mln<br>Euro |
| <b>Telecommunications and posts: Establishment of Post-Bank in the Albanian Posts, and the liberalization of the postal service market</b>                 |                        |                                 |                 |                             |                            |                             |               |
| Licensing of the new operators in the regulated market   | 3                      | MTT Albanian Post               | 2009            |                             |                            |                             |               |
| Expansion of the "Albanian Post" financial activities  | 3                      |                                 | 2007            | 30                          |                            |                             | 2 Mln<br>Euro |
| Establishment of the Post-Bank   | 3                      |                                 | 2005            |                             |                            |                             |               |

## Monitoring Indicators

| Indicators  | Measurement unit | 2000   | 2001   | 2002    | 2003    | 2004  | 2005   | 2006   | 2007   |
|---|------------------|--------|--------|---------|---------|-------|--------|--------|--------|
| <b>Total volume of loading and unloading at sea ports</b> |                  | 2702.2 | 10.8%  | 3.2%    | 10.7%   | 8.0%  | 8.0%   | 8.0%   | 8.0%   |
| <b>Passengers by sea transport</b>                        |                  | 681240 | 28.0%  | 3.3%    | 14.8%   | 10.0% | 10.0%  | 10.0%  | 10.0%  |
| Railway transport/ total volume of loading and unloading  | 000 ton physic   | 334.5  | -43.0% | 41.5%   | 35.6%   |       |        |        |        |
| By ton  | 000 ton          | 411.9  | -37.0% | 34.7%   | 49.1%   |       |        |        |        |
| By ton/km   | 000 tonkm        | 28157  | -32.0% | 9.9%    | 50.2%   |       |        |        |        |
| <i>Post and telecommunication</i>                         |                  |        |        |         |         |       |        |        |        |
| <i>Penetration of fixed phone line</i>                    | %                | 4.49   | 6.4    | 7       | 8.4     | 12.4  | 15.8   | 17.6   | 20     |
| Penetration of fixed phone line in rurale zones           | %                | 0.17   | 0.08   | 0.1     | 1.5     | 3     | 5      | 7      | 10     |
| <i>Penetration of mobile line</i>                         | %                | 0.76   | 12     | 22.6    | 32.13   | 37    | 41     | 46     | 50     |
| <i>Mobile line</i>  |                  |        |        |         |         |       |        |        |        |
| <i>Territor</i>   | %                | 42     | 63     | 80      | 81      | 82    | 83     | 84     | 85     |
| Population  | %                | 48     | 84     | 88      | 91      | 92    | 93     | 94     | 95     |
| <i>Internet</i>   |                  |        |        |         |         |       |        |        |        |
| Number of ISP   | No               | 10     | 17     | 22      | 30      |       |        |        |        |
| Number of users   | No               | 5000   | 5000   | 10000   | 30000   | 50000 | 100000 | 200000 | 300000 |
| Postal offices number                                     | no               | 494    | 541    | 535     | 565     |       |        |        |        |
| Number of financial services                              | no               | 8      | 12     | 19      | 21      |       |        |        |        |
| Number of licenses for liberalized services               | no               |        | 6      | 7       | 9       |       |        |        |        |
| -Number of financial offered services                     | no               | 8      | 12     | 19      | 21      |       |        |        |        |
| -Number of admissions (collection rate)                   | no               | 247201 | 266421 | 1088720 | 2799827 |       |        |        |        |

## **MINISTRY OF TERRITORIAL ADJUSTMENT AND TOURISM**

**WATER INFRASTRUCTURE.** The National Strategy on Water Supply and Water Supply of Rural Areas was approved. Extension and rehabilitation of UK system, lowering water losses, cost covering through tariffs adjustments and supporting private operators to be involved in the managing system. In the framework of the decentralization process, the list of the companies that will turn to local administration was completed.

**TOURISM.** A new legal framework for service activities and transactions between private operators was approved.

**HOUSING AND PUBLIC WORKS SECTOR.** Draft of new housing policies, housing solutions for families who lost

their houses in pyramid financial schemes, creation of the legal framework for public works and "Country Profile in the Housing Sector" was completed.

**URBAN PLANNING.** Measures for more construction discipline through campaigns of abolition of illegal buildings, especially in touristic areas.

**TOURISM.** Implementation program of the National Strategy approved in 2003 about priority touristic areas. One of the steps will be reducing bureaucratic procedures for issuing touristic activities licences. Draft strategy on infrastructure investments for supporting tourism is a priority action.

## Matrix 2003-Annual Review

| Prior actions for 2003   | √ <sup>200</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|------------------|---|-----------------|
| <b>URBAN DEVELOPMENT</b>   |                  |   |                 |
| Urban development planning in harmony with sector and regional strategies on the country's development and integration, with the focus laid on strategic planning, the formulation of urban policies, and making necessary improvements in the legal and institutional framework   | 3                | - Establishment of the working groups for the second phase of the full revision of Law No. 8405 "On Urban Planning", the compilation of the Regulations on Urban Planning, the distribution of the law and the regulations to the relevant institutions for comments, the organization of the regional meetings at a national level.<br>- Final version of the Law "On property restitution and compensation of former owners".<br>Failure of the involvement of the World Bank consultants, who will engage in the compilation and preparation of the required legal framework | 2004            |
| <b>Tourism development</b>   |                  |   |                 |
| In close and effective cooperation with the public and private sector, and with the participation of the NGOs, the development of tourism as a new identity of the Albanian economy and society, a contribution to the preservation, protection, and development of the natural and cultural potential, and a primary condition for a sustainable development of tourism.                    | 3                | - Approval of the 2002-2012 Tourism Development Strategy<br>- Lack of inter-ministerial cooperation, particularly with the line ministries, such as the Local Government Ministry and the Transport Ministry  | 2005            |
| <b>Housing improvement</b>   |                  |   |                 |
| Reduction of homeless families by 30% by the end of 2005.  | 2                | -Purchase of the dwellings on the market<br>-Lack of funds. Failure of the Greek credit disbursement in due time  | 2005            |
| <b>Development of the Water Infrastructure</b>   |                  |   |                 |
| Implementation of measures for the improvement of the water supply situation; the expansion and rehabilitation of the systems, cost recovery through tariff adjustment, loss reduction, accurate measuring of the consumption, etc. Improvement of the management and administration of the sector through private sector participation and the stimulation of alternative management forms. | 3                | - Improvement of the urban infrastructure in the new urban settlements and the improvement and modernization of the existing infrastructure through foreign donor funding, such as the World Bank, with the participation of the community<br>-The interventions in this sector require considerable investments over a long period of time and the deepening of the reform on the strengthening of the institutional framework (increased management capacities of the Water-Sewerage companies).  | 2007            |
| Effective administration of water resources  | 2                | -Approval of the national water strategy.<br>-The material is being revised by the donors before it is finalized  | 2004            |

<sup>200</sup> Level of completion per criteria



## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions  | √201 | Responsible institution  | Budget202     | CARDS203 | Others204      |
|--|------|--|---------------|----------|----------------|
| <b>Water Infrastructure</b>  |      |  |               |          |                |
| Deepening of the reform on the decentralization of Water Supply Networks /Completion of the process for the transfer of the water supply – sewerage enterprises to the local government, the completion of the process for the privatization of the state capital in the joint stock companies | 1    | Economy Ministry   | 1.850         |          |                |
| Enhanced effectiveness of the water supply systems/ Installation of the meters for the consumers, improvement of the billing process   | 2    | Economy Ministry, MRr.TT   | 120 mije Euro |          | 6 million Euro |
| Promotion of private sector participation in the water supply and sewerage sector / Introduction of the management concept through the participation of the private operators  | 2    | Economy Ministry   |               |          | 25 mije euro   |
| <b>Territorial planning /Preparation of the national strategy on urban development</b>   |      |  |               |          |                |
| Carrying out urban planning studies on priority tourist areas and the centers of the main towns  | 1    | Urban Planning Department, ISPU, Tourism Development Department    | 60            |          |                |
| National project of Tiranë – Durres region   | 1    |  |               |          | 600 mije US\$  |
| Enhanced control over territory at a national level  | 2    | Construction Police  |               |          |                |
| <b>Tourism</b>   |      |  |               |          |                |
| Initiation of the implementation of the "Action Plan" for the 2002-2012 Tourism Development Strategy   | 1    | Tourism Development Department, Promotion and Marketing Department | 50            |          |                |
| Preparation of master plan on tourism development in Albanian Riviera  | 1    | Tourism Development Department                                     | 50            |          |                |
| Reevaluation of the tourist potential through new integrated studies on tourism in areas with problematic developments and the Plan on the Development of required infrastructure  | 2    | Tourism Development Department                                     | 40            |          |                |
| <b>Housing/ Implementation of the housing programs</b>   |      |  |               |          |                |
| Construction of new dwellings and the purchase of dwellings on the market for homeless families  | 1    | Housing Department   | 444           |          |                |
| Promotion of improvement and maintenance programs for jointly owned dwellings and facilities   | 2    | Housing Department   |               |          |                |

<sup>201</sup> Prioritization coefficient.

<sup>202</sup> Funds of the Government's budget in millions of Lek

<sup>203</sup> Funds of the projec CARDS in EURO

<sup>204</sup> Other approved investments

| Objectives/ Public Priority Actions   | √201 | Responsible institution                         | Budget202 | Cards203 | Others204 |
|---|------|---|-----------|----------|-----------|
| <b>Public services /Improvement of the systems for collection, transport, and treatment of urban and solid waste in conformity with the EU models and norms</b>   |      |   |           |          |           |
| Regulations for the administration of solid waste. Draft law on Public Funeral Service and the Relevant Instructions  | 2    | Urban Waste Department                          |           |          |           |
| Improvement of the available public services. Provision of the facilities and expansion of required areas on the basis of a strategic planning / Construction of public cemeteries and reconstruction of martyrs' graves. Reconstruction and construction of public parks. Expropriation for public cemeteries and urban waste treatment facilities | 1    | Urban Waste Department                          |           |          |           |
| <b>Water reserves/ Effective management of water resources</b>  |      |   |           |          |           |
| Rehabilitation of riverbed condition to stop erosion, protect bridges and roads, and maintain the required levels of underground waters   | 1    | Technical Secretariat of National Water Council | 6.95      |          |           |
| Organizational and functional consolidation of the water agencies and, particularly, basin Councils   | 2    | Technical Secretariat of National Water Council | 20        |          |           |
| <b>In the field of dams and dikes/ Enhanced safety of dams and their sub-facilities</b>   |      |   |           |          |           |
| Organization of inspections to check the technical condition of the dams and dikes. Raising public awareness about the importance of the dams and dikes and the risks they pose   | 1    | SKDM through ITD and KKDM                       | 10        |          |           |
| <b>In the field of the technical regulations/ Approximation of the Albanian technical legislation with the European legislation</b>   |      |   |           |          |           |
| Improvement of the legal framework for the process of study, planning, designing, procurement, implementation, supervision, and adjustments of constructions and for making them ready for use  | 2    | Department of Technical Regulations             |           |          |           |
| Adoption of the European standards as a condition for the improvement of qualitative construction indicators  | 1    | Department of Technical Regulations             | 9         |          |           |
| <b>In the field of economic Planning</b>  |      |   |           |          |           |
| Greater attraction of foreign investments through implementation of the ongoing projects and the identification of the new projects   | 1    | Economic Planning Department                    |           |          |           |

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | √ <sup>205</sup> | Responsible Institutions   | Deadline  | Budget <sup>206</sup> | Cards <sup>207</sup> | Others <sup>208</sup> | Y <sup>209</sup> |
|--|------------------|--|-----------|-----------------------|----------------------|-----------------------|------------------|
| <b>Planned urban development</b>   |                  |  |           |                       |                      |                       |                  |
| Establishment of the working group to draw up the sub-legal acts for the implementation of the new Law "On Urban Planning", which will be compiled by 2004   | 2                | Urban Planning and Territorial Arrangement Department  | 2004-2007 |                       |                      |                       |                  |
| Compilation of all sub-legal acts for the implementation of the law and adoption of measures in the Local Government units for the implementation of the law by the urban planning offices at the regional and local levels                          | 2                | Urban Planning and Territorial Arrangement Department  | 2004-2007 |                       |                      |                       |                  |
| <b>Preparation of the national strategy on urban development</b>   |                  |  |           |                       |                      |                       |                  |
| Establishment of a central group and a technical group to support this strategy and the integration of all sector strategies and their components into this strategy   | 1                | Urban Planning and Territorial Arrangement Department  | 2004-2007 |                       |                      | 60 mije US\$          |                  |
| Determining the status of the national strategy on this sector vis-a-vis the strategies of other sectors. Determining the structures and the training, with foreign assistance, of the operators, who will manage the implementation of the strategy | 1                | Urban Planning and Territorial Arrangement Department  | 2004-2007 |                       |                      |                       |                  |
| <b>Improvement of the work for a qualitative control of the territorial planning, in general, and the development-priority areas, in particular</b>  |                  |  |           |                       |                      |                       |                  |
| Preparation of the action plans for and the training of specialists in supervising the work of the local government units, and the adoption of measures for a qualitative supervision  | 2                | MRR&T  | 2004-2007 |                       |                      |                       |                  |
| <b>Monitoring the drafting process of major urban planning studies</b>   |                  |  |           |                       |                      |                       |                  |
| Establishment of working groups with representatives of Urban Planning ISP and the relevant local government units, financial support for these studies, and the compilation of relevant regulations   | 3                | Urban Planning Department, Tourism Department, Urban Planning Institute and Local Government Units | 2004-2007 | 60                    |                      |                       |                  |
| Securing funding for the national project on studying Tirane – Durres region   | 3                | Urban Planning Department, Tourism Department, Urban Planning Institute and Local Government Units | 2004-2007 |                       |                      |                       |                  |

<sup>205</sup> Prioritization coefficient

<sup>206</sup> Funds of the Government's budget in millions of Lek

<sup>207</sup> Funds of the projec CARDS in EURO

<sup>208</sup> Other approved investments

<sup>209</sup> Financing required

| Objectives/ Public Priority Actions  | √ <sup>2015</sup> | Responsible Institutions   | Deadline  | Budget206 | Cards207 | Others208        | Y209 |
|--|-------------------|--|-----------|-----------|----------|------------------|------|
| <b>Tourism development strategy/ Further implementation of the "Action Plan" of 2002-2012 Tourism Development Strategy</b>   |                   |  |           |           |          |                  |      |
| <b>Preparation of the legal structure on the basis of the recommendations, Further detailing of the Action Plan into working programs</b>  |                   |  |           |           |          |                  |      |
| Tourist development study of Oher Lake coastal area  |                   |  |           |           |          |                  | 1    |
| Compilation of the terms of reference. Preparation of the study. Collection of opinions. Approval of the study in KRRTRSH. Application of public investments in the areas under study. Promotion of investments in the Lake's area under study. Application of credits for SME and family businesses | 2                 | MRRTT  | 2005      | 30        |          |                  |      |
| Evaluation of the tourist potential and the Integrated Plan on Tourism Development in Albania-Montenegro crossborder area of Buna River and Malesi e Madhe area  | 3                 | MRRTT, General Tourism Department Italy<br>Tourism Ministry Montenegro | 2005-2007 | 80        |          |                  |      |
| Implementation of the integrated project and partial studies on the Albanian Riviera area  | 1                 | Marketing – Promotion Depart. Foreign<br>Relations Department          | 2005-2007 |           |          | 1 mln EURO       |      |
| Inclusion of Albania, as a tourist destination, into the initiatives of World Tourism Organization (OBT)   | 2                 | Dr Marketing – Promotion Depart. Foreign<br>Relations Department       | 2005-2007 | 20        |          |                  |      |
| CEI (Central Europe Initiative), Initiative of Black Sea countries, Adriatic Initiative etc.   | 3                 | Marketing – Promotion Depart. Foreign<br>Relations Department          | 2005-2007 | 20        |          |                  |      |
| Inclusion of Albania into a joint program with the Balkan countries  | 2                 | Marketing – Promotion Depart. Foreign<br>Relations Department          | 2005-2007 |           |          |                  |      |
| Participation in the fairs of ITB Berlin, WTM London and Filoxenia Thessalonica. Organization of a Balkan Tourism fair in November 2005  | 2                 | Marketing – Promotion Depart. Foreign<br>Relations Department          | 2005-2007 |           |          |                  |      |
| Expansion of Albanian tourist offices in different European countries  | 3                 | Depart. of Marketing-Promotion and Tourist<br>Standards                | 2005-2007 | 50        |          |                  |      |
| Establishment of the National Tourism Authority  |                   |  | 2005      | 10        |          |                  | 3    |
| <b>Housing improvement</b>   |                   |  |           |           |          |                  |      |
| Reduction of the homeless families of priority categories  | 1                 | EKB, MF, Parliamentary Commissions                                     | 2004-2007 | 4800      |          |                  |      |
| State budget allocation of funds amounting to 1.2 milliard billion leks/a year. Obtaining construction sites from the local government authorities; Completion of the instruction on the average cost and coefficient  | 1                 | EKB, MF, Parliamentary Commissions                                     | 2004-2007 |           |          |                  |      |
| Support for families made homeless from the collapse of the pyramid schemes with budget funds, pyramid scheme funds, and the Greek credit  | 1                 | MF, BK, EKB  | 2004-2007 |           |          | 15.5 million USD |      |
| Increased housing access for low-income families and social vulnerable groups  | 2                 | MF, MD, MP&CS, BK, DPT, OQV  | 2004-2007 |           |          |                  |      |

| Objectives/ Public Priority Actions  | √ <sup>2015</sup> | Responsible Institutions        | Deadline    | Budget <sup>2006</sup> | Cards <sup>2007</sup> | Others <sup>2008</sup> | Y <sup>2009</sup> |
|--|-------------------|---------------------------------|-------------|------------------------|-----------------------|------------------------|-------------------|
| Draft law on social housing programs for inhabitants of urban areas, Preparation of the necessary sub-legal basis for the implementation of the law  | 2                 | MF, MD, MP&CS, BK, DPT, OQV     | 2004-2007   |                        |                       |                        |                   |
| Promotion of the private sector of housing construction and construction material, Development of financial and free market mechanisms, Working group for issues related to private market promotion   | 2                 | MF, MD, DPTT,                   | 2004-2007   |                        |                       |                        |                   |
| Draft law on the promotion of improvement and maintenance programs for jointly dwellings and facilities, Preparation of the sub-legal basis for the implementation of the law, Organization of seminars with local government authorities              | 2                 | MF, MD dhe OQV                  | 2004-2007   | 12 million USD         |                       | 28 million USD         |                   |
| Compilation of the regional housing policy, Working group and foreign assistance, Coordination unit in MRR&T, 2004 National Housing Committee  | 2                 | MF, MD, ME, MP&CS, OQV          | 2004 - 2007 | 30                     |                       |                        |                   |
| Preparation of the strategy on rural housing development. Government stimulation of the controlled development of rural settlements  | 2                 | MF, MD, ME, MP&CS, MB, OQV      | 2004 - 2007 |                        |                       |                        |                   |
| <b>Public service/ Improvement of system for urban solid waste treatment by using contemporary methods in accordance with the country's economic conditions</b>  |                   |                                 |             |                        |                       |                        |                   |
| Establishment of urban waste treatment facility in Lezhe, Establishment of urban waste treatment facility in Tirane – Durres on the basis of a concessionary contract  |                   | MR/TT, Local government bodies  | 2005-2007   |                        |                       |                        |                   |
| <b>Development of water infrastructure</b>   |                   |                                 |             |                        |                       |                        |                   |
| Rehabilitation of existing network   | 1                 | DPUK, MPVD                      | 2004-2007   | 1.4 mln Euro           |                       | 70 million Euro        |                   |
| Improvement of the financial performance of the water companies/ Application of tariffs for sewerage service/ Application of water and sewerage tariffs at cost-recovery levels / Increased rate of bill collection / Reduction of illegal connections | 1                 | NUK, Municipalities, MPVD, ERRU | 2004-2007   | 3mln Euro              |                       |                        |                   |
| Participation of the private sector through management contracts   | 2                 | DPUK                            | 2004-2007   | 1mln Euro              |                       | 50mln Euro             |                   |
| <b>Decentralization of responsibilities and functions at the level of municipalities, communes, and villages</b>   |                   |                                 |             |                        |                       |                        |                   |
| Transfer of asset company ownership to the municipalities and communes   | 1                 | ME, MPVD                        | 2004-2007   | 200 mijje Euro         |                       | 1 MEURO                |                   |
| Amendment of the law allowing the municipalities to set tariffs for water services   | 1                 | ME, MPVD                        | 2004-2007   |                        |                       |                        |                   |
| Training of the municipal and communal staff for water and sewerage tariffs, the methodologies, and regulations  | 1                 | ME, MPVD                        | 2004-2007   |                        |                       |                        |                   |
| <b>Implementation of rural water supply and sewerage strategy</b>  |                   |                                 |             |                        |                       |                        |                   |
| Establishment of the water agency for the rural areas at the central and local level   | 1                 | DPUK                            | 2004-2007   | 1 MEURO                |                       | 5 MEURO                |                   |

| Objectives/ Public Priority Actions  | √ <sup>2015</sup> | Responsible Institutions   | Deadline  | Budget <sup>2006</sup> | Cards <sup>2007</sup> | Others <sup>2008</sup> | Y <sup>2009</sup> |
|--|-------------------|--|-----------|------------------------|-----------------------|------------------------|-------------------|
| Promotion of the participation of the villages in the establishment of water associations, implementation, operation, and maintenance of the water supply and sewerage network   | 1                 | DPUK   | 2004-2007 |                        |                       |                        |                   |
| Preparation of new tariff strategies, which are affordable for the peasants, and the preparation of standards for the water supply system based on affordable tariffs  | 1                 | DPUK   | 2004-2007 |                        |                       |                        |                   |
| Implementation of the water supply and sewerage strategy   | 1                 | DPUK, MPVD   | 2004-2007 | 600 Mije Euro          |                       | 600 Mije Euro          |                   |
| Monitoring and evaluation of the water supply and sewerage networks at the central and local level. Establishment of the consumer panel  | 2                 | DPUK   | 2004-2006 |                        |                       | 1 MEURO                |                   |
| <b>Disciplining the construction in accordance with international standards</b>  |                   |  |           |                        |                       |                        |                   |
| Harmonization of the technical legislation and regulations of Albanian designing with the European standards   | 2                 | MRRRT&T dhe DPS  | 2005-2007 | 30                     |                       |                        |                   |
| Adoption of the harmonized standards to support the directive on building material   | 1                 | MRRRT&T dhe DPS  |           |                        |                       |                        |                   |
| <b>Effective administration of water reserves</b>  |                   |  |           |                        |                       |                        |                   |
| Revision of the law "On water reserves, Working Group, receiving foreign assistance"   |                   | ST i K KU  | 2004-2005 |                        |                       |                        |                   |
| Completion of the legislation on the treatment of polluted water discharges  |                   | ST i K KU  | 2004-2006 |                        |                       |                        |                   |
| Preparation of the Law on the use of curative, mineral, and thermal waters   |                   | ST i K KU  | 2004-2007 |                        |                       |                        |                   |
| Increased safety of the dams and their sub-facilities through inspections of their technical condition   |                   | SKDM, ITD, KKDM  | 2005-2007 |                        |                       |                        |                   |
| Increasing public awareness about the high economic values of the dams and the risks they pose. Publication of the Technical Bulletin  |                   | KKDM, SKDM   | 2005-2007 |                        |                       |                        |                   |
| <b>Deepening of Legislative and Administrative reform</b>  |                   |  |           |                        |                       |                        |                   |
| Implementation of the reform in the Administration Appointments in accordance with the civil service employment procedures   |                   | Secretary General in cooperation with the structures of the Ministry and DAP | 2004-2005 |                        |                       |                        |                   |
| Implementation of effective systems in human resource management and personnel training  |                   | Human Resource Department, MRRRT&T   | 2005-2007 |                        |                       |                        |                   |
| In the framework of the fight against corruption, the application of procedures for disciplinary measures specified in the law "On Civil Servant Status"   |                   | Secretary General Human Resource Department                                  | 2005-2007 |                        |                       |                        |                   |
| Development of the information systems, the evaluation of the reporting within the Ministry system, and the specification of responsibilities for the accuracy of the form and content of the financial balance sheets and other information |                   | Audit Department Finance Department  |           |                        |                       |                        |                   |

| Objectives/ Public Priority Actions  | √ <sup>2015</sup> | Responsible Institutions  | Deadline | Budget <sup>206</sup> | Cards <sup>207</sup> | Others <sup>208</sup> | V <sup>209</sup> |
|--|-------------------|---|----------|-----------------------|----------------------|-----------------------|------------------|
| Practical possibility and improvements in the collection, processing, and processing of statistical analyses   |                   | M.RR, T.&T, INSTAT, B.SH., Finance M.   |          |                       |                      |                       |                  |
| Monitoring the effectiveness of the use of human, material, and financial resources, including the verification of information systems, the adopted measures and the supervisory activities of the Financial Audit department. |                   | Economic Planning Department, Operational Departments, Audit Department. The entities, to which funds are delegated from the Ministry |          |                       |                      |                       |                  |
| Compilation of effectiveness indicators for investments and their planning   |                   | Planning Department, Operational Departments, Audit Department.   |          |                       |                      |                       |                  |
| Greater role for financial audit   |                   | MRRR&T  |          |                       |                      |                       |                  |

## Monitoring Indicators

| Indicators  | Baseline<br>2000 | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
|---|------------------|-------|-------|-------|-------|-------|-------|-------|
| No. of homeless families  | 34105            | 32437 | 31384 | 29951 | 29644 | 25962 | 22540 | 20540 |
| No. of apartments constructed   | 10379            | 459   |       | 132   | 272   | 1000  | 1500  |       |
| Percentage of population supplied with clean water                                | 60               | 65    | 67    | 72    | 80    | 82    | 87    | 93    |
| Percentage of population supplied by systems covering their own operational costs | 5%               | 4%    | 3%    | 2     | 7     | 6.5   | 8     | 9.8   |
| Percentage of mortality caused by potable water-borne diseases                    |                  |       |       | 1.80% | 1.50% |       |       |       |
| Average hours of water supplied per day   | 2                | 2.5   | 3     | 3.5   | 4     | 4.5   | 5     | 5.5   |
| Percentage of population supplied with water for at least 2 hours per day         | 30               | 30    | 35    | 35.5  | 36    | 36.5  | 37    | 37.5  |
| Percentage of population having access to the water supply network                | 60               | 61    | 62    | 62    | 63    | 63.5  | 64    | 64.5  |
| Percentage of the population linked to the sewage network                         | 35               | 35    | 37    | 38    | 40    | 45    | 47    | 49    |



## MINISTRY OF HEALTH

Legislation: the Law on Hospital service, the Law on protection from tobacco products, the Implementation of the Anti-Corruption Plan, the Law on the Pharmacist' Order, Improvements in the law on narcotic and psychotropic substances, and the law on the stomatological service were approved. The sub-legal acts for the licensing of the private activity were compiled..

Hospital Service: Durres Regional Hospital, Lezhe Hospital, and Vlore Regional Hospital were rehabilitated. The hospitals' supply with drugs was improved. The tariffs of the hospital out-patient services were revised. The performance indicators were tested with a pilot project.

Primary Service: the necessary vaccines were 100% obtained and the relevant staff was trained. The National Program Against Tuberculosis was extended all over the country. Existing health centers were rehabilitated and new ones were set up. New outpatient clinics were opened.

Mother and child service, and the stomatological service were improved. The production of the iodized salt began.

Public Health: the community mental health service in Tirane, Shkoder, Vlore, Elbasan, Peshkopi has been reconstructed. Vaccines and the cooling chain facilities were obtained and the vaccination staffs were trained. The promotional campaign for HIV/AIDS and SST took place at the national and local level. The Regulatory Authority of Vaccine Control was established. The national action plan on food and nourishment was approved.

The Pharmaceutical Service: the regulations of the pharmacies were improved. The national action plan on food and nourishment was approved.

Social Insurances: The number of reimbursable drugs increased to about 342 drugs.

## Matrix 2003-Annual Review

Prior actions for 2003

|   | √ <sup>210</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|------------------|--|-----------------|
| <b>Completion of new draft laws, improvement of the existing laws, approval of the sub-legal acts of normative character for the implementation of the laws</b> |                  |  |                 |
| Change of Law "On Stomatological service"   | 4                | - Collection of opinions and reflecting on them. It has been approved by the parliament.   |                 |
| Draft law "On Pharmacists's Order"  | 4                | - Collection of opinions and reflecting on them. Submission to the Council of Ministers. It has been approved by the parliament  |                 |
| Draft law "On protection from tobacco products"   | 3                | - The full revision of the existing draft has been made with each provision being subjected to examination. All the remarks of the Ministries and the suggestions made by the National Tobacco-Cigarette Agency have been taken into account<br>- Waiting for recommendations from WHO. Difficulties in the communication with Tirana municipality, which has been considered a very important actor for the implementation of the law | 2004            |
| Draft law "On Hospital Service in the Republic of Albania "   | 4                | - Collection of opinions and reflecting on them. Submission to the Council of Ministers. It has been approved by the parliament  |                 |
| Improvement of the law "On narcotic and psychotropic substances"  | 4                | -Submission to the line ministries for comments. - Collection of opinions and reflecting on them Submission to the Council of Ministers  |                 |
| Compilation of the Draft Decision for the implementation of the law "On Status of Orphans"  | 4                | -Submission to the line ministries for comments. Collection of opinions and reflecting on them. Submission to the Council of Ministers   |                 |
| Revision and Improvement of the Council of Minister Decision No.500 date 23.11.1992 " On licensing of free private activity in the field of medicine"           | 4                | -Cooperation of the legal office with the license office on improvements in the existing Council of Minister Decision. Submission to the Council of Ministers  |                 |
| Draft law "On some changes in the law on protection against radiation"  | 4                | - Submission to the line ministries for comments. Collection of opinions and reflecting on them. Submission to the Council of Ministers  |                 |
| Draft law on "Health Care in the Republic of Albania "  | 2                | - Preparation of the preliminary draft with the assistance of a Greek technical assistance group ( CACOS )<br>- Request of some senior ministry officials for the revision of the preliminary draft  | 2004            |
| Improvement of the Law on Food  | 3                | - The draft law was drawn up in cooperation with specialists of MBU and CE.<br>Through the government's intervention, this law will be prepared in the framework of a project proposed by the MBU and funded with a grant of about 1 million USD<br>- A request of MBU for a complete change of the law's concept  | 2004            |
| Draft law on the functioning of Health Ministry.  | 2                | - This draft law has been incorporated into the draft law "On health care in the Republic of Albania "<br>- Request of some senior ministry officials for the revision of the preliminary draft  | 2004            |
| Organization of the national conference on the Health legislation   | 4                | - Organization of the National Conference on the Health Legislation  |                 |
| <b>Revision of the Organizational Structure of the Health Ministry enabling it to fulfill its new role</b>  |                  |  |                 |
| Operation of the monitoring unit.   | 4                | - Establishment of the Monitoring unit on the basis of a Health Minister order   |                 |

<sup>210</sup> Level of completion per criteria

| Prior actions for 2003  | √ <sup>2</sup> 10 | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|---|-------------------|---|-----------------|
| Revision of the job positions in the Health Ministry by using a specific questionnaire.   | 4                 | <ul style="list-style-type: none"> <li>- The questionnaires for all the positions of the civil servants in the Health Ministry have been distributed and a seminar to explain the way they should be filled has been organized – The questionnaires have been analyzed by the Personnel Department and work is continuing on the preparation of the new draft structure of the Ministry.</li> </ul>   | 2004            |
| Strengthening the role of the Doctors' Order and support for the establishment of new professional organizations, such as the Stomatologist' Order, Nurse Order etc | 4                 | <ul style="list-style-type: none"> <li>- Constant cooperation with the Doctors' Order and support with a DFID project. Participation of the Doctor Order Members in the groups controlling the private entities and in the licensing commissions. Preparation, discussion, and approval of the law "On Albanian Pharmacist Order", which will lay the foundation for the establishment of this order</li> </ul>   | 2005            |
| Training of the personnel, which will be engaged in the planning process  | 3                 | <ul style="list-style-type: none"> <li>- Short-term trainings. In-service training. Technical assistance</li> <li>- Lack of funds. Training is not provided to the appropriate people</li> </ul>  | 2005            |
| Analysis, evolution, trends, and problems identified in the private sector<br>Preparation of the Strategy on the Private Sector                                     | 2                 | <ul style="list-style-type: none"> <li>- An analysis of the private sector has been made, its problems and trends have been identified.</li> <li>- Lack of a previous experience. Absence of donors. Lack of assistance in this field</li> </ul>  | 2005            |
| Compilation of a private sector map about the delivery of the health services.<br>Preparation of a distribution graph by districts                                  | 4                 | <ul style="list-style-type: none"> <li>- Compilation of the health service distribution map by district. Organization of activities in the Health Ministry for the promotion of this map and the presentation of the problems affecting the private sector</li> </ul>   | 2005            |
| Study on the full inventory of hospital equipment   | 1                 | <ul style="list-style-type: none"> <li>- Lack of donor financing. Lack of budget funds</li> </ul>   | 2005            |
| Study on the computerization of the data related to the hospital activity as a preparatory stage for the estimation of the hospital cost                            | 1                 | <ul style="list-style-type: none"> <li>- Lack of donor financing. Lack of budget funds</li> </ul>   | 2005            |
| <b>Preparation of two regional master plans</b>   |                   |   |                 |
| Preparation of Tirana master plan   | 4                 |   |                 |
| Preparation of the master plans for the regions of Korçe and Gjirokastr   | 1                 | <ul style="list-style-type: none"> <li>- Lack of donor financing.</li> </ul>  | 2007            |
| <b>Improvement of the system's funding mode with the aim of strengthening the ISKSH and gradually expanding the health insurance funding scheme</b>                 |                   |   |                 |
| Improvement of the legislation regarding health insurances  | 2                 | <ul style="list-style-type: none"> <li>-Only one of the three planned draft laws has been compiled</li> <li>- Planned cooperation with foreign experts has led to delays in the commencement of the work.</li> </ul>  | 2004            |
| Compilation of the Draft law "On scheme of Voluntary Supplementary Insurances"  | 2                 | <ul style="list-style-type: none"> <li>- A decision has been made on the separate regulation of the supplementary and voluntary insurances. The draft law "On the supplementary insurance scheme" will be prepared and a inter-ministerial working group has been set up for this purpose. The voluntary insurance, on the basis of Law No. 8961, date 24.10.2002, will be subjected to the regulations of the Administrative Council. The council has already approved them with its Decision No. 18 date 30.09.2003</li> <li>- The work on this draft law has slowed down, because it is connected with the preparation of the new law on social insurances, which has been postponed to 2004 due to prolonged procedures for the selection of the necessary technical assistance for this process</li> </ul> | 2004            |
| Compilation of the Draft law "On health insurance coverage of expensive tests"  | 4                 | <ul style="list-style-type: none"> <li>- It has been approved by the Council of Ministers and is currently submitted for approval by the Assembly of Albania.</li> </ul>  |                 |
| Evaluation of the pilot project of ASHR and Durres Hospital   | 4                 | <ul style="list-style-type: none"> <li>- The DKSHP has evaluated the hitherto work of ASHR Tirana on the implementation of the Council of Minister decision on KSHP funding from Health Insurances. The ISKSh will prepare a new report on the progress in the pilot project in Durres Hospital.</li> </ul>   |                 |

| Prior actions for 2003  | √ <sup>2</sup> 10 | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline          |
|---|-------------------|---|--------------------------|
| Initiation of the work on drafting the decentralization policy document   | 3                 | <ul style="list-style-type: none"> <li>- The joint document of the Health Ministry and the Local Government Ministry has been drawn up.</li> <li>- A consensus should be reached among the Deputy Ministers on specific points</li> <li>- 190 Health Centers and Out-Patient Clinics have been constructed and rehabilitated</li> </ul>   | 2004                     |
| Construction and reconstruction of 40 Health Centers and 72 outpatient clinics  | 4                 |   |                          |
| Completion of the law on Hospital service   | 4                 |   |                          |
| Improvement of the hospital financing system  | 4                 |   |                          |
| Continuous improvement of the hospital infrastructure   | 4                 |   |                          |
| Preparation of the document on the distribution of the personnel by categories  | 3                 | <ul style="list-style-type: none"> <li>-Discussions on the current categories and the possibilities for their reorganization. Cooperation with the WB expert</li> <li>-Delay in the arrival of the foreign assistant</li> <li>- Depending on the above measure</li> </ul>   | January 2003             |
| Identification of the current categories based on accurate data about the types of professions, in which there is a disproportionate balance between professions                                | 3                 |   |                          |
| Motivation of the personnel, who work in rural and remote areas, in order to stop their move to big towns   | 2                 | <ul style="list-style-type: none"> <li>- Financial stimuli for the medium-level medical staff, which operates in the rural areas, have been set up. Health Ministry Instruction No. 23, date 20.01.2003 has been issued for the medium-level medical staff and its implementation with economic effect began on 1 January 2003</li> <li>- What will be done for the other staff?</li> <li>- The planned training sessions have taken place</li> </ul> | January 2003             |
| Planning and organization of training courses for nurses and chief nurses in the Primary and Hospital Services.   | 4                 |   |                          |
| Establishment of the Consultative Council on Nursing with representatives from different institutions   | 4                 | <ul style="list-style-type: none"> <li>- Completion of the Minister Order on the establishment of the Consultative Council under the Nursing Office</li> </ul>  |                          |
| Unification of the Nursing Card in the Hospital Service and Maternity Home service. Preparing of the Nursing Card / draft and its approval by the Health Minister                               | 4                 | <ul style="list-style-type: none"> <li>- Minister Order No. 40 date 31/12/2002 on nurse card. Organization of a presentation seminar with all local chief nurses</li> </ul>   |                          |
| Improvement and finalization of the pharmaceutical legislation  | 4                 | <ul style="list-style-type: none"> <li>- Preparation, discussion of the draft law "On some changes in law no. 7895, date 26.7.1995 "On narcotic drugs and psychotropic substances", which has been submitted to the Assembly of Albania. Preparation, discussion of the draft law "On some changes in law no. 7815, date 20.4.1994 "On Drugs", which has been submitted to the Council of Ministers</li> </ul>  |                          |
| Improvement of the QKKB structure: Change of the QKKB status on the basis of an analysis and the approval of the relevant legal act   | 4                 | <ul style="list-style-type: none"> <li>- Envisioned in the draft law on changes in the law "On Drugs", which has been submitted to the Council of Ministers</li> </ul>  |                          |
| Improved management of hospital pharmacies: the training of the hospital pharmacists, the supply of the necessary equipment, and the computerization of the whole activity related to the drugs | 1                 | <ul style="list-style-type: none"> <li>- Lack of funding</li> </ul>   | January 2004-end of 2005 |
| Improvement of the information about drug prices through their publication  | 4                 | <ul style="list-style-type: none"> <li>- Preparation of the material on the basis of the data about prices in the Pharmaceutical Department. Publication and distribution with QKKB funding.</li> </ul>   |                          |
| Use of control stamp for the drugs circulating in Albania, relevant regulations   | 2                 | <ul style="list-style-type: none"> <li>- Obtaining information from different countries and visits have been made to Italy and Greece to study their experience. The legal basis has been translated.</li> <li>- There have been debates on the utility and the feasibility. Lack of previous experience. Lack of financial basis</li> </ul>  | 2004                     |

| Prior actions for 2003   | √ <sup>210</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New<br>Deadline |
|--|------------------|---|-----------------|
| Achieving 100% coverage of children aged up to 14 with vaccines  | 4                | - On the basis of the bilateral agreement with UNICEF, the necessary quantities of vaccines, by 100%, have been obtained. EPI Program has helped to obtain the vaccines by its scheme. The specified contingents of vaccines have been obtained in cooperation with UNICEF.   |                 |
| Training of the staff engaged in vaccination   | 4                | - The vaccination staff has been trained in regard to the cooling chain and syringe safety. In addition to training in the districts, an information course will also be organized.   |                 |
| Safety, maintenance of the cooling chain equipment, and evaluation of this chain   | 4                | - The cooling chain security has been evaluated with foreign experts in many districts, such as Korçe, Mirdite, Tirane, Vlore, Durres, Shkoder, Gjirokaster, Diber. Inspections to evaluate the maintenance of the cooling chain have been carried out in the districts of Mirdite, Lushnje, and Burrel. The power cuts continue to cause a problem to the vaccine protection system. GAVI has provided free syringes and the surveillance of the cooling chain for the vaccination program   |                 |
| Improved laboratory system of product quality control (establishment of the National Vaccine Control Authority, including the private sector)  | 4                | - The Health Minister Order has been drafted and approved.<br>- Preparation of the draft regulations for the operation of the Authority on the basis of this Order  |                 |
| Adjustments in the strategy in regard to determining the vaccination centers in the Primary Health Care  | 4                |   |                 |
| Implementation and monitoring of the National Tuberculosis Program for WHO DOT-S strategy in all the districts   | 4                | - DOTS program has been installed in all districts. The communication between the University Lung Disease Hospital and the districts has been stepped up to improve the information. The diagnosed cases have been kept under control. Drugs for treatment of TBC cases have been obtained <sup>211</sup> .   |                 |
| Higher level in the laboratory diagnosing of TBC cases   | 4                |   |                 |
| Collecting regular information on the basis of relevant standards and carrying out periodical analyses of the epidemiological situation  | 4                |   |                 |
| Appropriate treatment of all diagnosed cases and keeping them under control.   | 4                |   |                 |
| Training of the management staff in lung diagnosis clinics.  | 4                |   |                 |
| Reevaluation of HIV/AIDS/ST Program and the introduction of new indicators, preparation of the action plan to support the Health Ministry strategy, the preparation of the diagnosis methods | 4                | - The HIV-AIDS Strategy and the action plan for the implementation of the strategy, which will be launched in January, have been prepared   |                 |
| Improvement of the surveillance system in the districts (laboratories, equipment, training), which will help to have quality control of the potable water and foodstuffs                     | 4                | - The emergency and admission wards in all country's hospitals have been included in the surveillance system. The reporting level has increased from 50 to 80% for the ALERT system and 100% for the surveillance. In cooperation with the neo-ratology department, the surveillance of rubular syndrome has been introduced. The public health laboratories in the districts of Topoje and Diber have been equipped for food inspections.  | Continuing      |
| Monitoring of the gastro-intestinal disorders and intoxications of food origin   | 4                | - The district DSHPs have reported on the gastro-intestinal disorders, the causes, and the adopted measures. Due to the measures there has been no outbreak of epidemics of livestock origin. Attention has been drawn to the need for the strengthening of the sanitary control of food facilities. The gastro-intestinal disorder situation has been monitored on a monthly basis and there have been no indications or outbreaks of food origin. The operational data about the intoxications of food origin show that the situation is the same as last year. | Continuing      |

<sup>211</sup> The DOTS Strategy on the fight against Tuberculosis has been rigorously implemented, through cooperation, in the districts of Shkoder and Malesi e Madhe. The work is continuing on the implementation of the DOTS Strategy on controlling and treating TB cases in all districts under the management of the university lung disease hospital. An improvement of the epidemiological indicators is noted. The National Committee against TB has analyzed the activity of DOTS program and has laid down a number of tasks for the improvement of the work in the out-patient clinics for lung diseases etc.

| Prior actions for 2003  | $\sqrt{2}^{10}$ | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|---|-----------------|--|-----------------|
| Preparation of the Analysis of Food and Nourishment Situation   | 4               |  |                 |
| Continuous training for inspectors and epidemiologists in the evaluation of the situations regarding potable water quality and morbidity of water origin                    | 4               |  |                 |
| Improvement and expansion of the programs on reducing demand for drugs, alcohol, and tobacco, preparation of the strategies and strengthening of the legal basis            | 4               |  |                 |
| Approval of the Strategy on Public Health, the Strategy on Tobacco Control, Strategy on HIV/AIDS Control, and Strategy on Mental Health                                     | 4               |  |                 |
| Preparation of the Strategy on control from alcohol   | 2               | - The reason is that the Strategy should be compiled parallel with the compilation of the draft law on control from alcohol, which is envisioned for 2004  | 2004            |
| Continuation of various programs, in cooperation with other sectors, on these cross-cutting issues  | 4               |  |                 |
| Monitoring of maternal, peri-natal, and infantile disease situation and mortality rate, and the supervision of the work in mother and child services in Primary Health Care | 4               | - The reproductive Health Sector has prepared a summary table on the basis of the data received from the districts. The infantile mortality rate for the 9-month period is 15 per 1000 alive births and the maternal mortality rate is 20 per 1000 births  |                 |
| Continuous monitoring of the law on breast-feeding and its protection   | 4               |  |                 |
| Training of the health staff working in child care services with contemporary concepts about child monitoring, growth, and nourishment                                      | 4               | - Training sessions on care for pregnant women, breast-feeding, and newly born babies have taken place from January to September. The unified moduls for these trainings have been prepared.   |                 |
| Approval of the Strategy on Mental Health   | 4               | - The document was approved with Minister Order No 116, date 25.03.2003 and work is continuing on the improvement of the law on mental health. The community mental Health Point has been inaugurated, with WHO support, in ASHR Tirana at the out-patient Service of Quarter No. 7 Polyclinic.  |                 |
| Training of the mental health and primare care health employees in the demonstration pilot projects   | 4               | - Training of the specialist psychiatric doctors in the districts of Elbasan, Shkoder, Vlore , Tirane. Training of the family doctors in the districts of Gramsh , Elbasan, Shkoder, Tirane, Vlore.  |                 |
| Monitoring and evaluation of the community mental health services with the emphasis laid on on service quality  | 4               | - Continuous monitoring of the community mental health services in Tirane, Peshkopi, Gramsh, Elbasan, Shkoder  |                 |
| Implementation of a computerized system for health public programs and indicators. Computerization of the Health Ministry and staff training                                | 4               | - The central unit for the data registration and processing, composed of two central servers for the moduls undertaken by the project, has been installed. The testing of the applicative programs has been completed and data storing will soon begin. The computer network for the exchange of information has been brought into operation |                 |

## Matrix 2004--Annual Plan

| Objectives/ Public Priority Actions   | √212 | Responsible institution          | Budget213 | Cards214 | Others215 |
|---|------|----------------------------------|-----------|----------|-----------|
| <b>Improvement of the regulatory system/Completion and improvement of the legal framework</b>   |      |                                  |           |          |           |
| Preparation of the draft laws "On Health Insurances", "On Health Funding", "On Protection from Alcohols", "On National Food Safety Authority" and their submission to the Council of Ministers  | 1    | MSH                              |           |          | 20        |
| Strengthening of the role of health professional organizations  |      |                                  |           |          |           |
| Strengthening of the role of the Doctor Order and support for the establishment of new professional organizations, such as the Stomatologist Order, the Nurse Order etc, Organization of roundtable meetings, Promotion of public awareness campaigns | 2    | MSH, Doctor Order, Civil society |           |          |           |
| Improvement of the role of private sector as complementary to the public sector   |      |                                  |           |          |           |
| Carrying out studies on problems of Private Sector  | 3    | MSH                              | 5         |          |           |
| <b>Enhanced efficacy and effectiveness in the use of resources</b>  |      |                                  |           |          |           |
| Improvement of the process of planning, distribution, and monitoring of the resources at the central and local level  |      |                                  |           |          |           |
| Training of the personnel, which will be engaged in the planning process, the organization of the seminars, assistance to the personnel and preparation of plans for six regions.   | 3    | MSH                              | 5         |          |           |
| Preparation of the two master plans   | 2    | MSH                              |           |          |           |
| Initiation of the Master program on Public Health in the Faculty of Medicine  | 3    | MSH, Faculty of Medicine         |           |          |           |
| Reduction of corruption to a minimum  |      |                                  |           |          |           |
| Preparation of a year-long anti-corruption strategy in the field of health. Preparation of the relevant study. Preparation of the Strategy and the Action Plan  | 1    | MSH                              |           |          |           |
| <b>Securing health service access in the whole territory and for all citizens</b>   |      |                                  |           |          |           |
| 100% coverage of the territory with health centers and 50 % coverage with outpatient clinics/ Construction and rehabilitation of 168 outpatient clinics   | 1    | MSH                              | 250       |          |           |
| Reorganization of the hospital service with the aim of establishing regional hospitals  |      |                                  |           |          |           |
| Achieving a balance in the geographical distribution of the personnel in the public health system / Motivation of the personnel working in rural and distant areas to prevent their move to the big towns   | 2    | MSH                              | 130       |          | 7         |

212. Prioritization coefficient.

213. Funds of the Government's budget in millions of Lek

214. Funds of the projec CARDS in EURO

215. Other approved investments

| Objectives/ Public Priority Actions   | √212 | Responsible Institution | Budget213 | Cards214 | Others215 |
|---|------|-------------------------|-----------|----------|-----------|
| <b>Providing necessary, safe, and effective drugs at affordable prices</b>  |      |                         |           |          |           |
| Approval of the law on drugs. Approval of the sub-legal acts for the implementation of the law  | 2    | MSH, QKKB               | 1         |          |           |
| Improvement of the QKKB structure   | 2    | MSH, QKKB               | 4         |          |           |
| Improvement of the management in the hospital pharmacies  | 1    | MSH, QKKB               |           |          |           |
| <b>Improvement of the health indicators through specific interventions</b>  |      |                         |           |          |           |
| Prevention of EPI contagious diseases through 100% fulfillment of the needs for vaccines, the inclusion of the hemophilus influenza vaccine into EPI calendar, the inclusion of the Health Ministry in financing them (70% in 2004)   | 1    | MSH                     | 21        |          | 8         |
| Increased public awareness campaign in connection with the drugs, alcohol, and smoking  |      |                         |           |          |           |
| Approval of the law "On health protection from tobacco products"  | 2    | MSH                     |           |          |           |
| <b>Prevention of the spread of TBC, HIV-AIDS and IST</b>  |      |                         |           |          |           |
| Implementation and monitoring of the National Tuberculosis program on WHO DOT-S strategy in all the districts   | 1    | MSH                     |           |          |           |
| Implementation and monitoring of the HIV-AIDS National Strategy   | 2    |                         |           |          |           |
| <b>Prevention of the diarric diseases and epidemics</b>   |      |                         |           |          |           |
| Improvement of the surveillance system in the districts (laboratories, equipment, training), which will help to have control over the quality of potable water and foodstuffs   | 1    | MSH                     | 10        |          |           |
| Improvement of mother and child health situation by reducing mother and child mortality and disease rate through monitoring of maternal, peri-natal, and infantile situation of diseases and mortality rate, and the supervision of the work in mother and child services in Primare Health Care              | 1    | MSH, UNICEF             | 2.6       |          |           |
| <b>Consolidation of the community mental health service</b>   |      |                         |           |          |           |
| Strengthening of 4 existing demonstration projects through the process of de-institutionalization and the transfer of the resources from the psychiatric hospitals to the community mental services, and the Training of the mental health and primary health care workers in the demonstration project areas | 1    | MSH, OBSH               | 4.5       |          | 17.5      |
| Best possible monitoring and coordination of specific projects in the above areas through the application of an information system on health care programs and indicators   | 1    | MSH                     |           |          | 50        |



## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | √ <sup>216</sup> | Responsible Institutions             | Deadline  | Budget <sup>217</sup> | CARDS <sup>218</sup> | Others <sup>219</sup> | Y <sup>220</sup> |
|---|------------------|--------------------------------------|-----------|-----------------------|----------------------|-----------------------|------------------|
| <b>Improvement of the regulatory system/ Completion and improvement of the legal framework</b>  |                  |                                      |           |                       |                      |                       |                  |
| Compilation of new draft laws, improvement of the existing laws, approval of the sub-legal acts of a normative character for the implementation of the laws   | 1                | MSH                                  | 2004-2007 |                       | 20                   |                       | 40               |
| Strengthening of the role of the health professional organizations through the consolidation of the role of the Doctor Order, and support for new professional organizations such as Stomatologist Order, Nurse Order etc | 2                | MSH                                  | 2004-2007 |                       |                      |                       | 50               |
| <b>Improvement of the role of the private sector as complementary to the public sector</b>  |                  |                                      |           |                       |                      |                       |                  |
| Carrying out studies on Private Sector problems   | 3                | MSH                                  | 2005      | 5                     |                      |                       | 10               |
| Preparation of the Strategy on the Development of the private health sector   | 3                | MSH, Donors: (DFID, WHO, World Bank) | 2006-2007 | -                     | -                    | -                     | 25               |
| <b>Enhanced effectiveness and efficiency in the use of resources and in the process of planning, distributing, and monitoring them at a central and local level</b>   |                  |                                      |           |                       |                      |                       |                  |
| Training of the personnel, which will be engaged in the planning process  | 3                | MSH                                  | 2007      | 5                     | -                    | -                     | 65               |
| Carrying out some studies to get a clear picture of the needs in some of the most important aspects of the system   | 3                | MSH                                  | 2007      | 20                    | -                    | -                     | 120              |
| Preparation of two regional master plans  | 3                | MSH                                  | 2004      | -                     | -                    | -                     | 22               |
| Improved funding mode with the aim of strengthening the ISKSH through the gradual expansion of the social insurance funding scheme  | 2                | MSH, ISKSH                           | 2007      |                       |                      |                       |                  |
| Establishment of the Public Health School   | 3                | MSH, ISHP, Faculty of Medicine       | 2005      |                       |                      |                       | 50               |
| <b>Reduction to corruption to a minimum</b>   |                  |                                      |           |                       |                      |                       |                  |
| Preparation and corruption of a program for the reduction of corruption to a minimum  | 1                | MSH                                  | 2007      | -                     | -                    | -                     | 72.5             |
| <b>Securing health service access in the whole territory and for all citizens</b>   |                  |                                      |           |                       |                      |                       |                  |
| 100% coverage of the territory with health centers and 50 % coverage with outpatient clinics through the construction and rehabilitation of 450   | 1                | MSH                                  | 2004-2007 | 800                   | -                    | 200                   |                  |

<sup>216</sup> Prioritization coefficient

<sup>217</sup> Funds of the Government's budget in millions of Lek

<sup>218</sup> Funds of the projec CARDS in EURO

<sup>219</sup> Other approved investments

<sup>220</sup> Financing required

| Objectives/ Public Priority Actions   | √ <sup>2</sup> 16 | Responsible Institutions | Deadline  | Budget217 | Cards218 | Others219 | Y220 |
|---|-------------------|--------------------------|-----------|-----------|----------|-----------|------|
| outpatient clinics  |                   |                          |           |           |          |           |      |
| <b>Reorganization of the hospital service with the aim of establishing regional hospitals</b>   |                   |                          |           |           |          |           |      |
| Establishment of the regional hospitals and the supply of five of them with all equipment   | 1                 | MSH                      | 2007      | 500       |          |           | 2500 |
| Achieving a balance in the geographical distribution of the personnel in the public health system through the motivation of the personnel working in rural and distant areas to prevent their move to the big towns                           | 2                 | MSH                      | 2007      | 30        |          |           |      |
| <b>Providing necessary, safe, and effective drugs at affordable prices</b>  |                   |                          |           |           |          |           |      |
| Improvement and finalization of the pharmaceutical legislation  |                   | MSH, QKKB                | 2007      | 3         |          |           |      |
| Improvement of the QKKB structure   |                   | MSH, QKKB                |           | 2007      | 40       |           |      |
| <b>Improvement of the health indicators through specific interventions; Prevention of the EPI contagious diseases; Enhanced transparency about drug prices</b>  |                   |                          |           |           |          |           |      |
| Achieving 100% coverage of the children aged up to 14 with vaccines.  | 1                 | MSH                      | 2007      | 96        |          | 10        |      |
| Gradual inclusion of EPI vaccines, Gradual inclusion of the Health Ministry in funding them   |                   |                          |           |           |          |           |      |
| <b>Prevention of the spread of TBC, HIV-AIDS and IST</b>  |                   |                          |           |           |          |           |      |
| Implementation and monitoring of the National Tuberculosis program on WHO DOT-S strategy in all the districts   | 1                 | MSH                      | 2005      |           |          |           | 20   |
| Implementation and monitoring of the HIV-AIDS National Strategy   | 2                 | MSH                      | 2007      |           |          |           | 200  |
| Prevention of the diarrhic diseases and the pidemis through the improvement of the surveillance system in the districts (laboratories, equipment, training), which will help to have control over the quality of potable water and foodstuffs | 1                 | MSH                      | 2007      | 15        |          |           | 20   |
| <b>Increased public awareness about drugs, alcohol, and tobacco</b>   |                   |                          |           |           |          |           |      |
| Improvement and expansion of the programs in the relevant fields, preparation of the strategies and the strengthening of the legal basis  | 2                 | MSH                      | 2004-2007 |           |          |           | 40   |
| <b>Improvement of mother and child health situation, and the reduction of mother and child mortality and disease rate</b>   |                   |                          |           |           |          |           |      |
| Monitoring of the maternal, peri-natal, and infantile situation of diseases and mortality, and the supervision of the work in mother and child services in Primary Health Care  | 1                 | MSH, UNICEF              | 2005      | 7         |          |           |      |
| <b>Consolidation of the community mental health service</b>   |                   |                          |           |           |          |           |      |

| Objectives/ Public Priority Actions   | √ <sup>2</sup> /16 | Responsible Institutions | Deadline | Budget217 | Cards218 | Others219 | Y220 |
|---|--------------------|--------------------------|----------|-----------|----------|-----------|------|
| Strengthening of 4 existing demonstration projects through the process of de-institutionalization and the transfer of the resources from the psychiatric hospitals to the community mental services; and the Training of the mental health and primary health care workers in the demonstration project areas | 1                  | MSH OBSH                 | 2006     | 15        |          | 40        |      |
| Best possible monitoring and coordination of specific projects in the above areas through the application of an information system on health care programs and indicators   | 1                  | MSH                      | 2007     | -         | -        | 50        | 40   |

## Monitoring Indicators

| Indicators   | Baseline 2000 | 2001  | 2002  | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------------|-------|-------|------|------|------|------|------|
| Health expenditures as a percentage of GDP   | 2.54          | 1.85  | 2.02  | 2.11 | 2.46 |      |      |      |
| Amount and percentage of the state budget allocated for the health sector (including the local government grant and the transfer for IHSI) | 12334         | 12027 | 18044 |      |      |      |      |      |
| Percentage of the health service funding coming through the advisory health insurance scheme   | 732           | 1286  | 1907  |      |      |      |      |      |
| Population covered by mandatory vaccines   | 97            | 97    | 97    | 97   | 97   | 97   | 97   | 97   |
| Mortality rate per thousand children up to 5 years old   |               | 20.1  |       |      |      |      | 18   |      |
| Infant mortality rate per 1000 births  |               | 17.4  |       |      |      |      | 15   |      |
| Maternal mortality per 100 000live birth   |               | 22.7  |       |      |      |      | 15   |      |
| Mortality rate from TBC  | 16            |       |       |      |      |      |      |      |
| Incidence of TBC per 100000 inhabitants  | 19.4          |       |       |      |      |      |      |      |
| Incidence of diarrhea per 100.000 inhabitants  | 142           | 146   |       |      |      |      |      |      |

## MINISTER OF STATE NEARBY PRIME MINISTER

Legal framework. Improvement of law no 9009, date 13.2.2003 "For internal auditing in public sector". Laws no 9017, date 6.3.2003, no 9030, date 13.3.2003, no 9086, date 19.6.2003 that amended Penal Code of the Republic of Albania, Law no 9049, date 10.4.2003 "for declaration of properties and financial obligations of elected persons and some of civil servants". Law no 9064, date 8.5.2003 "for some emendations and changes on Law no 7971, date 26.7.1995 "for public procurement"; Law no 9084, date 19.6.2003 "for some emendation and changes in Law no 8610, date 17.5.2000 "for prevention of money laundering"; Law no 9085, date 19.6.2003 "for some emendation and changes in Law no 7905, date 21.3.1995 "penal procedures cod in the republic of Albania"; Law no 9110, date 24.7.2003 "for organization and function of heavy crime courts"; Law no 9121, date 28.7.2003 "For protection of competition"; Law no 9131, date 8.9.2003 "for ethical rules in public administration" Law no 9135, date 11.9.2003 "for protection of consumers"; Law no 9150, date 30.10.2003 "for pharmacist order in the republic of Albania". Some steps are taken for the revision of legal framework relating to conflict of interest and election campaign. Three regional activities have been organized with participation off local government representing focused on issues like: audit, local government servant information access and transparency, fight against corruption etc. during 2003 was prepared the module "ethic and anticorruption" that will help the

training of the civil servants in public administration.

Public administration department: during 2003 has been made 277 new appointments in public administration institutions. Only four procedures have been canceled from civil services council. (1.44% of all the procedures). Number of vacancies is still high compared with the total number of civil servants. During 2003 76 civil servants or 4.5% of total number of civil servants has resigned. Contracted persons in public administration were limited to 4.8% of the total number of the civil servants. During 2003 has been increased with 56% the number of parallel movements compared with 2002. During 2003 are confirmed 441 civil servants, has been decreased with 17% first grade evaluation and is increased 17% the second grade performance evaluation. 19 structural changed had took place and have been approved 12 new structures in line ministries. From 33 claims 23 have been accepted by civil service Council. During 2003 ITAP had trained 1167 civil servants by 14 training topics and 72 training courses like: Project management, public procurement, performance indicators training needs assessments, gender issues, decentralization, annual monitoring and evaluation, internal audit, environment management, human recourse development, ethic and anticorruption, public administration reform and management skills, administrative sanctions and claim procedures, European integration issues.

## Public Administration Department Matrix 2003-Annual Review

| Prior actions for 2003   | √ <sup>22.1</sup> | -Implementation measures<br>-Reasons for implementation shortfalls  | New Deadline |
|--|-------------------|---|--------------|
| <b>Reforms in the civil service and the management of human resources</b>                      |                   |   |              |
| Improvement of the legal framework for the management of human resources                       | 4                 | - Council of Minister Decision no. 173 date 07.03.2003 "On appointment, release, or discharge from duty of the heads of the institutions under the responsibility of the Council of Ministers, Prime Minister or the minister", Council of Minister Decision no. 325 date 21.05.2003 "On position, tasks, and responsibilities of the General Secretary in the ministry", Approval of the law no. 9131 date 08.09.2003 on "Regulations of Ethics in the Public Administration"  |              |
| Continued implementation of the strategy on the improvement of the wage system                 | 4                 | -Law no. 9065 date 08.05.2003 "On some additions and changes in law no 8487, date 13.05.1999 "On powers for determining the wages", amended. The new wage system for the nursing personnel in the health system, the military men in the Defense Ministry system, the employees of the state police and some independent institutions and institutions under the responsibility of the Council of Ministers or the ministries (ITAP, State Advocate Office, the People's Advocate, KLD Administration, Telecommunications Regulatory Entity, Water Supply Regulatory Entity, the General Metrology and Calibration Department, the National Energy Agency, the General Water Supply – Sewerage Department, the Institute of Studies and Urban Planning, and the Central Archives of the Building Sector) has been approved. |              |
| Enhanced capacities of public administration employees through training                        | 4                 | - Implementation of the 2003 training program by the Public Administration Training Institute   |              |
| Preparation and implementation of the Cooperation Agreement with the Civil Service Commission. | 4                 |   |              |
| Continuous monitoring of the implementation of the law "On Civil Servant Status                | 4                 | Inspections and monitoring of the indicators for the implementation of the law  |              |
| <b>Extension of the principles of civil servant legislation to other institutions</b>          |                   |   |              |
| Making the necessary interventions through the ongoing legal initiatives                       | 4                 | -Changes in the laws "On Public procurement", "On tax procedures", "On Center of Official Publications" and the law on the accreditation. Approval of the Council of Minister decisions on the establishment of the Regional Education Departments and the Educational offices, the Curricula and Standard Institute, and the Center for Educational Training and Qualification   |              |
| <b>Implementation of the functional-structural reform</b>                                      |                   |   |              |

<sup>22.1</sup> Level of completion per criteria

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Revision of the governance center and the revision of the hierarchy of institutions under the responsibility of the Council of Ministers

3

- Approval of the Council of Minister decisions on the change of the hierarchy status of six institutions  
-Continuing process

June 2004

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## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | √222 | Responsible institution | Budget223 | Cards224 | Others225 |
|--|------|-------------------------|-----------|----------|-----------|
| <b>Civil service management</b>  |      |                         |           |          |           |
| Extension of the scope of the civil service legislation in some phases/preparation of changes in the law "On Civil Servant Status"   | 3    | DAP                     |           |          |           |
| Increase of the real competition and the reduction of the admission process costs. Compilation of sub-legal acts for the implementation of the law and the specification of the procedures provisioned by the law. Reduction of the time required for an admission procedure   | 3    | DAP                     |           |          |           |
| <b>Wage system in the public administration/ Finalization of the categorization of the specialists and department chiefs in the line ministries, Finalization of the intervention in the wages of two categories of institutions: the independent institutions and the institutions under the responsibility of the Council of Ministers</b> |      |                         |           |          |           |
| Compilation of the Prime Minister's orders for the approval of the structures, the categorizations, and other changes to make the new wage structure effective   |      |                         |           |          |           |
| Change of the Council of Minister Order no. 711 date 27.12.2001 on the inclusion of the existing special ministry functions in the scope of this order   |      |                         |           |          |           |
| Finalization of the study on the structure and inventory of the legislation regulating wages for all public administration institutions  |      |                         |           |          |           |
| <b>National Public Administration Register/ Bringing the National Public Administration Register into operation</b>  |      |                         |           |          |           |
| Compilation and submission for approval of a draft Council Minister decision on the management of the register, the data registration procedures, and the formalization of the obligation for all relevant institutions to set up the register   | 3    |                         |           |          |           |
| <b>Training of the civil servants/Increased capacities of the civil servants/ Strengthening of the capacities of the Public Administration Institute</b>   |      |                         |           |          |           |
| Implementation of the working program by ITAP  | 2    |                         |           |          |           |
| Establishment of a local trainer network composed of representatives from the practical activity and the academic world  | 2    |                         |           |          |           |
| <b>Reform as a whole/ Implementation of the functional structural reform</b>   |      |                         |           |          |           |
| Inventory of all institutions under the responsibility of the public administration  | 3    |                         |           |          |           |
| Functional revision of the ministries and the institutions under their responsibility, reformulation of the missions of all institutions, revision of the structural organization in line with the new missions  | 3    |                         |           |          |           |
| Identification and abolition of the institutions, the functions of which do not constitute state functions   | 3    |                         |           |          |           |
| Revision of the institutional hierarchy of the institutions under the responsibility of the Council of Ministers (remaining part)  | 3    |                         |           |          |           |

222. Prioritization coefficient.

223. Funds of the Government's budget in millions of Lek

224. Funds of the projec CARDS in EURO

225. Other approved investments



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**Objectives/ Public Priority Actions**

√222    Responsible institution    Budget223    Cards224    Others225

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**Information technology / Computerization of the public administration**

Preparation of a strategic plan on the computerization of the public administration

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## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions  | 226 | Responsible Institutions | Deadline  | Budget227 | CARDS228 | Others229 | Y230 |
|--|-----|--------------------------|-----------|-----------|----------|-----------|------|
| <b>Management of the civil service/ Extension of the scope of the civil service legislation</b>  |     |                          |           |           |          |           |      |
| Preparation of changes in the law "On Civil Servant Status" and the sub-legal acts fro the specification of the procedures   | 3   | DAP                      | 2004      |           |          |           |      |
| <b>Finalization of the categorization of the specialists and department chiefs in the line ministries for two categories of the institutions: independent institutions and the institutions under the responsibility of the Council of Ministers/ Determining the ratios for the wage levels of the heads of the independent and constitutional institutions</b> |     |                          |           |           |          |           |      |
| Compilation of the Prime Minister's orders for the approval of the structures, the categorizations, and other changes to make the new wage structure effective   | 3   |                          | 2004      | 156       |          |           |      |
| Change of the Council of Minister Order no. 711 date 27.12.2001 on the inclusion of the existing special ministry functions in the scope of this order   | 3   |                          | 2004      | 11.02     |          |           |      |
| Finalization of the study on the structure and inventory of the legislation regulating wages for all public administration institutions  | 2   |                          | 2007      |           |          |           |      |
| Preparation and approval of the relevant sub-legal acts  |     |                          |           |           |          |           |      |
| Carrying out studies on determining the ratios of wages for all the main functions in the public administration. Compilation of the legal acts for determining the ratios  | 2   |                          | 2005      |           |          |           |      |
| <b>Bringing the National Public Administration Register into operation</b>   |     |                          |           |           |          |           |      |
| Compilation and submission for approval of a draft Council Minister decision on the management of the register, the data registration procedures, and the formalization of the obligation for all relevant institutions to set up the register   | 3   |                          | 2004      |           |          |           |      |
| Making the Registry operational and the distribution of the programs to all relevant institutions  | 3   |                          | 2005      |           |          |           |      |
| <b>Civil servant training/ Enhanced capacities of civil servants</b>   |     |                          |           |           |          |           |      |
| Implementation of the working program by ITAP  | 2   |                          | 2004-2007 |           |          |           |      |

226 Prioritization coefficient

227 Funds of the Government's budget in millions of Lek

228 Funds of the project CARDS in EURO

229 Other approved investments

230 Financing required

| Objectives/ Public Priority Actions   | √ <sup>22.6</sup> | Responsible Institutions | Deadline  | Budget227 | Cards228 | Others229 | V230 |
|---|-------------------|--------------------------|-----------|-----------|----------|-----------|------|
| <b>Implementation of the functional structural reform</b>   |                   |                          |           |           |          |           |      |
| Inventory of all institutions under the responsibility of the public administration   | 3                 |                          | 2004      |           |          |           |      |
| Functional revision of the ministries and the institutions under their responsibility, reformulation of the missions of all institutions, revision of the structural organization in line with the new missions | 3                 |                          | 2004-2006 |           |          |           |      |
| Identification and abolition of the institutions, the functions of which do not constitute state functions  | 3                 |                          | 2004-2006 |           |          |           |      |
| Revision of the institutional hierarchy of the institutions under the responsibility of the Council of Ministers (remaining part)   | 3                 |                          | 2004      |           |          |           |      |
| <b>Information technology / Computerization of the public administration</b>  |                   |                          |           |           |          |           |      |
| Establishment of a central unit in the public administration for the computerization of the public administration   | 3                 |                          | 2006      |           |          |           |      |
| Preparation of a strategic plan on the computerization of the public administration   | 3                 |                          | 2004      |           |          |           |      |
| Establishment of a government network for information and data exchange   | 3                 |                          | 2004-2005 |           |          |           |      |
| Establishment of the computerized network for the management of the documentation related to government meetings  | 3                 |                          | 2005      |           |          |           |      |

## Monitoring Indicators

| Indicators   | Baseline 2000            | 2001 | 2002   | 2003  |
|--|--------------------------|------|--|---|
| Number of civil servants evaluated   | Line ministries and DoPA |      | 624  | 980   |
| Percentage of evaluations according to the evaluation categories (1-4)               | Line ministries and DoPA |      | Cat 1 – 61.3%<br>2 – 34.6%<br>3 – 3.8%<br>4 – 0.3% | Cat 1 – 44%<br>2 – 51%<br>3 – 2.4%<br>4 – 0.4 % |
| Number of confirmed civil servants   | Line ministries and DoPA | 10   | 266  | 441   |
| Average number of applicants/vacancy   | DoPA                     | 5.4  | 7  | 8   |
| Number of training courses offered for DoPA experts, TIIPA                           | TIIPA and DoPA           |      |  | 1167 civil servants                             |
| Number of training courses conducted by the Public Administration Training Institute |                          |      |  | 14 trainings themes-<br>72 courses in total     |
| Quality of trainings (1-7)   |                          |      |  | 6.0   |

## Anticorruption Unit-Matrix 2003-Annual Review

| Prior actions for 2003   | <sup>23.1</sup> | -Implementation measures<br>-Reasons for implementation shortfalls   | New<br>Deadline |
|--|-----------------|--|-----------------|
| Strengthening of the capacities of the Anti-Corruption Structures  | 4               | - In compliance with Council of Minister Decision no. 252, date 23.09.2002 "On reorganization and functioning of the Anti-Corruption Monitoring Group. Increased operational capacities. Increased cooperation with other state and independent institutions |                 |
| Preparation of a new, more effective Anti-Corruption with clear performance indicators                             | 4               | - The Action Plan "On Prevention and Fight Against Corruption 2003 - 2004", approved with Council of Minister Decision no. 580, date 21.08.2003 has been drafted and approved  |                 |
| Finalization of the Study "On the streamlining of the public services in the Central Administration "              | 4               | - Through cooperation (organization of meetings, interviews and workshops) with experts of institutions involved in the study, with experts of the Council of Europe and the Anti-Corruption Unit.   |                 |
| Establishment of the Trilateral Commission "On exchange of information and cooperation on corruption-related data" | 4               | - State Minister under the Prime Minister, General Prosecutor Office, and the Civil Society have signed the memorandum of Understanding on 15.07.2003  |                 |
| Revision of the legislation related to the conflict of interests.  | 3               | - The legal framework for the conflict of interests has been identified. The legal framework has been also analyzed. – Every phase of study has taken place in accordance with the planned agenda.   | 2004            |
| Revision of the legislation "On funding of the political parties and the election campaigns "                      | 3               | - The legal framework on funding of the political parties and the election campaigns has been identified and the legal framework has been analyzed<br>- Every phase of the study has taken place in accordance with the planned agenda.                      | 2004            |

<sup>23.1</sup> Level of completion per criteria

## Matrix 2004-Annual Plan

| Objectives/ Public Priority Actions  | 232 | Responsible institution   | Budget233 | CARDS234        | Others235 |
|--|-----|---|-----------|-----------------|-----------|
| <b>Prevention and fight against corruption/ Streamlining of the public services delivered by the Central Administration institutions</b>   |     |   |           |                 |           |
| Approval and Implementation of the Prime Minister's Order on the streamlining of the procedures and criteria for the public services delivered by the Central Administration institutions  | 1   | State Minister for Coordination, central institutions                     |           | 300.000<br>euro |           |
| <b>More effective operation of Trilateral Commission on information exchange and cooperation on corruption-related data</b>  |     |   |           |                 |           |
| Consistent monitoring of the current status of Criminal Lawsuits for corruptive cases and the information of the public about the number of criminal lawsuits, the type and form of the corruptive offences, and the directions and priorities in the fight against corruption | 3   | State Minister for Coordination, General Prosecutor Office, Civil Society |           |                 |           |
| <b>Revision of the legislation related to the conflict of interests</b>  |     |   |           |                 |           |
| Finalization of the study on the revision of the legislation on the conflict of interests  | 3   | State Minister for Coordination & Justice Ministry                        |           |                 |           |
| Preparation of specific draft proposals on possible changes in the existing legal framework  | 3   | State Minister for Coordination & Justice Ministry                        |           |                 |           |
| <b>Revision of the legislation On funding of political parties and the election campaigns</b>  |     |   |           |                 |           |
| Finalization of the study on the revision of the legislation on the political parties and the election campaigns, Preparation of specific draft proposals for possible changes in the existing legal framework   | 3   | State Minister for Coordination, Justice Ministry and KQZ                 |           |                 |           |
| <b>Strengthening of the institutional mechanisms for monitoring and management of anti-corruption plans</b>  |     |   |           |                 |           |
| Strengthening of capacities of GMAK (Anti-Corruption Monitoring Group), Training of the Anti-Corruption units on specific and specialized issues, Methodology of the monitoring performance indicators, Training of the contact points   | 2   | State Minister for Coordination, central institutions                     |           |                 |           |

232 Prioritization coefficient.

233 Funds of the Government's budget in millions of Lek

234 Funds of the projec CARDS in EURO

235 Other approved investments

## Matrix 2004-2007-Mid-Term Plan

| Objectives/ Public Priority Actions   | 236 | Responsible Institutions  | Deadline          | Budget237 | Cards238     | Others239 | Y240 |
|---|-----|---|-------------------|-----------|--------------|-----------|------|
| <b>Prevention and fight against corruption/Streamlining of public services delivered by Central Administration institutions</b>   |     |   |                   |           |              |           |      |
| Approval and Implementation of Prime Minister's Order on the streamlining of the procedures and criteria for the public services delivered by the Central Administration institutions   | 1   | All institutions of Central Administration                                | 2004              |           | 300.000 euro |           |      |
| <b>More effective operation of Trilateral Commission on information exchange and cooperation on data-related cooperation</b>  |     |   |                   |           |              |           |      |
| Following, on a consistent basis, the current status of the Criminal Lawsuits for corruptive cases and the information of the public about the number of the criminal lawsuits, the type and form of the corruptive offences, the directions and priorities in the fight against corruption | 3   | State Minister for Coordination, General Prosecutor Office, Civil Society | 2004-2007         |           |              |           |      |
| <b>Extension of the institutional efforts in the fight against corruption to the local level</b>  |     |   |                   |           |              |           |      |
| Continued cooperation with the local government through regional activities, determination of the possible contact points and the analysis of the possibilities for the extension of the Anti-Corruption Action Plan to the local level   | 2   |   | 2004 - Continuing |           |              |           |      |
| <b>Preparation and implementation of the national survey to measure the public perception of the corruption level and the public attitude to corruptive practices</b>   |     |   |                   |           |              |           |      |
| Corruption's public perception and its attitude towards corruption  | 3   |   | 2005              |           |              |           |      |

236 Prioritization coefficient

237 Funds of the Government's budget in millions of Lek

238 Funds of the project CARDS in EURO

239 Other approved investments

240 Financing required