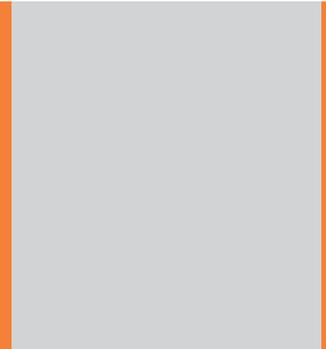




REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS

External Assistance in Albania



Progress Report
2009-2010



Department of Strategy
and Donor Coordination



**REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS**

External Assistance in Albania

2009 - 2010 Progress Report

Department of Strategy and Donor Coordination

September 2011

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Abbreviations

CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CEB	Council of Europe Development Bank
DFID	UK Department for International Development
DTS	Donor Technical Secretariat
DIP	Development and Integration Partners
EAMIS	External Assistance Management Information System
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EEE-P	Education Excellence and Equity Project
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EU	European Union
EURALIUS	European Assistance Mission to the Albanian Justice System
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTI-DOL	Fast-Tracking Initiative on Division of Labour
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GoA	Government of Albania
GIZ	German Technical Cooperation
HAP	Harmonisation Action Plan
IBM	Integrated Border Management
IBRD	International Bank for Reconstruction and Development
IDB	Islamic Development Bank
IC	International Consortium
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International Finance Institutions
ILO	International Labour Organization
IMOC	Inter-institutional Maritime Operational Centre
IOM	International Organization for Migration
IPA	Instrument for Pre-Accession
IPARD	IPA Rural Development
IPS	Integrated Planning System
IPS MDTF	Integrated Planning System Multi-Donor Trust Fund
JICA	Japan International Cooperation Agency
J-HA	Justice and Home Affairs
JuST	Justice Sector Strengthening Project
KfW	Kreditanstalt für Wiederaufbau (The German Development Bank)

LAMP	Land Administration and Management Project
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MIPD	Multi Annual Indicative Planning Document
MTBP	Medium Term Budget Programme
NATO	North Atlantic Treaty Organisation
NSDI	National Strategy for Development and Integration
NUTS	Nomenclature Territorial Units for Statistics
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD/DAC	OECD Development Assistance Committee
OFID	The OPEC Fund for International Development
OSCE	Organization for Security and Cooperation in Europe
OSCE PiA	OSCE Presence in Albania
PACA	Project Against Corruption in Albania
PAMECA	Police Assistance Mission of the European Community to Albania
PBA	Programme Based Approach
PFM	Public Finance Management
PPL	Public Procurement Law
RDF	Regional Development Fund
ReSPA	Regional School of Public Administration
ROLP	Rule of Law Program
SAA	Stabilisation and Association Agreement
SIDA	Swedish International Development and Cooperation Agency
SIGMA	Support for Improvement in Governance and Management
SMEs	Small and Medium Enterprises
SNV	Netherlands Development Organisation
SWAp	Sector Wide Approach
SWGs	Sector Working Groups
TA	Technical Assistance
TIKA	Turkish International Cooperation and Development Agency
TIMS	Total Information Management System
UN	United Nations
UNDP	United Nations Development Programme
UNDESA	United Nations' Department for Social and Economic Issues
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization

UNWTO	The World Tourism Organization
USAID	United State Agency for International Development
VET	Vocational Education and Training
WB	World Bank
WB CPS	World Bank Country Partnership Strategy for Albania
WBIF	Western Balkans Investment Framework
WHO	World Health Organisation
WTO	World Trade Organisation

Ministries, departments and other government bodies and agencies

AIDA	Albanian Investment Development Agency
APP	Agency for Public Procurement
ALUIZNI	Agency for Legalisation, Urbanisation and Integration of Informal Areas
AKPT	Agency of Territorial Planning
CoM	Council of Ministers
DoPA	Department of Public Administration
DSDC	Department of Strategy and Donor Co-ordination
INSTAT	Institute of Statistics
IPRO	Immovable Property Registration Office
KESH	Albanian Power Corporation
MADA	Mountain Area Development Agency
MAFCP	Ministry of Agriculture, Food and Consumer Protection
MCTYS	Ministry of Culture, Tourism, Youth and Sport
MEFWA	Ministry of Environment, Forestry and Water Affairs
MES	Ministry of Education and Science
METE	Ministry of Economy, Trade and Energy
MFA	Ministry of Foreign Affairs
MEI	Ministry of European Integration
MITIK	Minister for Innovation, Technology of Information and Communication
MoD	Ministry of Defence
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoLSAEO	Ministry of Labour, Social Affairs and Equal Opportunities
MPWT	Ministry of Public Works and Transport
PPC	Public Procurement Commission
NAIS	National Agency for Information Society
NLC	National Licensing Centre
NRC	National Registration Centre
TIPA	Training Institute of Public Administration
SPC	Strategic Planning Committee

FORWARD

The Albanian Government has a strong intention to maintain a proactive approach to external assistance management, consistent with the growing maturity and overall improvement of its strategic planning and monitoring processes in the framework of implementation of the Integrated Planning System.

In the view of improving monitoring, the Department of Strategy and Donor Coordination (DSDC) has already made a tradition the publication of the **annual report on external assistance progress**. The initiative aims at increasing transparency on external funding and strengthening the Government leadership on coordination of external assistance. This complies with the intensifying global approach that donor coordination is intimately tied to the more effective use of assistance, as outlined by the Paris Declaration on Aid Effectiveness, of which Albania is one of the signatories.

As Albania progresses with its overall development, it is a fact now the grants-based official development assistance (ODA) to the country is continuously declining. On the other hand the long-term sustainable and balanced development as well as the integration of the Albanian economy into the EU, necessitates achievement of the maximum efficiency from domestic and external invested funds. Given the experience of recent EU accession, the pace of progress towards reaching EU standards in Albania will also depend a lot on an increased level of external funding, along with domestic budget. Therefore, the synchronization of internal and external funding as well as cooperation with donors becomes even more important.

Over the last few years a considerable momentum is built around the establishment of common and effective external assistance coordination architecture. DSDC and DTS, together with a number of joint consulting bodies, aim to promote dialogue, co-ordination, harmonization and complementarities of donors' interventions and alignment with the Government's priorities.

The DSDC has already established a database of external assistance containing over 1,500 records of ongoing and planned projects intended at providing an analytical overview of donors' activities in every sector. In order to improve coordination and monitoring of external assistance at sector level, 32 Sector Working Groups (SWG) and sub-groups are established for most of sectors and sub-sectors. Significant improvements have been made in 2009 and 2010 as regard organisation and regular meetings for the most of SWGs.

In September 2010, the Decision of the Council of Ministers on the Management of the Foreign Financing was a step forward toward DSDC strengthened co-ordination role. DSDC together with the Ministry of Finance lead negotiations with donors on policy-based conditions for loans/credits. It plays a key role in negotiations led by the Ministry of European Integration on IPA programming.

In November 2009, the Government of Albania and the donor community endorsed the *Harmonisation Action Plan*, which based on the principles of Paris Declaration, established a clear set of tasks for the Government and donors on five areas of aid effectiveness: ownership, alignment, harmonization, management for results and mutual accountability. These principles set an obligation for both the Albanian institutions and the donor community to strengthen their mutual partnership and to implement aid initiatives in line with the National Strategy for Development and Integration 2007-2013. Therefore donor agencies and governments are working closer to increase the impact of their contributions, harmonization with national development strategies, and synchronization of cooperation with other donors.

The endorsement of HAP was followed by the signature in May 2010 of the Memorandum of Understanding on Fast Tracking Initiative on Division of Labour between the Government of Albania and the six participating European countries, which has marked another step of improving the co-ordination efforts and increasing the effectiveness of aid delivery.

The **Annual Report of External Assistance 2009-2010** intends to provide an analytical overview of donors' activities in Albania and mapping of their support in a variety of sectors. The document makes an attempt to analyze external assistance implementation both within and across sectors.

*Department of Strategies and Donor Coordination
Council of Ministers of Albania*

METHODOLOGY

This report has been prepared by DSDC as a Government working document.

The donor database managed by the DSDC, provides the primary data source, while secondary data sources include the OECD/DAC database, the External Assistance Orientation Document (EAOD), the National Strategy for Development and Integration (NSDI 2007-2013), and the 2011 Survey on Monitoring the Paris Declaration.

Sector reporting generally follows the NSDI sector division, which is also the basis for monitoring the progress of NSDI implementation.

The information and statistics presented in this report are based on data provided by individual donor agencies and a number of relevant domestic institutions, including the Ministry of Finance and line ministries.

The data represent a summary of the commitments as well as the disbursements made from 1 January 2000 until 31 December 2010. The analysis of the past trends of external assistance has been undertaken as desk study in DSDC, collaborating closely with DTS representatives. The report analyses in more detail and focuses on the donor activities and financial portfolios for the period 1 January 2009 until 31 December 2010.

Limitations: DSDC is aware and recognises the fact that some data might be missing or not be fully accurate. Inaccuracies might be also reflected in the narrative part on the sectors section

The figures in the report on bilateral disbursement 2000-2010 and 2009-2010 might differ from the bilateral reports to OECD/DAC. Such differences can be explained with the support channelled through multilateral actors from the bilaterals.

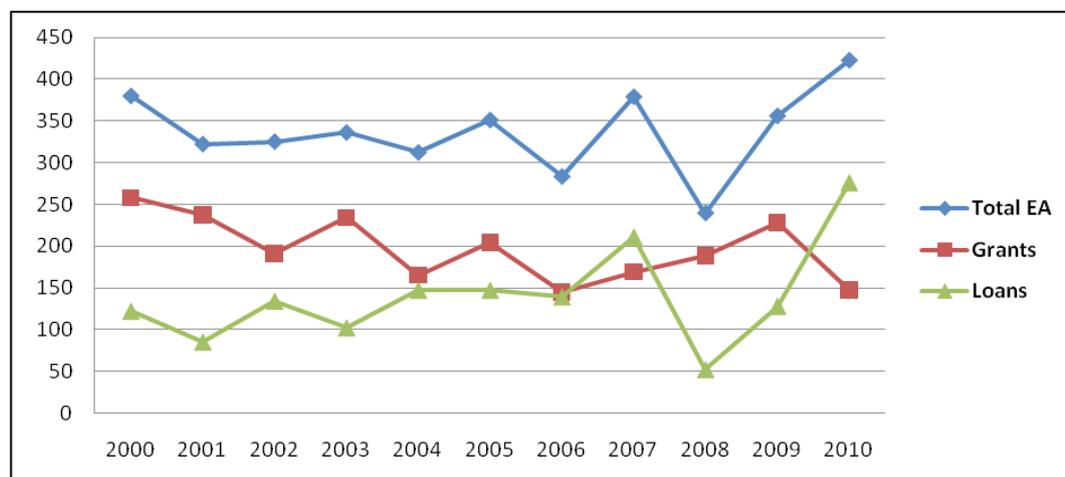
ACKNOWLEDGEMENTS

Preparation of the External Assistance Progress Report 2009-2010 has been realised with the support and assistance of many government and donor organisations. The DSDC would like to thank all donor agency representatives, Donor Technical Secretariat, and government institutions that provided necessary information on project and programme activities and reviewed the draft report.

OVERALL TRENDS OF EXTERNAL ASSISTANCE

Total external assistance during the period 2000 – 2010 has amounted to around € 3.71 billion¹, of which roughly € 2.17 billion (approx. 58%) has been in Grants, and € 1.54 billion in Loans (approx. 42%)². Since 2000, external assistance levels have mounted between € 240 - 405 million per year. Figure 1.1 shows the distribution of external assistance over this time period (2000-2010). As shown in the figure below, in the last three years, an increase in non-concessional loans has compensated for a steady decline in grants.

Figure 1.1 Total external assistance, grants and loans 2000-2010 (€ million)



Data source: OECD / DAC for 2000-2005 data; DSDC donors' database for 2006-2010 data.

Compared to most of the countries in the region, Albania has received increased levels of external assistance per capita terms (Table 1.1).

Table 1.1 External assistance (€³) per capita in 2006-2009

Country	Net ODA per capita (€)				Population (million) 2009
	2006	2007	2008	2009	
Albania	81.9	71.3	78.7	81.6	3.2
Bosnia-Herzegovina	103.4	87.5	83.9	79.3	3.8
Kosovo	-	-	-	314.3	1.8
Former Yugoslav Republic of Macedonia	80.3	71.9	68.6	68.2	2
Montenegro	122.5	124.3	115.3	87.0	0.6
Serbia	169.6	82.9	90.6	59.8	7.3

Source: OECD/DAC (2010) and World Development Indicators (WDI) (2010)⁴

In 2010, the ratio of external assistance to gross domestic product (GDP) has increased. This is mainly due to the marked increase in external assistance levels, rather than a decline in GDP (which has increased to € 8.9 billion in 2010 compared to € 4.6 billion in 2001). In 2010, the estimated ratio of external assistance to GDP⁵ was 4.64 %.

1 This figure refers to ongoing and completed projects as well as donor commitments 2009-2010

2 Source: OECD statistics for the years 2000-2005, DSDC Donors' Database for the years 2006-2010.

3 The Average annual OECD exchange rate for the Euro area (17 countries) has been used to convert the USD into EUR values

4 <http://data.worldbank.org/sites/default/files/wdi-final.pdf>; and <http://data.worldbank.org/indicator/DT.ODA.ODAT.PC.ZS>

5 According to the Ministry of Finance/Macroeconomic and Fiscal framework 2012-2014, the GDP in 2009 was 8.7 billion € and in 2010 was 8.9 billion €.

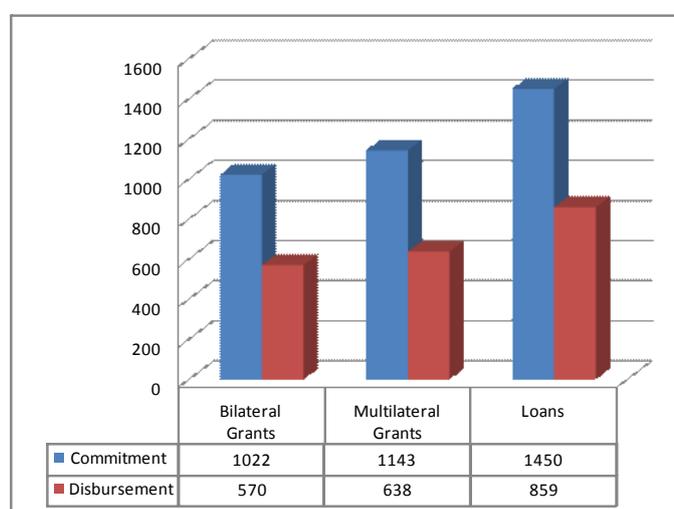
COMPOSITION OF EXTERNAL ASSISTANCE⁶

BY TYPE

During the 2000 – 2010 period, the external assistance has been provided in the form of bilateral grants, multilateral loans, multilateral grants, non-concessional loans and bilateral loans (Figure 1.2). In 2000, the major part of the external assistance commitments was provided through grants, representing 68% of total commitments, while during the following years, this type of financing has decreased by 10%. In the last two years, bilateral grants have decreased, and further decrease is anticipated as a number of bilateral donors are gradually phasing out. Most of the loans are provided by multilateral donors and are oriented mainly in infrastructure, energy, health, education and social reform.

The decline in bilateral grants has been roughly offset by an increase in bilateral concessional loans, resulting in relatively stable overall support from bilateral partners. Multilateral grants and concessional loans have been variable, but still with a sharp tendency of increase. The last few years have marked an increase in concessional and non-concessional loans provided by bilateral sources, bringing them to the highest levels ever.

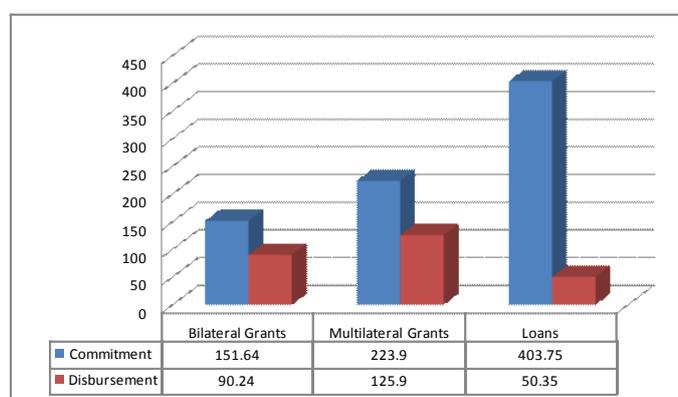
Figure 1.2 Bilateral and Multilateral Grants and Loans 2000-2010 (€ million) (Commitment and disbursement)



Source: Donor Database 2011

As indicated in Figure 1.3, during 2009-2010 period, the external assistance provided as loans has overcome the total assistance provided as grants. The major part of the assistance offered by multilateral donors is in the form of loans, while bilateral donors' assistance is still dominated by grants.

Figure 1.3 Bilateral and Multilateral Grants and Loans 2009-2010 (€ million)



Source: Donor Database 2011

⁶ Data for this section are obtained from the donors' database, which does not fully match with data from the OECD/DAC.

Grants and Loans donors

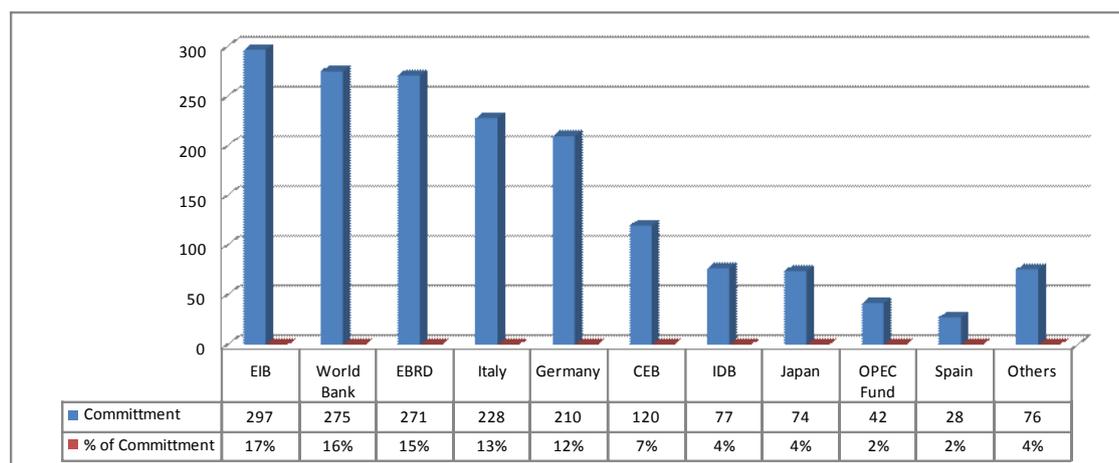
In 2008, on account of its strong achievements in economic growth, Albania has achieved middle income status and graduated from IDA concessional flows to IBRD lending, sending a positive signal to investors and the financial markets about the economic prospects of the country.

The largest source of non-concessional loans remain EIB and EBRD with portfolios, respectively € 297 million, and € 271 million, mainly in energy, transport, water supply and sanitation and, education. The CEB has approved projects portfolios worth around € 120 million and supports health, education, employment and social housing⁷.

The World Bank is the major multilateral donor that has been offering mainly concessional loans, in the amount of € 279 million since 2000. WB's support program aims to contribute to poverty reduction and improvements in living standards, job creation, government accountability, and infrastructure and social services.

Over the 2000-2010 period, the largest source of bilateral loans has been Germany/KfW with 16.3% of concessional loans. In the last ten years KfW has provided loans amounting to € 236 million. The support is mainly focus in: energy, water and sewerage and private sector development. Over the same period, Italy has been the second major bilateral donor providing providing a financial commitment of approximately € 228 million (or 15.5% of the total loans). The Italian loans are mainly focused in: infrastructure, energy and private sector development. The new Protocol of Cooperation for Development 2010-12 includes € 28 million in soft loans to support projects in agriculture and food security, development of SMEs and private sector and transport sector.

Figure 1.4 Multilateral and Bilateral Loans 2000-2010 (€ million)



Source: Donor Database 2011

Note: Only key donors are represented in this figure.

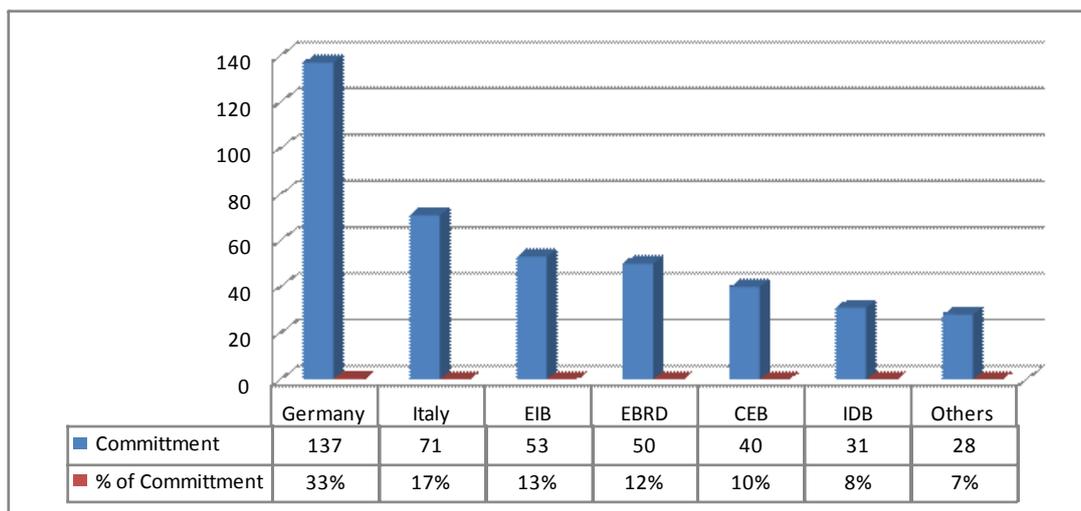
Commitments made during 2009-2010, show a shift toward an increase in bilateral loans. Germany has become the largest source of bilateral loans, providing € 137 million, or 33% of the total loans. It is followed by another bilateral, Italy that in the course of two years has provided € 71 million, or 17% of the total loans. Multilateral donors/banks remain still a large source of non-concessional loans, offering respectively € 53 million (EIB), € 50 million (EBRD), € 40 million (CEB) and € 31 million (IDB).

The new World Bank Country Partnership Strategy for Albania (CPS) 2011-2014 will include a policy-based lending of around € 71 million (US\$ 100 million) that will focus on sector reforms in social services and on broader reforms supporting growth and competitiveness.

Assistance provided by the multilateral banks is considered as valuable for the government because of their ability to support longer term investments, and for the cooperation with bilateral and multilateral donors, other commercial banks and the private sector.

⁷ Figures obtained from the donors' database for the period 2000-2010.

Figure1.5 Multilateral and Bilateral Loans 2009-2010 (€ million)

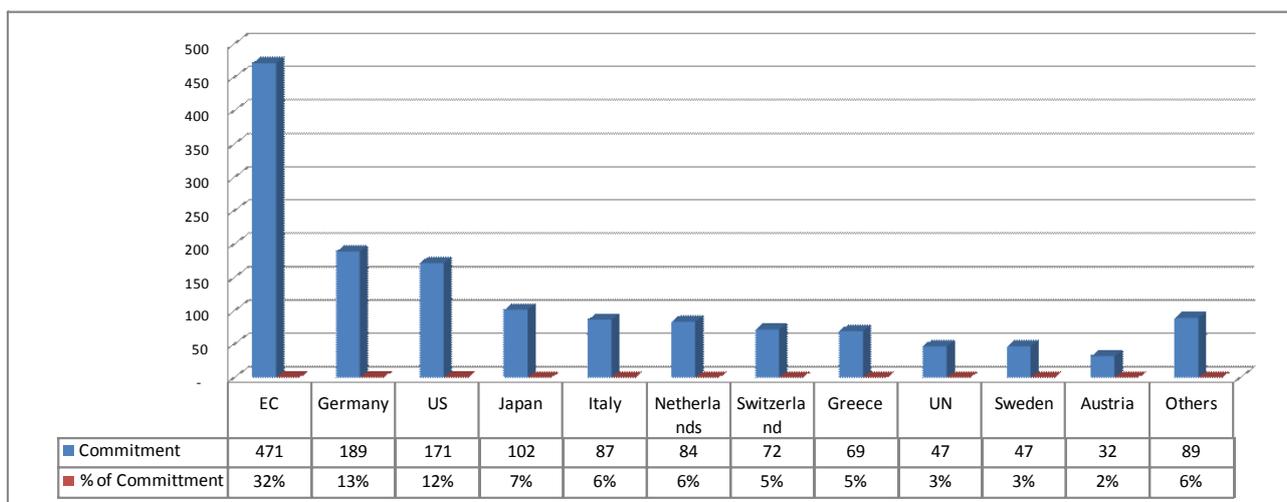


Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 1% of total assistance are grouped under “others”.

Grants are mainly provided by bilateral donors, but European Commission (EC) and UN are the two major multilateral donors that provide the entire assistance as grants (Figure 1.6). EC is the major provider of both multilateral and bilateral grants, offering around € 471 million CARDS and IPA assistance over the 2000-2010 period. EC assistance is targeting broad priorities, addressing EU integration.

Figure1.6 Multilateral and Bilateral Grants 2000-2010 (€ million)



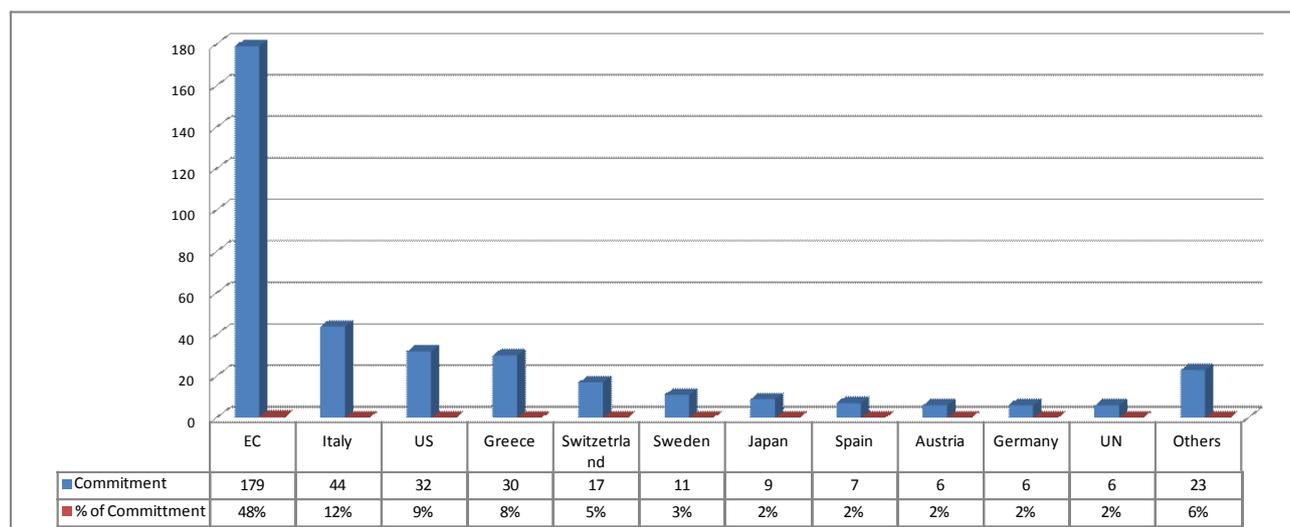
Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 1% of total assistance are grouped under “others”.

Amongst bilateral donors, Germany is the largest donor with a total grants’ contribution of € 189 million over the past decade. German assistance has been mainly focused on: water supply and sewerage sector; energy; economic and social development. The two recent Bilateral Protocols for Development Cooperation, that cover the 2008-2011 period, have offered an € 168.45 million of assistance, of which € 18.7 million has been awarded in grants.

The United States (providing assistance mainly through the U.S. Agency for International Development (USAID)) is the second major bilateral donor that has delivered more than € 124 million of grants as assistance to support Albania’s transition and long-term development, implementing programs in: promoting economic growth and prosperity; governing justly and democratically; investing in people; achieving peace and security and addressing additional anti-corruption-related reforms in the country’s public administration and justice sectors.

Figure 1.7 Multilateral and Bilateral Grants 2009-2010 (€ million)



Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 1% of total assistance are grouped under “others”.

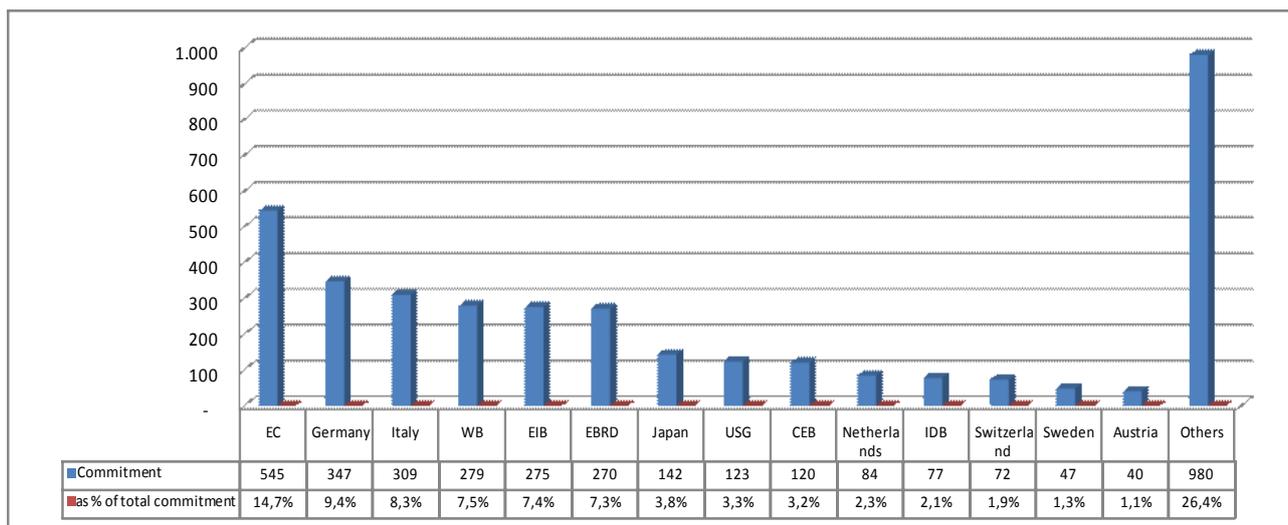
Over the 2009-2010 period, EC continued to be the sole major multilateral donor offering € 179 million or almost 50% of the total grants amount. IPA 2010 with an overall budget of € 93.6 million will finance projects addressing key issues such as: police reform and strengthening the rule of law, administrative-capacity building, environment and food safety, infrastructure, water supply and transport sector (local roads). The Multi-Annual Indicative Planning Document 2011-2013 has foreseen an additional amount of € 288.8 million, all in grants.

Amongst the bilateral donors, Italy has provided the largest amount of grants over the 2009-2010, with 44 million (or 12% of the total grants amount). Among the 56 ongoing projects, 46 initiatives are in grants. The new Protocol of Cooperation for Development 2010-12 seeks to support Albania with € 3 million grant for technical assistance, and € 20 million are financed as debt swapt agreement to finance projects in education, health and employment. US, Greece and Switzerland have been also major grant providers with respectively € 32 million (9%), € 30 million (8%) and € 17 million (5%).

BY DONOR

Ten multilateral donors (whose assistance constitutes approximately 49% of the external assistance) and 26 bilateral donors (with approximately 51%) operate in Albania. The six largest multilateral donors during the 2000-2010 period have been the EC (providing grants with over € 545 million) and EIB, WB, EBRD, CEB and IDB (providing over € 1.021 billion in loans), altogether accounting for 42% of external assistance. As for bilaterals, over the same period, the five largest donors have been Germany (providing over € 347 million in grants and loans), Italy (providing over € 309 million, in both grants and loans), Japan (with almost € 142 million in grants and loans), the US (with over € 123 million in grants), and the Netherlands (with over € 84 million grants), altogether accounting for slightly more than 27% of total external assistance during 2000-2010.

Figure 1.8 External assistance (commitments) by donor, 2000-2010 (€ million; %)

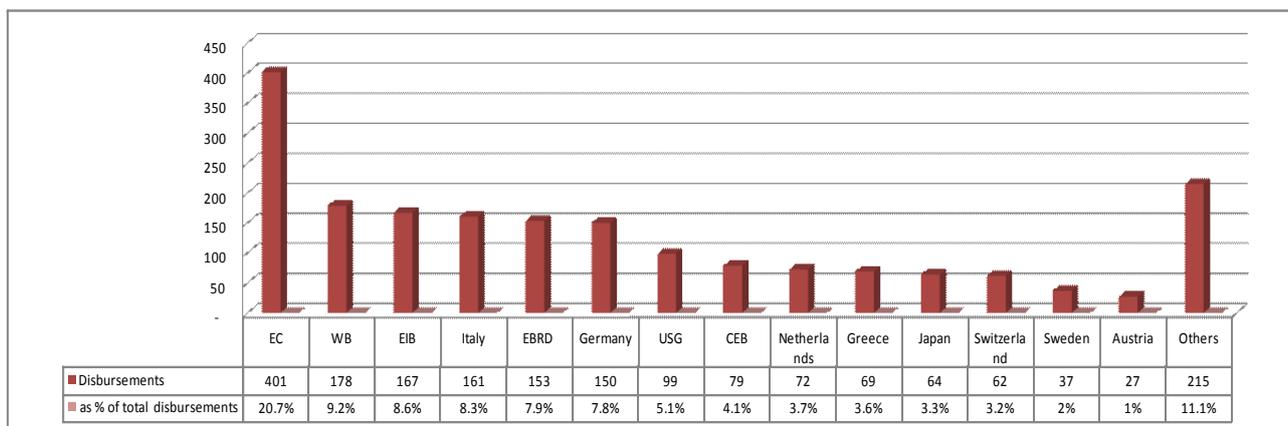


Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 2.0% of total assistance are grouped under “others”.

Although the aid provided as grants has a tendency to decline and a few of bilateral donors are withdrawing from Albania, still the assistance provided by some donors, such as Germany has been increased over the last years.

Figure 1.9 External assistance (disbursements) by donor, 2000-2010 (€ million; %)



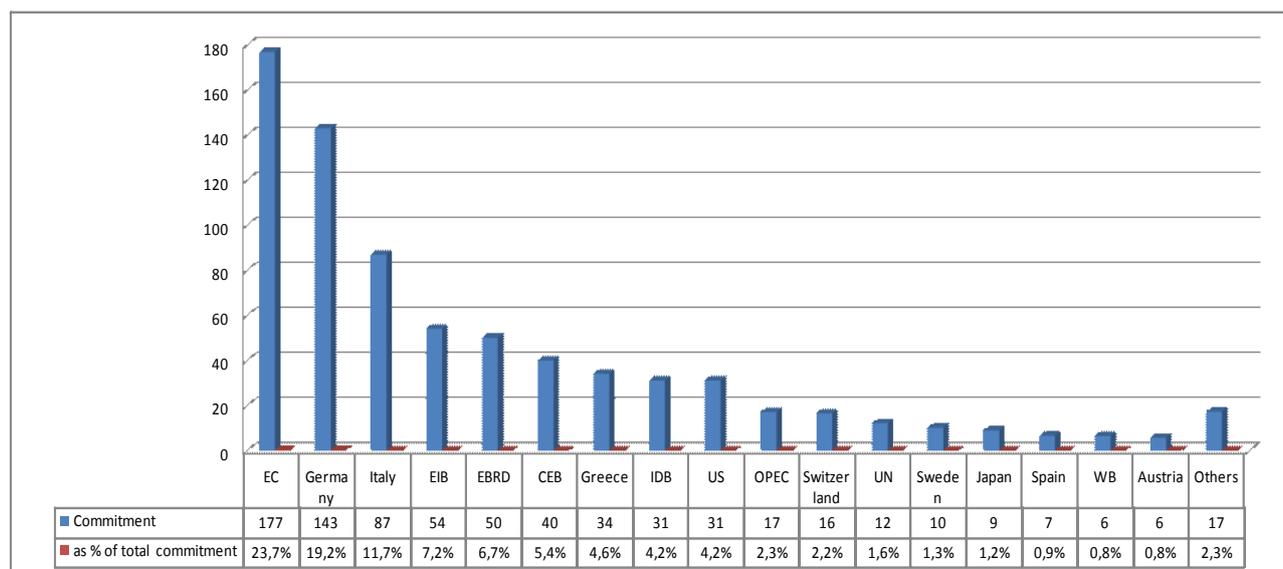
Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 1% of total assistance are grouped under “others”.

During 2000-2010, a significant increase in the total disbursement for both bilateral and multilateral donors is noticed, as compared to 2000-2008. This means a better absorption of funds by the Government as a result of increased planning and implementation capacities in the country.

During the 2009-2010 period, a total of € 747 million was committed in new projects. Over 50% of the total external assistance has been committed by three donors, EC, Germany and Italy. The largest multilateral donors continued to be EC (with € 177 million, or 23.7%), EIB with 54 million (7.2%), EBRD with € 50 million (6.7%), CEB with € 40 million (5.4%) and IDB with € 31 million (4.2%). As for the bilaterals, the major new commitments were made from Germany with € 143 million (19.2%), Italy with € 87 million (11.7%), Greece with € 34 million (4.6%) and US with € 31 million (4.1%).

Figure 1.10 External assistance (commitments) by donor, 2009-2010 (€ million; %)



Source: Donor Database 2011

Note: Only key donors are represented separately in this figure. Donors with a contribution of less than 1% of total assistance are grouped under "others".

BY SECTOR FOCUS

There has been a wide variation from year to year in the sectoral allocation of support with no clear trends during the period 2000 – 2010. Based on evaluations and analysis that have been conducted, the aid has been allocated in accordance with the priorities stated in the strategic documents for the development of the country.

Table 1.2 External assistance (commitments) by sector focus, 2000-2010 (€ million)

NSDI areas	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	%
Democratisation & rule of law	85	61	49	67	64	89	36	41	31	46.9	24.8	16%
Economic development	30	32	36	17	11	15	16	23	26	32.3	26.8	7%
Transport	16	16	26	32	20	16	20	29	75	67.35	173.8	14%
Energy	33	51	83	61	94	88	107	107	33	55	81.4	22%
Water	99	53	22	37	47	53	40	48	10	30.3	58	14%
Social development	67	47	37	102	46	46	26	37	25	62	22.5	14%
Other	48	58	72	20	29	43	38	28	42	62	35.7	13%

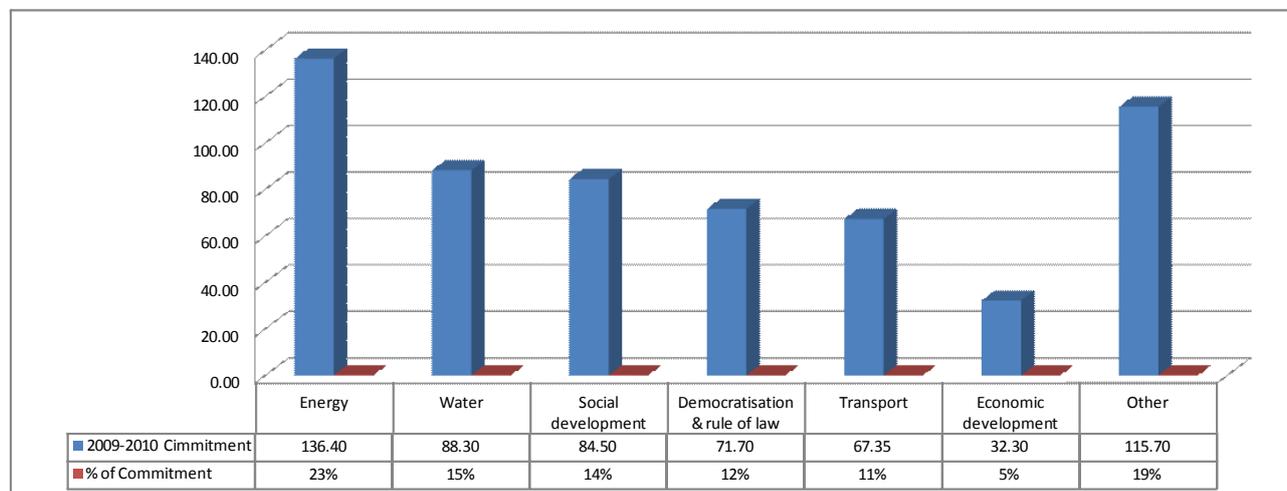
Note (1): in DAC terminology, 'Economic development' includes agriculture, industry, trade, business/banking/finance, and tourism.

Note (2): DAC sector data for 2001 is not consistent with DAC data analysed by donor. This has been resolved by using the donor analysis total and allocating it to sectors according to the average share for 2000 and 2002.

The largest share of support over the past decade, as well as in the last two years has been focused on transport and energy as they represent the highest government priorities. This is also reflected by the highest levels of external assistance allocations provided. Only during 2009-2010 the transport sector has benefited from more than € 241 million (or 31% of the total external assistance allocated during this period) making it the highest supported sector over this period. It can be noted that in 2010 this sector has benefited from € 173.8 million, which is more than three times higher than the annual average for the past ten years. Energy has also benefited by increased investments over the last two years, with € 136 million and overall it remains the sector that has benefited the largest assistance for the past ten years (22% of the total amount). Water sector remains of particular interest, and this is reflected by the presence of the high number of active donors in this sector. Water and sanitation have benefited from a total amount of € 88 million over 2009-2010 period. Democratisation and rule of law has been another sector that has been strongly supported with 16% of the total

amount of external assistance over the past ten years. However, indications show that the share of external assistance devoted to the democratisation and rule of law has been declining in the last year with € 24.8 million, compared to the average of € 36 million for the period 2000-2010. Rural and Regional development of the country, has expanded rapidly in the last years, which explains the recent focus of several donors in this area. The economic development remains to be of great interest to donors despite of the slight decrease in total amount committed during the last two years, the level of disbursements has increased significantly due to a large scale of the ongoing activities.

Figure1.11 External assistance (commitments) by sector, 2009-2010 (€ million; %)

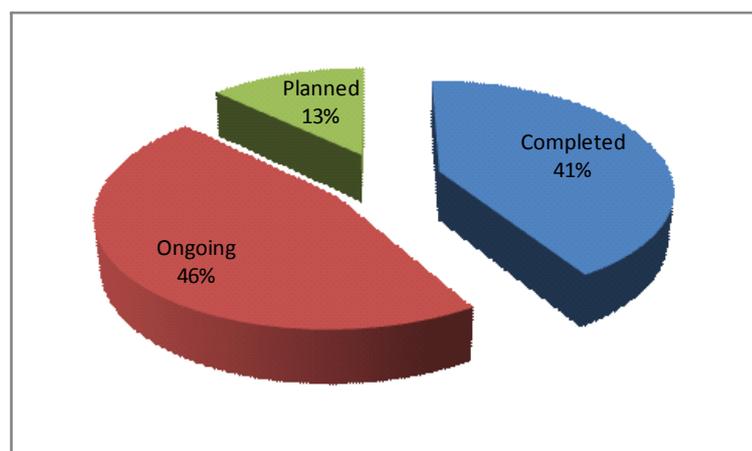


Source: Donor Database 2011

BY STATUS

The donor database includes projects that are ongoing (€ 1,93 billion) or are planned (€ 0,54 billion) with firm commitments. It also includes a record of completed projects (€ 1,74 billion) and some notes of indicative programming. For the 2000-2010 period, this picture is illustrated by the following graph:

Figure1.12 Commitments by project status 2000-2010 (%)



Source: Donor Database 2011

Note: The graph shows that roughly 13% of the total commitments are planned by donors in future projects. This low figure results partially from the uncompleted information that is given by donors about their expected commitments in the coming years.

PUBLIC INVESTMENT BY DOMESTIC FINANCING

Table 1.3 shows the level of domestically funded investments in different sectors, as registered by the Albanian State Budget. Transport, Water and Sanitation, Education and Health are sectors which benefited the highest share of investment provided by the domestically financed projects.

Table 1.3 Public investments by sector domestically funded 2009-2011

Sectors	Domestically funded (in € million)		
	2009	2010	2011
Justice	1.29	2.14	4.06
Home Affairs	4.85	7.57	5.28
Education	27.52	31.66	22.17
Health	12.24	12.33	21.61
Employment	0.45	0.72	1.17
Energy	0.27	0.37	0.47
Water and sanitation	27.50	36.26	24.83
Transport	476.96	220.82	184.24
Economic development	1.40	0.21	0.98
Agriculture	9.03	7.41	19.57
Environment	1.87	1.29	3.33
Other	31.75	43.87	58.97
Total	595.12	364.65	346.68

Note (1): Domestically funded investment is taken from 2009-2010 factual budget figures (MoF), while 2011 is planned.

Note (2): The value of the domestically funded investments for Energy in 2008 does not include the investments of the public electrical energy corporation (KESH) due to the fact that the budget does not finance the investments of the KESH.

Source: GoA Treasury 2011 and 2011 Budget (MoF).

A relatively high concentration of external support in the above sectors will continue for some years. Several sectors receive high external assistance because of their need for strong technical assistance (TA), in addition to investment. However, there will be a tendency for differences between sectors to decline. In addition, some of the sectors that are benefiting from semi-commercial borrowing, e.g. energy, will benefit from commercial borrowing, following the trends started by graduation from IDA and the use of loans by bilaterals.

1

DEMOCRATISATION AND RULE OF LAW

Public Administration Reform & Capacity Building

SECTOR OVERVIEW

Establishment of a professional administration, based on meritocracy, non-discrimination principles, which is rational and capable to face the integration challenges is the vision lying in the NSDI, regarding reform on public administration. The November 2010 EU Opinion has highlighted the need for further enhancing the impartiality of public administration, in order to progress towards establishing an independent, merit-based, professional civil service. The Strategy on Public Administration Reform 2009-2013 lays the foundation for further strengthening of public administration to cope with standards of European Integration as well as better prioritize future external assistance to the area. Several initiatives are under way aiming at reviewing the existing legislation on the organization and functioning of the State administration in Albania based on best practices (SIGMA), suitable for Albania. Strengthening capacities of DoPA and TIPA and establishment of a modern human resource management system has been amongst immediate priorities that have been addressed by the IPS Multi-Donor Trust Fund.

To strengthen the cooperation in the fields of public administration and management in the Western Balkans countries and to strengthen the administrative capacities as required by the EU integration process, a Regional School of Public Administration (ReSPA) has been initiated and supported by the European Commission.

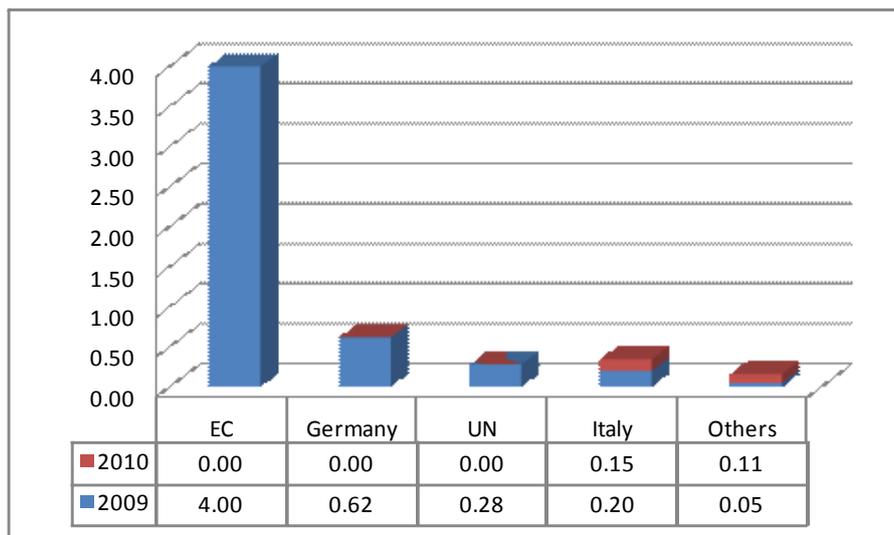
OVERALL ASSISTANCE IN 2009-2010

During 2009-2010, donor assistance committed in this sector amounts approximately € 7.3 million, including 11 new projects, 8 of which started in 2009 and 3 in 2010. EC is the main donor providing € 4 million (75%) followed by, Germany with € 0.62 million (11%), Italy € 0.35 million (6%), UN € 0,28 million (5%), Sweden € 0,11 million (2%) and OSCE Presence in Albania € 0,05 million (1%).

The “Multi Donor Trust Fund for the Capacity Building and Support to Implement the Integrated Planning System in Albania (IPS)”, co-funded by seven donors, EC, Austria, UK, Italy, Sweden, Switzerland, the Netherlands, with a total value of € 5.7 million and administered by the World Bank, has been established in 2007 and will be completed by the end of September 2011. The project focused its activities mainly on improving capacities on strategic planning at central level, beneficial also to DoPA and TIPA.

EC, the main donor in the sector, started 3 new projects during this period; “Support to Civil Service Reform” (€ 1 million) intending to further strengthen public sector governance by improving DoPA’s management capacity and enforcement of the Civil Service Law; “Support to strengthen Albania’s administrative capacity to manage and coordinate the SAA implementation process”(€ 2 million) and “Project Preparation Facility”(€ 1 million), aiming to enhance technical and administrative capacity of MEI and line ministries in the EU integration process including the preparation of IPA programmes/projects.

Figure 2.1 Public Administration – Donor Commitments 2009-2010 (€ million)



Source: Donor Database 2011

Other donors, Germany, Italy, UN, Sweden, etc., have given support to strengthen the capacities of the Government in the implementation of EU integration, IPS, NDSI, Paris Declaration, and Program Based Approach (PBA) training. In addition, Turkey and Japan have provided trainings/seminars/workshops in various areas.

NEW DONOR INITIATIVES

With the EU integration agenda in focus, EC and Germany have committed a total amount of € 5.5 million for projects starting in 2011 and beyond. On the other hand, Sweden is committed to further support the IPS implementation with € 1.6 million, while Switzerland with € 0.8 million.

FUTURE PRIORITIES

- Support to strengthen capacities of Albanian institutions to deal with the European Integration process and SAA implementation at central government.
- Support to the implementation of the Integrated Planning System
- Support to the implementation of the Public Administration Reform and establishment of the Public Administration University.

DONOR CO-ORDINATION

The Sector Working Group on Public Administration which is led by the EU Delegation, with the participation of active donors such as Switzerland, Sweden and Germany, has been discussing issues that relate to the civil service law, and the reflection of recommendations of the EC opinion. The IPS Support Group, a joint government-donor body, deals with the IPS implementation and the IPS Trust Fund issues. During 2009-2010, three meetings of the IPS Support Group were held giving an overview of the progress and activities as well as approving an extension of the IPS MDTF until September 2011.

Parliament, Elections, Civil Registry and ID Cards

SECTOR OVERVIEW

Modernization of the Albanian Assembly has been supported by the donors since 2001. The latest parliamentary support project funded by the Netherlands in several phases and implemented by the OSCE Presence in Albania (completed in December 2010), helped increase the transparency and efficiency of the Parliament's activities and transform the Assembly into a role model of transparency and modernization. The Assembly library has been expanded with almost 500 new titles. New reading and studying premises for both Members of Parliament and staff have been established. A high-quality IT network was established within the project framework. This has enabled the Assembly to the plenary sessions online as well as make verbatim transcripts of the sittings and minutes of standing committees made available online quickly after meetings and hearings.

The modernisation of the civil registry and thr addresses systems is important to improve the delivery of the public services in sectors such as health, taxation, property, social security, education, the postal services, but also to facilitate court proceedings, enforcement of rulings, or response to emergency situations. Preparations for the electronic civil registry and address system were completed in November 2008 to provide the basis for issuing ID cards, and biometric passports. The new web-based address system enables accurate registration of citizens in the National Register of Civil Status. It also provides for online searches of addresses. The Albanian biometric passport, a key requirement for the visa-free travel to the European Union, is available since May 2009.

Efforts have been made to improve the electoral code in order to address the remaining issues concerning both the implementation of essential legislation and the conducting of elections in accordance with international standards and commitments. Following the constitutional amendments and the electoral code that was adopted consensually in 2008, the Albanian electoral system changed from a mixed to a regional proportional system.

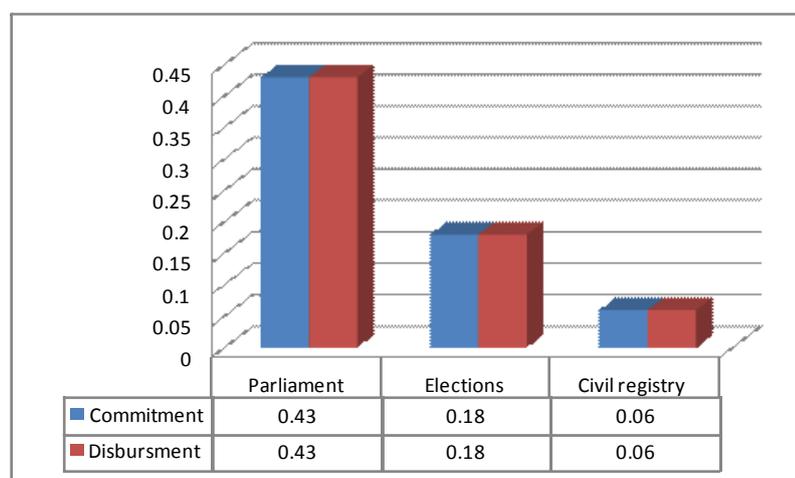
OVERALL ASSISTANCE IN 2009-2010

Parliament has received over 65% of the new commitments in 2009-2010, followed by Elections with 26%, and Civil Registry with 9%.

Although there has been only a small amount of new commitments dedicated to the Civil Registry and ID Cards during the 2009-2010, with €0.6 million, the assistance in this sector has come mainly from the EC € 4 million project ("Modernisation of the civil registry the address system in Albania" project, implemented by the OSCE Presence in Albania) and Norway € 50,000 offering technical assistance to establish a unique system of addresses in Albania and installation of street signs, the modernisation of the civil registry and preparation of the biometric ID cards and passports.

The EC has also allocated additional funds (over €10 million⁸) for Census and Data Protection Commissions.

Figure 2.2 Parliament, Elections, Civil Registry and ID Cards commitments and disbursements in 2009-2010 (€ million)



Source: Donor Database 2011

8 This amount expresses additional funds that are not included into the total for this sector, but are included under the Statistics sector.

NEW DONOR INITIATIVES

Through the IPA National Programme 2010 project “Strengthening the Assembly of Albania”, EC will support the Albanian Parliament with a €1.5 million twinning project to approximate legislation with the EU acquis and improve its oversight role.

FUTURE PRIORITIES

- Improving the role of the Parliament in monitoring the implementation of SAA obligations;
- Establishing the electronic voting system.

DONOR CO-ORDINATION

The donor focal point for the SWG on elections and civil registry is the OSCE Presence in Albania. The group meets close to the election period to discuss contributions of various donors to the electoral reform and to avoid overlapping of assistance.

Media and Civil Society

SECTOR OVERVIEW

The Government is considering free media and promotion of civil society as the most important priority. Certain initiatives and ideas put forth by the civil society have taken root, such as those pertaining to human rights, media and research. However, there is a dependency of civil society on donor funds and there is a tendency on the part of civil society organisations to adopt their projects to the objectives of donors rather than the priorities and needs of the country. GIZ has supported the establishment of the Agency for the Support of Civil Society. The Agency is supporting activities aiming to encourage the sustainable development of civil society and the creation of favourable conditions for civic initiatives. A Charter of the Civil Society is expected to be adopted by the Assembly.

OVERALL ASSISTANCE IN 2009-2010

New projects starting in 2009-2010 period account to € 4.8 million, in support to media and civil society, financed by EC, providing 88% of donor support in the sector, Austria with (6%), UN, World Bank, Sweden and OSCE Presence in Albania accounting for 6% of the overall commitment. Total disbursements of all ongoing projects account to € 8.5 million, of which € 4.2 million have been disbursed by projects that have started in 2009-2010 period.

EC support to civil society is given by two initiatives: “Civil Society Facility – Civic Initiatives and Capacity Building” funded under IPA 2009 with a budget of € 1.5 million, and European Instrument for Democracy and Human Rights (EIDHR) Country Based Support Scheme (CBSS € 1.2 million, aiming to strengthen the role of civil society in promoting human rights and democratic reform. With the same scope, the World Bank has been allocating grants to civil society organizations under the Small Grants Program since 2001.

NEW DONOR INITIATIVES

EC will continue its support through the national IPA programme as well as through the EIDHR/CBSS 2010 and 2011 with a total budget of € 1.2 million. Sweden will provide € 0.8 million in funding to strengthen the civil society organisations working in the environment field.

FUTURE PRIORITIES

- Support for increasing capacities and sustainability of NGOs, especially those located outside Tirana.
- Increase NCRT’s monitoring capacities and technical resources and further media reform towards its de-politisation.

JUSTICE AND HOME AFFAIRS

DONOR CO-ORDINATION IN THE SECTOR

Donor co-ordination for the Justice and Home Affairs (J-HA) strategic priority is supported by the International Consortium (IC), a donor-led initiative since 2000, offering assistance to the Government in the area of law enforcement and rule of law. During 2009-2010, IC has carried out 29 sectorial meetings and 2 plenary sessions, focusing on issues such as Legal and Prison's Reform, Juvenile Justice, Albanian State Police, Integrated Border Management, and Anti-corruption.

In the framework of implementation of the EU initiative on "Fast Tracking Division of Labour", the EU Delegation acts as the Lead European Donor in J-HA related sectors and facilitates sector policy dialogue and aid coordination among European donors and the Government, particularly in the context of the EU pre-accession agenda of Albania.

Justice

SECTOR OVERVIEW

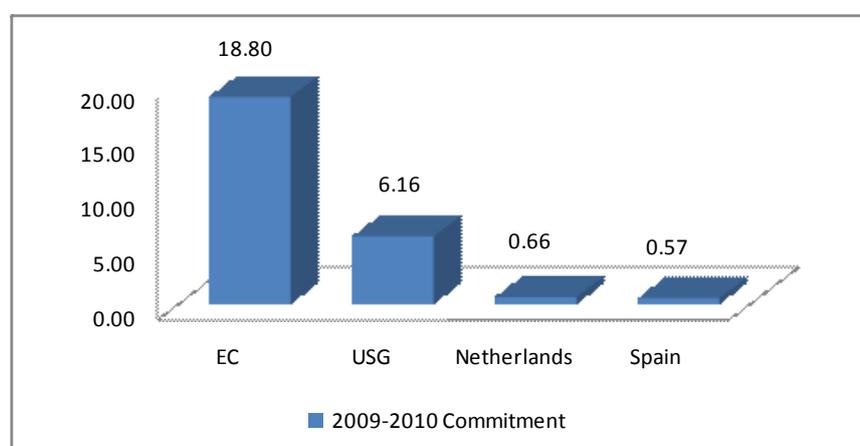
The reforms undertaken by the Ministry of Justice, with donor support, have been crucial for the development in numerous areas including legislative drafting, criminal justice, justice organisation, law enforcement, judicial budgetary planning and management, court administration and case management. The adoption of a comprehensive strategy on judicial reform remains a core objective. The Cross-cutting Strategy on Justice is at a final stage and is expected to be approved by the first half of 2011, following a broad consultation with the donor's community and other stakeholders in 2009 and 2010. A challenge remains the completion of the legal framework that will require sufficient human and financial resources for its implementation.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance for 2009-2010 reaches approximately € 26.2 million, divided in 12 projects, of which around € 17.4 million (equivalent to 67 %) have been disbursed⁹ until the end of 2010. The 2009-2010 disbursements of all ongoing projects is € 20.8 million (€ 7.8 million in 2009 and € 13 million in 2010).

Allocations for the new projects that have started since January 2009, focused on prisons' infrastructure and pre-detention centres with € 16.6 million, followed by legal reform with € 6.4 million, and court system with € 3.3 million.

Figure 2.3 J-HA Commitments by donor during 2009 - 2010 (€ million)



Source: Donor Database 2011

⁹ As per European Commission assistance, calculation on disbursement has been made on funds contracted during the period 2009-2010.

USAID's Albanian Justice Sector Strengthening Project (JuST). "JuST", a five-year program starting in December 2010 of € 6.16 million, aims at increasing court transparency, fairness and efficiency through construction of public information offices, mediation for commercial and family law cases, better and more efficient use of courtrooms, continuous education to the lawyers, etc.

In December 2010, following up a previous assistance provided under the CARDS (EURALIUS I & II), the EC funded by € 3.3 million the "Consolidation of the Justice System in Albania" project that will assist the Ministry of Justice and judicial institutions to develop an independent, impartial, efficient, professional, transparent and modern justice system.

Under IPA 2007-2010 programme, a total of € 34.2 million will be provided to support the pre-trial detention facilities and to improve pre-trial detainees' rights and living conditions, through the construction of pre-trial detention centres and prison in Fier, Elbasan and Berat.

The Office of Prosecutor General, through the Joint Investigative Units as part of Tirana District Prosecution Office, is being supported by the US Government through "The Millennium Challenge Cooperation Threshold Agreement in Albania" stage II. The General Prosecution Office, along with other institutions that are involved in the prevention and fight against corruption in Albania, is benefiting from the EC/IPA 2008 PACA project (Project Against Corruption in Albania) and from the EC/IPA 2009 project "Support to Anti-Money Laundering and Financial Crime Investigations Structures".

FUTURE PRIORITIES

- Improving conditions in prisons and detention centres as well as for human and material resources available for prison management
- Construction of new Pre-detention and Prison Centres in accordance with EU standards in order to decrease overcrowding of facilities
- Judiciary modernisation through an integrated and unified IT/MI system over all agencies in the Justice system
- Adoption of the legal framework, including the Laws on the National Judicial Conference, on administrative justice and on judicial administration; Amendment of the Civil Procedure Code to enable judges to exercise more authority

Integrated Border Management (IBM) & Migration

SECTOR OVERVIEW

As a result of all reforms undertaken by the Government, the EU Council of Ministers announced on 8 November 2010, the decision to grant visa-free travel to Albanians, which took effect in mid December 2010.

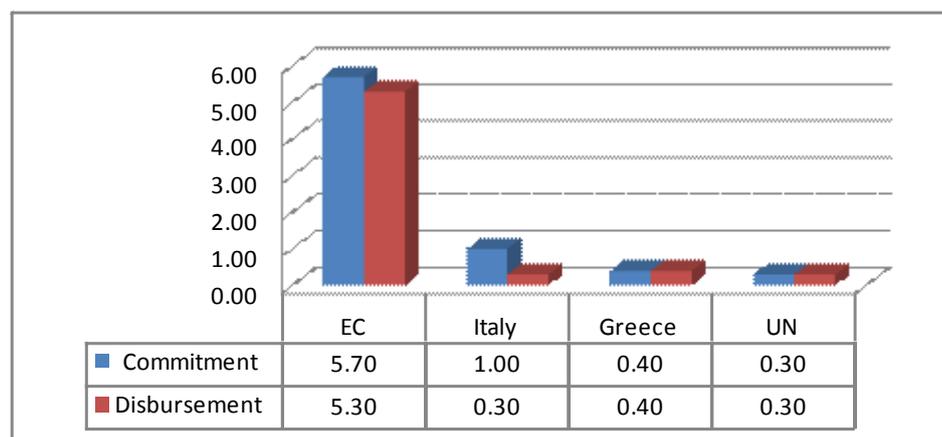
The effective implementation of the Strategy on Integrated Border Management (IBM) and its action plan, in line with the EC "Guidelines for Integrated Border Management in the Western Balkans" enabled in 2009 all border crossing points to be linked electronically via the Total Information Management System (TIMS) and equipped with the respective facilities according to EU standards and Schengen Code. In May 2010 the Inter-institutional Maritime Operational Centre (IMOC) was established with the support of EC/PAMECA III project. A fully functioning IMOC Centre is ensuring the civilian control of Albanian maritime space and is providing positive results in the fight against illegal activities in the maritime space.

In 2010, Government of Albania approved the Strategy on Reintegration of Returned Albanian Citizens as part of its national migration policy. It further expands the reintegration measures of the National Strategy on Migration aiming to fully address the reintegration issues.

OVERALL ASSISTANCE IN 2009-2010

Total donor commitments for projects that have started from January 2009 amount to € 7.5 million in grants with 89% disbursement rate (approx. € 6.25 million). In addition, the disbursement amount in 2009-2010 for projects that have started prior 2009 is € 5.85 million. The main donor supporting this sector is the EC (with approximately € 5.73 million or 77 % of all commitments), followed by Italy (€ 0.99 million in commitments), Greece (approximately € 0.4 million); and UN/UNHCR (approximately € 0.3 million).

Figure 2.4 IBM and Migration- Commitments and disbursements 2009-2010 (€ million)



Source: Donor Database 2011

IBM & Migration has benefited from several projects aiming to improve employment policies, specifically targeted on returning migrants, as well as to build reception facility for readmitted 3rd-Country nationals. –EC/IPA 2009, a € 4 million project “Support to Blue Border Management” focuses on border surveillance at the maritime borders, by refurbishing the facilities of the IMOC and supply/maintenance of vessels. The EC project “Integrated Border Management: Infrastructure upgrading of selected border control points” funded by € 1.1 million the construction of the Joint Border Crossing Point in Muriqan/Sukobin, inaugurated in June 2009. EC/IPA 2009 has committed € 0.46 million to rehabilitate the border crossing point of Morine-Kukes, through infrastructure related activities needed for the CBC connection.

US Government plays an important role, by providing notable financing to the sector through “Information Technology for Law Enforcement – TIMS” project with € 8.75 million and “Capacity Building for Integrated Border Management” project with € 4.5 million. This portion, of a value of approx. € 1.4 million transfers ownership of a wide variety of ICITAP procured and installed hardware at all 24 border-crossing points, 12 regional police directorates and 40 commissariats and stations. It has helped transform the delivery and effectiveness of State Police operations while reducing costs to the taxpayers.

FUTURE PRIORITIES

- Support the improvement of IT and infrastructure operational assets of border crossing points.
- Support for capacity building, through trainings for both border and customs officers in order to optimize the usage of IT systems and increase the control capacities
- Support to the Inter Ministerial Operation Centre (IMOC), particularly related to provision of IT systems and weather protection system.

Public Order and Organised Crime

SECTOR OVERVIEW

In the recent years, the Albanian State Police (ASP) has demonstrated continued progress in the fight against organized crime, terrorism and trafficking by reflecting an enhanced professionalism. The implementation of the strategy of ASP 2007-2013, has been further secured, indicating Community Policing as an area which has shown progress during the period 2009-2010 and where community's belief has increased steadily. The transformation of policing aspect from the traditional way of policing (a reactive policing) into a crime prevention policing (a proactive policing) remains a priority for the future. The establishment of new structures such as the investigating computer/IT crime and investigation of criminal assets has resulted in increased administrative capacity. In this context, in January 2010 the law "On preventing and combating organized crime and trafficking through preventive measures against property" (the so-called Anti-Mafia Law) came into force and is expected to positively influence the investigation and the confiscation of criminal assets. Progress has also been shown in strengthening legal and institutional capacities against money laundering.

The implementation of the National Strategy for the Fight Against Child Trafficking and the Protection of Child Victims of Trafficking and its action plan, have been focusing on improving the capacity of Border Control Personnel to detect potentially trafficked children; enhancing formal and ad-hoc co-operation; increasing awareness on child trafficking and fostering the nation-wide institutionalization of Child Protection Units.

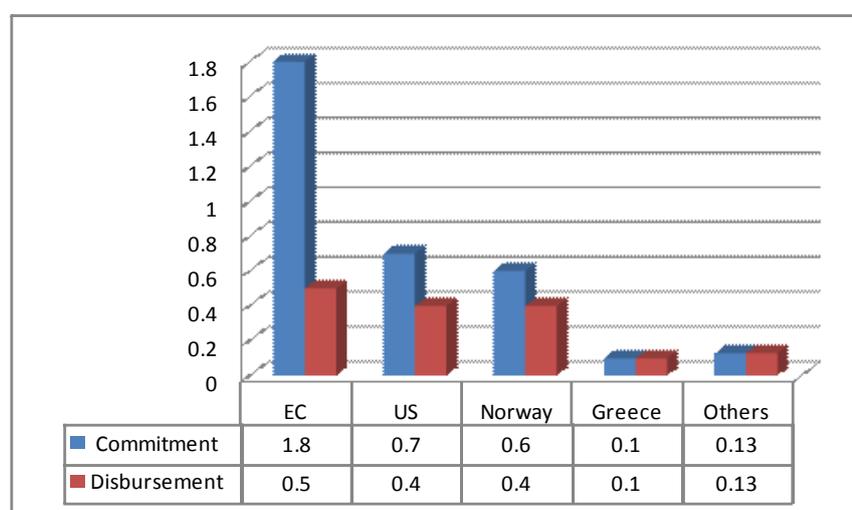
The worldwide developments related to terrorism, and its impact in many spheres of life, have resulted in drafting a crosscutting strategy on the fight against terrorism, which is expected to be approved by 2011, and together with its action plan aim to eliminate from the roots any possible attempt of terrorism.

OVERALL ASSISTANCE IN 2009-2010

Major donors providing funds for the sector during 2009-2010 were: the EC through CARDS 2006 and IPA 2009, with € 1.8 million, the US with € 0.7 million, and Norway with € 0.6 million. The sector is also being supported by other donors who although provided smaller amounts of assistance have been very active in the sector.

Total donor commitment for projects that started in 2009 and 2010 amounts to € 3.3 million, with an approximate disbursement¹⁰ rate of 43%. In addition, approximately € 2 million have been disbursed in 2009/2010 for all projects that have started prior to January 2009.

Figure 2.5 PO&OC - Commitments and disbursements by donor 2009-2010 (€ million)



Source: Donor Database 2011

¹⁰ As per European Commission assistance, calculation on disbursement has been made on funds contracted during the period 2009-2010.

The main sub-sectors, benefiting from external assistance: witnesses protection (with € 1.8 million) and human trafficking (with € 1.37 million), followed by organised crime and terrorism with a lower amount.

A significant support to the ASP is provided by the EC-funded “Police Assistance Mission of the European Community to Albania” (PAMECA) Programme, implemented into several phases. The EC/IPA 2009 project “Enhancement of operational and logistical capacities of Witness and Special Persons Protection Unit” (€ 1 million), aims to ensure that the Albanian Criminal Justice System is capable of providing the appropriate level of security for justice collaborators and witnesses. The second component of the project “Support to the Penitentiary Infrastructure and improvement of training and accommodation capacities in the Police Education Centre”, funded by IPA 2010 will complete the investments included in the Master Plan needed for the complete refurbishment of the Police Education Centre. It will be the final phase of intervention in the Police Education Centre.

Amongst the bilateral donors, the US Government is currently the main source of support, through the € 4.9 million project “Support against organized crime, through Police Training, and Institutional Reform”, ongoing for 10 years, assisting Albanian State Police in reform and development of organization, training, and capabilities for more effective management.

NEW DONOR INITIATIVES

A three year Sweden-funded project on Community Policing, with a total commitment of € 2.6 million, will begin in 2011. This project will aim at improving the ability of the ASP to provide security and safety situation in the community, as well as to increase the partnership between ASP and the public.

FUTURE PRIORITIES

- Further enhancement of professional capacities of police staff through training and enhancement of work ethics;
- Additional improvement of policing standards following a citizen-oriented and problem-solving approach as in more developed countries;
- Reconstruction and improvement of police stations in different regions, followed by the supply of appropriate materials and police equipment;
- Additional assistance is required in all areas of State Police activity, for drafting the new primary and secondary legislation in compliance with EU standards; strengthening the institutions in charge of fight against money laundering and financial crime.

Anti-corruption

SECTORAL OVERVIEW

In the last two years, Albania has adopted several anti-corruption measures and laws. The Criminal Code and the Criminal Procedure Code include key tools for fighting corruption and special investigative measures. Amendments to the Criminal Code introduced provisions on public sector bribery as well as completely new provisions on private sector bribery and trading in influence. The adoption in October 2008 of the national Cross-cutting Strategy on Prevention and Fight against Corruption and Transparent Governance (2008-2013), was followed by an action plan, which enables the GoA to have a strategic approach and ensuring sustainable progress in this area.

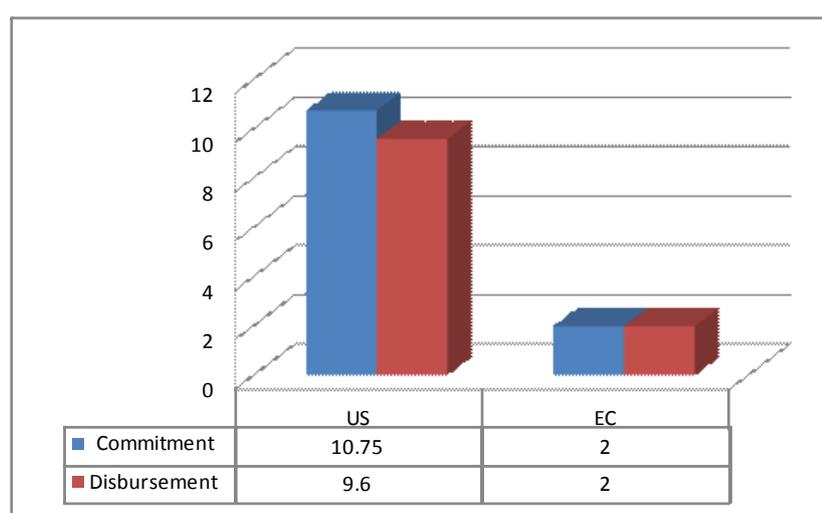
The digitalization and modernization of government have been considered as the main tool for increasing the efficiency, transparency and quality of public services. From 2009 Albania is the first country to develop an obligatory electronic procurement system for 100% of all public sector procurements above the threshold of € 3,000.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance in the sector has been focused on anti-corruption measures in the customs and tax offices, intensifying prevention's procedures, and building monitoring capacities for the anti-corruption action plan. The US remains the largest donor in this sector, followed by the EC. Total contribution amounts to € 12.9 million in grants, of which approximately € 11.6 million (or 91% of total contributions) have been disbursed¹¹ until the end of 2010. For the major part, this fund corresponds to the two ongoing projects, financed respectively by the US under the Millennium Challenge Account Threshold Program STAGE II, with over € 10.75 million, and the EC funded IPA 2008 "Project Against Corruption in Albania" with a total contribution of € 2 million, and an additional of € 0.13 million by the Council of Europe.

The USAID Albania Rule of Law Program (RoLP), through the implementation of component 2 "Institutional Oversight & Audit" is also focused on reducing corruption by improving government checks and balances and accountability.

Figure 2.6 Anti-Corruption – Commitments and disbursements 2009-2010 (€ million)



Source: Donor Database 2011

FUTURE PRIORITIES

- Completing anti-corruption legislation and institutional set-up and improving anti-corruption monitoring, reporting and statistics;
- Establishing a track record of investigation-prosecution-conviction of high level corruption cases and address administrative obstacles;
- Developing training programs on methods, tools and techniques of administrative and criminal investigation, procedures of financial investigation, fraud and corruption”;
- Undertaking awareness campaign against corruption

Property Rights

SECTORAL OVERVIEW

During 2009/2010 the Government of Albania (GoA) has undertaken considerable steps in addressing challenges in managing the first registration of immovable property, formalizing the informal settlements in urban and peri-urban areas, resolving conflicting claims to land made by former owners and current occupants, and

¹¹ As per European Commission assistance, calculation on disbursement has been made on funds contracted during the period 2009-2010.

improving agricultural productivity by an efficient land use. A Crosscutting Strategy on Property Rights as well as an Action Plan has been drafted and are expected to be finalized by 2011. Immovable Property Registration Office (IPRO), the primary agency of land administration, has shown improvements in conducting land administration duties in an effective manner. The Property Compensation Fund and Committee and the agency ALUIZNI¹² have consolidated their functions during the last two years. With the support of donors' assistance, improvements have been noticed on service delivery, efficiency and transparency of IPRO which aims to complete most of the first registration of immovable property rights by end of 2013. The Government continues to support efforts to formalize landholdings with new and revised legislation, including a Territorial Planning Law.

OVERALL ASSISTANCE IN 2009-2010

Total donor support during 2009-2010, directly allocated to this sector, for the ongoing and completed projects, amounts to € 10.4 million. Along with projects focusing directly on Property rights, the ongoing World Bank's Land Administration and Management Project (LAMP) has an important component "*Security of Tenure and Registration of Immovable Property Rights*" on this sector nearly € 12 million, provided jointly by World Bank (€ 7.8 million) and Sweden (€ 4.2 million), aiming to improve service delivery, efficiency and transparency of IPRO.

In 2009, the OSCE Presence in Albania began to implement an immovable property registration project along the country's largely undeveloped Ionian Sea coast. This project is being financed by EC through CARDS 2006 allocation of € 1.9 million (Czech Republic, Greece, and United States).

In 2010, USAID launched its 5-year Albanian Justice Sector Strengthening Project. The Justice Project will help the Government to strengthen its court system and provide support for the legal profession.

FUTURE PRIORITIES

- Strengthening and enforcement of the capacities of Immovable Property Registration Office, particularly with focus on the regional offices in terms of IT systems and infrastructural facilities; and the continuation of a sound registration process by using appropriate methods.
- Training for judicial on property right disputes.

12 Albanian Agency for Legalization, Urbanization and Integration of Informal Buildings

2

MARKET ECONOMY

Albania has had a successful record of sustainable economic growth from 2000 with an annual growth average rate over 6 percent and with the unemployment rate in a continuous decline. Industry and construction were key drivers of these trends, which grew at rates of around 14-15 percent. In the aftermath of the global financial crisis, Albania was one of the few countries in Europe that maintained positive growth rates and economic stability. During 2010, the Albanian economy was characterised by gradual improvement of the aggregate demand and further consolidation of the macroeconomic stability compared to 2009. In terms of annual real growth of GDP, it has seen an increase by 3.3% during 2009 and 3.8 % during 2010¹³. In view of a medium and long-term prospective of Albanian economy, the fiscal policy of the Government for the next period 2012 - 2014 will continue to be orientated towards the consolidation of public finances, aiming at keeping a sustainable stability and the satisfactory performance of the economy and a faster convergence of the Albanian economic welfare towards EU average.

Public Finance

SECTOR OVERVIEW

Public finance reform is the essential part of the Public Finance Strategy 2007. The Strategy focuses on strengthening budget credibility through an Integrated Planning System and on meeting EU accession requirements. Expenditure planning has been transformed to be program-based, and the definition of programs on the basis of results has started to be developed.

The actual tax policy is aiming at reducing the tax burden for the entrepreneurship, simplifying system and improving revenue administration, reducing the informal economy, increasing voluntary compliance, expanding tax base, increase of tax system, promoting entrepreneurship.

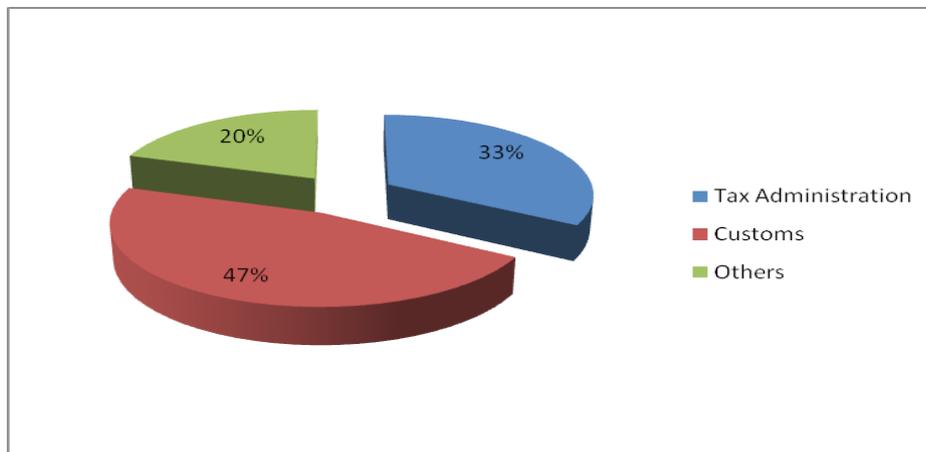
The Government has made continued efforts to improve the public procurement system. Current public procurement system has benefited greatly from the improvements of the legal and regulatory framework through the passage of the amendments to the public procurement law (PPL), and the Government's decision, since 1 January 2009, to mandate the use of the electronic procurement platform. Public Procurement Commission (PPC) was established and became operational in April 2010, aiming to conduct timely and effective review of procurement complaints. In 2010, the Government, with the support of the donor community conducted an independent assessment of public procurement system following the OECD methodology. This Assessment showed the progress made by Albania toward establishment of reliable procurement systems. In June 2010, Albania was recognized by the United Nations' Department for Social and Economic Issues (UNDESA) for its contribution in improving transparency, accountability and responsiveness in public service.

¹³ Source of the data is INSTAT Macroeconomic Indicators.

OVERALL ASSISTANCE 2009-2010

Total allocation to the public finance sector in 2009 and 2010 is registered to € 7.5 million committed to new projects (€ 6 million in 2009 and € 1.5 million in 2010). EC continues to be the main donor in the sector by providing further support in grants. The total allocation per sub- sectors is shown in the graph below.

Figure 3.1 Total commitments in public finance during 2009-2010 by sub-sectors (in %)



Source: Donor Database 2011

Note: Under “other” category is included the IPA 2009 support to DIS management of EC funds

The total disbursement of all ongoing projects (including those started prior to 2009) over this two-year period is € 11.95 million from which EU share of the total assistance funds is 76% followed by US (11%), UK (9%) and Sweden (4%).

Over 2009-2010, EC has been largely supporting Albanian tax and customs department through its ongoing activities financed by CARDS programmes (€8 million) as well as new projects financed by IPA 2007 and 2008. The General Directorate of Tax has benefited € 2.5 million from IPA 2007 for completing the tax legislation and improving its working practices in line with EU standards and procedures in the area of internal audit procedures, tax investigation and ICT networking. Customs Department benefited from a € 3.5 million project through IPA 2008 supporting modernization of the control and monitoring of customs systems based on the EU standards and practice. Sweden is also providing support with €1.3 million to Tax Office in Tirana and Durres on tax-payers services, EU standards, auditing, tax statistics and industrial notes.

Improvement of the Albania’s preparedness for Decentralised Management of IPA Components II, III and IV has also been in the focus of EC funding over the last two years. EC is providing further assistance to the Ministry of Finance/Central Financing and Contracting Unit through IPA 2007 (€1 million) and IPA 2009 (€ 1.5 million).

Other smaller initiatives include: a full-scope system audit of the e-GP platform funded by the World Bank and the EBRD support to Utilities Public Procurement Reform in order to prepare the secondary and/or tertiary legislation as well as supporting practical implementation of this legal framework.

In 2011 new projects started like: The expansion of the Albanian treasury system (through IPA 2008 with € 1.5 million); Support for public procurement through IPA 2008 (€ 1.5 million); Strengthening the operations of the Fight against Money Laundering and inter-institutional coordination & cooperation (IPA 2009 with € 1.5 million); Support to the Bank of Albania to help ensure an approximation of the Bank’s legal and regulatory framework to the EU *acquis communautaire* (IPA 2008 with € 1 million); The “Corporate Financial Reporting Enhancement Project” (CFREP), funded under WB administered multi-donor trust fund, contribution of € 1.25 million from Switzerland.

FUTURE PRIORITIES

- Preparation for the Decentralised Management of future IPA Components III and IV;
- Improve tax legislation framework, taxation audit and appeal;
- Modernisation of Custom Administration by preparing of the Integrated Tariff Management System (ITMS),
- Strengthening technical and operational capacities of Anti-Contraband Directorate in the fight against contraband in sea surveillance area, assistance in the field of IBM (Integrated Border Management) including monitoring of radioactive substances.

DONOR COORDINATION

SWG on Public Finance has World Bank as the donor focal point; while under the FTI-DOL initiative, EC, Germany and Sweden are committed to be European active donors.

Economic Development

BUSINESS DEVELOPMENT AND DIRECT INVESTMENTS

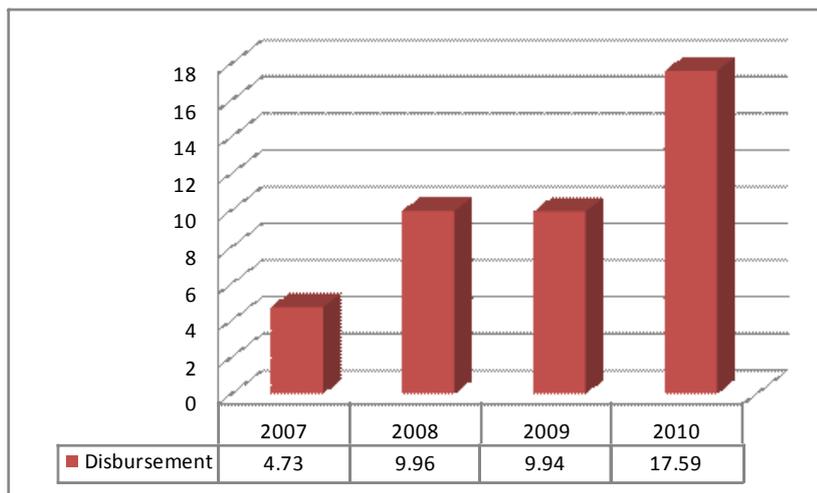
SECTOR OVERVIEW

Albania has made remarkable progress towards business development and investment. During the last years, domestic financing and foreign investments have mainly targeted programmes in SME development and restructuring industrial enterprises, improvement of business climate, promotion of exports and competitiveness of the economy. The Government has implemented an ambitious reform to improve the business climate, to ensure a transparent, predictable and simple regulatory regime. This reform is strongly supported by donors such as USAID and the implementing Technical Cooperation GIZ, and some important results have been achieved such as the creation of the National Registration Centre and the National Licensing Centre. The newly established Albanian Investment Development Agency (AIDA) is considered as one-stop shop service to all investors. A new strategic programme for the technology innovation of SMEs for the period 2011-2016 is approved in February 2011 which creates premises for a proactive innovation policy, assistance to the companies in the innovation process, improving technological capacities of enterprises. This strategic program is an integral part of the Business Development Strategy and Investment 2007-2013. In line with this strategy, GoA is establishing a Business Relay and Innovation Centre (BRIC), supported by EC/ IPA 2007 fund of € 3.4 million, aiming at increasing competitiveness of private sector and provide a healthy business environment for investment and employment. Moreover, it is worth mentioning the commitment of the German Technical Cooperation in the field of EU compliant (economic) law of € 1 million.

OVERALL ASSISTANCE IN 2009- 2010

A total of 15 projects (3 already completed, and 12 ongoing) have started from January 2009 to December 2010, in the economic development sector, with a total allocation of €18 million. The total donor disbursements over the period 2009 – 2010 were € 27.53 million, almost twice as much as the disbursement volume of the previous period 2007-2008 (€14.7 million). The same growing trend is expected for 2011 and 2012 as well (see the graph).

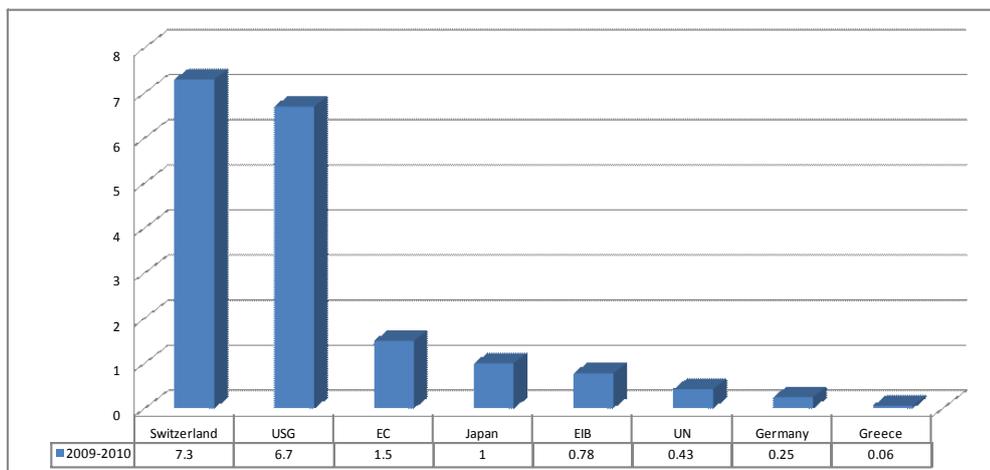
Figure 3.2 Economic Development – Disbursements 2007-2010 (€ million)



Source: Donor Database 2011

Donor support to the sector has focused mainly on business environment reforms and institutional strengthening, promotion of SME competitiveness in domestic and foreign markets, increasing access to SME financial resources for business expansion & diversification, support for trade regulation and trade promotion. The sub-sector receiving most of the funds was SME (48%) followed by Industry policy (38%), trade (11%) and Foreign Direct Investment (FDI) with only 2% but still increased compared to 2008. The total commitment by donors during 2009-2010 is shown in the graph below:

Figure 3.3 Commitments by donors in 2009 and 2010 (€ million)



Source: Donor Database 2011

The most important projects started during 2009-2010 are: “The Competitive Enterprise Development Project” (€6.7 million) supported by the US government, aiming to promote competitiveness of Albanian SMEs; the German contribution to strengthen the Competitiveness of SMEs (€2.4 million); Switzerland’s support on improving corporate governance standards (€1.7 million), insurance markets (€ 3 million), and the Investment Fund for Emerging Markets (SIFEM) of € 2.2 million; IPA 2008 support to strengthen the Albanian Competition Authority and State Aid Department in approximation with EU legislation, with € 1.5 million; JICA’s TA support for promotion of mining industry in Albania in the amount of € 1 million. Although in a smaller amount, UN is supporting the sector, mainly through the One UN Support to Global Compact (GC) and Foreign Direct Investments (FDI). GIZ is also promoting creative SMEs by enhancing innovative and creative production developments. Italy is supporting the ‘Programme for the development of Albanian SMEs (Credit Line + Garantee Fund)’, already started in 2008, with € 29.2 million for the first phase, and € 15 million are planned for the second phase.

FUTURE PRIORITIES

- Support to the Innovation Fund in order to improve SME competitiveness through financial support towards capacity development and the realisation of new products;
- Development of ICT systems by increasing capacities to assist companies in innovation and improving technologies;
- Support programmes on Business Incubation and Albanian Clustering, as well as integrated support for innovation of firms and enterprises.

DONOR CO-ORDINATION

The coordination in this sector is conducted by two round table events during 2009-2010 led by METE and Italy, with the participation of other donors like WB, EBRD, US, UNDP, EC, Switzerland and Germany, aiming to share information and analyze the progress in the sector. The latest meeting of the SWG on SME presented the new “Business Innovation and Technology Strategy”.

In the framework of FTI DoL, Italy has taken the leading role of European donor to the development of the private sector including not only financial support, but also in particular a concrete commitment to support METE in determining the strategy and action plans, and evaluate a coordinated manner to all donors, for the private sector.

Quality Infrastructure

CONSUMER PROTECTION, STANDARDS, ACCREDITATION, METROLOGY

SECTOR OVERVIEW

The National Crosscutting Strategy on Consumer Protection and Market Surveillance 2007-2013, approved in 2007, constitutes the main policy framework on the area. During the period 2009-2010, there has been an ongoing effort to further improve the legal and institutional framework with two draft laws on consumer protection and the safety of non-food products which are in their final drafting phase. Progress has also been made in developing an information system for consumer complaints and establishment of a national network centres for consumer advice; organization of awareness campaigns and education programmes on consumer protection; financial support for consumer associations; regional and international cooperation.

Metrology (measurement) system is the most costly component of the Quality infrastructure system. Despite the progress made so far in establishing a National Metrology Centre, preparation of a national strategy and a new law on metrology system as well as improved standards especially in the area of calibration, further efforts are needed to reach EU standards. Commission’s Opinion on Albania’s application for EU membership noted the importance of sustained reform efforts in legislation and institutional set-up in the area of free movement of goods. Metrology and calibration standards are key factors to reducing technical barriers to trade and to facilitate integration of Albania into international trade by improving quality of Albanian products and therefore Albania’s export capacities.

OVERALL ASSISTANCE 2009-2010

The EC is the major donor supporting this sector with a commitment of €6.77 million in grants mainly to metrology, market surveillance system, and support to standards, certification and accreditation. More specifically, €3 million from IPA 2008 and €3.5 million from IPA 2009, provided during 2010 for strengthening of the institutional, legal and administrative capacities of the National Food Authority. Moreover, “strengthening food control institutions in Albania” (€ 2 million) and Joint Programme on Nutrition in Albania € 2.59 million are financed by the Italian Government and UN respectively. Implementation of the national strategy on metrology has received support from the World Bank “Business Environment Reforms and Institutional Strengthening – BERIS”, a € 6.3 million project. Total disbursements amount to €5.95 million, a significant increase compared to the period 2007-2008 (of only € 2.87 million).

NEW DONOR INITIATIVES

EC has pledged commitments to continue its support to consumer protection through IPA 2010 project “Support to the food safety infrastructure” with the value of (€4 million) that aims to upgrade the physical network of the offices and laboratories of the National Food Authority at national and regional level.

FUTURE PRIORITIES

- Completing the legal framework;
- Improving the infrastructure of laboratories and inception institutions;
- Improvement of the monitoring systems of consumer markets;
- Establishment and strengthening of the Pharmaco-vigilance structure;
- Awareness raising campaigns for consumer and businesses.

DONOR CO-ORDINATION

The SWG on Agriculture & Food, Rural Development and Consumer Protection, among other issues, has been focusing on the improvement of consumer protection, consolidation of the system of food security in Albania as well as increase of the food security standards.

Information and Communication Technology

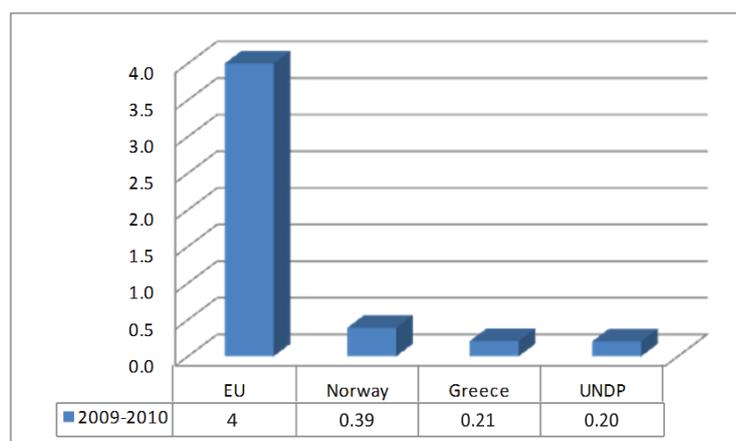
SECTOR OVERVIEW

Information and Communication Technology (ICT) is amongst the highest priorities for the Government of Albania. One of the main objectives of the government program for the period 2009-2013 is “Digital Albania” that promotes effective governance and development of comprehensive democratic policies. The national crosscutting Strategy on Information Society 2008-2013 was completed in consultation with stakeholders and approved by the CoM in 2009. The Digital Albania initiative calls for an acceleration of ICT penetration in Albania and requires infrastructure investment, institutional reforms, legislative improvements, capacity building and effective implementation of these policies. The priority areas are infrastructure, e-governance and public services, education and knowledge, e-business, and the legal framework.

OVERALL ASSISTANCE IN 2009-2010

The Albanian institutions receiving support from donor assistance in the sector is the Ministry for Innovation and ICT, the Council of Ministers and other line Ministries and Local Government Units. Donor assistance to this sector (for new projects starting between January 2009 to December 2010) includes 5 projects (2 - completed, and 3 - ongoing), with a total commitment of approximately €4.8 million. Out of this commitment, around €1.9 million (equivalent to 39 %) have been disbursed¹⁴ until the end of 2010. Meanwhile the total aid disbursed by donors in 2009 and 2010 for all on-going activities, is around €3 million.

Figure 3.4 ICT – Committed funds during 2009 - 2010 (in € million)



Source: Donor Database 2011

Note: The US assistance in support to ICT is not shown in the graphs since the Millennium Challenge Cooperation Programme has been reported under Anticorruption sector

¹⁴ The European Commission assistance refers to calculations on disbursement that have been made on funds contracted during the period 2009-2010.

EC has committed €4 million through IPA 2009 aiming at building an e-government infrastructure in line with the EU personal data protection standards by establishing the basis of interoperability between existing systems. Norway has supported an Albanian ICT Association (€390,000) and UNDP has been focused on introducing ICT Applications at Local Level and designing the “X-Road Albania” (€205,000).

NEW DONOR INITIATIVES

In December 2010, a loan financial agreement of € 40 million has been signed with the Austrian Government to accomplish several projects in the framework of E-Government focusing on three main areas: modernization of tax administration; modernization of health system in Albania and its information technology; and modernization of the Registry of Property.

UN will also provide assistance to improve the legal and technical foundations of IT infrastructure and the establishment of a national broadband network.

The Republic of China will provide support to several laboratories of Albanian Universities with IT equipment and training in a total amount not exceeding € 1 million.

Moreover, the Programme on “Cyber Security” financed by US Government will provide a total commitment of approximately € 102,500.

FUTURE PRIORITIES

- Preparation of the National Broadband Strategy;
- Development of a functional digital library;
- Increase the number of online public services through further development of e-government infrastructure and building institutional capacities;
- Enhancing e-procurement, and development of e-education system, e-health strategy, and e-business environment.

DONOR CO-ORDINATION

The SWG on ICT led by UNDP and Ministry for Innovation and ICT aims to analyze the progress achieved and the new policies adopted in the sector, and to suggest further steps to the preparation of a policy paper on establishment of the national broadband network in Albania.

Statistics

SECTOR OVERVIEW

The implementation of the national five-year programme 2007-2011 to improve the National Statistical System is crucial for the National Institute of Statistics (INSTAT), aiming at enhancing transparency of national statistics while bringing it closer to EUROSTAT standards and requirements. The programme aims to conduct three censuses in the following areas: an economic census in 2010; a population census in 2011 and an agricultural census in 2012. The census of non-agricultural economic enterprises is the first ever of this type carried out and is expected to result in a reliable business register, affecting the quality of economic statistics and that of the national accounts. The census of Agriculture holdings will enable INSTAT to establish a Farm register that will serve to produce reliable agricultural statistics in line with the EU requirements. Further steps have been undertaken in preparation of the next five years programme for statistics.

The key beneficiary Albanian institution is the INSTAT, as the main producer of the Albanian statistical data. INSTAT is also responsible for the coordination of the Albanian statistical system. Other beneficiaries are MoLSAEO, MoH, MoES and other Ministries responsible for collecting statistical data.

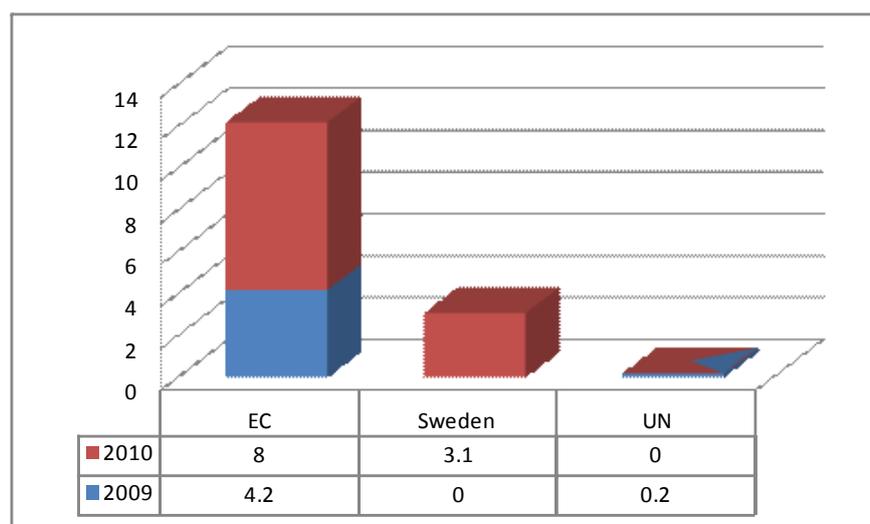
OVERALL ASSISTANCE 2009-2010

Total donor commitments for the projects starting from 2009 amount to €15.5 million. Total disbursements for all ongoing projects during 2009-2010 are €9.5 million, of which €6.8 million has been disbursed by projects that have started from 2009.

Through IPA 2007 Programme (€2.85 million) and IPA 2008 Multi-beneficiary Statistical Cooperation Programme (€4 million for the Western Balkan Countries and Turkey), EC is supporting National Accounts, macro-economic statistics, price statistics, economic, external trade, business and agriculture statistics; demographic and social statistics (population census).

The government of Sweden has long assisted Albania in improving its statistical system (price statistics, structure business survey; short-term statistics) in order to align its products with those of EUROSTAT. In 2010, started a new phase with € 2,4 million including new components like Agriculture Statistics, economic census 2010 and population census 2011. Around € 700,000 has been provided to INSTAT, as a direct funding contribution to cover the cost of the non-agricultural economic enterprises census and agricultural holdings census. This project is a step ahead in the implementation of the Paris Declaration and the Accra Agenda for Action and is a sign of mutual trust and an opportunity for INSTAT for enhancing its capacity for managing donor assistance more efficiently.

Figure 3.5 Statistics – Commitments by donor in 2009-2010 (€ million)



Source: Donor Database 2011

IPA 2009 Programme of € 8 million and Switzerland of over a € 1 million will support the Albanian Population and housing CENSUS 2011.

During 2009-2010, other ongoing activities are: The Switzerland support to developing demographic and social statistics in Albania (€1.25 million); the 2008-09 Albania Demographic and Health Survey (ADHS) with funding from USAID, UN (UNICEF, UNFPA WHO) Switzerland and Spain (€1.1 million). Several activities has been has been supported by UN Agencies in order to strengthen the government evidence-based policy management (€ 2.5 million) such as support to preparation of the census, development of gender related indicators and Time Use Survey 2010.

FUTURE PRIORITIES

- Demographic and social statistics, Labour Force Surveys, Macro-economic statistics, business statistics and agriculture statistics;
- Design, development and implementation of INSTAT Data Warehouse as well as automatization of data collection and processing from administrative sources;
- Technical assistance is also required to develop a dissemination policy and to implement several initiatives in the field of dissemination.

DONOR CO-ORDINATION

Under the leadership of INSTAT and strongly supported by Sweden as the lead donor in the sector, coordination among donors, with IPA through EUROSTAT and the Delegation of the EU in Tirana, is functional and growing. The situation is riper now to invest into building a Programme Based Approach in statistics. Preparation of a strategic development plan together with the future multiple-years statistical programme can serve as the basis for the MTBP.

3

INFRASTRUCTURE

Transport

SECTOR OVERVIEW

The transport sector remains the highest priority for the Government and donors, benefiting the largest share of support, among other sectors, during the period 2000-2010. The transport sector is divided into four sub-sectors: roads and management, ports, aviation, and railways.

Over this last decade, huge investments have been made in the *road sub-sector* fostering the economic development and intensifying the economic ties among various areas of Albania. Considerable infrastructure projects have been completed in Albania contributing to the improvement and rehabilitation of the main national road network, enormous increase of traffic volume and reduction of time and costs of transportation. Success has also been achieved in aligning national legislation with EU and international legislation, the ratification of several international conventions and agreements, introduction of key elements for road maintenance as a National Transport Master Plan, and preparation of 3 year maintenance and investment programme.

Approximation of legislation with the EU, institutional reforms and improvement of *port infrastructure* represent some of the achievements during the last years. In *air traffic subsector* development include Albania's participation in the European air market with full and equal rights, air market liberalization, approximation of procedures for licensing of activities and aircraft operators in accordance with EU standards, and ensuring international legal protection, etc. *Railway transport* remains the least developed sector with limited financing only from the state budget, while there are initiatives financed by Western Balkans Investment Framework (WBIF) to evaluate the revitalization of the railway network. The Government is evaluating different options how to revitalize the rehabilitation of railway network. In the *maritime transport* progress was made in the legal area, administrative restructuring and considerable investments are provided for rehabilitation of all ports by the EC, Italy, EIB, EBRD, IDB and OFID.

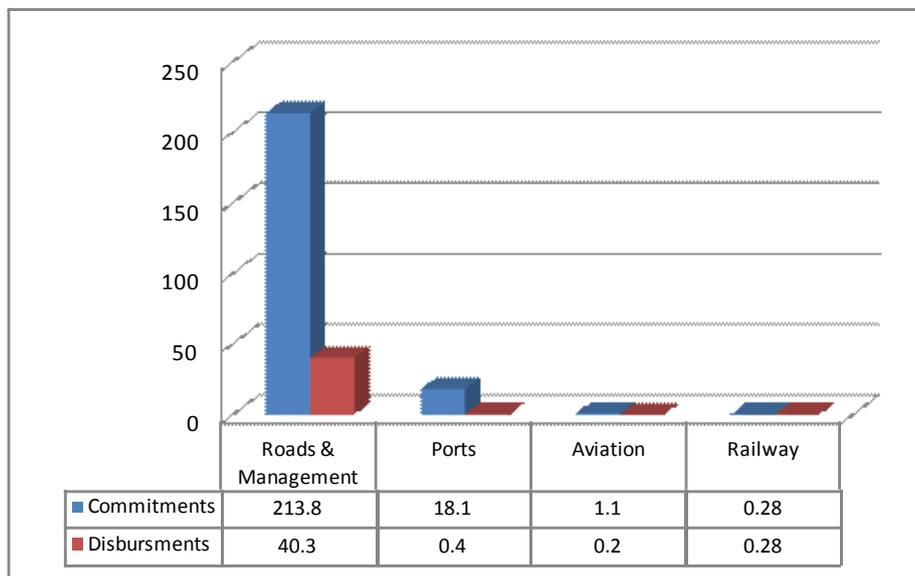
OVERALL ASSISTANCE IN 2009-2010

Donor assistance to this sector (for new project starting from January 2009) amount to € 233.5 million provided through 21 new projects. Around € 41 million (equivalent to 18%, € 19.5 million in 2009 and € 20.6 million in 2010) have been disbursed until the end of 2010. For these projects, around 91%, or € 212 million, has been delivered through loans, while 9%, or € 20.9 million, through grants. Donors have supported mainly the roads and management sub-sector representing 92% of total commitments, followed by ports with 7%, aviation and railway with 1%.

Major support has been provided for the construction or reconstruction of partial or integral parts of the East – West Corridor, North – South Corridor, and Arbër road, including Shkodër-Hani i Hotit, Korçë-Q.Ploçë, Lushnje-Fier-Vlorë, Fier-Levan-Tepelenë, Fushë Krujë-Milot, By Pass Plepa-Kavajë-Rrogozhinë, Dhërmi-Himarë-Qeparo-Sarandë, Sarandë-Konispol, Lezhë-Shëngjin, etc., and to the major investment programme on the secondary and rural road network, especially tourism roads. The largest investment project remains the

completion of Durrës-Kukës-Morinë road¹⁵. There are concrete engagements for starting Tirana – Elbasan Road project. The Government is focused on a considerable investment program to improve the secondary and local roads network through a programme supported by EIB, CEB, EBRD, IDB, World Bank, Germany/KfW, OFID, and EC for more than € 200 million.

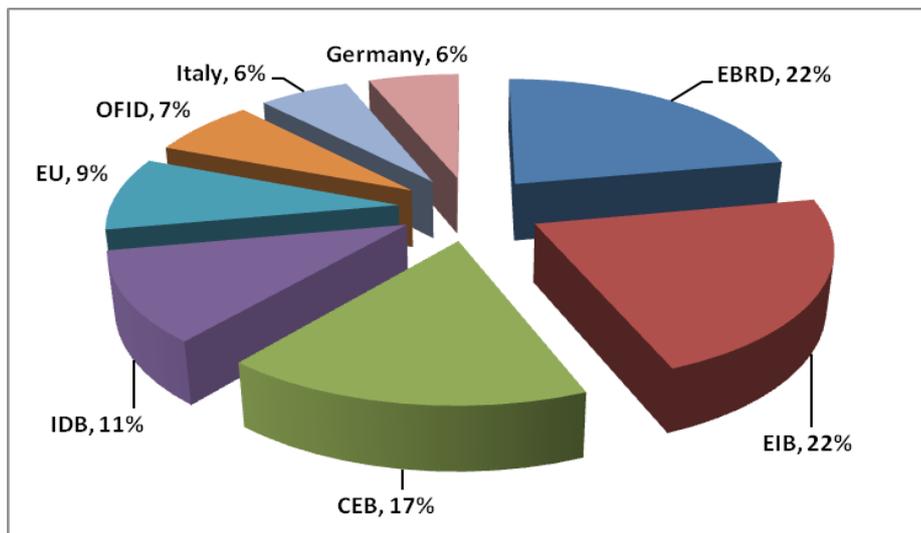
Figure 4.1 Commitments and disbursements by sub-sector 2009-2010 (€ million)



Source: Donor Database 2011

Active donors financing new projects (starting from January 2009) in this sector have been EBRD (€ 50 million), EIB (€ 50 million), CEB (€ 40 million), IDB (€ 25 million), and EC (€ 20 million), followed by OFID, Italy and Germany.

Figure 4.2 Active donors in transport sector during 2009-2010



Source: Donor Database 2011

¹⁵ Milot-Rrëshen section, as part of the Durrës-Kukes-Morinë road, has been financed by IDA with \$5 million, IBRD with \$20 million and OFID with \$15 million. The other section of Kalimash-Rexhepaj has been financed by IDB with \$41 million.

NEW DONOR INITIATIVES

The main project to start in 2011 is the Tirana – Elbasan Road, for which IDB has already committed € 152 million, Saudi Arabia Fund with € 19 million, and OFID with € 15.4 million, while negotiations are underway with Abu Dhabi Fund and other donors¹⁶.

The Secondary and Local Roads Programme will continue to benefit from the multi-donor fund support: two loans of € 50 million each have been committed by EBRD and EIB in 2010, while EC, through IPA 2010 programme, has planned to provide a grant of € 20 million. Other donors are still negotiating with the GoA on supporting this programme: Japan is considering a loan of approximately € 78 million and IDB will evaluate a € 27 million loan to be provided for this programme in 2013. On 23.12.2010 the GoA and Germany/KfW have signed a loan for the Social Investment Fund IV.

IDB, under its 2010-2013 programming, has planned to provide more than € 109 million in the transport sector, € 82 million for the construction of Berat-Tepelene Road, € 27 million for the Secondary and Local Roads Programme, and for capacity building. EIB is evaluating the financing of Fier Bypass (€ 30 million). Italy will fund € 3 million for the preparation of feasibility studies in infrastructure sector during 2010-2012. While Saudi Fund for Development is considering funding of the Durres Bypass project with € 8.6 million.

World Bank, under the new Country Partnership Strategy 2011-2014, is planning to provide € 21 million for the transport sector. While EC will continue its support through grants to improve road infrastructure, assess rail network and provide technical assistance for project preparation.

FUTURE PRIORITIES

- Upgrading and improving transport networks with emphasis on regional linkages and regional integration such as completion of the East – West Corridor (Corridor 8), North – South Corridor, mainly Tirana – Elbasan Road, and Arber road;
- Institutional strengthening, reform of financial management and maintenance of road networks;
- Investment on the secondary and rural road network, especially tourism-related roads.

DONOR CO-ORDINATION

The SWG on transport, has conducted ad-hoc meetings among donor agencies and financial institutions such as the World Bank (donor focal point), EC, EBRD, EIB, Italy, Germany and GoA's representatives.

Energy

SECTOR OVERVIEW

Energy sector has been benefiting from considerable investments over the last two years, mainly targeted to increase power production and transmission. METE has been engaged in the implementation of different energy policies designed to develop a system based on market principles which guarantees a secure supply of energy, and make efficiently use of resources by causing minimal impact on the environment. Efforts are undertaken for preparing a long-term National Strategy on Energy for the period 2010-2030 which is foreseen to be approved within the end of 2011.

Since 2009 the sector has shown a remarkable improvement toward the full uninterrupted supply of electricity, which previously has caused considerable damage to the economy. In the same period, 46 small hydropower plants have been built and operated by the private sector. Out of these, 32 hydropower plants are under public-private concession agreements, whilst the remaining 14 hydropower plants are 100% privately owned. During

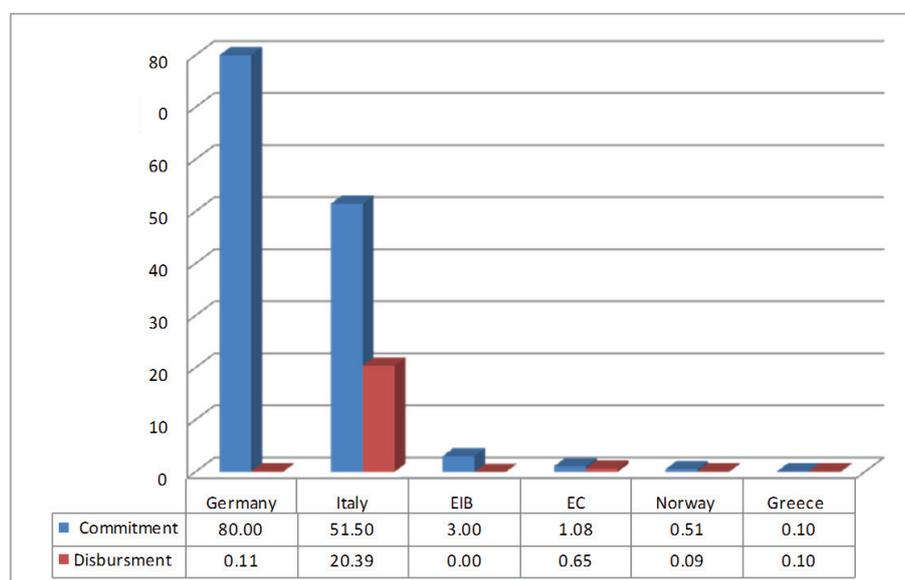
¹⁶ The average 2010 OECD exchange rate for the Euro area (17 countries) has been used to convert the USD into EUR values: IDB has approved a loan of USD 222.7 million, Saudi Arabia Fund has approved a loan of USD 25 million, OFID with USD 20.40 million.

this period, construction of the Vlora Thermal Power Plant has continued, which by the end of 2009 began to supply electricity. During the last two years, the Albanian Transmission System Operator (ATSO) has carried out several infrastructural investments with a value of € 9 million, contributing in complementarily with donors funding towards the construction of several 110 kV power transmission lines. These actions have resulted positively in improvement of indicators as increase of energy production (generated both by public and private owned power plants); and reduction of net imports of electricity in relation to energy supply.

OVERALL ASSISTANCE IN 2009-2010

The energy sector benefited almost € 147.6 million assistance (€ 55 million in 2009 and € 92.56 million in 2010) provided largely in the form of concessional loans (€ 134.25 million or 98%). The majority of the assistance committed during 2009-2010 has continued to support electricity sub-sector with € 132.5 million, focussing mainly on the construction of internal transmission lines and integration with regional system. Electricity is followed by renewable energy (including energy efficiency measures) accounting for € 3.9 million. Germany is the largest donor in the sector with approximately 62, followed by Italy with 38% and EIB with 3%. Disbursements amounted to € 83 million in 2009 and € 35 million in 2010.

Figure 4.3 Commitment by donor in energy sector during 2009-2010 (€ million)



Source: Donor Database 2011

During 2009-2010, three new significant projects have started. The largest project is the Programme for the restructuring and strengthening of the Albanian electric system for its integration into the Balkans' system (400 kV Elbasan - Tirana and Dispatching Centre), supported by Italy with € 51.5 million.

The German Development Bank (KfW) has started two projects both oriented to upgrade the transmission system: financing a € 42 million for construction of the transmission line of 400 kV Albania- Kosovo; and € 49 million aiming the Improvement of the Transmission System in Southern Albania.

Energy is one of the eligible sectors, under WBIF¹⁷, which also include Transport, Environment, Water Supply and Sanitation and Social Infrastructure. Under this financing mechanism, the major projects in Energy are providing support for the conductment of feasibility studies and project's detailed design for the electrical distribution systems, with particular aim to upgrade internal and regional transmission lines.

¹⁷ Since December 2009, Albania is also benefiting from the WBIF, a new and innovative financing initiative supporting the EU enlargement. WBIF pools grant resources (from EC, IFIs, and bilateral donors), in order to leverage loans for the financing of priority infrastructure projects in Albania.

NEW DONOR INITIATIVES

The total committed funds for planned projects amount to € 77.6 million, out of which € 40 million will go for electricity sub-sector, € 24 million for hydropower and €12 million to promote energy efficiency. EBRD and KfW are committed to contribute to the Joint Project “Hydropower and Dam Safety in Drin-Mat Cascade”, respectively up to € 10 million and € 20 million, in addition to the fund allocated by the WB since 2008 (€ 44.5 million), and Switzerland with a € 4.1 million grant to finance activities linked to technical assistance.

Germany, through KfW will finance the Sustainable Energy Efficiency Project with € 12 million, and has expressed its interest to support the Construction of the Transmission Line 400 KV Albania – Macedonia with a total allocation of € 30 million. Both projects are foreseen to start at the beginning of 2012.

FUTURE PRIORITIES

- Increase production, especially through renewable energy production as that of derived from wind, sun and water resources. Pilot projects have to be undertaken to create the basis for attracting significant investment in the future;
- Establishment of an effective institutional and regulatory framework;
- Improvement of the transmission and distribution network;
- Maintenance of hydropower plants and the dam safety as a consequence of the flood emergency, affecting North Albania during the last two years.

DONOR COORDINATION

The SWG on energy, for which the World Bank is the donor focal point and Germany/KfW acts as the European Lead Donor, has met only once during 2010. Other active donors are Italian Cooperation, Swiss Cooperation, EBRD, EIB, USAID, UNDP, etc.

Environment

SECTOR OVERVIEW¹⁸

The Environmental Cross-Cutting Strategy, approved in late 2007, is the basic document that outlines the government policy in the field of environment protection. In accordance with it, the Governments’ priorities relate to adopting gradually the EU standards, increasing investments especially in solid waste, air quality, sewage treatment, hotspot remediation, implementing and enforcing of environmental legislation, raising communication and awareness on environment and improving and strengthening the environmental monitoring system. An Operational Plan for Environment is finalized in May 2011, which will be a useful planning instrument for Medium Term Budget Programme and donors interested to support environment sector, especially for future IPA Programmes.

Improving solid waste management is a high priority and an inter-ministerial working group has been established for this purpose. A national solid waste strategy and an associated action plan have been developed with EC assistance. This sets the scene for dialogue between the GoA and donors towards implementing a wider Programme Based Approach for the sub-sector of solid waste management. Sweden, Austria and Germany (KfW) have recently expressed interest in supporting the sub-sector, while USAID is partly active in solid waste management in municipalities through their support to the ARD Local Governance Program in Albania.

¹⁸ Environmental projects overlap with several sectors, such as infrastructure, energy, civil emergency, agriculture, and rural development. Therefore, the number of donors involved and contributions provided for this sector may be greater than described in this section of the report.

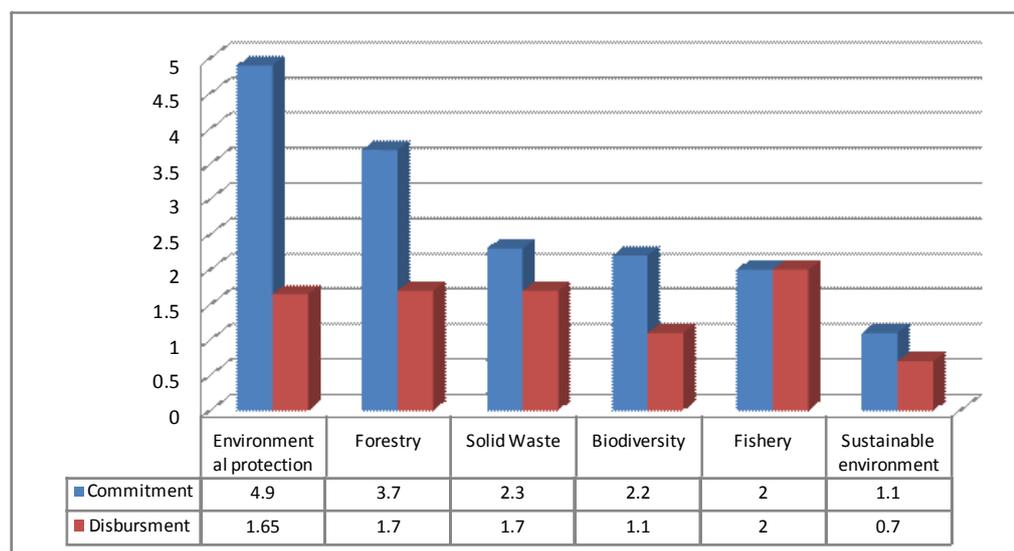
World Bank, through the Integrated Coastal Zone Management and Clean-up Program is assisting developing tourism in the Southern Albanian Coast by improving critical public environmental infrastructure and municipal services, remediating and containing pollution hazards, improving community infrastructure, and enhancing architectural and cultural resources. An important contribution from WB is also provided through the Natural Resources Development aiming to maintain sustainable, community-based natural resource management, leading to enhanced productivity and incomes derived from reduced soil degradation, improved water management, conservation of biodiversity, and strengthened public sector management.

Environment is one of five pillars (outcomes) of the One UN Programme 2006-2010, with UNEP being the lead agency for “Environmentally sustainable development” pillar. The UN agencies (UNWTO, UNEP, UNIDO, UNDP, WHO) have undertaken a number of activities to support sustainable environmental governance in the thematic issues of global climate change, biodiversity, land degradation, persistent organic pollutants and promoting nature based tourism development. In 2009, MoEFWA with support from UN and Austria released two national reports: ‘The Second National Communication of Albania to the United Nations Framework Convention on Climate Change’ and ‘Albanian Policy Paper for Carbon Finance’, that provide an assessment of Albania’s present situation with regard to climate change.

OVERALL ASSISTANCE IN 2009-2010

Donor commitments to this sector (for the projects starting from January 2009) amounted to € 16.2 million in grants. Total disbursements in 2009-2010 for all ongoing projects, amount to € 27 million (€ 15 million in 2009 and € 12 million in 2010). Environmental protection sub-sector has received the main share of support € 4.9 million, followed by solid waste € 2.3 million. Fishery and biodiversity are the best performing sub-sectors in terms of disbursement rates for the period 2009-2010.

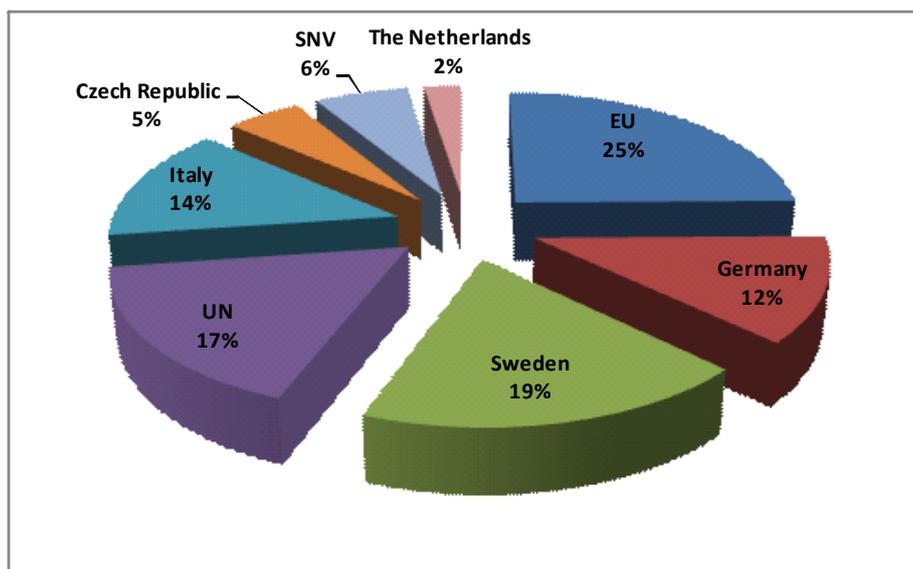
Figure 4.4 Commitments and disbursements by sub-sector 2009-2010 (€ million)



Source: Donor Database 2011

During 2009-2010, leading donors in this sector have been EC (€ 4 million), Germany (€ 2 million), followed by Sweden, UN, Italy, Czech Republic, SNV and Netherlands. Projects financed by EC and Sweden are the best performing in terms of disbursement rates for the period 2009-2010.

Figure 4.5 Active donors in environment sector during 2009-2010



Source: Donor Database 2011

NEW DONOR INITIATIVES

Around € 16.36 million are planned for this sector. Germany/KfW will support the second phase of “Establishment of a cross-municipal urban solid waste management system in the Korça region” with € 9.8 million in form of loans. EC through IPA 2010, plans to finance € 4 million for capacity building to the Ministry of Environment, and € 1.1 million for a feasibility study for regional landfill. Sweden, under the Waste Management Phase II Project, will finance € 1.4 million for technical assistance to govern waste management planning and implementation and subsequently provision of support to a selected region in terms of capacity building, waste area planning and support to financial arrangements. The Albanian Government and UN Agencies are working together for the formulation of the next One UN Programme 2012-2016, which is expected to incorporate an important environment component.

FUTURE PRIORITIES

- Institutional strengthening and capacity building: to improve environmental policy making and enforcement, together with inter-institutional cooperation and coordination;
- Further adoption of EU legal standards and enforcement of environmental legislation;
- Solid and waste management and construction of landfills according to EU standards;
- Improvement of environment monitoring and evaluation system;
- Investment on wastewater treatment (particularly in tourism zones), collection, recycling and disposal (landfill and incineration) of solid waste, rehabilitation of contaminated land and sources of pollution, technological improvement of state owned industries;
- Support Albanian fishery industry moving closer to EU standards.

DONOR CO-ORDINATION

The co-ordination in this sector is done through the SWG on environment for which The Netherlands has been the donor focal point until May 2010, currently replaced by Sweden. The participating donors are The Netherlands, World Bank, Italy, EU Delegation, UNDP, Germany, Denmark, Japan, EBRD, Czech Republic, the OSCE Presence in Albania, France, Austria, and USAID.

In the framework of FTI-DoL, Sweden acts as the Lead Donor in environment sector, while EC, Austria, and Italy are active donors. –The SWG on environment has met twice during 2009 and three times in 2010, to discuss the progress on environmental legislation during 2010, overview of project development during 2010, and the preparation of the operational program for 2011-2013.

Water Supply and Sanitation

SECTOR OVERVIEW

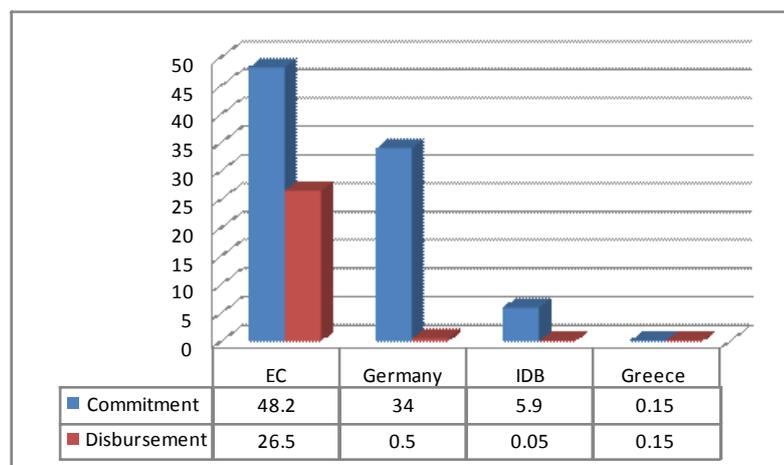
During the period 2009-2010, the consolidation of the transfer of the water & sewerage utilities to the local government remained among most important developments in this sector. Efforts have been made in strengthening the decentralization reform and intensifying the commercialization of the sector. Several reforms have been undertaken in improving the legal and institutional framework, in financial, technical and demand management, communication's policy and public relation aiming to improve water related infrastructure and consequently offer effective water services and sewerage network, comparable to European standards in urban and rural areas. Coastal areas, along with some important urban and rural areas, have been the focus of investments, which have resulted in improvement of some positive indicators as quality of service, coverage, number of hours, network rehabilitation and reduction of losses.

Supported financially by the World Bank and Germany/KfW, the GoA is developing two core documents: the National Water Supply and Sewerage Services Sector Strategy 2011-2017, and the Master Plan in the Sector of Water Supply and Sewerage¹⁹. The Master Plan in the Sector of Water Supply and Sewerage will create a short, medium, and long-term tool to assess the investment needs, prioritize, plan and budget the investments in the water supply and sewerage sector for urban and rural areas. Germany/KfW is also funding an analysis of the various options of setting up a joint financing mechanism.

OVERALL ASSISTANCE IN 2009-2010

Total commitments for projects starting from January 2009 amount to € 88.3 million (€ 30.3 million in 2009 and € 58 million in 2010), financed by the European Commission (through IPA 2007 and 2009) as the largest donor with approximately € 48.8 million, followed by Germany with € 34 million, and IDB with € 5.9 million. Referring to the same projects, the disbursement's amount is almost € 27.25 million, (disbursement rate 31%). In addition, during the same period, disbursement has been registered also for projects starting before 2009 accounting for € 48.6 million. This sector is mainly supported by grants, with € 51.42 million for ongoing and completed projects and there are € 38.6 million for planned commitments.

Figure 4.6 Water Supply and Sanitation Commitment/Disbursement by donors 2009-2010 (€ million)



Source: Donor Database 2011

¹⁹ The National Water Supply and Sewerage Services Sector Strategy 2011-2017 is expected to be approved in mid 2011, while The Master Plan in the Sector of Water Supply and Sewerage will be published by the first quarter of 2012

EC, through IPA 2007 and 2009 Programme is funding € 47.1 million for a project to rehabilitate and construct sewerage and wastewater treatment systems in Shkodra-Velipoja, Kavaja-Golem-Durres, Kamza, Lezhe-Shengjin, and Vlora. From December 2009, the sector has benefited from technical assistance through WBIF, through projects such as the Feasibility Study and the Detail Design for Water Supply & Sewerage in Kamza (€ 0.45 million), Kavaja and Golemi (€ 0.45 million).

Germany/KfW is financing with € 16 million the Municipal Infrastructure Project (phase I) with € 16 million aiming to improve the water supply and sewage management in four Albanian cities (Gjirokastra, Fier, Saranda and Lezha). It is also funding the Korca IV project, with an amount of € 15 million, and the Rural Water Supply Programme I and II with an amount of € 10 million. Under the SIF IV programme, Germany/KfW, is financing rural water supply with an amount of € 5.8 million. Other major funding from Germany/KfW include the investment project “*Water Supply and Sewerage in Central Albania*” for Berat and Kucova in the amount of € 6.6 million and for Lushnja in the amount of € 4.6 million. The water supply and sanitation sector is also benefiting from joint donor financing, such as the “*Water Supply and Environmental Protection Lake Shkodra*” project that is a cooperation amongst Austria, Germany/KfW and Switzerland, that are financing respectively, Austria € 1.73 million, Germany/KfW € 7.5 million, and Switzerland € 5.72 million.

Germany/KfW is planning to support with € 10 million the Programme on Water Supply and Sewerage in Pogradec (phase III). Germany is also supporting the water supply and sanitation sector through its Technical Cooperation. The contribution of German Technical Cooperation (GIZ) for water sector reform and, capacity development of the Albanian institutions in 2010 amounts to € 1.8

WB has supported drafting of the new National Water Supply and Sewerage Services Sector Strategy 2011-2017. While Austria and Germany/GIZ have provided technical assistance to Water Regulatory Authority to fulfil its mandate effectively and to act as a regulatory role in the sector.

Switzerland is also contributing to an efficient use of the water resources and environmental protection in Shkodra (€ 7.6 million) and Lezha (€ 10.5 million), mainly through activities delivered under the Project Municipal Infrastructure, implemented by KfW.

In February 2011 the French Government provided a grant of € 450.000 to finance a study on the actualization of Technical Standards of design, implementation and technical rules for projects in the Water and Sewerage sector. This project includes all elements of a water supply scheme as: resources, treatment, drinking water distribution, wastewater collection and treatment, small plants and large water treatment of polluted wastewater, including equipment, materials, methods of implementation and monitoring works.

NEW DONOR INITIATIVES

IPA 2010 will finance € 26 million for the project “Support for water supply and sewerage infrastructure”, as a continuation of the ongoing IPA 2007 and IPA 2009 funded projects. In the framework of the Bilateral Development Cooperation Protocol 2010-2011, Germany/KfW, has committed € 16 million, to finance a number of projects, including the “Master Plan in the Water and Sewerage sector” (€ 2 million) and “Municipal Infrastructure, phase II” (€ 14 million). WB, in its Country Partnership Strategy 2011-14, has allocated up to € 40 million for the Municipal Water Supply project, while EIB has planned € 20 million for the project “Water Supply in Durres Region”. One area of focus will be the secondary and tertiary network for the coastal service area of Durres (with an estimated cost of € 10 million) for which the EC has prepared preliminary design studies, that will also might benefit from EIB financing.

FUTURE PRIORITIES

- Expansion and improvement of the quality and coverage of water supply and sewerage services;
- Orientation of water utilities toward principles of cost control and full cost recovery, as well as further development of corporate governance;

- Support for capacity building and improvement of governance and regulation in the sector, including enhancing the capacities of the sector work force;
- Move toward convergence of Albanian law with EU Water Directives.

DONOR COORDINATION

The SWG on Water Supply and Sanitation, for which Austria is the donor focal point along with active donors such as WB, Germany (GIZ and KfW), EU Delegation, Switzerland, Italy, UNDP, EBRD, France, Sweden, has met twice during 2010. It has benefited from an effective discussion and problem-solving mechanism, including preparation of the strategic documents.

4

SOCIAL DEVELOPMENT

Education

SECTOR OVERVIEW

Education is a high priority sector under NSDI 2007–2013. GoA is committed to achieve “Education for All” by 2015, and increase funding to attain this specific goal. In response to the need for modernizing its education system, Albania has approved a National Strategy on Pre-university Education for 2008-2013. It identifies seven priority areas, including governance, increased access to pre-university education at all levels, improved quality in education, increased funding and efficiency, strengthened institutional capacities and development of human resources, development of pre-school education and improved professional education.

Restructuring of MoES and the entire educational system through a clear scheme of responsibility and accountability is being supported through the implementation of the ongoing ‘Education Excellence and Equity Project (EEE-P)’ funded by WB, EIB, CEB, and GoA, that is under implementation since October 2006.

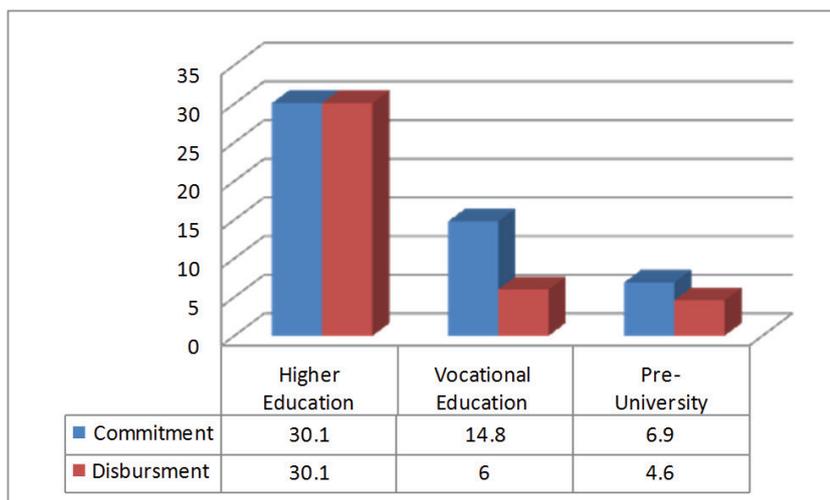
The EEE-P supports the following areas: (i) strengthening management, leadership and governance in the educational system; (ii) improving learning results; (iii) developing and improving educational infrastructure; and (iv) modernizing the higher education system. Education is the only sector in Albania where a SWAp is implemented, through the EEE-P.

Pre-school education has been less in the focus of assistance compared to other educational levels. Contextual models of Reggio-Emilia and “Step by Step” have been introduced with the support of the Soros Foundation and UNICEF. Spain has been active supporting improvements of pre-school education and child care at the periphery of Tirana. **Vocational education** system is undergoing an important reform aiming at the improvement of quality and labour market relevance of existing. Main donors have been EC, Switzerland, followed by Germany, Austria and Italy. **Pre-university education** has received the largest share of support from donors. Projects in this sub sector mainly aim to support the construction and rehabilitation of schools and schools laboratories, as well as improve the quality and efficiency of the education system. Donors supporting this sub-sector are the CEB (with € 26.4 million), the EIB (€ 12.5 million), World Bank (€ 10.25 million), jointly financing the Excellency and Equity in Education project. UN, Italy, Greece, the Netherlands, Turkey, and Switzerland have contributed during the last two years for the reform process in this sub-sector.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance to this sector (for new projects starting from January 2009) amounts to € 51 million in grants, with 79% disbursed until the end of 2010. Donors are providing support mainly for higher education sub-sector with 59%, followed by vocational education with 28%, and pre-university education with 13%. The higher education has registered the highest disbursement rate, followed by pre-university and vocational education.

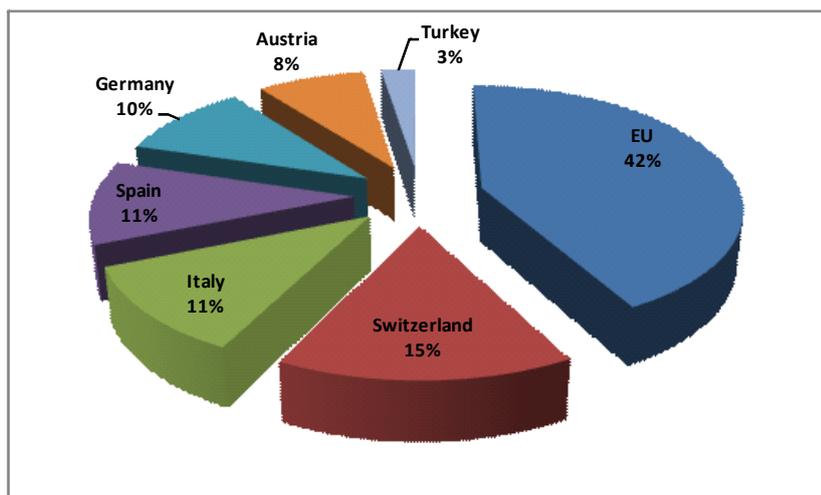
Figure 5.1 Commitments and disbursements by sub-sectors 2009-2010 (€ million)



Source: Donor Database 2011

Main donors in the sector are EC with € 8.5 million, Switzerland with € 3.1 million, Italy with € 2.3 million, Germany with € 2 million, Spain with € 2.2 million, Austria with € 1.6 million, and Turkey with € 0.5 million. Greece is also providing an important support for education sector through scholarship financing.

Figure 5.2 Active donors in education sector during 2009-2010



Source: Donor Database 2011

NEW DONOR INITIATIVES

CEB with a € 7.3 million will finance the project ‘Construction and Rehabilitation of Schools in Tirana 2nd Phase; Germany with € 2.4 million and Switzerland with € 1.5 million will finance the VET system in Albania through the ‘Program HRD/VET (phase II)’and (ALBVET Phase III)’, with a lower contribution EC, Italy, Greece and Turkey will support this sector as well.

FUTURE PRIORITIES

- Strengthen management capacity to improve governance of education institutions at all levels;
- Implementation of the decentralisation strategy for education;
- Establishment of a functional Education Management Information System (EMIS) at all levels;
- Construction and rehabilitation of education institutions and further support to VET centres.

DONOR COORDINATION

Semi-annual review meetings for education reforms are introduced with the WB support since 2007. These meetings are a monitoring mechanism for the EEE-P implementation for the three co-financiers WB, EIB and CEB, but always the agenda goes beyond just EEE-P. The SWG that focuses on VET issues has Switzerland as the donor focal point. The SWG on VET met twice in 2009 and three times in 2010, being one of the most performing SWG.

Health

SECTOR OVERVIEW

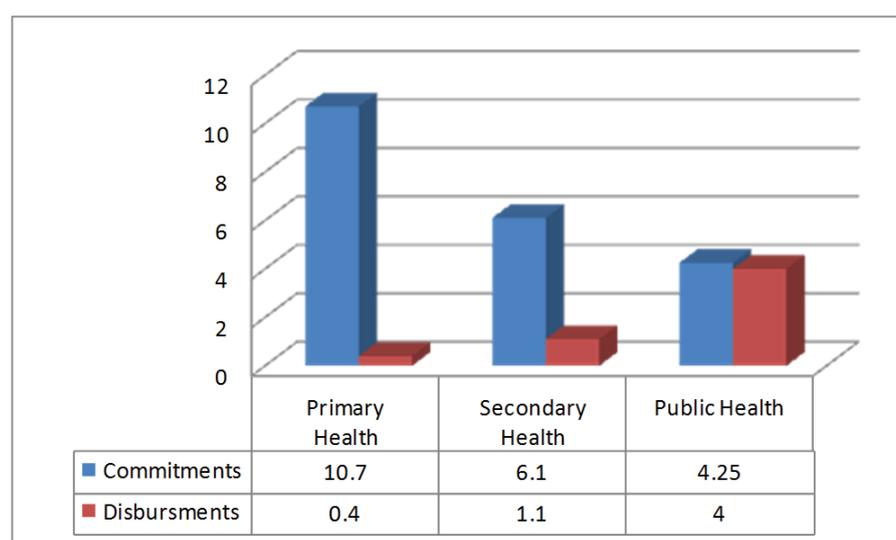
Major achievements in the Albanian health system, as a result of reforms undertaken in recent years include: significant reduction of infant mortality, achieving lowest levels of maternal mortality, increasing of the average living age of Albanians, the expansion of using technologies in medicine as telemedicine, improving managerial capacity, fighting against corruption, and strengthening the health system through private sector growth, which in collaboration and partnership with public sector, will improve the quality of healthcare. The most noteworthy development has been the GoA's decision to expand the Health Insurance Institute (HII) contracting mechanism to include virtually all of country's (non-private) health care system, in order to reimburse these facilities on basis of their performance in providing health services. A new National Health Sector Strategy for the development of the Albanian health system is expected to be approved in 2011.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance to this sector (for new project starting from January 2009) registered € 21 million and around € 5 million (equivalent to 26%) have been disbursed until the end of 2010. Meanwhile, the total disbursement, during the period 2009-2010, accounts for € 28 million (€ 18 million in 2009 and € 10 million in 2010) comprising respective disbursement of all ongoing projects.

For new projects starting from January 2009, 76% are in the form of grants and 24% in loans. Donors are providing support mainly to the primary health care sector representing 51% of total commitments followed by secondary health care sector with 29%, and public health with 20%. Public health is the best performing sub-sector in terms of disbursement rates, with 94% disbursed until the end of 2010, followed by secondary health with 18% and primary health with 3%.

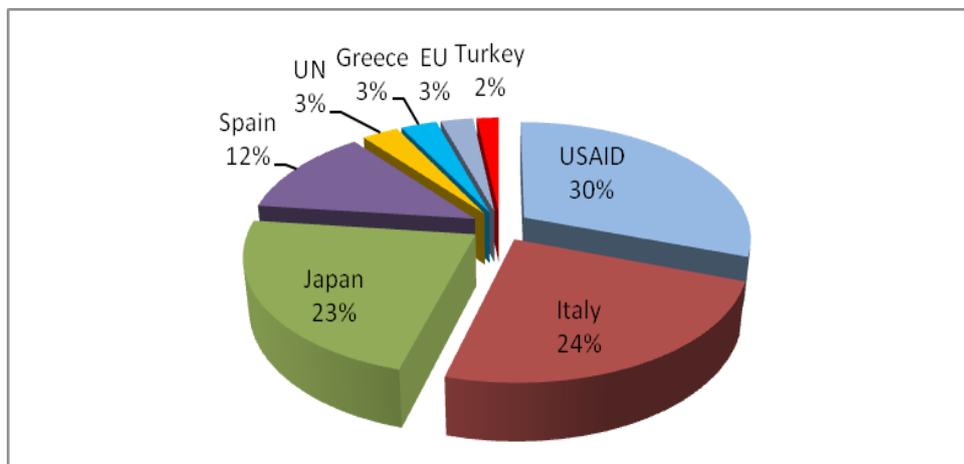
Figure 5.3 Commitments/disbursements by sub-sectors in 2009-2010 (€ million)



Source: Donor Database 2011

For new projects starting from January 2009, USAID is the largest donor with € 6.3 million, followed by Italy with € 5 million, Japan with € 4.7 million, Spain with € 2.5 million, and UN, Greece, EC, and Turkey with a lower contribution.

Figure 5.4 Active donors in health sector during 2009-2010



Completion of the **USAID/PRO Shëndetit project** in September 2009 provided a foundation for a major assistance program launched by the World Bank, which resulted in the GoA's adoption of several tools and interventions such as: adoption of the 'Law on health financing' and 'Law on social assistance and services', development of a Basic Package of Medical Services at primary health care centers (PHC); conversion of GoA Health Centers (HCs) into autonomous facilities responsible; creation of a functioning Health Information System (HIS).

Professional Development System (PDS) Program supported by Switzerland set up the accreditation system for Continuing Medical Education (CME), and allowed the creation of a re-certification system and of National Centre for Continuing Education.

World Bank "Albania Health Sector Modernization" Project²⁰ under implementation 2006-2012, with a financing of \$ 19.1 million (€ 13.3 million), is an important project strengthening hospital governance and management, improving regulatory framework, and piloting reforms of hospital management and governance structures in selected hospitals.

Italy has supported the completion of the Tirana hospital 'Nostra Signora del Buon Consiglio', the 'Rehabilitation of Five Polyclinics' in Tirana, Gjirokastra, Korça and Peshkopi and 'Strengthening of the National Trauma Centre' with € 20 million. **Council of Europe Development Bank (CEB)** with € 16 million supports 'Tirana University Hospital Centre Reform Program', and 'Rehabilitation of Shkodra Hospital 3rd Phase'. Japan, IDB and OFID are also contributing for the health infrastructure rehabilitation.

Austria is providing consistent contribution to the health sector through two important projects: (i) improvement of medical equipment at Tirana University Hospital with € 14.6 million financing, and (ii) improvement of medical equipment at six regional hospitals with € 6 million financing.

NEW DONOR INITIATIVES

A large intervention is planned to be financed from CEB (€ 10 million) supporting the reform for the Tirana University Hospital Centre Reform Program 2nd Phase and Switzerland (€ 1.1 million) to continue the second phase of the Programme to Build up the Professional Development System. A World Bank € 17.5 million project 'Social Sector Reform Development Policy Loan' will be approved during 2011 with a component to support improvements of the efficiency and equity of health financing.

²⁰ Albania Health Sector Modernization project is funded by IDA Credit with \$ 15.4 million, Government of Albania with \$ 2.1 million and Government of Japan with \$ 1.6 million.

FUTURE PRIORITIES

- Enhance the efficiency and equity of health spending and improve the funding scheme;
- Informatisation of hospital and pharmacy service;
- Implementation of transparency, accountability measures and corruption-mitigation programs.

DONOR COORDINATION

The SWG on Health, with WHO as the donor focal point and participating donors such as World Bank, Italian Cooperation, EU Delegation, Czech Republic, France, Sweden, Swiss Cooperation, USAID, UNICEF and UNFPA, has been held respectively in March, June and November 2009 only. The discussions have been focussing on revitalization of the Health SWG, establishing main priorities of the sector, improving donor coordination and enhancing leadership role of the ministry.

Employment and Youth

SECTOR OVERVIEW

The Sector Strategy on Employment 2007-2013 aims at achieving stabilization of the Albanian labour market, its integration with the regional labour market, and the adaptation of the Vocational Training system to the needs of Albanian economy and to the requirements of European Integration.

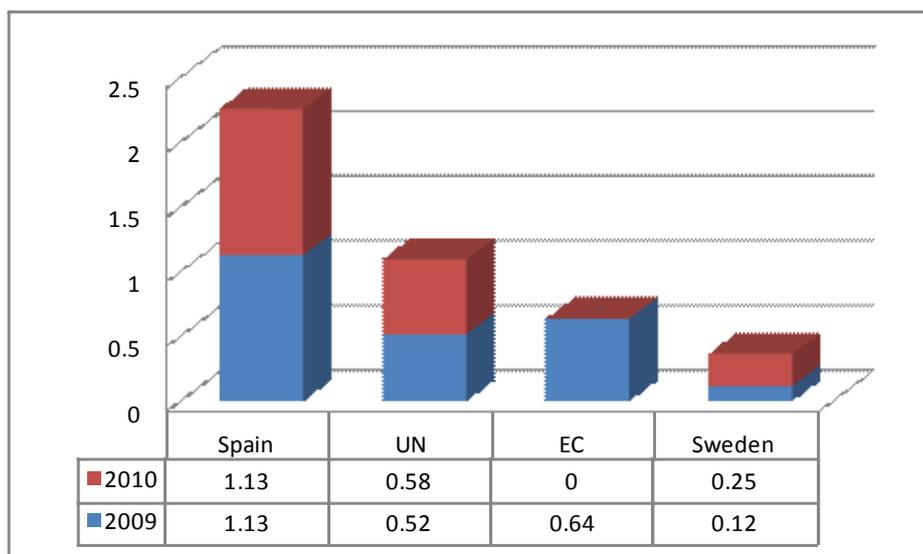
The implementation of the Strategy has been strongly supported by the Swedish Government through the computerization of all regional and local employment offices in Albania. The continuous support from GoA and other donors (Sweden, France, ILO and EC CARDS 2006) to capacity building and training for the specialists of the central and regional offices has led to a considerable improvement of the customer services in these offices. Expanding the network of public vocational training centres has also been in the focus of the GoA during the last two years. EC has supported the reconstruction and purchase of equipment for two training centres in Albania (Elbasan and Korca). Emphasis is also put on the employment of young people in the labour market. A National Action Plan for Albania 2010-2013 has been drafted in collaboration with the One UN “Joint Programme on Youth Employment and Migration” financed by Spain through the MDG Achievement Fund for Youth and Migration and implemented by UN Agencies (ILO, IOM, UNDP and UNICEF). This joint programme aims to enhance decent work opportunities for young people and migration management in Albania through better alignment of national strategies on youth, employment and migration. In the area of labour standards in 2010 was introduced a road map on the elimination of child labour and the law on occupational safety and health at work was drafted.

OVERALL ASSISTANCE IN 2009-2010

During 2009-2010, donor assistance to this sector includes 3 new projects, with a total commitment of € 3.11 million, of which € 2.38 million (equivalent to 76.5 %) has been already disbursed. During the same period total disbursements for all on-going projects accounted to € 4.56 million.

The most important activities are: the computerization of the National Employment Service offices, financed by the Swedish Government with € 0.8 million; and the “Joint Programme on Youth Employment and Migration” financed by Spain through the UN/MDG Achievement Fund with €2.26 million.

Figure 5.5 Commitment by donors in 2009 and 2010 (€ million)



Source: Donor Database 2011

The National Employment Service has benefited € 1.6 million through the EC funding project “Support to Regional Labour Offices” and the Italian contribution aiming to strengthen the inspection and employment services (€ 1 million) as well as the training system. The “Brain Gain Project” co-financed by GoA and UNDP is contributing to increase the engagement of the Diaspora in Albania’s socio-economic development, through incentives for reversing Albania’s brain drain.

UN is supporting young generation through activities focused on promoting healthy lifestyles and the youth parliament with a total contribution of €2.74 million, while Austria is promoting job creation and exchange of the disadvantaged youth (€0.45 million).

NEW DONOR INITIATIVES

The most important project foreseen to start in 2012 is the “Human Resource Development in Albania” financed by EC/IPA 2010 (€ 3 million) aiming to improve the capacity of the State Labour Inspectorate (SLI) and the National Employment Service as well enhance the employability of Albanian workforce.

FUTURE PRIORITIES

- Support to the implementation of 2010-2013 Action Plan for youth employment
- Support for increasing the level of vocational training in the country;
- Periodic research studies regarding professional skills in the labour market;
- Strengthening of services for promoting social, cultural and employment integration of young people;
- Full informatization of employment offices;

Social Inclusion and Social Protection

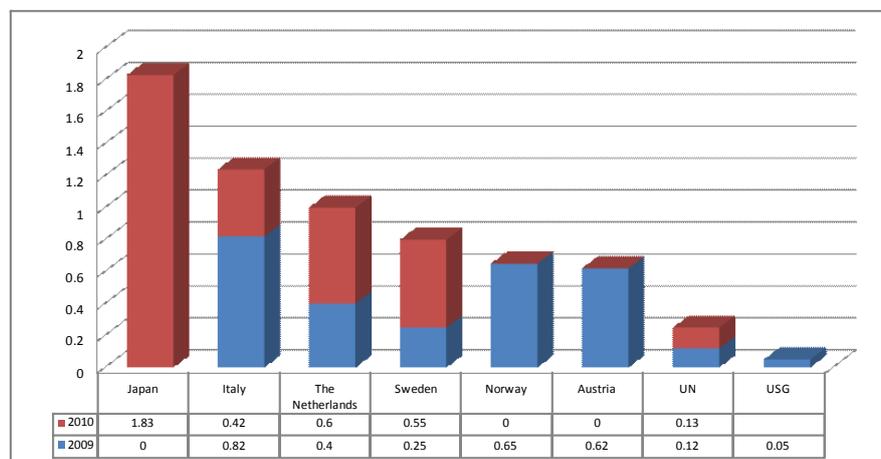
SECTOR OVERVIEW

The National Crosscutting Strategy of Social Inclusion 2007-2013 and the National Sector Strategy of Social Protection 2007-2013 are the two approved strategies guiding this sector. In addition, there are three sub-sector strategies focusing respectively on children rights, persons with disabilities, and improvement of living conditions for Roma Community.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance during 2009-2010, reached € 6.44 million, of which 33.8 % has been disbursed, focusing mainly on social inclusion (about 85%). Commitments have been increased from € 2.9 million in 2009 to € 3.5 million in 2010 due to the contribution of Japan with € 1.8 million.

Figure 5.6 Youth and Employment committed funds by donors in 2009-2010 (€ million)



Source: Donor Database 2011

The total assistance disbursed by donors, for all on-going projects during 2009-2010, was € 5.17 million. This figure indicates a decrease of donor engagement in the sector during this period compared to the disbursement level for 2007-2008 (€ 10.44 million). However, an increase in disbursement level is expected for the next years (more than €10 million) due to new commitments that have recently started.

Among the ongoing activities during 2009-2010, the most significant contribution has been the “Social Services Delivery Project (SSDP)” financed by WB and DFID (€ 16.75 million) to support the improvement of the standards of living of poor and vulnerable population groups in Albania. Japan, through the UN Trust Fund (€1.83 million) is supporting vulnerable local communities (Roma and Egyptian communities) with a special focus on social inclusion and human security. Italy is also giving an important contribution (€ 1,270,000) through the projects ‘Social Inclusion for Households in Kombinat’) as well as ‘Strengthening of social and educational services to promote social and cultural development of children, youth and women in Tale, Lezhë’. Other donors like Netherlands, Austria, Norway, Sweden, US and Canada have contributed in the areas of social inclusion of Roma and people with disabilities, child protection and human rights. “Child and Family Protection - TACT III” is co-funded by UN, Austria and Norway (€ 3.1 million). UNICEF is implementing the “Social Policy and Knowledge” project co-founded by UN and Norway (€1.68 million) aiming to contribute on enhancing capacities at national, regional and local level to monitor and report on policy implementation from a child rights perspective.

FUTURE PRIORITIES

- Establishment of a sustainable network of community services by mainly focusing in the decentralization of services;
- Setting up an automated system of registering, managing and monitoring the economic assistance distributed to people in need;
- Review the Social Inclusion Strategy and approximate its policies and measures to those of the new EU Platform of Social Inclusion.

DONOR COORDINATION

The SWG on Social Inclusion is led by UN. In the context of the FTI-DOL initiative, EC, Austria and Switzerland are the European active donors, while Italy will become a background donor.

Gender Equality and Prevention of Domestic Violence

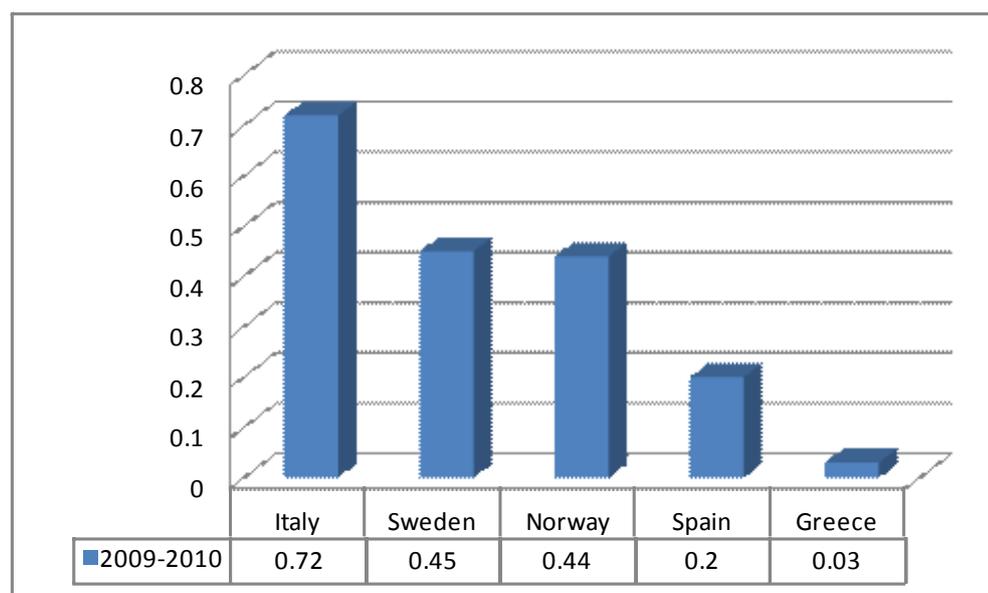
SECTOR OVERVIEW

The preparation and implementation of the first National Strategy on Gender Equality and Elimination of Domestic Violence (NSGE-DV 2007-2010) marked a qualitative leap in the efforts of the Albanian Government to address issues related not only to gender mainstreaming in the public policies, but also to the protection of women and girls against abuse and violence. In 2010, MOLSAEO took the initiative to revise the current strategy, which has been approved in June 2011. The revised “National Strategy on Gender Equality and Reduction of Gender based Violence and Domestic Violence 2011 – 2015” reprioritises the strategic directions by mostly focusing in 4 areas: (i) strengthening of legal and institutional mechanisms; (ii) Gender-balance in decision-making; (iii) Women’s and girls’ economic empowerment; and (iv) Reduction of gender-based violence and domestic violence.

OVERALL ASSISTANCE IN 2009-2010

Donor assistance to this sector (for new projects starting from January 2009) amounts to € 1.84 million. Out of this commitment, around € 1.38 million (equivalent to 73%) have been disbursed until the end of 2010. Meanwhile, the total aid disbursed by donors, which includes all on-going projects during the 2009-2010 period, is almost € 4.64 million.

Figure 5.7 Gender committed funds by donors in 2009-2010 (€ million)



Source: Donor Database 2011

Among the projects that have started after 2009, the following can be mentioned: the support provided by Italy to the Women’s Centre “Luna Nuova” (€ 722,168), the “Women in Governance Project” financed by SIDA (€ 451,139) and implemented by the OSCE Presence in Albania, the support from Norway to the project “Different and equal”, as well as other smaller initiatives including women in political participation, support to women victims to sexual exploitation, income generation etc.

The most significant support continues to be the UN Joint Programme on Gender Equality, a joint contribution of the UN Coherence Fund²¹ and Netherlands, Austria, Norway and Spain (€ 3.86 million) aiming at enhancing coordinated response to the implementation of the NSGE-DV 2007-2010.

21 There are several donors contributing to the UN CF: DaO Funding Window, Spain, EC, Austria, Netherlands, Norway, Switzerland, and Finland.

NEW DONOR INITIATIVES

One UN Programme 2012-2016 is expected to incorporate an important gender component following the good experience of the existing joint programmes on Gender Equality and Domestic Violence. Another initiative supported by UN Women regarding the promotion of gender responsive policies at regional level is planned to start in 2011 (€ 71,758).

FUTURE PRIORITIES

- Introduction of policies/initiatives to ensure gender equality in Albania; gender balance in decision-making; economic empowerment of women; and reduction of gender based violence.

DONOR COORDINATION

The SWG on Gender Equality and Prevention of Domestic Violence is led by UN Women and has met four times during 2009-2010. In the context of FTI-DoL initiative, Austria, Switzerland and Sweden are the European active donors in the sector.

5

URBAN, RURAL AND REGIONAL DEVELOPMENT

Agriculture & Rural Development

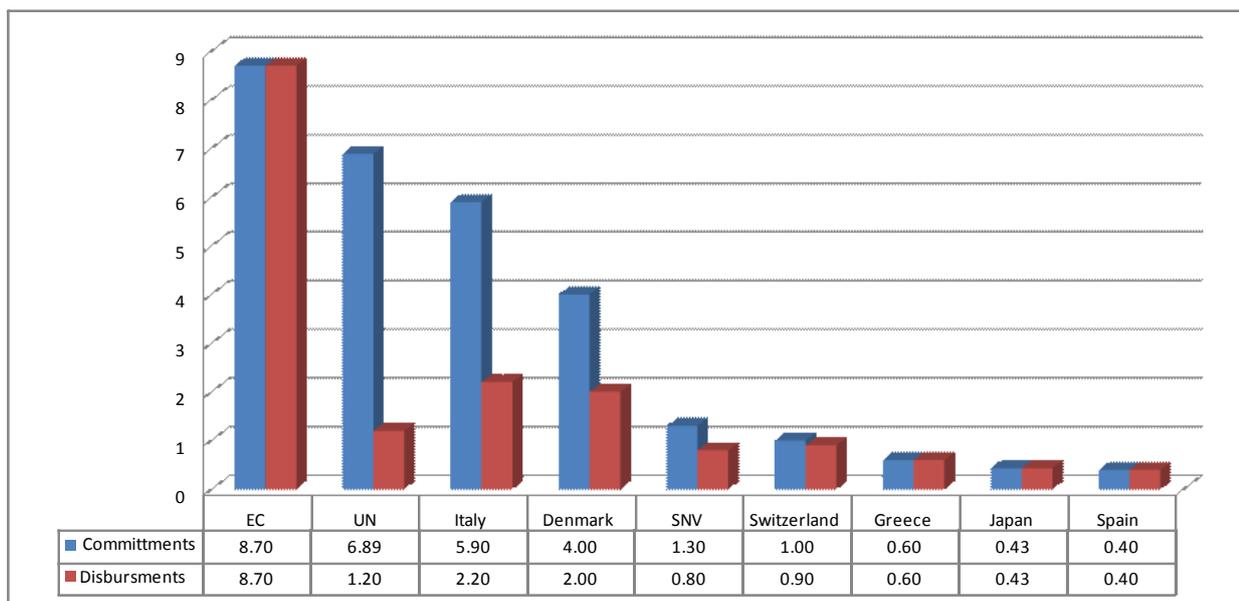
SECTOR OVERVIEW

The sector strategy for Agriculture and Food 2007-2013 and the cross-cutting Strategy for Rural Development 2007-2013 serve as basis for orienting the sector-related activities and achieving the Government program goals and complying with the strategic orientations of the EU policy for Agriculture and rural development. Over the last years progress has been made in regard to the competitiveness improvement of the Agriculture, agro manufacturing and forestry sectors; the environment and natural settings safeguarding; the improvement of livelihood in the rural areas; the promotion of economical diversification and cooperation in the regional development framework; improvement of the budget founded support schemes for rural development.

OVERALL ASSISTANCE IN 2009-2010

Donor commitment to the sector for the period 2009-2010 is approximately € 29.5 million, with 79 % of the assistance provided through grants, and 21% through loans. The total disbursement rate is 59% (approx. € 17.5 million). The main donors in this sector are the EC, UN, Italy, Denmark, Switzerland etc. (see the below graph for respective commitments and disbursements)

Figure 6.1 Commitments for projects starting in 2009 and 2010 (€ million)



Source: Donor Database 2011

The projects starting in 2009 - 2010, have been focused on: (i) production, agro-processing and marketing of agricultural products with approx. € 8.2 million; (ii) livestock with € 7.3 million (iii) food safety²² with a total commitment of € 2 million; (iv) irrigation and drainage with approx. € 0.1 million; and (v) rural development with € 11.8 million.

Spain has funded one of the largest projects, supporting small agro-business and agro-processing with a € 21 million microcredit fund that has enabled Albanian farmers to benefit from a low interest crediting scheme; Kuwait project on Irrigation and Drainage Rehabilitation (€ 9.9 million) supports the rehabilitation of irrigation and drainage networks; the five-year USAID program on improving the Albanian Agriculture Competitiveness (AAC) (€ 6.8 million) supports the sustained growth of Albania's agricultural sector and increase in rural household income by developing and strengthening the competitiveness capacity of producers of high-value agricultural products.

Projects that started in 2009-2010 include: EC IPA 2008 support to the MoAFCP for implementing the rural development strategy (€ 2 million) and improving the public protection against zoonotic diseases (€ 5.7 million). IFAD's Mountain to Market program (€ 6.3 million) is supporting Albanian farmers in improving production and processing standards. The program for the support to the Quality Control Centre for Agricultural Products (€ 2 million), financed by Italy, focuses on development of the Albanian food safety system. The "District of Malesia e Madhe integrated rural development" project (€ 1.8 million) aims at improving the living conditions of the population of the Kelmend and Shkrel municipalities. The joint program for Northern- Eastern Albania (2009-2013) funded by Denmark (€ 4 million) and SNV (€ 1 million) aims at a sustainable business development and income generation. German Development Cooperation supports many regional projects, involving among others Albania. Through Open Regional Funds for legal reform, municipal services, foreign trade and energy efficiency, Albanian institutions participate in projects with a value of € 7 million.

NEW DONOR INITIATIVES

Future donor support includes commitments from the EC, WB, GiZ and Sweden. EC through IPA 2011 is planning to finance a € 10 million project to support Agriculture and Sustainable Rural Development and preparedness for IPARD measures. The World Bank Country Partnership Strategy 2011-2014 envisages the Water Resources and Irrigation project that will be jointly funded with Sweden (Sida) and will integrate and strengthen water resources management, institutional and regulatory framework and implementation of measures for rehabilitation of irrigations and drainage systems, dams etc.

FUTURE PRIORITIES

- Improvement of land management; improved marketing of agricultural products; creation of agricultural land information system (LIS);
- Improvement in the protective infrastructure of the agricultural land and populated areas in the view of the flood emergencies from rivers and seas.
- Completion of the regions land registry documentation, the preparation of multiple land books and maps, the scanning and digitalization of the Agricultural Land registry;
- Investment in the collection and marketing of agriculture products, creation of a guaranty fund for rural loans.

DONOR CO-ORDINATION

The SWG on Agriculture & Food, Rural Development and Consumer Protection is led by the German Technical Cooperation (GIZ), with participating donors like EC, World Bank and Italy. Two meetings of the SWG were held in 2010, discussing issues related to the progress of the sector, drafting of the EC MIPD 2011-2013 and introduction of sector approaches.

²² Food safety has also been discussed under Consumer Protection and Market Surveillance; however, since it is institutionally linked to the Ministry of Agriculture, it is discussed in this section.

Spatial Planning and Housing

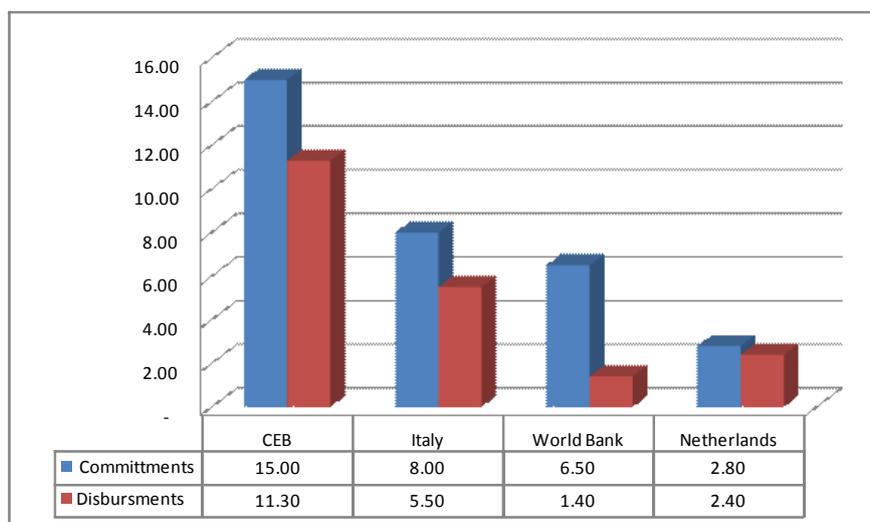
SECTOR OVERVIEW

Strong emphasis over the past years has been put on improving the legal and institutional framework on territorial planning. The new law on Territorial Planning, adopted in 2009, aims at introducing a modern and market-oriented planning and development control system that will facilitate sustainable development of the territory of Albania. It was followed by the establishment of the Agency of Territorial Planning (AKPT) as the main authority for the harmonization of the central and local government’s policies on spatial planning. An important achievement was also the establishment of the National Planning Registry, for a streamlined national electronic registry for development and building permits, thereby for reducing opportunities for corruption in construction.

OVERALL ASSISTANCE IN 2009-2010

The most important projects that were ongoing in 2009 – 2010 are: The World Bank’s Land Administration and Management Project (LAMP) with € 6.5 milion, specifically allocated to spatial planning; “Housing Project” supported by CEB with € 15 million, aiming to make available 1000 low-cost housing for families in need in the largest urban centres of Albania; Italy with three projects (totalling € 8 million) is providing basic infrastructures in the Urban Peripheries of Tirana and Vlora; the US Millennium Challenging Corporation II has supported the establishment of the National Planning Registry. Another project started in 2009-2010 is the “Fostering Partnerships for Equitable cities, Capacity Building for sustainable and equitable spatial planning and development” funded by The Netherland with € 0.4 million.

Figure 6.2 Commitments and Disbursements by donors in 2000 - 2010 (€ million)



Source: Donor Database 2011

FUTURE PRIORITIES

- Supporting the government objective of providing low cost housing to some 12.000 Albanian families by 2014.
- Support to the National Territorial Planning Agency in its mission to coordinate the national and local spatial planning authorities in line with European norms and principles.
- Approval and effective implementation of Territorial Planning Regulations
- Establishment and effective use of the Territorial Planning Register as an integrated network of all decentralized databases of central and local territorial planning institutions.

Culture Heritage and Tourism

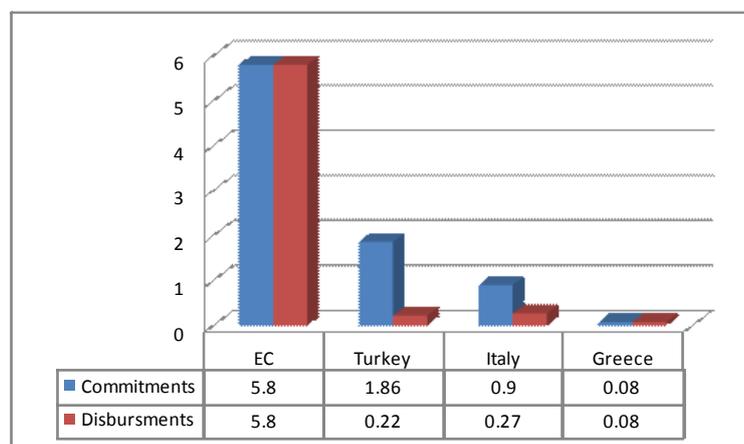
SECTOR OVERVIEW

The key priorities of cultural Heritage and Tourism policies are oriented towards the promotion and consolidation of the cultural and natural heritage, the preservation and restoration of cultural monuments and the promotion of the spiritual tourism. The legal and strategic framework has been improved through the amendment of the existing law on cultural heritage and approval of the Sector Strategy on Tourism 2007-2011. An important step has been the approval of the Integrated Plan for the Development of the Southern Coast in 2009 with the support of the World Bank. Another important achievement was also the drafting and approval of the Albania's Culture Marketing Strategy with the joint support of Spain and the UN programme for Culture and Heritage for Social and Economic Development (CHSED) that aims to promote Albania as a country with an outstanding wealth in terms of cultural heritage assets and tourism potential.

OVERALL ASSISTANCE IN 2009-2010

Total donor commitment reached € 8.6 million in grants, of which € 6.3 million or 73% were disbursed until the end of 2010. This support was mainly targeted at cultural heritage.

Figure 6.3 Commitments and disbursements by donor in 2009-2010 (€ million)



Source: Donor Database 2011

Main projects that have started in 2009-2010 are: the EC programme “Support to Sustainable and Integrated Development of Cultural and Historical Heritage – Phase II” with € 5 million²³ aims at the restoration and development of cultural and historical heritage sites in the cities of Korca, Elbasan, Shkodra and Berat; Turkey/TIKA program for the restoration of historical artefacts in different regions (€ 1.5 million).

Other important ongoing projects are: UN, through its agencies UNDP and UNESCO, supports two programmes “Culture and Heritage for Social and Economic Development (CHSED)” and “restoration of the historical centre of Gjirokastra” with a total amount of € 3 million; Italy supports three projects “the rehabilitation of the Institute of Cultural Monuments in Tirana”, “the creation of a Restoration School” with € 2.2 million and “promoting eco-tourism in Permet region” with € 0.9 million.

EC, through IPA 2008, with € 0.8 million will strengthen and enforce the capacities of the Albanian copyright office and regional branches for respecting and protecting copyright.

NEW DONOR INITIATIVES

Sweden will start in 2011 the second phase to the Culture without Border Project with a fund of € 0.94 million, that aims to support urban planning by means of restoring edifices and contributing to understanding of the value of the cultural heritage. Turkey/TIKA will support training of the staff of National Tourism Agency in 2011.

23 Of which the entire amount is already contracted

FUTURE PRIORITIES

- Sustain the preservation, restoration, protection and promotion of cultural heritage assets;
- Strengthening of the legal mechanisms, capacities and infrastructure for the cultural heritage enhancement;
- Drafting of the National Plan on Tourism Development.

DONOR CO-ORDINATION

The Donor Focal Point for the Sector Working Group on Tourism is UNDP. In the framework of implementation of the FTI-DoL, Germany will continue to be an active donor and support the sector.

Regional Development & Decentralization

SECTOR OVERVIEW

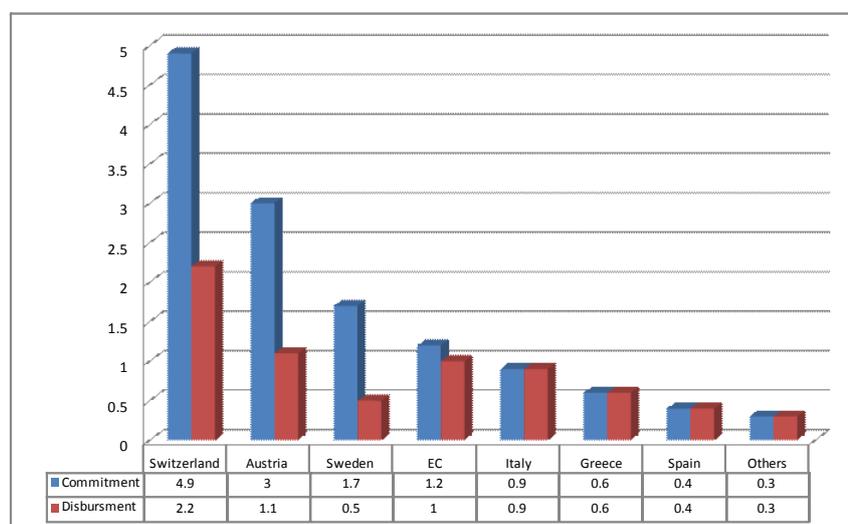
Government of Albania has identified the need for an integrated, coherent regional policy based aiming to address the widening gaps in socio-economic performance and reducing disparities of the regions. The Cross Cutting strategy on Regional Development (2007-2013) sets out the strategic framework for sector development and the timetable for achieving its objective. The 2009 budgetary law introduced a new instrument for the national policy on regional development by creating the Fund for Regional Development (RDF), including a separate budget line on the development of regions. The RDF is a mechanism for the financing of projects within the territory of the local government units and applied by them. The municipalities and communes are eligible to apply for the fund. It consists of competitive grants for local infrastructure, education, health, cultural objects, water supply-sanitation system, building of agro-food markets, irrigation and drainage and forestation.

In December 2010, the Government of Albania adopted the Implementation of Nomenclature “Albania in three NUTS II regions,” according to nomenclature territorial units for statistics (NUTS) of the EU. Based on this decision, three territorial division as NUTS 2 region have been identified (Durrës and North Albania; Tirana and Elbasan; and South Albania).

OVERALL ASSISTANCE IN 2009-2010

Donor contributions to the sector for the period 2009-2010 exceeds € 13 million. Main donors contributing to the sector are Switzerland (with € 4.9 million), Austria (with € 3 million), Sweden (with € 1.7 million) and the EC (with € 1.2 million).

Figure 6.4 Regional Development and Decentralization–Commitment and disbursement 2009-2010 (€ million)



Source: Donor Database 2011

Projects started in 2009–2010 are: Austria and Switzerland co-financing the regional development of Northern Albania (€ 4.2 million) by preparing a common Regional Development Program for the Lezha and Shkodra Qarks; the phase II of Switzerland's program supporting the decentralization and local development of the Shkodra-Lezha region (DLDP II) (€ 3.1 million); EC/CARDS and UNDP have co-funded the Integrated Support for Decentralization (ISD) project with € 5.2 million, aiming to complete the legal and policy framework and establish the national and regional development agencies. Worth mentioning is the contribution of € 1.7 million from this project to the Regional Development Fund, supporting projects in education, water and sewerage facilities, cultural heritage and health in a local level.

The main project that were ongoing during this period comprise the US Local Government for Decentralization Program (LGPA) of approx. € 5 million, which has been assisting municipalities to better plan and utilize investment opportunities and efficiently manage public resources. The Netherland's program in the Dibër Qark (€ 4.15 million) has provided direct funding to local initiatives such as reconstruction of roads, building of irrigation and sewerage systems, and development of commercial markets.

FUTURE PRIORITIES

- strengthening the role of the Regional Council;
- develop legal framework on transparency and accountability of local governments;
- capacity building to access and manage EU funds.

DONOR CO-ORDINATION

Swiss Cooperation is the Donor Focal Point for this SWG on Decentralization and Regional Development, as well as the European Lead Donor under the framework of the FTI-DoL, EC, Austria, Germany and Sweden will continue to be active donors in this sector.

6

IMPROVING MANAGEMENT OF EXTERNAL ASSISTANCE

The main goal of the Government of Albania related to the external assistance management is to ensure a strong cooperation in planning, management and evaluation of programmes and projects, amongst donors and government institutions.

Albania has made substantial progress in improving all the Paris Declaration indicators and meeting the set targets. Since the first baseline reporting in 2005, Albania has met the targets for 5 out of 15 indicators and substantial progress has been made for 3 indicators. Progress was made in ownership, management for results, and mutual accountability, which provides the foundation for moving the remaining indicators forward and at a faster pace. The preparation and implementation of the National Strategy for Development and Integration (NSDI) 2007-2013 and associated initiatives have created specific mechanisms to facilitate increased aid effectiveness. The 2005 baseline and the results the 2008 and 2011 OECD DAC Surveys are presented in Table 7.1 along with the 2010 targets, which provide a guide for where the Government of Albania and its donors need to focus their efforts in improving management of the external assistance.

Table 7.1 Paris Declaration Indicators: 2005 baseline and 2010 targets for Albania

	Indicators	2005 Reference	2007	2010 Actual	2010 Target
	OWNERSHIP				
1	Operational Development Strategies	C	C	B	B or A
	ALIGNMENT				
2a	Reliable Public Financial Management (PFM) systems	4.0	Not available	Not available	4.5
2b	Reliable Procurement systems	Not available	Not available	C	No target
3	Aid flows are aligned on national priorities	32%	73%	86%	85%
4	Strengthen capacity by co-ordinated support	28%	51%	58%	50%
5a	Use of country PFM systems	14%	12%	11%	43%
5b	Use of country procurement systems	6%	10%	10%	No target
6	Strengthen capacity by avoiding Parallel PIUs	57	24	18	19
7	Aid is more predictable	49%	29%	56%	74%
8	Aid is untied	65%	78%	64%	More than 65%
	HARMONISATION				
9	Use of common arrangements or procedures	5%	14%	22%	66%
10a	Joint missions	9%	29%	18%	40%
10b	Joint country analytic work	22%	34%	26%	66%
	MANAGING FOR RESULTS				
11	Results-oriented frameworks	D	D	C	B or A
	MUTUAL ACCOUNTABILITY				
12	Mutual accountability	N	N	Y	Y

Ownership: Effective leadership over development policies and strategies, and coordination of development actions

Government has been increasing ownership and its role in coordination of external assistance since the establishment of the DSDC in 2005. Albania raised its overall score of C in 2005 and 2007 to B in 2010²⁴. The National Strategy for Development and Integration 2007-2013 (NSDI 2007-2013) involved an extensive public consultation and participatory process, including working and advisory groups from government, donors, academia, and civil society. The development of the NSDI fosters decentralized decision-making involving a wide range of participants. The National Strategy for Development and Integration (NSDI) effectively links with the long-term vision and sector strategies. NSDI targets are prioritized and its Medium-Term Budget Program (MTBP) implements the NSDI through integration of the budget process.

- **Achievement:** Development and implementation of the National Strategy for Development and Integration 2007-2013 (NSDI), including internal monitoring. Participatory preparation and stakeholder contribution to the NSDI
- **Challenges:** Sustainable participatory preparation and stakeholder contribution to the new NSDI 2013-2020
- **Lessons:** Involvement of stakeholders in the development of NSDI helped to define stakeholder interests and concerns
- **Priority actions:** To ensure inclusive ownership and transparency, continue to involve stakeholder participation in the policy process

Alignment: Donors base their overall support on national development strategies, institutions, and procedures

Several of the Paris Declaration targets associated with alignment have been met, including aid on budget, coordinated technical cooperation, and decrease of the number of parallel project implementation units. Greater alignment of external assistance to the national strategic priorities and budgeting process is a key objective of the Integrated Planning System (IPS). The development of Sector Working Groups has contributed to increased alignment and co-ordination among the Government and donor community. Actions to digitize the government financial system and make donors more aware of public financial management and procurement systems are likely have positive effects in the future. The assessment of procurement systems, using the Methodology for the Assessment of Procurement Systems developed by the OECD-DAC Task Force on Procurement, showed an increase from a D level in 2006 to the C level in 2009, suggesting that Albania may have already met the target of moving up at least one measure from D to C. However, use of country PFM and procurement systems remain a challenge.

- **Achievement:** Establishment of a national electronic procurement and PFM system increases transparency and alignment
- **Challenges:** Donors are reluctant to use Albanian public procurement and PFM systems
- **Lessons:** Strategic agreements between donors and the government and the formation of Sector Working Groups (SWGs) positively impact the alignment of aid flows
- **Priority Actions:** Make better predictions on the volume and timing of aid disbursements, identify the way donors notify their disbursements, and improve the comprehensiveness of government records on incoming aid

Harmonisation: donor actions and activities are more harmonised, transparent and collectively more effective

The Sector Working Groups are seen as a very efficient tool to strengthen coordination, playing an important role in policy co-ordination and in monitoring of sector strategies, Medium-Term Budget Programme and external assistance. Also the SWGs are being utilized as fora to discuss potential joint programming between Government and donors and to identify sector potential to implement Programme-Based Approaches (PBAs) and SWAp. Increased leadership from line ministries in SWGs is emphasised in order to facilitate the increased use of PBA/SWAp. Several donors are working with the Albanian government to align aid with PBAs. In particular, the government aims to strengthen the role of Sector Working Groups (SWGs) to increase the use of PBAs, notably in the education, environment, agriculture, and transport sectors. The endorsement of the Fast-Tracking Initiative on Division of Labour on 31 May 2010, intends to support Albania in the process of implementing in-country division of labour. The final goal is to achieve better development results through more effective aid, increase the coherence of EU assistance, less overlap, less transaction cost, etc.

²⁴ A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

- **Achievement:** Development of Fast-Tracking Initiative (FTI) of Division of Labour (DoL) assist in reducing aid fragmentation and allocate responsibilities among donors;
- **Challenges:** Increased leadership from line ministries in SWGs; Increase the number of joint missions and joint analytic work; Implement the FTI-DoL and extend it not only to the European donors, but to the whole donor community
- **Lessons:** Formation of Sector Working Groups (SWGs) contribute to co-ordination of donors in missions and analytical work, particularly in the education sector
- **Priority Action:** Government should perform a comprehensive assessment and periodic review of joint analytic work. Establish a formal mechanism to integrate, regulate, and coordinate PBAs, joint missions and analytical work among donors in all sectors

Managing for results: donors and partner countries manage resources, improve decision-making

An overall score of C for the results-oriented framework was scored in 2010, showing an improvement from the D level in 2007²⁵. This score reflects the strong progress made by Albania and the efforts to reconfigure the Results-Based Monitoring and Reporting System, which presently focused on implementation, but is being refocused to offer a solid results-oriented framework. Great strides are made in the following areas: developing a system of collecting national data to provide quality information for accurate monitoring and making stakeholder and government data and information better available.

- **Achievement:** Development of an NSDI Results-Based Monitoring and Reporting System which focused on a results-oriented framework. National data and information has been made more accessible to donor and government stakeholders
- **Challenges:** Full implementation of the newly established NSDI Results-based monitoring system
- **Lessons:** A results-oriented framework for monitoring offers better assistance than implementation-based monitoring
- **Priority Action:** Continue to develop the Integrated Planning System Information System (IPSIS) and External Assistance Management Information System (EAMIS) to strengthen strategic planning, policy analysis, monitoring, evaluation, and donor coordination.

Mutual accountability: donors and partner countries are accountable for development results

The Government of Albania jointly with the donor community has successfully developed a mutual accountability system, which is the Harmonisation Action Plan (HAP). The HAP was developed and endorsed by the government and donor community in November 2009. A progress report for meeting the targets included in the HAP was prepared and presented at the Government-Donor Roundtable in June 2010. Both the donor community and the Government have mutually agreed to deepen engagement in key areas of the Paris Declaration and Accra Agenda for Action and to join efforts to implement the Paris Declaration. The HAP is not simply concerned with harmonisation in the narrow sense of the adoption of common procedures and sharing of analytic and review findings between donors, but with a whole range of measures that will bear on aid effectiveness. Successful implementation of the HAP is evident by government use of the Integrated Planning System (IPS) to strengthen ownership on donor coordination, as well as improved policy ownership at the sector level by using Sector Wide Approaches (SWAp) and the EU Fast Track Initiative-Division of Labour. As a result, donors have become more individually and collectively responsible to the government and can improve their coordination at the sector level.

- **Achievement:** Development and implementation of a mutual accountability system, the Harmonization Action Plan (HAP)
- **Challenges:** The HAP is working in conjunction with the IPS to form a vice-like mechanism which slowly will reduce the space available for donor fragmentation.
- **Lessons:** With the HAP, donors have become more individually and collectively responsible to the government and improved their coordination at the sector levels
- **Priority Actions:** Fully implement the HAP

²⁵ Albania has met its target goal of moving up one grade (from D to C) in 2010, but still has not met the international target of A or B, which is set by OECD.

ANNEXES

ANNEX 1. DECISION OF COUNCIL OF MINISTERS NO. 775 DATED 24.09.2010



REPUBLIC OF ALBANIA

Council of Ministers

DECISION

No. 775, dated 24.9.2010

ON

THE MANAGEMENT OF FOREIGN FINANCING IN THE REPUBLIC OF ALBANIA

Pursuant to Article 100 of the Constitution, Article 39 of the Law No 9936 of 26.6.2008 “On the management of the budgetary system in the Republic of Albania”, and Article 26 of the Law “On state government borrowing, debt and guarantees in the Republic of Albania“, upon the proposal of the Minister of Finance, the Council of Ministers:

DECIDED:

1. The object of this decision ensuring and management of foreign financing as an integral and/or reported part of the budget system of the Republic of Albania.
2. Foreign financing shall mean any loans, credits and grants obtained by the Council of Ministers of the Republic of Albania and by the Republic of Albania from foreign countries, international bodies, international financial institutions, foreign banks, non-for-profit organizations, etc.
3. Government framework agreements shall mean any agreements/protocols concluded between the Republic of Albania or the Council of Ministers of the Republic of Albania and the governments of foreign countries with the scope of ensuring financial cooperation or development cooperation of mutual benefit.
4. Government agreements shall mean any agreements concluded between the Republic of Albania or the Council of Ministers of the Republic of Albania and the governments of foreign countries with the scope of ensuring financing for public investment projects in the Republic of Albania.
5. Financing agreements shall mean any loan/credit or grant agreements concluded between the Republic of Albania, or the Council of Ministers of the Republic of Albania and foreign creditors or donors, with the scope of financing public investment projects in the Republic of Albania.
6. On the basis of the analysis and assessment of the economic and financial situation of the country, the Council of Ministers upon the proposal of the Ministry of Finance endorses each year the Medium Term Budget Programme (MTBP) as an integral part of the Integrated Planning System (IPS). For each programme, the Medium Term Budget Programme envisages all public investment projects in a rolling 3-year period, including also projects entirely financed by foreign assistance or co-financed by the state budget.
7. Coordination of foreign assistance projects follows procedures laid down in the Integrated Planning System (IPS) endorsed by the Decision of the Council of Ministers No. 692 dated 10.11.2005. IPS constitutes the key national framework for policy development and financial planning, for identification of the strategic priorities of Albania’s development and integration, and for allocation of national and foreign financing in a coherent, efficient and integrated manner.

8. IPS, through the strategic framework which sets priorities to be financed by foreign assistance, builds on the priorities defined in the government programme, updated National Strategy for Development and Integration 2007-2013, sector and cross-cutting strategies and in the National Plan for the Implementation of the SAA.
9. Department of Strategy and Donor Coordination (DSDC) at the Council of Ministers, in cooperation with the Ministry of Finance and the Ministry of European Integration, coordinates the process of identification, discussion and selection of strategic priorities, through consultation with line ministries and other independent central institutions.
10. The Strategic Planning Committee (SPC), through mechanisms and procedures defined in the Integration Planning System (IPS), guides the long- and medium-term foreign assistance programmes and approves the list of new priority projects in each sector. The list of priority projects approved in principle by SPC shall be further used by the Ministry of Finance and DSDC in their negotiations with lenders/donors for new financing.
11. The Ministry of Finance shall be the only institution entitled to request and ensure financing from lenders and donors, in the form of loans or grants which are co-financed by loans. In case of grant assistance, or grants as a co-financing by state budget, this process shall be conducted by DSDC in cooperation with the Ministry of Finance and the Ministry of European Integration.
12. Institutional responsibilities in following procedures for the conclusion of government framework agreements, financing agreements and government agreements shall be as indicated below:
 - a) For government framework agreements and financing agreements, the Ministry of Finance and DSDC shall be the lead parties in negotiations, according to the type of financing, loans or grants, respectively. The negotiation team shall include representatives from the relevant line ministries.
 - b) For government agreements, the negotiation process shall be led by DSDC which shall cooperate with line ministries and the Ministry of Finance. This provision shall not be applicable to financing negotiations under the Instrument of Pre-accession Agreements (IPA) Programme, as the Ministry of European Integration shall lead this process.
 - c) Upon conclusion of negotiations, the Ministry of Finance in cooperation with DSDC shall submit the negotiated government framework agreements to the Council of Ministers for approval in principle.
 - ç) Upon conclusion of negotiations, the beneficiary line ministries in cooperation with the Ministry of Finance shall submit the negotiated government agreements and the financing agreements to the Council of Ministers for approval in principle.
 - d) The Minister of Finance, with the signatory power issued to him pursuant to the Law No 8371 dated 9.7.1998 "On the conclusion of treaties and international agreements", shall sign the government framework agreements and the financing agreements.
 - dh) The line ministers, with the signatory power issued to them pursuant to the Law No 8371 of 9.7.1998 "On the conclusion of treaties and international agreements", shall sign the government agreements.
13. The beneficiary (central and local) institutions are responsible for earmarking in their budget any financial obligations arising from their relevant adopted financing agreements.
14. Once government framework agreements, financing agreements and government agreements are signed, the signatory institution shall follow the necessary legal procedures for the entry into force of the relevant agreement.
15. The Ministry of Finance and DSDC shall exchange information with lenders/donors and beneficiaries of foreign assistance concerning the received loans/grants, the extent of use and destination of these funds.
16. DSDC and the Ministry of Finance shall monitor the line ministries to ensure that they fulfil the conditions laid down in the agreements with lenders and/or donors, and to check the progress made in the implementation of the relevant projects.
17. The Ministry of Finance shall follow, record and report all transactions related to loans and grants. Line ministries and central and local institutions are obliged to report to the Ministry of Finance all the required information, within the set deadlines. Implementation of foreign loans and grants shall constitute an integral part of the annual factual budget.

18. Any gains from loans and grants shall be recorded as incomes in the "Central treasury account" by the Bank of Albania, and shall be channelled in individual special accounts, pertaining to each project, in the Bank of Albania. Loans and grants disbursed in kind, since those are paid directly from the lender's accounts, shall be recorded as incomes in the budget on the basis of payment-orders issued by the lender/donor and confirmed by the beneficiary institution, in line with procedures to be established for this purpose by the Ministry of Finance.
19. Disbursements of loans and grants shall be recorded in the State budget expenditures. Transfers to the beneficiaries' accounts will be effectuated from the treasury system accounts to the second-tier banks. If loans and grants are disbursed in kind or are directly managed by the donors, disbursements shall be simultaneously recorded both as budget revenues (income) and expenditures, on the basis of payment-orders issued for the purchase of relevant goods or services and the confirmation by the beneficiary.
20. Central ministries/institutions and local institutions shall report immediately to the Ministry of Finance whenever they obtain financial assistance or material aid from foundations, associations, enterprises, individuals, etc. Failure to report on time burdens with responsibility the institution's head and entitles the Ministry of Finance to reduce the conditional state budget allocated to the relevant institution by the value of the assistance obtained.
21. Central ministries/institutions and local institutions, whenever they obtain loans, grants or material aid for any projects, shall report this information to the Ministry of Finance on monthly basis, according to the set deadlines.
22. No later than January and July of each year, line ministries shall report to DSDC:
 - a) Information on the implementation progress of foreign assistance projects, for the preceding year.
 - b) Information on planned implementation of foreign assistance projects, for the current year. This applies to projects started in the preceding years, as well as projects with committed funding whose implementation is expected to start in the current year.
 - c) Project proposals to be financed by foreign assistance, for projects that are to be negotiated with donors, during the current year.

Line ministries shall inform the Ministry of European Integration for information contained under points "a" and "b", concerning projects supported by EU financial assistance.
23. DSDC, in the capacity of the body entrusted with the foreign assistance database:
 - a) shall update the database, with information received from line ministries, no later than March and September of each year.
 - b) shall prepare the annual monitoring report of foreign assistance for the preceding year.
24. Ministry of Finance is responsible for issuing detailed guidelines concerning procedures to be followed during the various stages of disbursement, spending, reporting and repayment of loans and grants.
25. Ministry of Finance, DSDC, Ministry of European Integration and line ministries, as well as other institutions subordinate to the central executive government, are responsible for ensuring implementation of the present Decision.
26. The Decision of the Council of Ministers No. 116, dated 24.2.1997 "On powers, procedures, signature, disbursement, registration, implementation, repayment and reporting of foreign loans, credits and grants awarded to the government of the Republic of Albania" is hereby abolished.

The present Decision enters into force upon publication in the Official Gazette.

PRIME MINISTER
SALI BERISHA

MINISTER OF FINANCE
RIDVAN BODE

ANNEX 2. MOU ON FTI DoL

Memorandum of Understanding

“The launch of Fast Tracking Initiative on Division of Labour in Albania”

1. Introduction

The Fast-Tracking Initiative (FTI) of Division of Labour (DoL) was first discussed at the EU Technical Experts Meeting in Brussels in December 2007. The purpose of FTI-DoL is to foster gradual implementation of the EU “Code of Conduct on Complementarity and the Division of Labour in Development Policy” (May 2007). In May 2008 the EU Council called for further efforts by the EC and Member States to fast-track DoL in partner countries. Albania and Macedonia were the only two countries in the region selected for implementation. FTI-DoL is now included in the EU “Operational Framework on Aid Effectiveness” (November 2009).

In Albania, FTI-DoL is led by the Government of Albania (GoA), through the Department of Strategy and Donor Coordination (DSDC). FTI-DoL arrangements are open to any European Donor willing to join and other Development and Integration Partners (DIPs) that could contribute to the coordination process in the context of division of labour and complementarity.

FTI-DoL should be seen as added value to the existing coordination mechanisms established by the Government of Albania, as such it is embedded in the national Harmonisation Action Plan.

Following the joint analysis carried out throughout 2009 and early 2010, a common definition has been agreed on roles and responsibilities of Lead Donors in the context of FTI-DoL. The allocation of Lead Donors to specific sectors has been agreed based on expression of interest from donors and as a result of sectoral analysis of donor commitments by DSDC.

2. Objective

The FTI-DoL intends to support Albania in the process of implementing in-country division of labour. The final goal is to achieve better development results through more effective aid. EU Member States (MS) and the EC will systematically collaborate on the ground, using the principles of the EU Code of Conduct on DoL as their reference. Main aim is aid effectiveness to increase the coherence of EU assistance, less overlap, less transaction cost, etc.

The Fast Track Initiative on Division of Labour (FTI-DoL) aims at supporting gradual implementation of the EU Code of Conduct in Albania (CoC). FTI-DoL will integrate within existing donor coordination structures (namely SWGs) led by the Albanian Government, especially in those sectors more relevant to the EU integration agenda. European donors participate to FTI-DoL on a voluntary basis.

3. Targeted results

- GoA and donors in Albania committed to DoL process.
- Enhanced capacity of GoA to lead for results-oriented aid management, including DoL process.
- Enhanced capacity of donors to implement DoL.
- DoL arrangements in place and under implementation.
- Enhanced communication between donors’ HQs and in-country offices on DoL issues.
- Opportunities created for optimised donors assistance.
- Possibilities identified for co-financing at country level.

4. Roles and responsibilities

The Government of Albania

The leadership of the government, ownership of and alignment with government policies, planning process and budget cycle are key elements of the Fast Tracking Initiative of Division of Labour. In particular the Government of Albania is expected to:

- Have strong political will and commitment to lead on the development cooperation agenda.
- Identify national priorities based on the National Strategy for Development and Integration (NSDI), sector and cross-cutting Strategies and the Medium-Term Budget Programme (MTBP) and in line with European Partnership.
- Ensure appropriate donor support in strategic sectors, with a special focus on the EU integration agenda and acquis-related sectors.
- Safeguard full respect and complementarity with other processes and frameworks already in place such as Sector Working Groups or other ad hoc round tables.
- Ensure relevant stakeholders are involved, such as non-state actors (NGOs, private sector), local authorities, parliament etc.
- Build effective monitoring systems in close cooperation with participating donors.
- Accelerate the adjustment of legal, financial and administrative procedures for deeper and smoother DoL process, in a supportive macro-economic and growth environment.
- Commit to reform and/or strengthen public institutions (especially Public Administration in line ministries).

The Facilitator

Germany is the FTI-DoL facilitator globally; Italy is assigned the role of FTI-DoL facilitator in Albania. The facilitator is expected to:

- Support the GoA by way of development assistance as well as development of tools for DoL (such as mapping donor aid flows; assessing relative advantages of donors, etc).
- Support the development of a country strategy/roadmap/plan on DoL to be agreed by the GoA and donors.
- Provision of capacity development to the Albanian Public Administration's staff to lead the aid effectiveness agenda.
- Develop tools and guidance notes and train staff of interested donors to create an enabling environment.

The Lead Donor

A European Lead Donor should commit to facilitate sector policy dialogue and aid coordination among European donors and with GoA in the framework of the EU pre-accession agenda of Albania. Hence, a European Lead Donor should provide the following:

- To facilitate the gradual implementation of the EU Code of Conduct, encouraging sector concentration and division of labour among European donors.
- To assure that a common position of European donors is conveyed in sector policy dialogue to GoA and other donors (duly incorporating minority positions and divergent interests).
- To promote and coordinate – at sector level – the sharing of relevant information, technical expertise and best practice, especially in regard to EU standards and pre-accession requirements.
- To facilitate consensus building among European donors with regard to strategic planning of external assistance as well as the use of more aid-effective tools (eg sector PBA, joint programming, monitoring & evaluation, etc., wherever feasible).
- To actively promote complementarity between European bilateral aid and IPA, with the aim of fostering effective support for enlargement.
- To take responsibility as SWG-FP in some sectors (or sub-sectors) that are relevant to the EU pre-accession agenda, provided that comparative advantages are assessed by GoA.
- To devote appropriate resources as to fulfil such role and responsibilities.

European Lead Donors should have the trust of other European donors and GoA to fulfil their task for a 3 year period, subject to yearly performance review.

5. Participants of FTI- DoL in Albania²⁶

ALBANIA	Council of Ministers, Republic of Albania
AUSTRIA	Embassy of Austria in Albania/Coordination Office for Technical Cooperation, ADA
EU	Delegation of the European Union in Albania
ITALY	Embassy of the Republic of Italy in Albania/Cooperation Office for Development
SWEDEN	Embassy of Sweden, Office in Tirana/Development Cooperation Office
SWITZERLAND	Embassy of Switzerland in Albania / Swiss Cooperation Office
GERMANY	Embassy of the Federal Republic of Germany in Albania

6. List of Sectors and respective Lead Donor

- Sector: Water Supply and Sanitation
Lead Donor: Austria – Coordination Office for Technical Cooperation, ADA
- Sectors: (i) Media and Civil Society; (ii) Justice and Home Affairs (Property Rights; Anti-Corruption; Integrated Border Management; Migration; Police, Organized Crime, Terrorism and Trafficking; Civil Registry and Identity Cards); (iii) Quality Infrastructure & Internal Market
Lead Donor: EU- Delegation of the European Union
- Sectors: (i) Agriculture & Rural Development
Lead Donor: Germany – GIZ Office in Tirana
- Sectors: (i) Energy
Lead Donor: Germany – KfW Office
- Sector: Private Sector Development
Lead Donor: Italy - Cooperation Office for Development
- Sectors: (i) Environment; (ii) Statistics
Lead Donor: Sweden - Development Cooperation Office
- Sectors: (i) Decentralisation & Regional Development; (ii) Employment/VET
Lead Donor: Switzerland - Swiss Cooperation Office

²⁶ The Memorandum of Understanding on Fast Tracking Initiative on Division of Labour FTI DoL) was signed on 31 May 2010, between the Government of Albania represented by the Minister of Innovation and ICT, Genc Pollo and six participating European donors: Italy (which acts in the role of facilitator), Austria, Switzerland, EU Delegation and Sweden. While, Germany signed the MoU at a later stage during the same year.

We hereby commit to launch the first Division of Labour (DoL) arrangements among European donors in Albania. Such arrangements will be implemented in a number of selected sectors, where a willing European lead donor has been identified, as detailed above in: List of Sectors and respective Lead Donor.

ADOPTED in Tirana, on 31 May 2010, from the participants of FTI - DoL in Albania

ALBANIA



Mr. Genc POLLO
Minister for Innovation and ICT
Government of the Republic of Albania

ITALY



His Excellency Mr. Saba D'ELIA
Ambassador Extraordinary and Plenipotentiary
Embassy of the Republic of Italy
Tirana, Albania

AUSTRIA



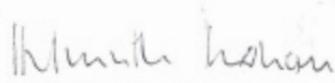
His Excellency Mr. Florian RAUNIG
Ambassador Extraordinary and Plenipotentiary
Embassy of Austria
Tirana, Albania

SWITZERLAND



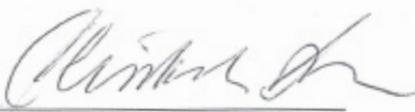
Her Excellency Ms. Yvana ENZLER
Ambassador Extraordinary and Plenipotentiary
Embassy of Switzerland
Tirana, Albania

DELEGATION OF THE EUROPEAN UNION



His Excellency Mr. Helmuth LOHAN
Ambassador Extraordinary and Plenipotentiary
/ Head of Delegation
Delegation of the European Union
Tirana, Albania

SWEDEN



Ms. Elisabeth STAM
Chargé d'Affaires
Embassy of Sweden
Tirana, Albania

ANNEX 3. STRUCTURE OF THE SECTOR WORKING GROUPS

Strategic Priority Divisions (based on NSDI)	SWG	Donor Focal Point	Lead Donor under FTI DoL initiative	Line Ministry/ GoA Institution
Infrastructure	Energy	WB	Germany/KFW	Ministry of Economy, Trade and Energy
	Transport	WB		Ministry of Public Works and Transport
	Water	Austria (ADC)	Austria (ADC)	Ministry of Public Works and Transport
	Environment	Sweden	Sweden	Ministry of Environment Forest and Water Administration
Economy & Finance	Economy - Private Sector Development	WB	Italy	Ministry of Economy, Trade and Energy
	Economy - Quality technology/ Internal Market		EU	Ministry of Economy, Trade and Energy
	ICT	UNDP		Minister of Innovation and ICT
	Statistics	Sweden	Sweden	INSTAT
	Public Finance	WB		Ministry of Finance
	Public Procurement*			Agency of Public Procurement
Social Development	Social insurance	WB		Ministry of Finance Ministry of Labour, Social Affairs and Equal Opportunities
	Social Protection & Inclusion	UN - (UNICEF on social protection and social inclusion strategies)		Ministry of Labour, Social Affairs and Equal Opportunities
	Employment & VET	Swiss Cooperation	Swiss Cooperation	Ministry of Labour, Social Affairs and Equal Opportunities Ministry of Education and Science
	Gender Equality and Domestic Violence	UN WOMEN		Ministry of Labour, Social Affairs and Equal Opportunities
	Youth & Culture	UN		Ministry of Tourism, Culture, Youth and Sports
	Education (VET exclusive)	WB & UNICEF (only for Basic Education)		Ministry of Education and Science Ministry of Labour, Social Affairs and Equal Opportunities
	Health	WHO		Ministry of Health

Strategic Priority Divisions (based on NSDI)	SWG	Donor Focal Point	Lead Donor under FTI DoL initiative	Line Ministry/ GoA Institution Chair/Focal Point
Justice & Home Affairs International Consortium (Donor Focal Point)	Justice: Legal Reform (including two subSWGs: Juvenile Justice & Prison Reform)	US & UNICEF for Juvenile Justice	EU	Ministry of Justice
	Witness Protection			Ministry of Justice
	Albanian State Police (Police & Organised Crime)			Ministry of Interior
	Community Policing/ Crime Prevention			Ministry of Interior Albanian State Police
	Integrated Border Management & Migration			Ministry of Interior Albanian State Police (Border Police) Customs Ministry of Labour, Social Affairs and Equal Opportunities
	Training & Equipment Assistance			Ministry of Justice Ministry of Interior Albanian State Police
	Information Management and Technology			Ministry of Justice Ministry of Interior
Justice & Home Affairs	Property rights	OSCE Presence in Albania	EU	Ministry of Justice; ALUIZNI ; ZRPP
	Anti-Corruption	OSCE Presence in Albania	EU	Council of Ministers, Department of Internal Audit & Anticorruption
	Parliament, Elections and Civil Registry	OSCE Presence in Albania		Ministry of Interior
	Public Administration	UNDP, WB	EU	Ministry of Interior; Department of Public Administration
	Media and Civil Society	EU	EU	
Urban, Rural & Regional Development	Decentralisation & Regional Development	Swiss Cooperation	Swiss Cooperation	Ministry of Interior; Ministry of Economy, Trade and Energy
	Agriculture, Food & Rural Development	WB	Germany (GTZ)	Ministry of Agriculture, Food and Consumer Protection
	Tourism	UN		Ministry of Tourism, Culture, Youth and Sports
	Spatial Planning & Housing	WB		Ministry of Public Works and Transport; Ministry of Interior

DEPARTMENT OF STRATEGY
AND DONOR COORDINATION
COUNCIL OF MINISTERS

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