Mid-term plan of priority actions

As mentioned in Chapter 1, this year the matrices of mid-term priority actions were developed in line with the medium-term budgeting process. This was decided in order to address a criticism made by various stakeholders, not least in the Joint Staff Assessment of last year’s Progress Report, that it is often not clear what the cost of priority policies is and whether they fit into the MTBP. According to the instructions issued by the Ministry of Finance, the preparation of the medium-term budget relies on the contribution of line ministries in 2 steps:

**Programme Policy Review** Ministries describe policy goals and objectives for each programme.

**Programme Expenditure and Investment Planning** Ministries identify target output levels for each of their programmes and allocate sufficient resources from their medium-term budget preparation ceiling to each programme for the delivery of those target outputs. Resource allocations include allocations for public investment.

Only 5 ministries have worked through these procedures this year: Education, Health, Labour and Social Affairs, Agriculture and Food, and Territorial Adjustment and Tourism. In addition, the Ministry of Transport and Telecommunications submitted a review of one of its programmes. Their Programme Policy Review matrices are presented below. A Programme Policy Review is not intended to be a full and comprehensive review of the sort that is required for an update of the NSSED. However, line ministries need to demonstrate that they have:

* identified and described each of their expenditure programmes;
* reviewed the policies relating to each expenditure programme to ensure that a programme policy statement can be written (or revised);
* reviewed the policies so that they are consistent with and reflect wider national policies (NSSED, European integration, NATO accession); and
* identified the status of each of their policy statements (for example, whether any particular policy statement has implicit or explicit Council of Ministers approval)

The NSSED Department took part in the process through the MTBP Secretariat and reviews of the line ministry inputs for consistency with the national strategy.

Of the remaining ministries, the 8 ministries with the largest shares in the budget were asked to prepare a sector expenditure strategy, a less comprehensive procedure to encourage a strategic approach to the planning of public expenditure. The sector strategies identify concisely target outputs, beneficiaries, the current situation, plans for reform and the budget implications for each programme to consolidate the link between budgets and policies. Of these ministries, the following submitted a sector expenditure strategy: Defence, Finance, Industry and Energy, and Local Government and Decentralisation. The NSSED Department was directly involved in assisting the Budget Department in the development of these strategies. The following ministries did not submit a strategy: Culture, Youth and Sport, Environment, Justice, and Public Order.

It must be stressed that the matrices do not yet indicate whether the proposed activities will receive budget funding, as the medium-term budget programme process had not yet been completed at the time of writing. However, their inclusion in the Progress Report is considered essential in showing the links between the NSSED and MTBP processes. This is a first small but significant step for the NSSED Department to assume an increasing role in the formulation of strategies at the sector level. In the context of the Integrated Planning System, the NSSED Department will assume increasing responsibilities over the coordination of sector and crosscutting strategies. The prioritisation process will need to be ever more strategic in linking long-term goals with medium-term policies that are embedded in medium-term budgeting.

* 1. Ministry of Industry and Energy

Programme 1: Planning, management and administration

Policy objective: Increase efficiency in use of domestic resources; improve staff capabilities to design and implement government policies

|  |
| --- |
| Activity 1: Planning of current expenditures, investments funds for Ministry of Industry and Energy and Inspectorate of Equipment Under Pressure |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Cover expenditures of Ministry of Industry and Energy and Inspectorate of Equipment under pressure |  |  | As the reconstruction of Ministry building has been completed, envisaged funds for investments during the period 2006-2008 are about Lek 700,000. |

Programme 2: Provide support for geo-sciences

Policy objective: Contribute to sustainable economic development, infrastructure building and modernisation, sustainable environment, higher quality of life, integration into the European institutions.

|  |
| --- |
| Activity 1: Evaluation, management and monitoring of subterranean water in the main basins, with priority given to the urban and tourist zones |
| Activity 2: Re-estimation of the necessary inputs for building the infrastructure, metal or non-metal sources with economic profit and impact in country’s sustainable development |
| Activity 3: Studies in service of well administration of the territory and natural resources at national and local level |
| Activity 4: Studies in geographic environment and its monitoring |
| Activity 5: Evaluation of geological dangers; geological and engineering studies for the evaluation of the stability and the expansion of public infrastructure |
| Activity 6: Scientific studies with applied interest in geology, hydrogeology etc |
| Activity 7: Expansion of information system, data bank, and information transmission toward decision-making bodies and the society (GIS) |
| Activity 8: Increase of utilisation of useful minerals based on government policies, according to their usage and the demand of market economy |
| Activity 9: Rational and effective administration of useful mining |
| Activity 10: Monitoring of closed mines |
| Activity 11: Mineral dangers, rehabilitation of mineral zones, technological and other environmental and social development research on minerals |
| Activity 12: General geological-geophysical studies on the geological construction and hydrocarbon potential |
| Activity 13: Studies in different area of geo-sciences |
| Activity 14: Complex studies for development of oil and gas sources as well as development of infrastructure that affects their optimal utilisation and refinement |
| Activity 15: Monitoring of environment in oil industry areas and of rehabilitation projects |
| Activity 16: Rules and legal and sub-legal acts for detergent, paper and wood, and glass products industries |
| Activity 17: studies on alternative energy applications based on country resources and identification of problems of this type of energy, efficiency and environmental protection in industrial zone. |
| Activity 18: Monitoring of discharges in environment from industry operators in general and steel and Iron-chromium in particular; preparation of rules and procedures for monitoring and operation of metallurgical industry |
| Activity 19: Increase of effectiveness and quality of production in non-food industry branches for entering the European market |
| Activity 20: Protection from fire risks in non-food industry |

Programme 3: Support for energy sector

Policy objective: Better management of energy situation; balance demand and supply in order to fulfil energy supply needs; increase the efficiency of the use of electrical energy.

|  |
| --- |
| Activity 1: Implementation of annual Action Plan of the Albanian Power Corporation (KESH) |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Reduce technical and non-technical losses according to the approved annual targets; reduce subsidiaries tariffs for water supplies. | During recent four years, all the defined targets in the annual Actions Plans have been achieved. | Based on the annual Action Plans some technical, organisational and administrative measures will be implemented. | Payment of Lek 900 million for previous obligations in 2006 for budgetary and non budgetary consumers; payment at the level of 100% of actual bills for budgetary and non-budgetary consumers. |
| Activity 2: KESH Restructuring through division in separate companies of generation, transmission and distribution |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Divide KESH into three (vertically integrated) sectors judicially and commercially independent: generation, transmission, and distribution; restructure distribution sector and draft law on its privatisation; restructure generation sector and draft law on its privatisation | The established operator of the transmission system is judicially independent and the limits with the generation and distribution systems have been defined. A study undertaken by an international company is expected to be completed by June 2005, and to recommend the optimal number of distribution and generation companies. | Establishment of distribution and generation’s associations; re-evaluation of the assets according to the divided sectors; distribution of the received credits according to the divided sectors.  |  |
| Activity 3: Establishment of the internal electrical energy market and its integration into the regional market |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Open market by 2008 for budgetary, non-budgetary and private consumers; design the regional electricity market | The Energy Treaty has been approved by the Council of Ministers; the transmission, distribution, and measurement codes and the market rules have been prepared. | Construction of Vlora TEC with foreign financing at about $105 mil; establishment of a new national dispatching centre with foreign financing €23 mil; construction of new 400kV interconnection line Elbasan-Podgorice with foreign financing €43.9 mil. |  |
| Activity 4: Update the National Energy Strategy by 2006 |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Updating the National Energy Strategy reflecting changes in energy needs. | Monitoring of the implementation of National Energy Strategy and reporting on its achievements in Inter-ministerial Energy Committee and European Union. | Based on the Action Plan of the Strategy (2003-2005) and on Energy Efficiency Law, during the period June-December 2005, very important preliminary measures will be undertaken for enabling the process of updating of the Strategy in January 2006. | The necessary funds for enabling the review of the strategy are Lek 10million (the fund for preparing the Strategy in 2003 was Lek 8.6 million). |
| Activity 5: Implementation of Energy Efficiency Law during 2006-2008  |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Increase the efficiency of energy supply for all socio-economic sectors in accordance with EU standards. | The Energy Efficiency Law was approved by the Parliament in April 2005 | Preparation of four Council of Ministers Decisions based on Strategy Action Plan and Energy Efficiency Law requirements are under way:(1) Establishment of Local Energy Offices for preparing the energy database at national and regional level according to EU requirements; (2) Establishment of functioning mechanisms of Energy Efficiency Fund and renewable sources of energy; (3) Preparation of energy auditing; (4) Designation of labels for electrical appliances. | Funds needed to establish local Energy Offices (1-2 specialists in each prefecture) for 2006 are Lek 15 million. Funds needed for promotion of Energy Efficiency and renewable energy sources are Lek 13 million in 2006, Lek 15 million in 2007, and Lek 17 million in 2008. |
| Activity 6: Monitoring of implementation of National Strategy of Energy Sector in 2006-2008 |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Follow up the progress in implementation of National Strategy of Energy Sector aiming at developing a new Action Plan 2006-2008 to ensure the achievements of the defined objectives |  |  | The necessary funds for making available the monitoring of the strategy are Lek 6 million in 2007 and Lek 7 million in 2008. |

Programme 4: Support for mines and enterprises

Policy objective: Elimination of the life and environmental threatening hazards; Finalisation of enterprises transformation process; Reactivation of super phosphate industry

|  |
| --- |
| Activity 1: Closing of Mines and privatisation of their assets |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Close mines to avoid dangers for inhabitants and their environment as well as infrastructure damages; re-open at any time at low cost; privatise existing assets or abandon them if they do not get privatised. | The checking and preliminary identification of mines and their sections that need to be privatised or liquidated has been completed; Council of Ministers Decisions have been prepared and approved; projects for closure of mines have been designed, the documentation for privatisation of mineral assets is under way; the preparation of documentation for mine closure is under way; financing needs from state budget are going to decrease gradually. | Complete the map and identify mineral objects that need to be closed; develop guidelines for closure of these mines; prepare necessary documentation for privatisation of special assets and mineral objects; continuously track implementation of programme of mine closure; prepare technical documentation for closing again the opened mines; collaborate with Ministry of Economy to solve problems that come out of privatisation of assets; carry out studies and Investments before closing mines and privatising assets; prepare privatisation documentation. | During the period 2006-2008, the funds needed for mine closure, their monitoring, and re-closure is about Lek 297 million. |
| Activity 2: Monitoring of closed mines |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Monitoring of closed mines has to be undertaken to avoid risks resulting from discharging of utilised material, gas and water dumping etc. | Design of study and compilation of legislation are in process. | A new study on monitoring the closed mines is quite important; establishment of structures for monitoring the closed mineral objects; monitoring of mineral objects. |  |
| Activity 3: Conservation of corporation of super phosphate in Kurbin and new urea plant in Fier |
| Output Targets | Current Situation | Programme Reform Actions | Budget Management Implications |
| Reactivation of super phosphate industry in Kurbin. | The new urea plant in Fier and the super phosphate corporation in Kurbin are out of work. | Realise goals of concession law in 2006; continue conservation process and locate investors for reactivation. | Increase budget from Lek 6.85 million in 2005 to Lek million in 2006. Increase budget for enterprise closure from Lek 0.15 million in 2005 to Lek 1.5 million in 2006. |