




REPUBLIC OF ALBANIA  
COUNCIL OF MINISTERS

## **National Strategy for Development and Integration**

# **Progress Report 2008**

The European Union flag, consisting of twelve yellow five-pointed stars arranged in a circle on a blue background, is positioned at the bottom of the cover. The background of the entire cover features a blue and white wavy pattern.

November 2009

Department of Strategy and  
Donor Coordination





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# **National Strategy for Development and Integration**

**2008 Progress Report**

**Department of Strategy and Donor Coordination**

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# List of Acronyms

AFRA	Armed Forces of Republic of Albania
ADF	Albanian Development Fund
ANIS	Albanian National Information Society
BoA	Bank of Albania
CoM	Council of Ministers
DCM	Decision of the Council of Ministers
DSDC	Department of Strategy and Donor Coordination
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EOD	Explosive Ordnance Disposal
EU	European Union
EMIS	Education Management Information System
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFAD	International Food and Agricultural Development
ISI	Institute of Social Insurance
IMF	International Monetary Fund
INSTAT	Institute of Statistics
IPH	Institute of Public Health
IPP	Individual Partnership Programme
IPS	Integrated Planning System
LSMS	Living Standards Measurement Survey
MDG	Millennium Development Goal
MAFCP	Ministry of Agriculture, Food and Consumer Protection
MAP	Membership Action Plan
MEFWA	Ministry of Environment, Forests and Water Administration
MES	Ministry of Education and Science
METE	Ministry of Economy, Trade and Energy
MOLSAEO	Ministry of Labour, Social Affairs and Equal Opportunities
MoD	Ministry of Defence
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoI	Ministry of Interior
MTCYS	Ministry of Tourism, Culture, Youth and Sports
MTBP	Medium Term Budget Program
NIPSAA	National Implementation Plan of Stabilisation and Association Agreement
NRC	National Registration Centre
NSDI	National Strategy for Development and Integration

OECD	Organization on Economic Cooperation and Development
PARP	Partnership for Peace Planning and Review Process
PRCA	Property Restitution and Compensation Agency
SAA	Stabilization and Association Agreement
SEE	South-eastern Europe
TIPA	Training Institute of Public Administration
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Emergency Fund
UNODC	United Nations Office on Drugs and Crime
WB	World Bank
WHO	World Health Organization

# Introduction

The National Strategy for Development and Integration (NSDI) Progress Report 2008 presents progress and developments for 2008 with respect to the government's fundamental policies, based upon the high-level indicators set forth in NSDI 2007–2013. The report focuses on the short-term performance of the indicators that reflect the government's major objectives, aiming thus to provide guidance for more effective policies in the medium-term. This report has been prepared by the Department of Strategy and Donor Coordination (DSDC) at the Council of Ministers (CoM) as a part of the monitoring and evaluation process for implementation of NSDI.

It summarizes the performance of priority sectors in 2008 and highlights some of the most important steps in support of achieving the NSDI objectives. The main purpose of the Report is to present progress made in implementation of key sectoral policies for 2008 and identification of challenges to be faced by the implementing institutions.

The Progress Report for 2008 aims to (i) monitor and assess progress made in the achievement of NSDI objectives, (ii) compare reform implementation in Albania against that of other countries in the region by utilising statistical information, and (iii) encourage wider discussions on orientation and efficiency of the government's strategic policies.

It is organized into three main chapters, according to the pillars of the NSDI priority policies—Integration into the European Union (EU) and the North Atlantic Treaty Organisation (NATO), Democratization and Rule of Law, and Economic and Social Development. Each chapter contains separate reports on the progress of each NSDI indicator. Based on a summary analysis of each sector, the report strives to provide orientation for critical issues regarding measures to be implemented, in order to cope with integration challenges facing the country. Furthermore, it analyzes the long-term trends and benchmarks of Albania compared with other countries in the region.

The first chapter presents progress made with regard to the process of integration into both the EU and NATO. It provides a summary of some of the measures taken within the integration framework, ranks some major achievements in this respect and presents possible future challenges. The second chapter focuses on the progress of reforms within the development and consolidation of the democratic state, which is based on fundamental rights and freedoms of all individuals, as well as on good governance and the fight against corruption. Analysis for each sector is based on data provided by central institutions and on reports prepared by the international organizations. The third chapter examines the results of the measures taken to improve infrastructure, and the performance of the government's economic, fiscal and social policies. In this chapter an overview of the country's main macroeconomic indicators is also provided.

The report also contains a list of sectoral and crosscutting strategies adopted as of the time of publication of this report. An annex to the report is a summary of the review process of the Millennium Development Goals (MDGs), which was implemented between April and September 2009 by DSDC with the support of UNDP.

## METHODOLOGY AND THE PROCESS

The Report is based on statistical data gathered by line ministries, INSTAT, BoA, etc., and on reports issued by international institutions and organisations. These data underwent result- and impact-oriented processing to assess performance of 44 indicators in NSDI.

The Report takes due account of 2008 Annual Reports of Results prepared by line ministries in the first half of 2009 with DSDC assistance. In addition, it follows up the adoption process of sector and crosscutting strategies and provides an overview of main macroeconomic indicators. Statistical data are organised in a standard and uniform format to ensure standardisation of NSDI monitoring and assessment tools, and to present the information in a simple and comprehensive way. For this reason, a summary, including an illustrative graph, is dedicated to each indicator.

The report includes in certain cases not only statistical data from 2008, but also relevant information on events in 2009. Given the preparation process and the time involved, the Report aims to present an overview



of progress in the different sectors, without providing complete analysis for 2009.

Preparations for the Progress Report began in April 2009 and comprised three phases: (i) preparation of an initial draft based on the 2008 Annual Report of Results, INSTAT data and other reports and research, (ii) gathering of comments from line ministries and other institutions and reflecting it in the draft, and (iii) ensuring harmonization and compatibility of data from the different information sources.

# 1

## Integration into the European Union and NATO

Albania's efforts towards integration with and membership of the EU and NATO marked important progress during 2008, specifically:

- **NATO membership** was achieved on 4 April 2009 in the NATO Summit in Strasbourg, thus accomplishing a national aspiration and one of the priorities of the NSDI 2007–2013
- Completion of **SAA ratification procedure** by all EU Member States (February 2009)
- **Entry into force of the Stabilisation and Association Agreement** (1 April 2009)
- **Application for EU candidate status** (28 April 2009)
- Entry into force of **Visa Facilitation Agreement** and of the **Readmission Agreement** (2008). These two agreements bring new opportunities and challenges in the European integration process. It is easier now for some categories of Albanian citizens to travel to EU countries for various activities. In addition, entry into force of the Readmission Agreement requires and confirms a new level of Albania's enhanced administrative capacity.
- In March 2008, dialogue with the EU on visa liberalisation began and is currently being intensified.
- Revision and adoption of the National Plan for the Implementation of the SAA (NPISAA), which defines activities and corresponding costs in the European integration process and which becomes a key instrument to monitoring implementation of obligations stemming from this process.
- Under SAA implementation, Albania has taken measures to approximate its legislation with the *acquis communautaire*. In 2008, checking and monitoring of all legislative initiatives started in order to assess the degree of compatibility to the (EU) *acquis*.
- With regard to provision of information and communication with the public over the integration process, a communication strategy and its action plan were developed, and initiatives on informing target groups on this process were taken. Surveys identified the Albanians' perceptions on important integration issues, including benefits, costs, process duration and knowledge of the EU.
- Regarding decentralisation of Community assistance management (Instrument of Pre-Accession, IPA) the administrative capacities have been further enhanced. This process shall increase ownership of national authorities in the management of EU assistance for Albania.

## 1.1 Integration into the European Union

The submission of application for EU candidate status on 28 April 2009, during the EU Czech Presidency, crowned a long process of cooperation and constructive dialogue with EU member states and the European Commission (EC). Fulfilment of conditions and requirements to achieve candidate status presents the biggest challenge for the Albanian government in the medium term. With reference to the EC's 2008 Progress Report for Albania and other reports prepared by the Albanian Government, the key indicators in fulfilling the Copenhagen criteria include the following:

Political situation	
Democracy and the rule of law	<p>Constitutional amendments were adopted within the framework of electoral and judicial reforms.</p> <p>Government took all measures for the holding of parliamentary elections in compliance with required standards, including preparation of voter lists, provision of voters with ID cards according to the electronic civil registry, usage of IT and cameras in Vote Counting Centres. As a consequence, the subsequent OSCE/ODIHR Report remarked tangible progress made with regard to voter registration and identification process, the legal framework, adopted in a consensual manner by the two main parties, the voting, counting and adjudication of electoral disputes. However, the report highlighted the improvements needed in technical aspects of the process with respect to vote counting and tabulation of results.</p> <p>With regard to judicial reform, progress has been made regarding the development and adoption of a number of important laws—owed in particular to consensus being reached between the political forces for agreement on judicial reform—including the laws “On the organisation and functioning of the Judiciary in the Republic of Albania”, “On protection of personal data”, “On State Advocacy”, “On the private bailiff service” and “On prison police”. Also, amendments of the Law ‘On the execution of penal decisions’ and its bylaws, as well as respective amendments of the Penal Code, are expected to impact on the one hand the rehabilitation and integration of prisoners (making possible an effective execution of alternative sentencing) and on the other a reduction in overcrowding in prisons.</p> <p>Regarding the fight against corruption, as stated in the EC Progress Report and in several reports of international organisations involved in this area, Albania has made significant progress, mainly due to important reforms in many sectors. The Government took determined measures to curb corruption, particularly in taxation and customs services which were the more problematic. Meanwhile, some other effective measures taken to significantly reduce corrupt practices include, among others, an electronic procurement system, reforms to university admission and enhancement of the capacities of the Business Registration Center.</p> <p>Administrative capacity building through tailor-made training activities is evident. Within the framework of European integration challenges, relevant legislative amendments have been introduced that establish European integration directorate-level units in all line ministries. Measures were taken to staff them adequately and ensure uniform functioning. In addition, coordination structures were set up at all levels following entry into force of the SAA on 1 April 2009.</p> <p>Progress has been made in the fight against organised crime and terrorism, through adoption of modern legislation and adherence to all international conventions in this area. Worthy of mention is the adoption of the Law on Money Laundering and the fight against terrorism and a strategic document on investigation of financial crime, as well as a strategy for the fight against trafficking of human beings, all of which are currently being implemented. The Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse was ratified. Albania acceded to the UN Convention on Contracts for the International Sale of Goods (CISG). Institutional and structural capacity for the fight against fraud, corruption and money laundering were also enhanced significantly. During 2008, a process to establish Common Investigation Units, in collaboration with the Millennium Challenge Account Program, was initiated. The number of wanted Albanians that have been apprehended has increased. Cooperation with Interpol has improved and led to the execution of a good number of international arrest warrants. In the fight against drugs, the number of criminal proceedings has increased, while inter-institutional and international cooperation has improved. The amount of heroin transited through Albania to Italy and Greece has been significantly reduced, confirmed by official statistics made available by the Italian side.</p> <p>Design and construction of many detention and pre-trial centres has been finalised or is in progress, thus meeting EU recommendations in the framework of the National Implementation Plan of SAA. A special employment programme for prisoners was established and nine-year education was extended into all penitentiary institutions. Improvement of living conditions in the pre-detention system has been given special attention. Progress achieved in this area was noted by the June 2008 Report of the Anti-torture Committee of the Council of Europe. The report states several improvements made against recommendations of the 2006 report, and in the pre-detention living conditions the progress has been remarkable. However, much has to be done regarding the health care of prisoners and pre-detention persons.</p>

Human rights and protection of minorities	<p>Human rights and protection of minorities has improved further with the adoption of more advanced legislation and commitment to enforce it.</p> <p>The National Strategy on improving the living conditions of the Roma community is under implementation. Inspections in local government units and visits to Roma organisations were conducted in several cities to ensure proper implementation.</p> <p>Measures were taken to ensure Roma community inclusion in employment and poverty alleviation programmes. Facilitations were introduced for unemployed Roma to participate in vocational training initiatives, and legislation was adopted to encourage and facilitate vocational training for Roma job-seekers.</p> <p>Albania joined the “Decade of Roma Inclusion” and is taking measures to meet the membership criteria.</p>
Regional and international cooperation	<p>Regional and international cooperation is being pursued in four directions, with (i) Western Balkan countries, (ii) EU member states, (iii) other countries (of influence on the international stage and strategic partners, etc.), and (iv) organisations and regional and international multi-annual fora. Albania has continued to foster positive relations with its regional partners, both multilaterally and bilaterally, as well as with EU members and the USA. Its continued constructive stance on the recognition of Kosovo independence has contributed to regional stability.</p> <p>Albania has continued to participate in a number of regional political and economic fora and initiatives, including transition from the Stability Pact to a more regionally owned framework with the South-east European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC).</p> <p>Efforts are well underway with regards to the Regional Energy Market. In addition, Albania assumed the BSEC (Black Sea Economic Cooperation) chairmanship from May to October 2008.</p>
Economic situation	
Free market economy, structural reforms and financial public management	<p>Albania’s economy recorded real economic growth of 8 % in 2008, driven mainly by the sectors of transport and telecommunications, trade, accommodation, food and beverages, and industry. Annual average inflation rate during 2008 was 3.4%, remaining within the Government’s target range of 3-4%. Public debt for 2008 increased as a proportion of external debt by 2.9% in comparison to the year before, while internal debt decreased by 0.90%. In comparison to 2007, the deficit recorded an increase of around 489 million Euro, with 831 million Euro for 2007. Trade deficit deepened further by 327 million Euro during 2008, reaching 2,431 million Euro (from 2,104 million Euro for 2007).</p> <p>Foreign Direct Investments (FDIs) for 2008 increased greatly. According to the Bank of Albania (BoA), net FDI increased by 30% reaching a level of 843 million USD, while the level for 2007 stood at 647.4 million USD. The entry flow of FDI into the country increased even further (around 42%), reaching a level of 937 million USD. For 2008, the entry flow was 6.8% of GDP, while for 2007 it stood at 6%. In 2008, exports increased by around 15.6% compared to 2007 (112,638 million Lek compared to 97,400 million Lek).The business registration system was completely reorganised to ensure efficient implementation of SAA obligations. Efforts are on track for a comprehensive reform of the licensing system to offer it as a one-stop shop service.</p>

The above achievements meet the obligations and are fully in line with the vision, priorities and goals set out in the NSDI 2007–2013. Upon full accomplishment of these goals, implementation of the SAA will become the key priority.

## 1.2 Integration into the European Union and NATO

Upon gaining membership to NATO on 4 April 2009, Albania had accomplished one of the most important goals of its foreign policy, as laid down in the NSDI 2007–2013, in the National Security Strategy, in the National Military Strategy and in the Long-term Development Plan for the Armed Forces for 2007–2020. Albania was invited to join the North Atlantic Alliance at the Bucharest NATO Summit. The previous year had seen a main focus on implementation of reform and comprehensive measures taken under the Membership Action Plan and Defence Reform Timetable. The main political and military issues related to NATO membership are listed in Table 1.

**TABLE 1. POLITICAL AND MILITARY ISSUES RELATED TO NATO MEMBERSHIP**

Political issues	
Consolidation of civil democratic control in Armed Forces of the Republic of Albania	<p>Throughout 2008, the Ministry of Defence (MoD) was fully committed to reorganising, transforming and modernising AFRA with the view of ensuring full-fledged integration of Albania into NATO and the EU. The preparations made, reforms implemented and the continuous transformation enabled AFRA to become an important and crucial factor in Albania's membership to NATO on 4 April 2009.</p>
Contribution of Albania to peacekeeping missions and participation in NATO operations	<p>Participation was active in Partnership for Peace (PfP) programmes with NATO (MAP, PARP, IPP<sup>1</sup>) and consultations were successfully completed with NATO on MAP 7, 8, 9 and 10 cycles. During 2008, MoD experts participated in two rounds of accession talks conducted with the Alliance and in the preparation of a Timetable of reforms. Participation of Albanian officers in NATO structures increased and the number of officers in Partnership Staff Elements (PSE) grew to eleven.</p> <p>Year 2008 saw signature of an Agreement on participation in Operation Active Endeavour, a NATO operation in the Mediterranean Sea.</p> <p>Participation in NATO-led International Security Assistance Force (ISAF) operations in Afghanistan continued, with 22 troops in Kabul under the command of the Turkish contingent, and 112 troops in Herat under Italian command. Albanian personnel were also dispatched to an OMLT ISAF mission in Afghanistan. Under the Adriatic Charter "US-A3", engagement of the Joint Medical Team at Kabul Afghanistan International Airport (KAIA), involved in the mission since 2005, continued.</p> <p>Albania signed an agreement on June 2008 to contribute 62 troops to the EU military operations in Chad and the Central African Republic. Pursuant to this agreement, a company of AFRA soldiers were located in Chad within the framework of the EUFOR mission. Albania contributed twelve soldiers of Explosive Ordnance Disposal (EOD) to the EU-ALTHEA mission in Bosnia and Herzegovina, and one officer to EUFOR staff. Three military observers continued serving the UNOMIG mission in Georgia. An extra company was located in the Iraq mission, in addition to the 120 Albanian troops engaged in Mosul. The mission was accomplished in December 2008. Albania continued to contribute two representatives to the US Central Command in Tampa, Florida.</p> <p>In 2008, the total number of AFRA personnel engaged in operations abroad reached 428, representing 5.6% of the ground forces.</p> <p>Following the accession of Albania to NATO, activities and participation in NATO committees and working groups were planned. Albania participates in these structures as a NATO member.</p> <p>Under IPP, Albania increased its role as a host country for NATO activities. Hence, for the first time, NATO organised in Albania activities that included a meeting of NATO Air Command and partner countries (October 2008) and ACT Conference for Partnership with the participation of Chiefs of General Staff and senior officers from around 40 countries (November 2008).</p> <p>Important activities with NATO Strategic Commands were planned for 2009. In this framework, NATO appointed Allied Command Transformation (ACT) to assist our country in the integration process at the strategic level. The Allied Joint Force Command (JFC) Naples was appointed to assist Albania in its integration at the operational and tactical level. For this purpose, high level meetings for integration into NATO structures and bilateral cooperation with all NATO countries intensified.</p> <p>Full and timely implementation of the Force goals represents one of the best opportunities to maintain a correct course, pace and performance of reforms in the Armed Forces, with the scope of eventual full membership and continuation of measures to accomplish obligations following accession to the Alliance.</p>

Military issues	
Defence Reform and implementation of objectives for NATO membership	<p>In May 2008, Albania accepted the new package of 2008 Partnership Objectives consisting of 49 objectives. From 1 July 2009, this became a package of Force Goals.</p> <p>Efforts were focused on the Defence Reform Plan, a NATO Defence Planning Questionnaire and an Action Plan with NATO's two Strategic Commands (Bi-SCs AP). Following two meetings held in Albania and NATO premises, 49 Force Objectives were accepted and obligations, deadlines and relevant structures for their implementation defined. At the operational level, work proceeded to prepare the Integration Work Plan with NATO's JFC, Naples. This package shall serve as a solid reference during AFRA reform in 2009 and for the coming decade.</p> <p>With regard to new developments and as a member country and given the new security climate, work is proceeding on revision of the National Security Strategy, Military Strategy and the Long-term Development Plan of AFRA.</p> <p>The main goals for the future are to establish a fully professional force by the end of 2010, modernise systems and equipment, provide a contribution to NATO structures and improve operational capacity in priority units.</p> <p>With respect to operational capacity building, a Maritime Space Surveillance System is expected to become operational in the first quarter of 2009.</p>
Implementation of the Planning, Programming, Budgeting and Execution System in the management of defence resources	The MoD budget of 2% of GDP was prioritised for AFRA modernisation and support for Force Goals.
Disposal of ammunition and light weapons	A detailed action plan on disposal of excessive ammunition was drafted. The demilitarization process continued in three specialised factories and eight shooting ranges approved by government.

Steps towards membership of and integration into NATO in 2008, included three phases, as follows.

- **First phase (Pre-invitation)** was concluded with the invitation received at the Bucharest Summit in April 2008, following a process that began in 1994 with Albania as a PfP country.
- **Second phase (Pre-Accession)** included the period between invitation and full membership of Albania to NATO, at the Strasbourg Summit. This phase was characterised by all-level meetings (political, strategic, operational and tactical), preparation of key documents and concrete commitments under the collective defence framework. In this phase, Albania signed the Accession Protocol to the North Atlantic Treaty Organisation on 9 June 2008, and this was ratified in record time by the 26 Alliance member states, enabling Albania to become a formal member of NATO.
- **Third phase (Integration)** is the most important phase. For this purpose, key measures for integration into NATO were planned and include implementation of procedures, standards, same doctrines, achievement of force goals, consolidation of structures, education and training, implementation and installation of new systems and equipment, certification and increase in operational capacities for participation in NATO operations.

## 1.3 Foreign affairs

Regional cooperation and good neighbourly relations form an essential part of the process of moving towards the European Union. In its relations with the EU—which is the model, the target and our all-round irreplaceable partner—Albania has a rich track record:

- 1 January 2008—Visa Facilitation Agreement entered into force (including Denmark, Norway, Iceland and Switzerland)
- March 2008—Visa liberalisation dialogue with EU started and is proceeding intensively
- 1 April 2009—SAA entered into force and mutual dialogue mechanisms were established, i.e. Stabilisation and Association Council, Stabilisation and Association Committee and sub-committees.
- 28 April 2009—Following intensive consultations and close cooperation with the EU Presidency, the EC and member states, Albania submitted a formal application for EU membership. Furthermore, political dialogue with the EU and member states on all development areas was strengthened and intensified.
- Bilateral relations have grown significantly, leading to the establishment of six additional diplomatic representative offices in Europe. In 2009, the Albanian embassy in Slovakia is expected to be opened and this shall mark the completion of diplomatic expansion in the European area.
- 13 July 2008—Involvement in the EU security policy led to the signing of the agreement pursuant to which Albania contributed troops to EU military operations (EUFOR Chad/RCA) in the crisis management operation in Chad and the Central African Republic.

Relations with EU member states have been developed and the framework of bilateral contractual agreements further completed. Political dialogue with strategic partners, such as Italy, Greece and Turkey, has been consolidated through high-level visits, and the legal framework with these countries was extended. Albania has continued to place special importance on relations with neighbouring countries—Kosovo, Macedonia and Montenegro—and the other Western Balkan countries. Furthermore, relations with other major developing powers, e.g. India and Brazil, have been strengthened through establishment there of diplomatic representative offices. Procedures establishing diplomatic relations with around 30 countries in Asia, Africa, Latin America and Oceania are close to completion.

Albania has paid due importance to active participation and representation in international organisations with the view of enhancing its international role. Completion of the legislative framework in areas related to democracy, rule of law, protection and observance of human rights, functioning of a market economy, etc. has continued with an accelerated pace.

Consular services comprise an aspect of public service that has undergone radical change. Certifications in Albania and consular services in diplomatic missions are carried out in cooperation with the postal service which has helped transform the process into a modern, quick and efficient system. A Visa Section established and functioning in the Ministry of Foreign Affairs (MoFA) is harmonising our practices with those of the EU as regards examination and issuing of visas. The Albanian Government unilaterally lifted the short-term visa regime with a number of countries listed in the EU positive visa list, Western Balkans and Latin American countries and facilitated visa procedures with Persian Gulf states. In addition, a legal framework that further facilitated the entry of foreigners into Albania is in place and all foreign citizens with a Schengen visa can enter Albania without a visa. Agreements on joint border crossing points with Macedonia and Montenegro (Muriqan, Xhepisht-Trebisht) were prepared.

Presentation of a realistic image of Albania, our society and opportunities, culture, values and rich tradition, its age-long European roots, facilities introduced for FDI, promotion abroad of the country's tourism development strategy and its potential, etc., occupy a permanent place in the agenda of Foreign Services activity. Moreover, the reorganisation of MoFA in the second half of 2008 was intended specifically to reflect this ever-present aspect in its activity. In this framework, the network of honorary consuls was extended and improved throughout the world. The role and activity of the Diplomatic Academy was upgraded to improve professional training of newly recruited employees as an important component that ensures sustainability of a career in diplomacy.

## 2 Democratisation and the rule of law

Significant progress has been made in the consolidation of independence of Albania's judiciary, as a crucial condition to the functioning of the rule of law. Albania has a high level of execution of judicial decisions compared to many South-eastern Europe (SEE) countries. Nevertheless, reform should focus on strengthening this independence as well as the level of accountability of the judiciary as key European Partnership priorities.

One of the major priorities of government is and has been the fight against corruption. Key measures taken in this area include the following: public administration was freed from conflict of interests with the introduction of amendments to the law on conflict of interest, transparency in all decisions and public expenditure, public procurement system reform, establishment of the procurement ombudsman, liberalisation of the economy, revision of licensing procedures, privatisation of large state-owned enterprises and full support to the prosecution offices in combating corruption. The 2008 Progress Report of the EC states that Albania has made progress in fighting corruption but that authorities involved in the fight must follow up with implementation of relevant policies. It subsequently states that Albania adopted eleven of GRECO's thirteen recommendations in 2008. Similar positive results were indicated also in Transparency International's report for 2008, which ranked Albania among the top ten most successful countries. Meanwhile, the corruption perception index has improved considerably.

Adoption of a new law on State Police and introduction of a new police ranking system has helped transform the police force into a corpus that collaborates with the community. To this purpose, new legislation was adopted and new investigation techniques introduced, while police fostered cooperation with regional and other countries. In 2008, special attention was paid to improving management of seized and confiscated proceeds of crime and terrorism, and investigation of financial crime and prevention of money laundering.

The Office of the National Anti-Trafficking Coordinator (ONAC) was established to coordinate efforts in the fight against trafficking of human beings. An anti-trafficking section operates under ONAC. An Integrated Border Management Strategy was adopted. In the fight against drugs trafficking, good results were achieved in combating organised crime groups dealing with narcotics, and according to the United Nations Office on Drugs and Crime (UNODC) report of March 2008, there has been a reduction in all forms of organised crime in South-east Europe that were widespread during the transition period.

According to the US State Department 2008 report, the Albanian Government has made evident progress in its efforts to combat trafficking of human beings. In particular, fundamental improvements were achieved in the identification of victims of trafficking.



## 2.1 Justice

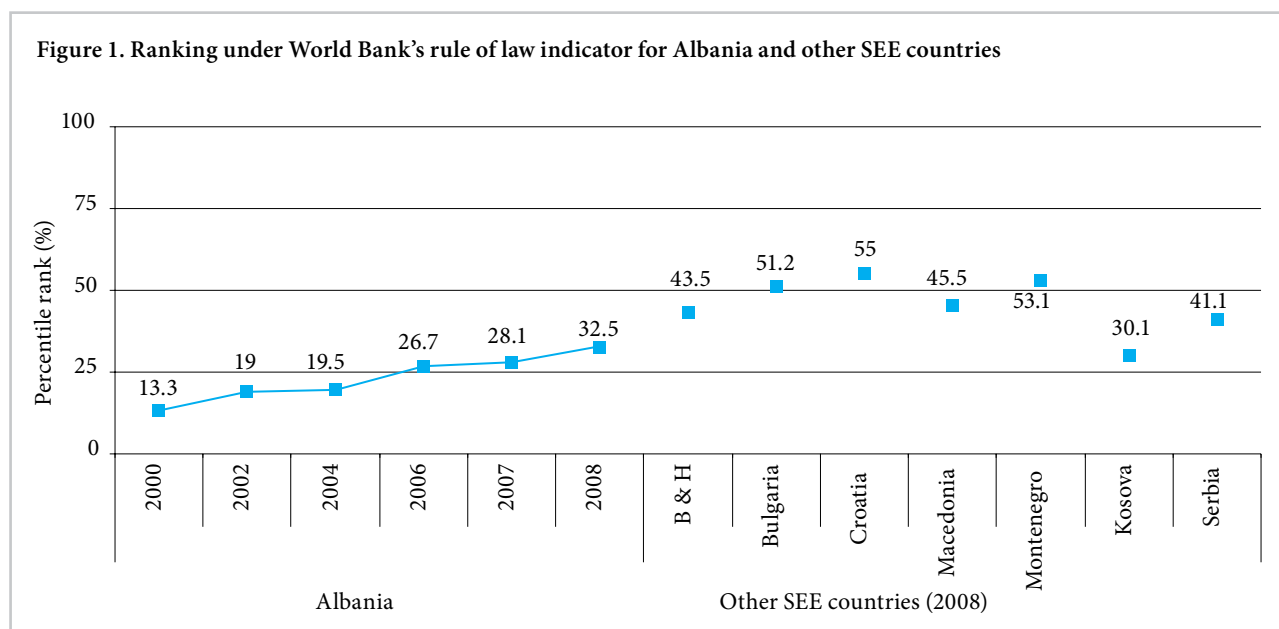
### Indicator: Rule of law relative to other SEE countries

Judicial reform is based on legal, institutional and administrative measures aimed at strengthening the rule of law, restoring public faith in justice, combating corruption uncompromisingly and ensuring transparency in the activity of judicial bodies. This reform includes three components: (i) improving the organisation and functioning of courts, (ii) improving the organisation and functioning of stakeholders participating in trial, and (iii) improving procedures, organisation and functioning of stakeholders in execution of court decisions.

With the view of improving the judicial system, the following measures were implemented: (1) standardisation of judicial files; (2) definition of judicial administration status; (3) enhancement of transparency and public access in courts and strengthening judicial management; (4) expansion and computerisation of the case management system in all first instance and appeals courts; (5) completion of a legal framework on administrative courts by developing a draft law on administrative disputes in courts and organisation of justice; this draft law shall also provide for the establishment, powers, procedures and appointment of judges for administrative cases in court. Furthermore, amendments were introduced to the Law on organisation and functioning of Prosecutor Offices, which lays down detailed and improved criteria on recruitment and promotion of prosecutors, reflects constitutional amendments on the obligation of the Prosecutor General to report to the Assembly, and her or his term of office, as well as rights and guarantees for prosecutors (including the issue of prosecutor immunity).

The adoption of the Law on private bailiff service improved the legal framework on the activity of operators in the execution of judicial court decisions. This law aimed at introducing private bailiff operators. Furthermore, amendments and addenda were introduced in the Code of Civil Procedure that focused mainly on reforming the bailiff system and improving the bailiff procedures, in order to bring them in line with the provisions of the law on private bailiff service.

During 2008, special importance was paid to institutional and administrative capacity building in the penitentiary system. Accommodation capacity in the penitentiary system was upgraded with the construction and rehabilitation of a number of new premises, such as the new prison in Fushë-Kruja, reconstruction of a prison in Rrogozhina, reconstruction of a prison in Burrel, and the construction of a new detention centre for juveniles in Kavaja. Overcrowding of prisons and pre-detention centres was alleviated, bringing the ratio (overcrowding/capacity) to the most satisfactory levels possible.



Source: Governance Indicators, World Bank Institute

Figure 1 indicates the performance of Albania with regard to rule of law during the period 2000–2008, according to Governance Indicators<sup>1</sup> used each year by the World Bank (WB) in 212 countries. These indicators measure the extent to which agents have confidence in and abide by the rules of society, in particular the enforceability of contracts, property rights, police, judiciary and perceptions of the incidence of crime and violence. Albania ranks among those countries with an average level of between 25 and 50 per cent for Governance Indicators<sup>2</sup>. In 2008, there was a measured improvement of 4.4 per cent compared with 2007, mainly related to the performance in democratisation and the rule of law.

With regard to political stability, among Balkan countries only Montenegro had a better estimated level than Albania. The regulatory quality indicator ranked Albania in the upper half, i.e. among the best performing countries. In addition, evident improvement was made with regard to freedom of speech and accountability. For these two indicators, although Albania is ranked in the top half, it lagged somewhat behind its neighbours and fell below the regional average. Improvement was reported also in government effectiveness, but Albania remains below the average of SEE and Baltic countries and behind Montenegro, Macedonia and Serbia.

Proper functioning of rule of law requires the establishment of conditions and mechanisms of de-partisanship and de-politicisation of central administration bodies to ensure efficient and full enforcement of the Constitution and laws. To achieve this goal, measures must be taken to encourage active participation of citizens in the decision-making process, and accountability of politicians in Albania's democratisation and integration process into the EU.

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1 Other governance Indicators include accountability, political stability and absence of violence or terrorism, or both, government effectiveness, regulatory quality, rule of law and control of corruption

2 Maximum performance is 100%

## 2.2 Property rights

### **Indicator: Number of properties that have received a certificate of legalisation**

The EC 2008 Progress Report for Albania indicated that there has been progress made in consolidating property rights, a key European Partnership priority. However, it is necessary to step up the pace of restitution and compensation, and to strengthen certainty about property rights. In actuality, Albania's property rights reform was guided by vision of the land market reform, which shall be a driving factor towards economic development.

With regard to the legalisation process, applications for 350,000 informal constructions were submitted. These are being examined to see whether they qualify for legalisation, and the technical and legal documentation is being prepared to issue legalisation certificates.

According to the agency responsible, ALUIZNI, legalisation and registration of approximately 200,000 informal installations that occupy roughly 4,000 hectares shall generate a considerable influx of blocked capital into the market. Based on the annual average constructions costs published by the National Housing Entity (EKB), it is estimated that this capital amounts to eight billion EUR.

In the period 2006–2008, around 350,000 informal constructions were identified in the whole territory and a database with aerial photos was established. Voluntary self-declaration for 270,595 informal constructions was completed, and the National Territorial Adjustment Council (KRRTRSH) acknowledged 127 areas or residential blocks of informal constructions in Albania. Statistics from processed property data show that 29 per cent of informal constructions are built on another person's land, 24 per cent on public land and 35 per cent on land under their ownership. There was no information available for twelve per cent of constructions.

In 2008–2009, efforts focused on updating the construction situation and digitisation of data on 60 per cent of informal constructions included in the legalisation process. Furthermore, procedures were completed for financial compensation of 874 legitimate owners whose property had been occupied by informal constructions. Legalisation certificates and documentation for registration in Property Restitution and Compensation Agency (PRCA) were provided for 1,300 informal constructions in all regions and registration procedures in the local PRCA were underway. In the meantime, administrative procedures for issuing legalisation certificates for 12,297 constructions are close to completion. Value maps for the whole territory were prepared and approved by Decision of the Council of Ministers (DCM). Thus a fund of 500 million ALL for 2008 shall be extended into all twelve regions of Albania. It remains to complete the process and issue legalisation certificates for the other informal properties, and prepare necessary documentation for registration of legalized property in the Immovable Property Registration Office.

As regards the restitution and compensation process, the regional PRCA during 2008 took 5,000 decisions, of which 4,396 were final decisions. Also, the procedure for accepting and assessing 740 requests were concluded. Four bylaws, for agricultural land, free public forests, pastures and objects, were adopted in order to create the actual compensation fund. In 2008, the process of prepare maps of free public agricultural land foreseen for the compensation fund began. However, an inventory of land earmarked for compensation of former owners remains to be completed. The reform of the imovable property registration system continued during 2008, in order to improve the service, the efficiency and the transparency, as well as the finalization of the first registration process. In this respect, several normative acts were adopted for improving the service and registration procedures. In addition, an electronic application system for citizens, was installed. The computerization and automatization of regional offices, initiated in 2008, initially for Tirana and Durrës, needs to be further accelerated and improved.

The continuation of the first registration of immovable properties still remains a challenge, and has not been finalized as foreseen in the planned areas of Tirana, Durrës, Vlora, Shkodra and Fier. This process need to be further accelerated in order to finalize the first registration for the 120,000 urban properties. The adoption in 2008 of the Law "On the evaluation of legal validation of establishing property titles on agricultural land"<sup>3</sup> was an important step within the framework of property rights reforms. The law aims to consolidate property titles by verifying those provided since 1991 for agricultural cooperatives and agricultural enterprises. For this purpose, Local Evaluation Committees have been established, headed by the prefect. The verification process of the local committees is monitored by the Government Land Committee, which takes decisions on conflict resolution in the regions (qarks).

As regards strategic orientation of this reform, efforts in 2008 focused on revision and consultations with all stakeholders in the crosscutting strategy "Property rights reform" and its action plan. However, this draft strategy needs to be adopted in order to further accelerate implementation of the reform.

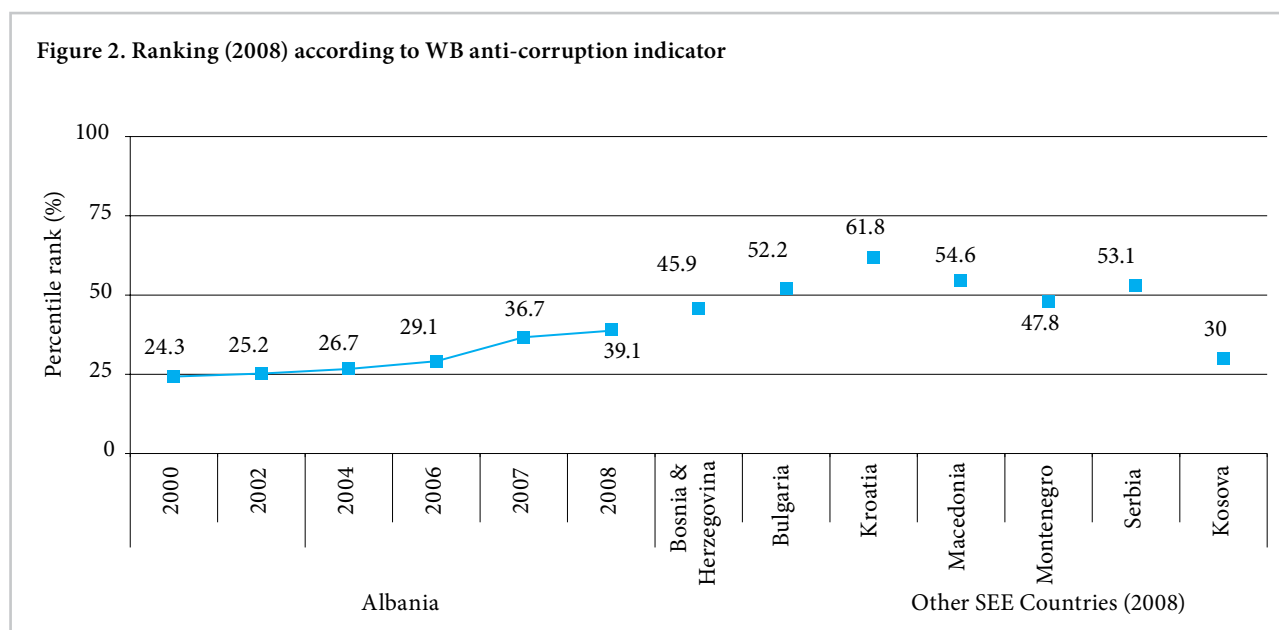
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3 Law No. 9948, dated 07.07.2008

## 2.3 Anti-corruption

### Indicator: Control of corruption

The EC Progress Report for Albania welcomes efforts made in the fight against corruption and indicates that the perception of corruption has improved. The important indicator of control of corruption is measured by the World Bank each year along with the five governance indicators. Figure 2 shows Albania's performance with regard to this indicator for the period 1996–2008, comparing it with other countries in the region in 2008. Albania improved by 3.6 per cent over the previous year, but much remains to be done given that among all countries in the region, Albania is ranked in penultimate place, behind Serbia and ahead of Kosovo. Another important indicator of corruption is the corruption perception index measured by the non-governmental organisation Transparency International. With regard to this index, Albania made tangible progress in 2008, improving by 3.4 points its world-wide ranking to 85th place from 105th position with 2.9 points in 2007.



Source: Governance Indicators, WB Institute

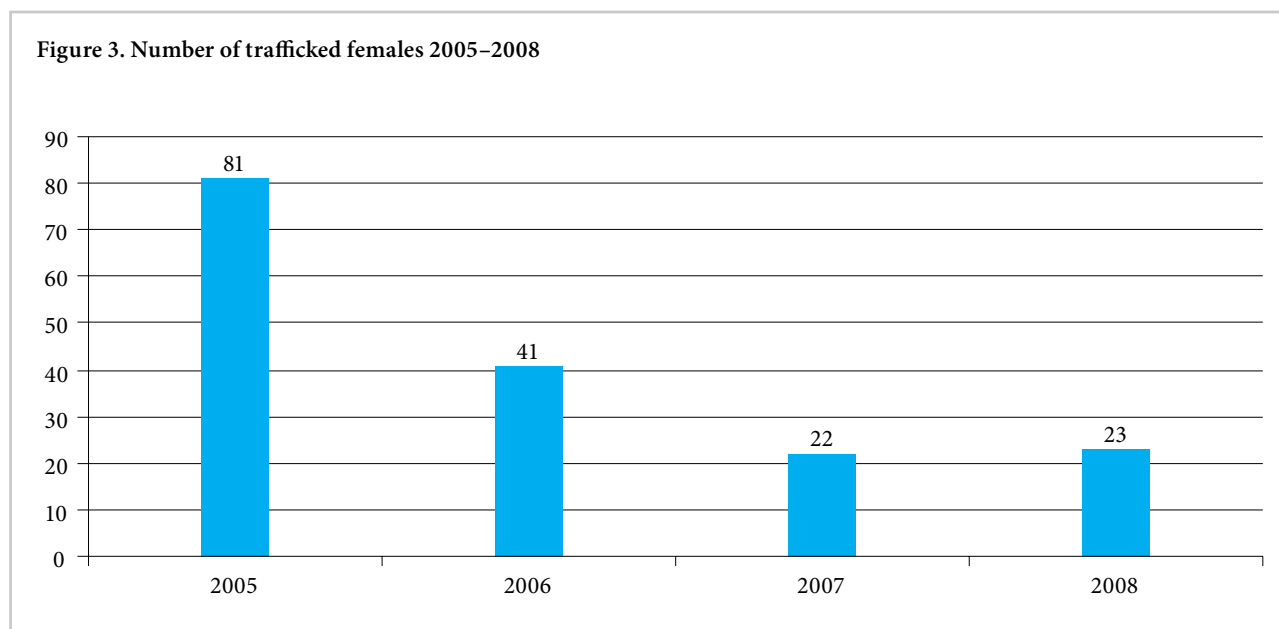
Albania's reform in the fight against corruption consists mainly of measures of a preventive nature. For this purpose, provisions of the Council of Europe Criminal Law Convention on Corruption were transposed into the national legislation, and approximation of civil legislation with the Convention is proceeding smoothly. Worthy of mention are ratification of the United Nations Convention against Corruption, proposed amendments to the law on prevention of conflicts, adoption of the law on cooperation of citizens and reward of denouncers of corruption, adoption of the law on companies in April 2008 that is approximated to the CoE Convention on Corruption. The reform aims at reduction of corruption in the sectors of line taxation, procurement, services to businesses, universities, included in admission reform, all of which demonstrate most evident success. Hence, a system was established that enables major taxpayers to pay taxes online, reducing corruption and business costs in calculation, recognition and payment of financial duties. This system is being extended progressively to include all businesses.

An on-line public procurement system was introduced to eliminate abuse with public tenders. Electronic procurements during 2008 accounted for two per cent of all procured amounts, but in 2009 all public procurement procedures shall be conducted on-line. This will reduce overall procurement costs, enhance transparency and shrink corruption. National Registration Centre activity was consolidated and a legal framework for establishment of the National Licensing Centre is in place. Next, it is planned to establish an electronic register for construction permits and administrative courts, which shall play their role in strengthening further the fight against corruption. The strike force against corruption in public administration has improved. In 2008, there were 276 criminal corruption cases against public employees with 44 persons arrested. The crosscutting Strategy for the fight against corruption and transparent governance, and its corresponding 2009 action plan approved by government in October 2008, provide the guide and vision of this important reform.

## 2.4 Organised crime

### Indicator: Trafficking in human beings

Efforts made in 2008 in the fight against organised crime focused on prevention, fight against trafficking in human beings and the identification, provision of assistance and protection of victims or potential victims of trafficking. Data from the Ministry of Interior (MoI) and State Police (see Figure 3) indicate a reduction in the number of women trafficked and increase in the number of people apprehended while trying to cross national borders illegally.



Source: MoI, State Police

In 2008, 73 per cent of border crossing points (the main ones) were computerised through installation of a Total Information Management System (TIMS) in the main BCPs. In addition mobile surveillance units started operations. This helped considerably the work of the Border and Migration Police. Upgrading of border control and surveillance equipment shortened the time needed to process travellers and vehicles at border crossing points and improved border security. Continuous training of Border and Migration Police officers and signature of agreements and protocols of border cooperation with neighbouring countries contributed towards increased effectiveness. With regard to cross-border cooperation, joint border patrols are conducted with Macedonia and Montenegro. The Muriqan-Sukobine joint border crossing point with Montenegro was constructed and became operational in 2009. Synchronised patrols were conducted with the Kosovo Border Police and joint operations were carried out with Greek Police to strengthen border security.

This year, the number of victims and potential victims of trafficking reported by government and non-governmental institutions was estimated, and a database on victims of trafficking became operational, accessible by the competent authorities and the Office of the National Anti-Trafficking Coordinator. This database, which provides information on how specific trafficking cases are being managed, plays an important part in updating information between initial identification of a potential victim and full re-integration. Furthermore, the functioning of the National Referral Mechanism for victims of trafficking was improved and, as a result, the number of victims identified rose five-fold when compared to the previous year.

A moratorium for complete blocking of speedboat movements and prosecution and conviction of traffickers have continued. Criminal activities related to trafficking of human beings, such as assisting illegal border crossing, people smuggling, exploitation for prostitution and mistreatment of juveniles, continue to remain a problem. Services to re-integrate victims are still lacking, for which competent bodies have started to take necessary steps. A cooperation agreement for creation of a national referral mechanism to improve identification and provision of assistance to victims of human trafficking is a valuable instrument that will improve coordination of actions for referral, assistance and rehabilitation.

Furthermore, the law on prevention of money laundering and fight against terrorism and the respective legal

acts have been adopted. This marks the fulfilment of the report recommendations of the third mutual round of the MONEYVAL Committee of CoE and of the recommendations of the Financial Action Task Force (FATF)<sup>4</sup>. To implement this law, a Committee for the Coordination of the Fight Against Money Laundering was established. The Committee defines policy directions with respect to prevention of money laundering and the fight against the financing of terrorism.

In the 2008 Progress Report for Albania, the EC welcomes the progress made with concrete measures taken against organised crime. It acknowledged the merits of the Border and Migration Police with regard to border control and surveillance and their significant contribution to the fight against organised crime, illegal trafficking and prevention of emigration. It is also reported improved quality of services provided to citizens, and strengthened cooperation with counterpart authorities of neighbouring countries.

However, the report highlights the need to increase the rate, number and quality of prosecutions for organised crime offences and the seizure and confiscation of the proceeds of crime. This calls for a more intensive use of intelligence and for improved information flows between public agencies, but also with foreign law enforcement institutions. Cooperation of the judiciary with the State Police could further improve results. The Financial Intelligence Unit (General Directorate for the Prevention of Money Laundering) and its legislative framework need to be further strengthened to prevent money laundering activities.

Implementation of the Integrated Border Management strategy will continue and its Action Plan will be revised in full compliance with the Schengen catalogue. Special attention shall be paid to institutionalisation of relations with EU special agencies (FRONTEX) concerning Border Management. Integrated information systems (MEMEX, TMS) shall be fully installed and operative and shall serve both the border control of people and goods and the fight against organised crime, trafficking and terrorism. Border management in line with international standards remains a challenge in some ports. For this purpose, a Maritime Operational Centre shall be set up as an inter-institutional coordination structure responsible for organisation, planning and management of blue border operations in compliance with the national and international blue border legislation.

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<sup>4</sup> International inter-governmental body whose purpose is to develop and promote national and international policies to combat money laundering and financing of terrorism

## 2.5 Public order

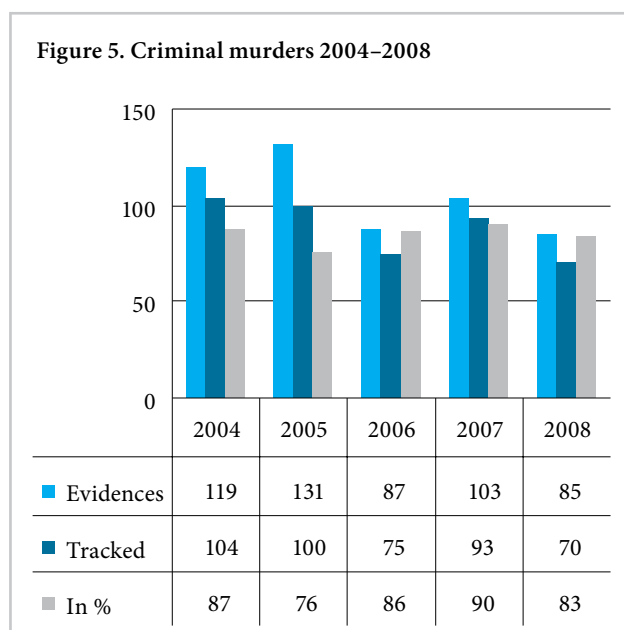
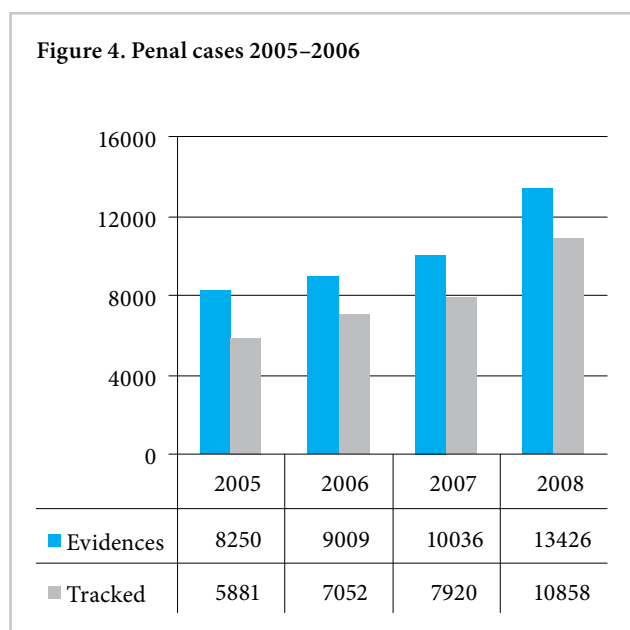
### Indicator: Criminal non-traffic offences per 100,000 head of population

In 2008, public order improved in general, as confirmed by the EC 2008 Progress Report, which highlights the adoption of the new Law on State Police. Adoption of this law improved available human, financial and logistic resources, and transferred their management from the MoI to the police, an important step towards de-politicisation of the State Police.

For this year, according to MoI data, the indicator criminal (non-traffic) offences per 100,000 inhabitants was 321, based on the estimate of Albania's total population size of 4,249,942 inhabitants and 13,426 criminal offences. As the *European Sourcebook of Crime and Criminal Justice Statistics*, which serves as a source of comparative data with other countries is not yet published, it is difficult to make comparisons.

Irrespective of this, identification of criminal offences increased in 2008, and the detection rate of criminal offences grew to 81 per cent, against 79 per cent in 2007. Out of 13,426 criminal offences, 10,858 were solved, including 83 per cent of all criminal murders (see Figures 4 and 5). In the fight against illegal trafficking (of human beings and motor vehicles, smuggling of weapons and pieces of art of national value), 79 criminal groups were detected and 177 suspects wanted for trafficking crimes apprehended. 2008 recorded the lowest number of murders in the last 18 years, with 85 murders, 18 fewer than in 2007 and 46 less than in 2005. Reduction in the amount of drugs seized by Italian authorities indicates that there has been a significant reduction in illegal drugs transiting through Albania to Italy and the EU. The amount of cocaine transited through Albania remains insignificant, while synthetic drugs do not yet constitute a problem in Albania.

The data shown in figure 4 and 5 clearly testify an increase in the performance of state police and the positive results achieved during 2008.



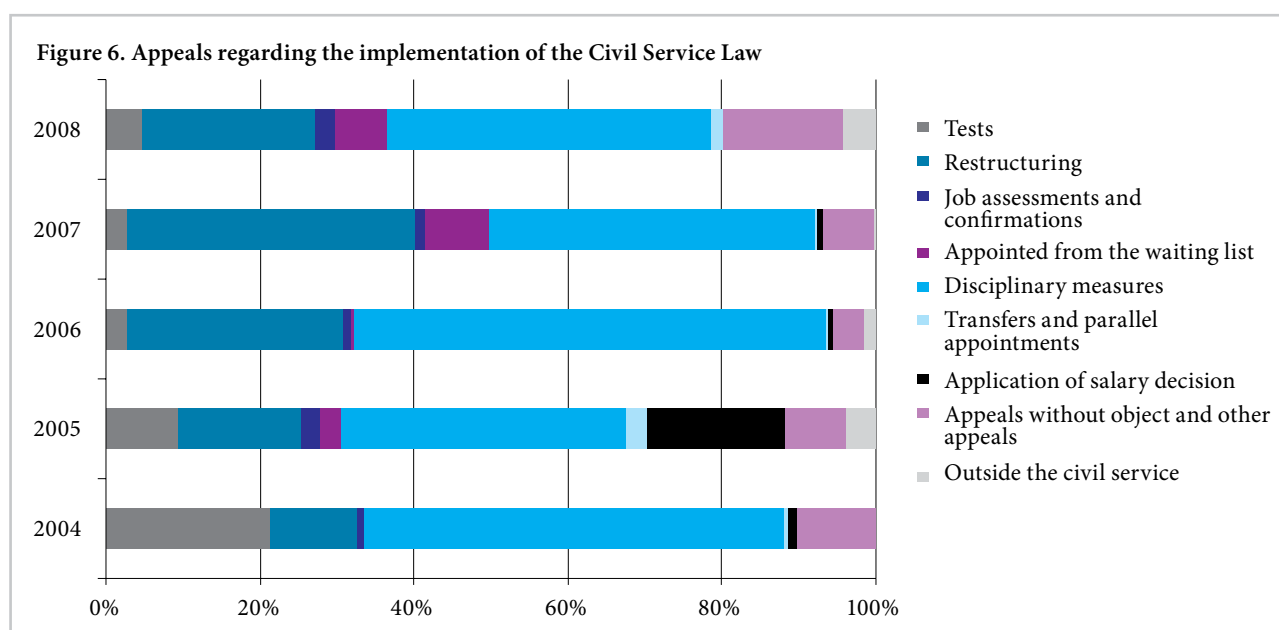
Source: MoI

## 2.6 Public administration

### Indicator: Number of appeals for implementation of Civil Service Law

The EC 2008 Progress Report for Albania states that “Overall, public administration is continuing to stabilise,” but more should be done to “enhance the impartiality of public administration and to establish an independent, merit-based, professional civil service”.

One indicator of public administration stability is the number of appeals for implementation of the Law on Civil Service. In 2008, this number fell to 193 from 354 a year earlier. Of these appeals, 69 were decided in favour of the complaining civil servant and 75 against. Figure 6 shows the change in types of complaint. It is clear that the predominant issue was disciplinary measures (83 appeals, or 42% of the total number of appeals), at a level similar to that in 2007. A decrease was noted in the number of appeals for restructuring reasons (43 appeals, or 22.3% of the total, compared to 132 appeals and 37.4% in 2007). According to the Civil Service Council, the majority of appeals were filed by employees of local and customs administrations.



Source: Civil Service Commission

Further steps were made to strengthen the capacity of the public administration through training activities, particularly to enable it to meet the challenges of European integration. Against this background, mention must be made of the further enhancement of TIPA’s capacities with the establishment of a Fiscal Training Centre and a Local Government Training Centre, to respond to the training needs of the tax and local administrations.

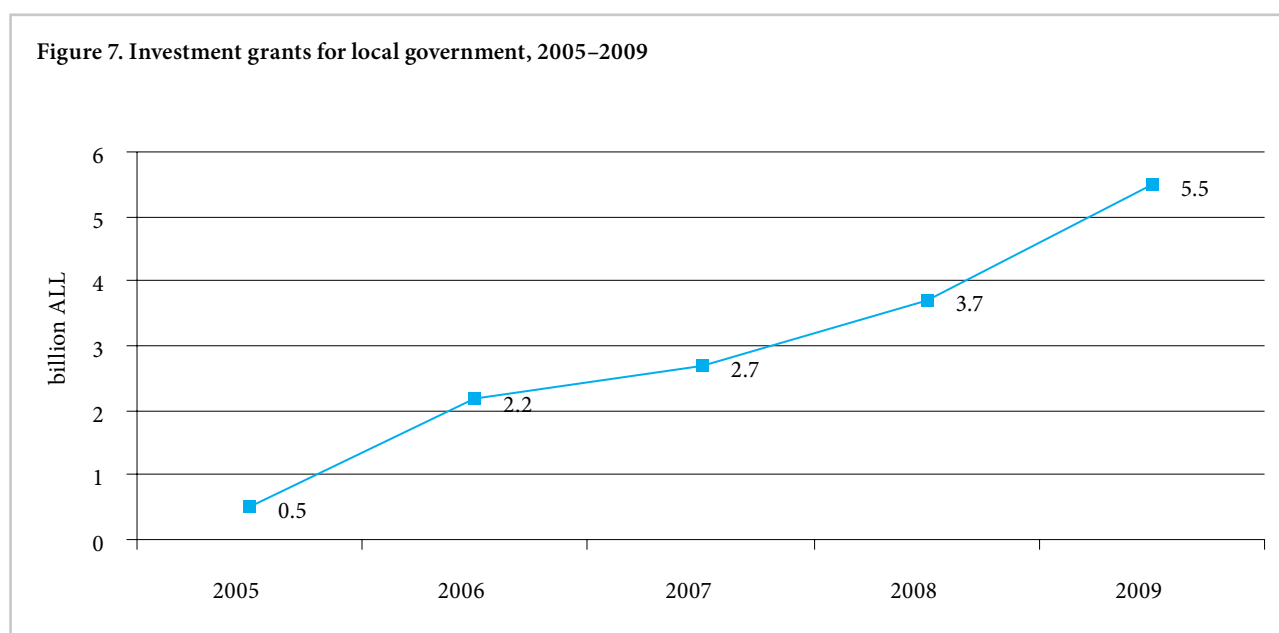
Nevertheless, in order to further orient public administration policies implementation of the Strategy on Public Administration Reform needs to be promoted. This strategy was adopted in October 2009, after wide consultations with interest groups and donors in 2008. This strategy shall provide orientation for interventions in the Law on Civil Service Status, with the view of intensifying the civil service reform and expanding the scope of the civil service law.



## 2.7 Decentralisation

### Indicator: Fulfilment of principles of European Charter of Local Self-Government

In 2008, the focus in decentralisation was on deepening and extending autonomy of local government by strengthening its first level. Attention centred on enhancing fiscal autonomy of local government bodies through increased flow of grants and improvements to the scheme of unconditional detailed transfers. With regard to the level and distribution of unconditional grant, a sustainable approach was pursued and funding for local governments increased. In 2008, the total amounts allocated from the state budget came to 123 billion ALL, 3.5 per cent of total budget expenditure. Figure 7 shows the investment grants made to local government in 2008. The figure for this year grew by 37 per cent compared to 2007, reaching 3.7 billion ALL and financing 496 projects. 37 billion ALL from State budget were allocated for rural road network project in 2008 only.



Source: Mol

A series of legislative initiatives on enhancing fiscal autonomy of local government units (LGUs) was finalised. In this framework, the law “On local government borrowing” was adopted. This law clearly defines the debt, including any tax or fiscal liability resulting from financial agreements with third parties. Furthermore, the law determines limits to local government debt, as well as to national debt. Pursuant to it, an instruction from the Minister of Finance provides more detailed procedures, conditions and modalities as how LGUs can apply for domestic or foreign loans. For 2008, mention can be made of approval of the law on local taxes, while a guide to local tax management was drafted.

In 2008, local government continued to administer the small business tax, which was transferred to it in early 2007. Despite difficulties, management of this tax by LGUs is a positive step towards increased fiscal autonomy. This improved fiscal framework further consolidated local government and created the necessary conditions for boosting local revenues and consequently provided a better response to the needs in public services.

A draft law “On local finance” is under preparation. It further completes the objectives of the law on budget management<sup>5</sup>. This law aims to improve the legal framework towards ensuring more fiscal autonomy by establishing (i) clear rules that regulate fiscal relations between central and local government, (ii) criteria and coefficients for the distribution of unconditional transfers, (iii) clear mutual obligations of both central and local government related to the exchange of economic and financial information, (iv) better procedure and deadlines on monitoring and auditing of local government, and (v) clear responsibilities of local officials and governance in the implementation of development programmes and use of public funds.

The process of transfer of public property to local government continued through 2008 at an accelerated pace and is expected to be completed in 2009. During 2008, the transfer of the fund of forests and pastures was

5 Law No. 9936 dated 26.06.2008 “On budget system management in the Republic of Albania”

completed, with approximately 630,000 ha of forests and 300,000 ha of pastures transferred to local government. In addition, the process of transfer of high school dormitories to municipalities and communes was brought to completion. An inventory of property and approval of inventory lists of state-owned immovable property within the territorial jurisdiction of 373 municipalities and communes were finalised. Furthermore, preliminary lists in around 130 local government units were approved and this process is fully completed in some local government units including Durrës, Elbasan, Korça, Lezha, Burrel, Pogradec, Peshkopi, Gramsh and Prrenjas, and is close to completion in Shkodra, Vlora, Fier and others. Four hundred DCMs were approved specifically for the transfer of state-owned immovable property to local government. With regard to decentralisation of water supply and sanitation, 46 out of a total of 55 water supply and sanitation enterprises were transferred under the responsibility of the local government.

The next challenges in the decentralisation process include professional capacity building of local officials and staff through training intended to improve the quality of public services, law enforcement, etc. Furthermore, focus will also be on simplifying administrative procedures and enhancing transparency in decision making.

# 3

## Economic and Social development

Strengthening the foundations of economic and social development constitutes a fundamental priority for Albania. Establishment of necessary administrative and regulatory infrastructure and incentives to business development and investments shall provide sustainable developments with regard to living standards of citizens and will pave the way for accession to the EU.

Reforms aimed at fostering the market economy and the rule of citizens in society are the best guarantee of a new future, one of peace, stability and prosperity. Simultaneously, these will consolidate the other reforms being undertaken such as the strengthening of democracy and rule of law, improvement of governance effectiveness, better employment opportunities, start-up and development of businesses, better opportunities for travel and transport, improved housing, more efficient local services and an administration more sensitive to the citizens' needs.

Economic and social incentives benefit from a high level of macroeconomic stability, improved revenue performances, strict control over public expenditure and more efficient administrative structures. These reforms are all being implemented and deepened this year, and already have improved the trust of business, ensured the functioning of rule of law and enabled serious action to be taken in the fight against corruption and in formalizing the informal sector.

## 3.1 Infrastructure

Infrastructure remains one of the key priorities of the Albanian Government, demonstrated through the continuing influx of investments and start of new infrastructure projects in 2008.

During the period 2005–2009, road projects of national importance were designed and considerable investment funds were allocated for the National and Regional road network, encouraging the development of regions and creating favourable conditions for balanced development in the country. Funds made available to support road infrastructure development compared to previous periods testify that this constitutes a priority to the Albanian Government. In 2005–2009, roughly two billion USD were invested in roads, and in 2009 alone investments rose seven-fold against those made in 2005.

Energy policies implemented in 2008 brought progress in the reformation of the whole sector and opened a private sector; electricity generation capacity grew and projects for connection to regional energy networks were conceived. KESH performance improved through reorganisation from a vertically integrated company into three function-based divisions. Privatisation of the Distribution System Operator to Czech company CEZ in 2009 was successfully concluded.

Reform of the water supply and the sewerage system is undergoing thorough restructuring, through decentralisation and commercialisation of these services. A legal initiative for transfer of water supply responsibilities to local authorities, revision of the law on water reserves and government policy on good management of water resources in general are part of a sector programme and strategy within the framework of integrated water resource management and basic requirements of the Water Framework Directive. In addition, a Sample Performance Agreement Template is being developed aimed at progressive reduction of state subsidy to the operation and maintenance of water supply and sewerage.

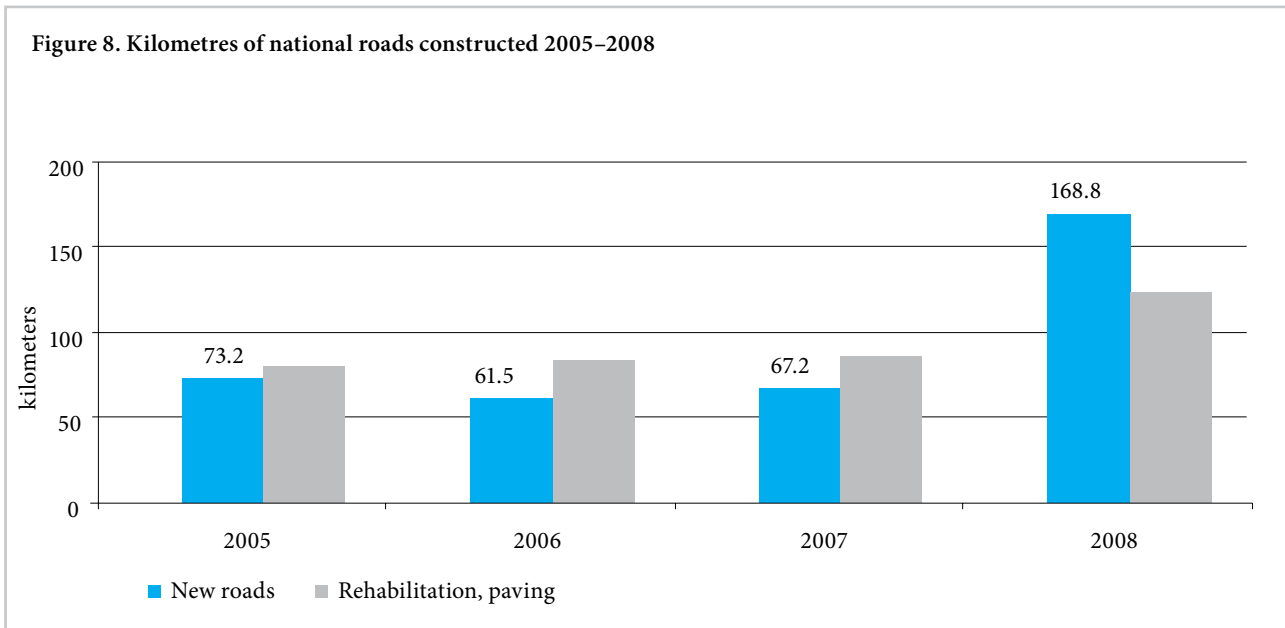
In the area of solid waste, work is proceeding smoothly to upgrade solid waste management infrastructure in the whole territory through investments in new landfills that will ensure solid waste treatment in line with the Albanian and European legislations and closure of existing landfills to guarantee environment and human health. Focus remains on improving the legislation on solid waste management and its transposition to EC directives. Controlled sanitary treatment of urban solid waste remains a long-term challenge through the construction of twelve regional landfills before 2020, as envisaged by the National Strategy for Environment.

### 3.1.1 TRANSPORT

#### **Indicator: Number of kilometres of national roads constructed**

Road infrastructure has improved remarkably during the past four years, and particularly so in 2008. Major investments were, and are being, made in various road segments, from North to South and from East to West, bringing an evident and tangible change for Albanians and bringing Albania closer to countries with European infrastructure standards. Upgrading of road infrastructure was a priority policy of public investments in 2008, with the aim to integrate the national road network into the European transport network. Figure 8 shows the doubling in the number of kilometres of national roads this year, characterised by high-standard roads with two lane dual carriageways, tunnels and top quality engineering works.

Figure 8. Kilometres of national roads constructed 2005–2008



Source: Ministry of Public Works, Transport and Telecommunications (MPWTT), 2009

As it is shown in the graph 168.8 km of new roads were laid down in 2008, of which 121.5 km were constructed through internal funding and 47.3 with external funding. This year, priority was given to the construction of the Durrës to Prishtina motorway and completion of East–West and North–South corridors. The first of these, the major project, Durrës–Kukës–Morina motorway, was included in the South-east Europe Transport Observatory (SEETO) and was designated Route 7, linking Corridor VIII to the next corridor. In the meantime, intensive works continued in the construction and rehabilitation of the following road segments: Korçë to Qaf Pllaçë, Bulqiza–Blata–Ura e Çerenecit–Peshkopi (part of Arbëri Road), doubling of the Fushë-Krujë to Milot road, Plepa by-pass, Kavaja to Rogozhina and the segment Dhërmi–Himara–Qeparo–Saranda, rehabilitation of various other road segments and city entry roads, construction of tourism roads and segments leading to border crossing points. State budget funds allocated to road transport amounted to 60.71 billion ALL, twice as much as in 2007.

Special importance was paid to regional cooperation within the framework of road transport. This policy has been confirmed by increased cooperation with neighbouring countries—Macedonia, Kosovo, Montenegro and Greece. Cooperation focused on liberalisation of the passenger transport market between Albania and Greece, with reduction in travel ticket costs by around 30 per cent, liberalisation of road transport of freight with Macedonia, and mutual recognition of driving licences with Italy.

During 2008, Albania adhered to and ratified six international conventions and agreements on Road Transport, and legal procedures were completed in line with the NIPSAA commitments, under which Albanian Railway sh.a. underwent total restructuring, in line with principles established in EU directives and an action plan is in place for gradual implementation of EU legislation.

Corridor VIII was extended with two links with Greece, at Kapshtica and Kakavije, and signature of a memorandum with Bari enabled inclusion of the ports of Bari, Brindisi and Vlora. Rehabilitation of the secondary road between Durrës and Vlora was carried out, in parallel with investments made in Durrës port (passenger and container terminals) and Vlora port. While concentrating funds on road, port and airport infrastructure, the aim is also to reactivate the railway network through leverage of private capital and potential financing from international financial institutions and various donors.

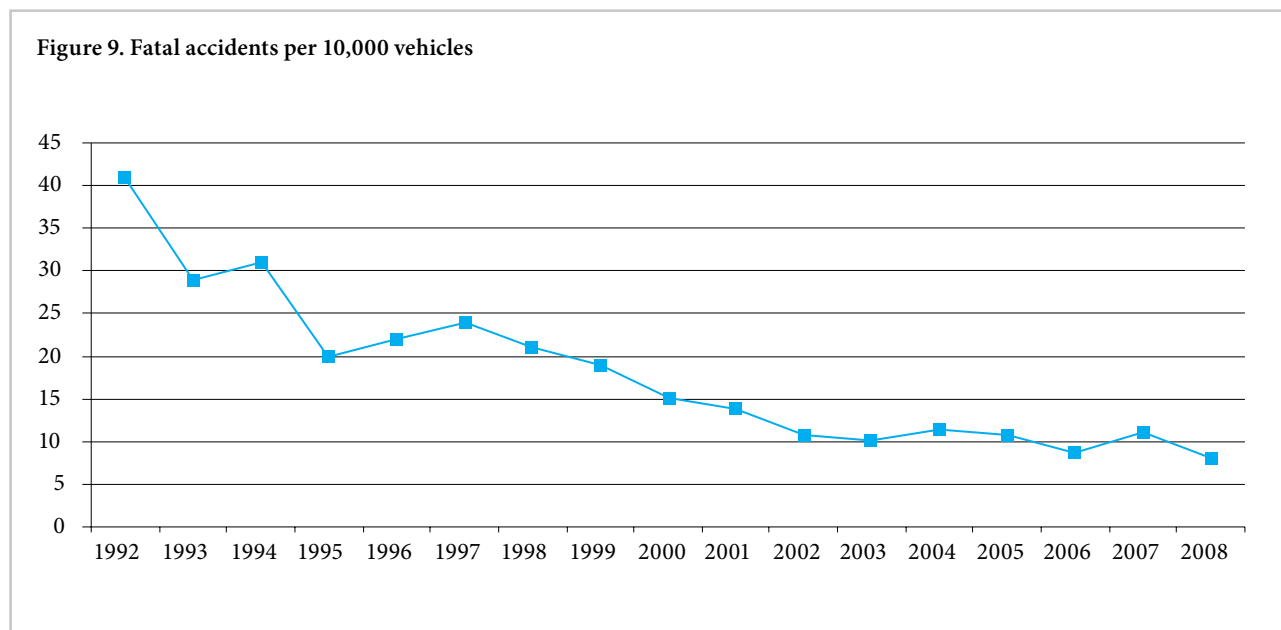
International railway freight transport has grown constantly in recent years. In terms of volume (tons per km), the amount of freight transported by rail in 2008 was double that moved in 2005. International railway freight transport moved three times more freight than it did in 2005, and 3.3 times more in terms of tons per km.

In the period ahead, a primary priority is the construction of, among others, the national road segment Durrës to Morina, completion of segments of Arbëri Road, and construction and rehabilitation of rural and national roads. Priority shall also be given to upgrading roads that lead to border crossing points, tourism roads and improving the management and maintenance system of the national road network, through a road asset

management system (including bridges), promotion of construction of roads by concession contracts, full privatisation of services and doubling of maintenance.

**Indicator: Traffic deaths by 10,000 vehicles**

Traffic deaths are a concern in Albania despite significant improvements in infrastructure. Speed, poor driver discipline and technical vehicle deficiencies are reported to be the main causes. The number of traffic accidents and deaths continued to grow until 2007. Nevertheless, according to INSTAT data, traffic accidents decreased in 2008 by 3.6 per cent compared to the previous year (1,254 and 1,208 accidents, respectively). In 2008, the number of people involved in accidents fell by 9.9 per cent compared to 2007, with 1,256 people injured and 303 deaths compared with 1,344 people injured and 384 deaths in 2007. Figure 9 shows the annual number of accidents per 10,000 vehicles for the period 1992–2008, with reference to the number of vehicles registered in the Directorate General of Road Transport Service (DGRTS) and the number of fatal accidents reported by the Directorate of Road Police at DGRTS.



Source: Directory of Traffic Police (General Police Directorate)

Measures to reduce traffic accidents further are a fundamental obligation of all EU countries, which have to reduce by 50 per cent the number of accidents by 2012.

For this purpose, it is necessary to review the speed limits for vehicles both inside and outside cities, improve roads and road assets, including signalling, install speed radars and cameras in main segments and at road crossings and equipment for police to measure alcohol level in drivers.

**Indicator: Number of airline passengers**

In Albania there is a favourable environment for the development of air transport in general and civil aviation in particular. Maximising the benefits of air transport, its speed and comfort, and enhancing the processing capacity at Tirana International Airport (TIA) Nënë Tereza has led to an increase of 13.8 per cent in the number of passengers travelling in 2008 compared to 2007. Figure 10 gives the number of passengers processed through this airport between 2005 and 2008.

Figure 10. Passenger flow through Tirana International Airport Nënë Tereza, 2005–2008



Source: MPWTT

This steady improvement and growth is due in part to modernisation of air traffic management under the Air Traffic Master Plan. The Airspace Modernisation Project implemented by Lockheed Martin improved security, safety standards and the capacity of the National Air Traffic Agency, resulting in an increase in the number of flights through Albanian airspace by twelve per cent against 2007.

The company TIA started work in 2008, under a concession contract and with a fund of 20 million EUR, to expand the new passenger terminal by 5,000 m<sup>2</sup>, as a means to cope with the increase projected in air transport statistics and alleviate the burden on the existing infrastructure. In 2008, the number of airline companies operating in Mother Theresa airport increased by two to 13.

Based on a study conducted in 2007, a plan for bringing into use three local airports was examined—at Kukës (airport already prepared for operations), Vlora (rehabilitation of the existing aerodrome) and Saranda (possibly through concession agreement)—the goal being to expand and develop domestic air transport, which is a considered a necessity.

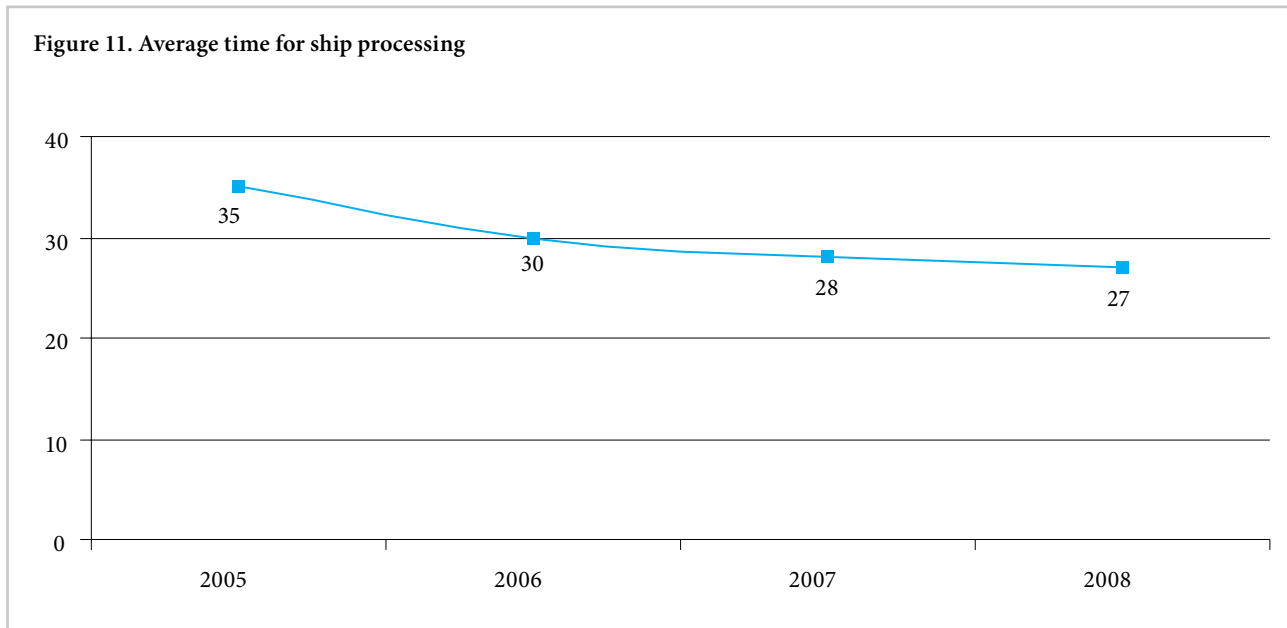
A multilateral agreement<sup>6</sup> was ratified with regional countries—including Bosnia and Herzegovina, Bulgaria, Serbia, Croatia, Macedonia, Montenegro, Romania and the UN Interim Administration Mission in Kosovo—as well as with Iceland and Norway from the EU, on the establishment of a European Common Aviation Area Agreement. Implementation of this multilateral agreement would enable these countries to fully integrate into the European aviation family. It would help boost Albania’s economic development and its efforts for fully fledged membership to the Single European Sky initiative.

Air transport policies will focus on implementation of both national and international legislation, approximation of the former to (EU) *acquis*, improvement of the regulatory system, setting-up of new entities in line with the *acquis* on air transport, accession to international structures and legal recognition of aviation conventions.

#### Indicator: Average time spent by vessels in ports

Albania’s maritime transport policy focuses on rehabilitation of port infrastructure and the superstructure in the ports of Durrës, Vlora and others. Efforts were also centred on restructuring and privatisation of commercial services in order to orient them towards a functioning market economy. The average time spent by vessels in Albanian ports has decreased as a result of increased processing capacity and effectiveness (Figure 11).

6 Law No. 9658 dated 18.12.2006



Source: MPWTT

In 2008, focus was on rehabilitation of infrastructure and superstructure the ports within the framework of Master Plans guided through concrete projects with foreign donor funding. The Plan of Durrës port was designed in 2008 with EC funding.

Construction of a Passenger Terminal in Durrës started in 2008 by a Slovenian company, SCT. In addition, a detailed project and the tender procedures for rehabilitation of quays 7 and 8 are in place, with 40 million EUR funding from EIB, EBRD and the Albanian Government. Besides, the Port Authority further improved the infrastructure with its own revenue.

The Italian Cooperation committed 15.3 million EUR for a tender procedure and reassessment of a project in Vlora port concerning the construction of a new freight processing quay, a ferry terminal and its corresponding superstructure. Furthermore, with regard to infrastructure and superstructure upgrading in Shëngjin and Saranda ports, detailed projects and tender dossier for new quays were finalised. As regards Shëngjin port, funding of around 3.6 million EUR was secured from the IPA programme and Albanian Government. At Kruiz, Saranda port, five million USD were committed by the WB for the construction of a new quay for passenger vessels. In 2008, works started to construct two private ports for fuels and gas, at Petrolifera Port in Vlora and Porto Romano port in Durrës.

Special attention was paid in 2008 to improving security levels in the open ports of the Republic of Albania (ports of Durrës, Vlora, Saranda and Shëngjin) through interventions in the national legislation to bring it in line with the requirements of the International Ship and Port Facility Security Code and directives and regulations of the European Community concerning security standards.

Next work shall focus on establishing a Port State Control which shall ensure adequate conditions for progressive improvement of safety and technical standards of Albanian-flagged ships in line with the provisions of international conventions.

### 3.1.2 ENERGY

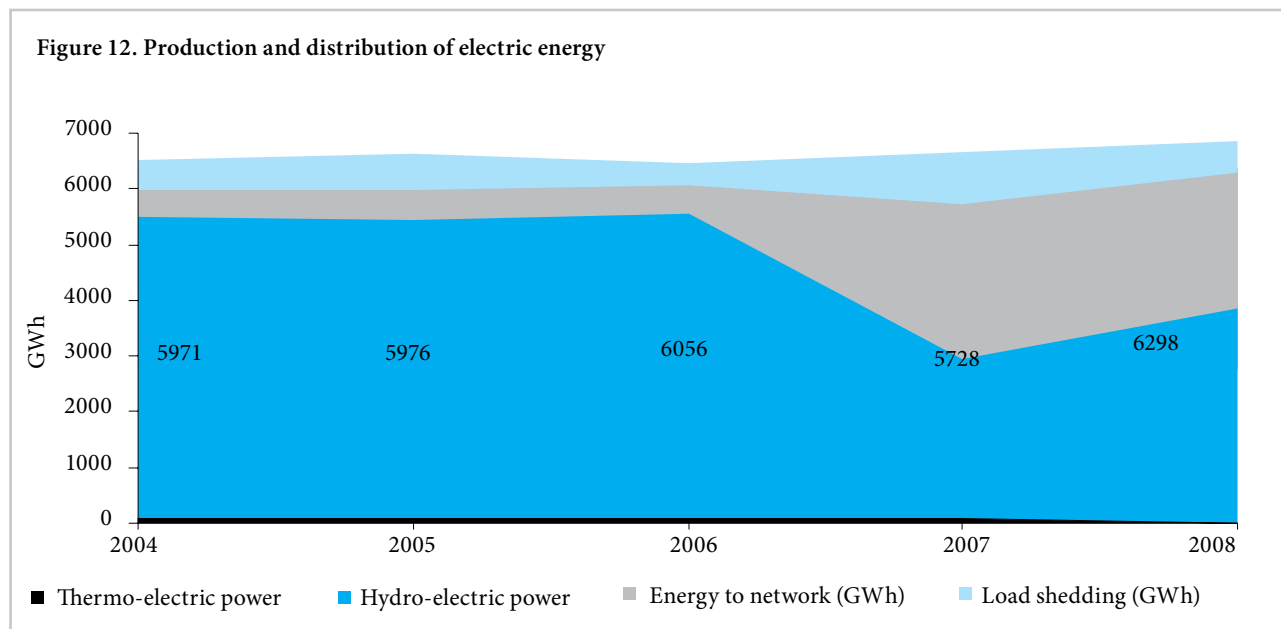
#### **Indicator: Production and distribution of electricity (GWh) by type**

Important progress was achieved in 2008 in the production and distribution of electricity through radical transformation of the sector. Endorsement of the Albanian market model<sup>7</sup> and the accompanying legal framework provided a basis for reformation and liberalisation of the electrical energy market, enabling its smooth functioning with private operators involved in the generation, distribution and supply of electricity.

<sup>7</sup> DCM No. 338 dated 19.3.2008 "On adoption of the Electricity Market Model"



Figure 12 shows the electricity production by thermal and hydro sources, the energy available in the grid and load shedding. The amount of available electricity increased to 6,298 GWh in 2008, of which 3,850 GWh was produced domestically. Non-technical losses fell by eight per cent compared to the year before, while the supply improved significantly, by 40 per cent compared with 2007. Technical and non-technical electricity losses in the distribution network amounted to 1,927 GWh or 32.74 per cent, 2.66 per cent less than in 2007. Total energy losses, including in transmission, amounted to 2,140 GWh (34%) in 2008, 2.4 per cent less than in the previous year.



Source: KESH and Distribution System Operator

With regards to the liberalisation of energy production, 69 concession contracts were signed with private, including foreign, investors for construction and operation of the hydro-electricity power plants Ashta (48.2 MW installed capacity; 130 million EUR invested) and River Devoll cascade (319 MW installed capacity; 985,400 MWh annual production; 950 million EUR). Construction of an energy park in Porto Romano, Durrës, was approved, indispensable to the sustained industrial development and growing needs of the economy for energy. Within the framework of diversification of energy sources and the use of renewable energy, licences were granted for seven wind farms. Concrete steps were taken to ensure licensing of private companies for construction of a wind farm with installed capacity of 500 MW and another combined biomass-wind plant in Shëngjin.

Important progress has been made in the hydrocarbons sector with the adoption of a full regulatory framework on hydrocarbons in line with EU directives in 2008. This framework includes enhanced capacities of the Energy Regulatory Entity and provides favourable conditions for higher hydrocarbon production and foreign investments engaged in exploration and extraction of oil and gas. In 2008, implementation of hydrocarbon agreements on exploration and extraction of oil and gas by prominent international companies continued. Investments in this area increased to 129 million USD compared to 83.97 million USD in 2007. Crude oil production in 2008 was 578 thousand tons.

Following finalisation of a concession agreement, La Petrolifera Italo Albanese sh.a. Company started works in 2008 on an oil terminal in the Bay of Vlora. In addition, Romano Port sh.a Company is implementing an agreement concerning construction of oil installations in Porto Romano. In 2008, public corporation ARMO was privatised and a contract signed with winning company Refinery Associates of Texas, Anica Enterprises and Mercuria Energy Group. Furthermore, a contract was signed with Falcone Group to build a regasificator in Seman, Fier, for an amount of 950 million EUR. As regards the energy park in Seman, a concession contract was signed with Trans European Energy BV for a terminal of Liquefied Natural Gas in Fier and an under-sea gas transmission pipeline from Albania to Italy for an amount of 850 million EUR.

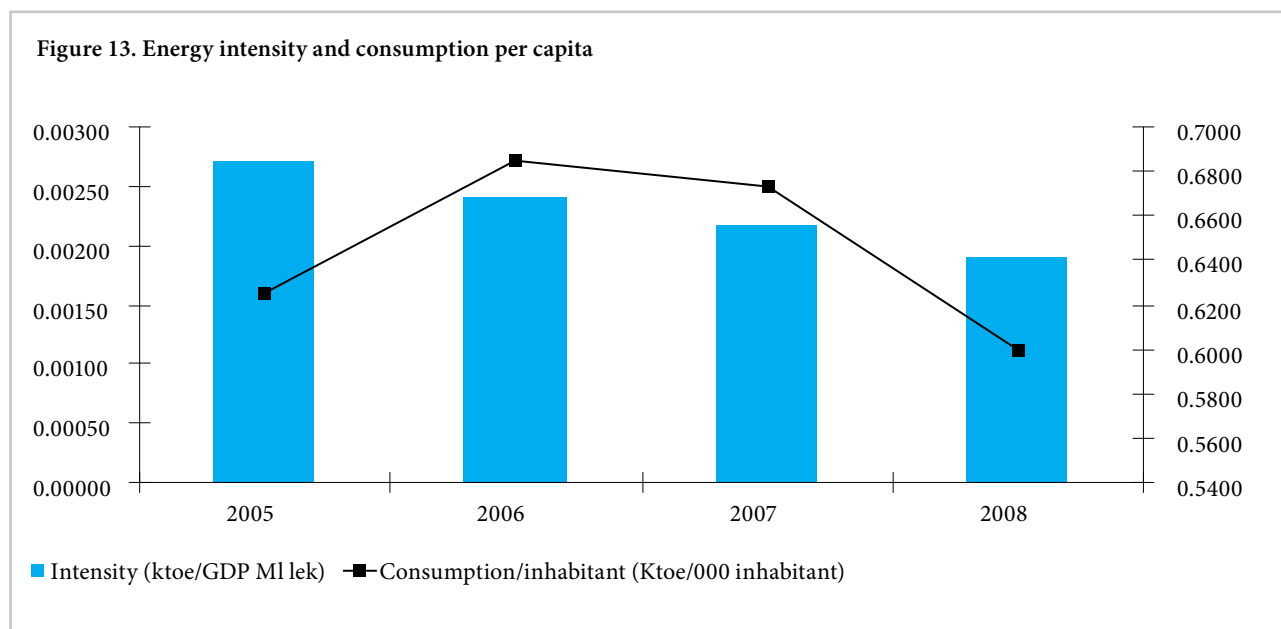
With the objective of connecting Albania to the regional oil and gas networks, unsparing support was given to the major projects Trans-Adriatic Pipeline (TAP) and Ionian Adriatic Pipeline, resulting in the following:

- IAP and TAP pipelines were included as part of the Western Balkan Ring (Energy Community Gas Ring).
- A Ministerial Declaration was signed in Zagreb on 25 November 2007 between Albania, Montenegro and Croatia on the Ionian Adriatic Pipeline, to link it with the gas pipeline network in the direction Croatia–Montenegro–Albania.
- A trilateral Convention between Albania, Macedonia and Bulgaria on the construction of the trans-Balkan AMBO oil pipeline was ratified.

### Indicator: Energy consumption relative to GDP

Energy intensity indicates the energy efficiency of the economy of a given country and is measured as energy unit per GDP unit. High intensity means that there is a high price or cost to transform the energy into GDP. In 2008, the policies pursued resulted in lower losses in transmission and in distribution and improved GDP, hence energy intensity fell. Figure 13 indicates that intensity fell by around 10.7 per cent between 2007 and 2008.

Compared to 2007, final consumption of energy sources grew by 108.8 per cent, especially of hydrocarbon and electricity sources. In 2008, final energy consumption in the economy's sectors was 4748 GWh. Energy consumption (kWh) per capita stood at 1,987.3 kWh per capita<sup>8</sup>. Total final energy consumption was 1,820.7 ktoe (kilo tons of oil equivalent), with the largest share recorded by the transport sector (around 45%) and the household sector (25%).



Source: National Agency of Natural Resources

The 2008 Energy Balance shows that the Energy Raw Material Total was 2,118.6 ktoe with hydrocarbons, electricity and firewood accounting for the largest share (62.5%, 25.2% and 10%, respectively). Domestic energy production grew in 2008 and accounted for 60 per cent of total consumption against 51 per cent in 2007. Domestic production share in the energy market balance (with hydrocarbon-based energy resources) increased at a higher rate than consumption of these energy sources. In 2008, hydrocarbon-based domestic production increased to 578 ktoe compared to 564 ktoe the previous year. Consequently, as a party to hydrocarbon agreements, the Albanian state boosted its revenue.

There was a slight decrease in energy self-sufficiency compared to 2007, from 40.6 per cent to 39.2 per cent. Imports in 2008 stood at 60.7 per cent against 59.3 per cent in 2007, due to the slight increase in hydrocarbon sources. Imported energy in 2008 was 209.3 Ktoe against 243.2 Ktoe in 2007, due to increased domestic generation of energy in 2008.

<sup>8</sup> Source Energy Regulatory Entity: Population size on 1 January 2008 was 3,170,048 (INSTAT) and the share of electricity per GDP stood at 1.46 per cent

In order to increase energy production and transmission capacities, construction works and implementation of major energy projects financed by state budget and external assistance has continued. Main projects are (i) construction of a thermo-power plant in Vlora with installed capacity of 97 MW and project cost of 92 million EUR, (ii) construction of a hydro-electric plant at Kalivaç with installed capacity of 93 MW and project cost of 129 million EUR, (iii) construction of a 400kV Elbasan–Podgorica interconnection line, to enhance both the transmission capacity with neighbouring countries and the security of the electricity supply, (iv) construction of 400 kV Elbasan–Tirana interconnection line (part of iii) with external funding of thirteen million EUR, (v) project preparation of 400 kV sub-station Tirana 2, with external funding of around 24.5 million EUR, to increase electricity generation, transmission and exchange capacity, and (vi) tender procedure for a new National Dispatch Centre with external funding of 22 million EUR. The National Dispatch Centre will ensure better monitoring and modern management of the electricity system and be an important link in the interplay with regional countries. With the view of improving dam safety at the hydro-electric plants in the estuaries of the rivers Drin and Mat, works have started (with funding of 37 million USD secured by the WB) and efforts are underway to provide more co-financing. In addition, a study on the hydro-electrical capacity of the main rivers of Albania—Vjosa, Drini and Seman—was completed.

Subsequent energy policies will be oriented towards further upgrading and modernisation of the energy system by integrating it into the European network. In addition, due consideration will be given to enhancing generation, interconnection, transmission and distribution of electricity through combined Albanian public and private and foreign investments. Energy efficiency will be promoted further in line with European standards by improving the legal framework and establishing institutional mechanisms that guarantee energy saving.

### 3.1.3 WATER SUPPLY AND SANITATION

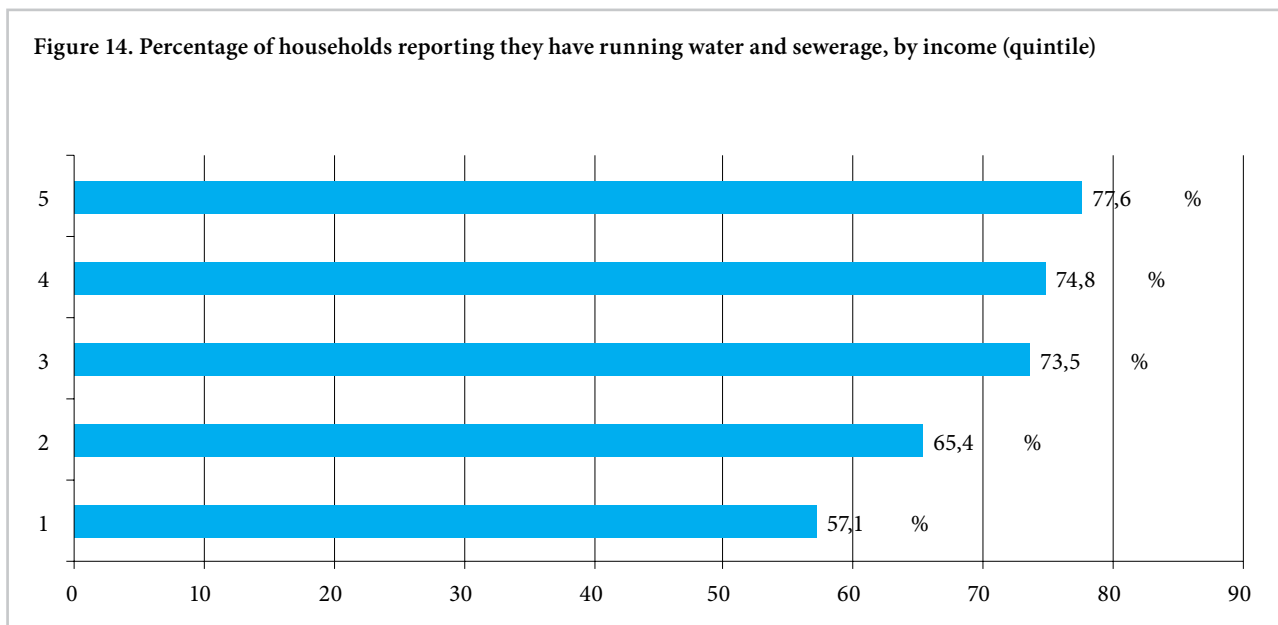
#### **Indicator: Proportion of households reporting to have running water and sanitation inside the dwelling, relative to household income**

Water supply and sanitation was improved further through growing investments in this sector (32% higher in 2008 than in 2007). In 2008, total investments in this sector amounted to 7.5 billion ALL of which 3.5 billion were from the state budget and four billion from foreign funding. State budget commitment grew significantly compared to 2007, particularly to conceive projects on tourism and areas with water supply and sanitation difficulties, including Shiroka–Zogaj, Velipoja, Shëngjin, Golem, Ksamil, Divjaka, Kukës, Has, Laç, Mamurras, Sukth, Vora, Vlora, Kukës, among others. As a result, the national water supply network (main and secondary) was extended by 47 km, around one per cent of total length.

State budget funds committed to a considerable number of projects in Has, Bajram Curri, Puka, Malësi e Madhe, Peqin, Sukth and Vora, and for water supply and sanitation in Laç, Mamurras, Kënetë–Durrës and Kodër Marlekaj–Lezha. In addition, a good number of projects were financed under the Competitive Grant scheme. Contracts were signed for 41 main objects and an additional 110 objects with a total amount of 4.4 billion ALL. Of this amount 1.3 billion has been executed and one billion was committed for 2008.

Important work has been carried out with regard to wastewater treatment, with the intention of not only improving the sewerage system, but also giving a positive impact in environmental protection. In 2008, three wastewater treatment plants became operational, in the cities of Kavaja, Pogradec and Vlora. The population benefiting from these investments include 55,000 in Pogradeci, 146,000 in Vlora and 92,000 in Kavaja. Construction works for another wastewater treatment plant in Korça started in 2008 and will benefit around 85,000 people. In addition, plants are being constructed in Durrës, Saranda and Lezha to the benefit of a total of 437,000 people.

Figure 14. Percentage of households reporting they have running water and sewerage, by income (quintile)



Source: INSTAT, LSMS 2008

The indicator used here is an estimate of the percentage of households (grouped into income quintiles, i.e. five categories) with running water in their dwelling against the total number of dwellings in each quintile. The quintiles are formed by placing the household income indicator in increasing order, creating thus five categories (quintiles), each comprising 20 per cent of families. (The first includes the 20 per cent of households with the lowest income, up to the fifth with the 20 per cent with the highest income. The results are shown in Figure 14. Of 218,796 households in the highest income bracket, only 77.6 per cent reported that they have running water in their dwelling. On average, 71.2 per cent of households reported that they have running water, and 75.1 per cent that they have good drinking water.

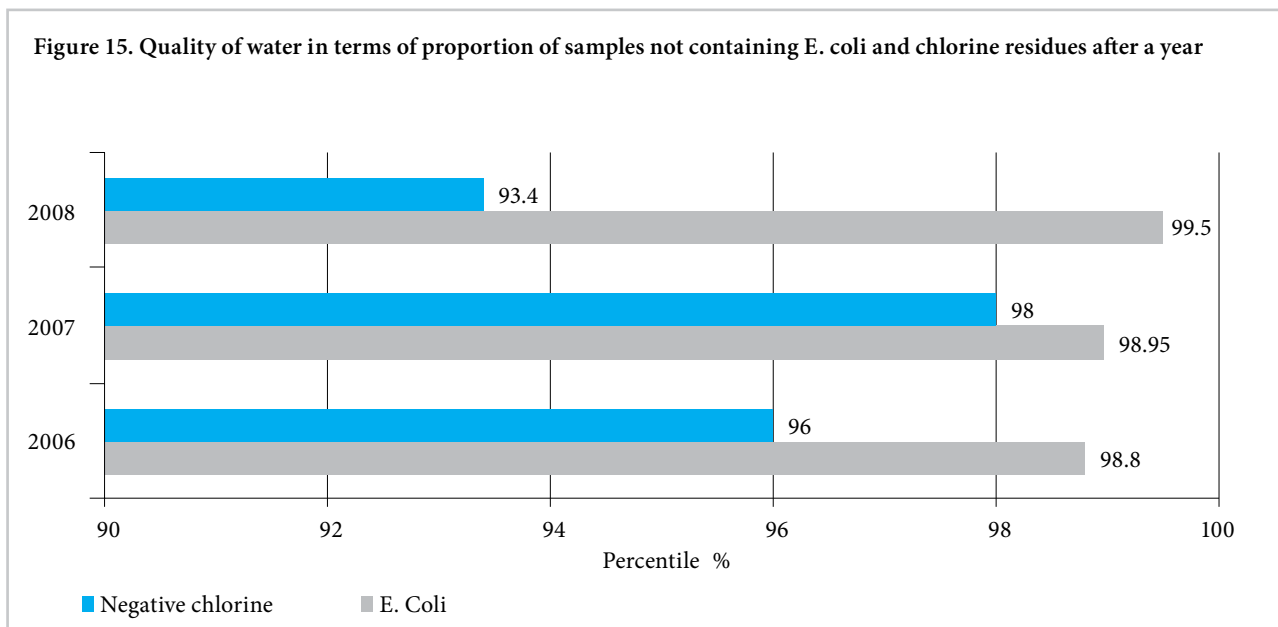
The sanitation services were viewed as a priority and the results mark an improvement. In 2008, the population with access to water supply systems increased by 1.3 per cent, or 33,124 inhabitants, more than in 2007. In terms of water supply connections, there were 19,733 new connections in 2008 and 15,125 of these were household clients.

Sustainable supply of safe, sufficient and quality water and extension of the sanitation service to all urban and rural areas remains one of the strategic priorities of the Albanian Government. For the immediate future, the focus shall be on investments for construction and rehabilitation of water supply and sewerage networks in parallel with management capacity building in this sector.

**Indicator: Quality in terms of proportion of samples, obtained within a year for all water utilities, testing negative for coliform and chlorine residual**

Contamination of drinking water can result in complications in human health. With the view of ensuring daily analytical monitoring of microbiological (coliform), physical and chemical data, including control on chlorination of drinking water in the water supply system, microbiological and physical-chemical laboratories were established in the country's districts. The number of control points was determined in proportion to the population of each city. Thus, 500 control points were installed, distributed throughout the whole domestic water supply network. The percentage of samples obtained within a year for all water utilities that tested negative for coliform and chlorine residual is given in Figure 15.

Figure 15. Quality of water in terms of proportion of samples not containing E. coli and chlorine residues after a year



Source: MPWTT, DG Water Supply and Sewerage, Monitoring and Benchmarking Unit

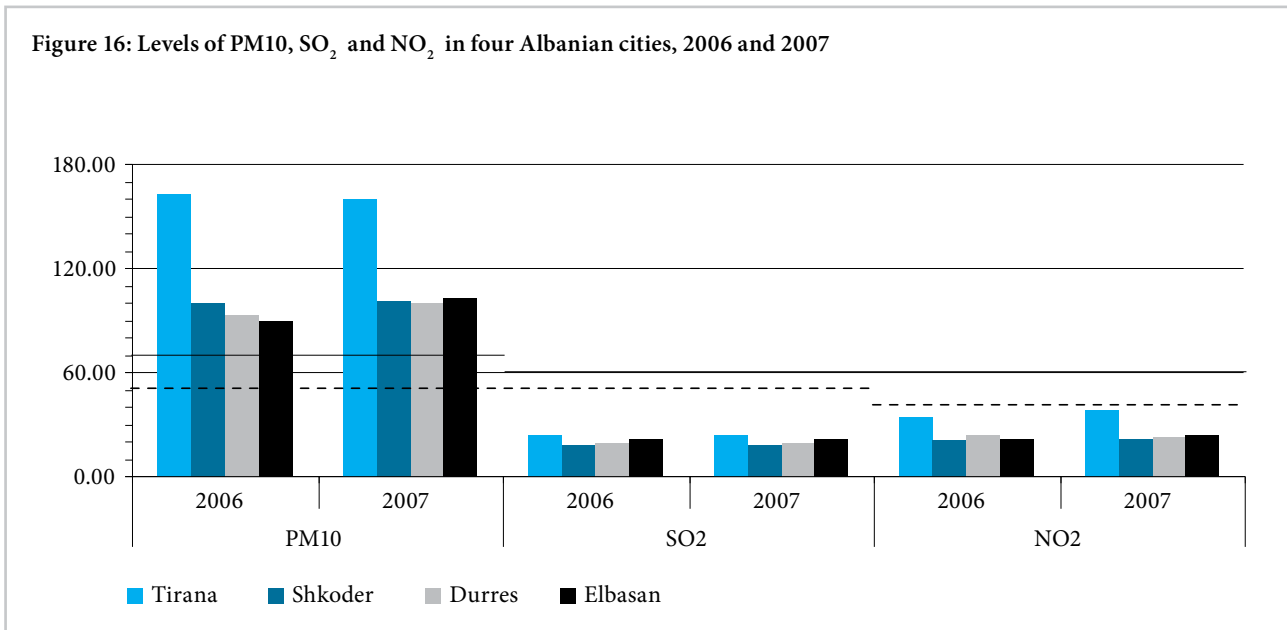
Drinking water quality has improved in terms of absence of coliform bacteria, but no improvements are reported for chlorine residuals. This is due to problems water utilities are experiencing with regard to amortisation of the water supply and sewerage network, difficulties in tracing defects, unauthorised interventions into the water supply network, inappropriate existing chlorination systems, etc. In this context, control and monitoring of drinking water safety and quality remains a major challenge for public health services, which need to take action. Better coordination among local government, water supply utilities and public health structures is needed to provide the population with uninterrupted and quality drinking water.

### 3.1.4 ENVIRONMENT

**Indicator: Average yearly concentration in four cities of three air pollutants—PM10 (fine particles), SO<sub>2</sub> (sulphur dioxide) and NO<sub>2</sub> (nitrogen dioxide) in Tirana, Shkodra, Durrës and Elbasan; air quality (µg/m<sup>3</sup>)**

Positive results have been achieved between 2005 and 2008 with respect to air quality in Albania, and this is confirmed by international organisation reports. Albania is ranked 25th among 149 countries in the world for its environmental performance. Implementation and the legislation concerning environmental reforms and policies has been streamlined to Albania’s sustainable development, by preserving natural resources from contamination and degradation, and promoting environmental values. Policies adopted to reduce gas emissions from main pollution agents and the strengthening of legislation in this area constitute important steps taken towards significantly improving air quality.

Figure 16: Levels of PM10, SO<sub>2</sub> and NO<sub>2</sub> in four Albanian cities, 2006 and 2007



Source: Agency for Environment and Forests

Air quality monitoring conducted in the most densely populated urban areas based on estimates of six main indicators of air quality (particulate matter above 10 microns in diameter—PM10—, LNP, NO<sub>2</sub>, SO<sub>2</sub>, O<sub>3</sub> and Pb) indicate that Albania is a country with generally clean air. To calculate the overall indicator, levels of three air pollutants in four main cities were measured. Air monitoring data show that the air is clean in terms of NO<sub>2</sub>, and SO<sub>2</sub>, in the selected cities, and fall well within the permissible levels of Albanian and EU standards (solid and dotted lines, respectively, in Figure 16). A slight decrease is noted with regard to air particles in Tirana.

In 2008, the level of particle matter in the air improved significantly. Reports from four stations (compared to two in 2007) found PM10 lies within the Albanian standard and two of them within the EU standard. Measurements from the monitoring station “M.Q Ataturk” crossroad in central Tirana found the air quality is outside of the norm, but the situation has nevertheless improved significantly given that the PM10 measurement was three times lower than it was in 2007. Monitoring data in Elbasan indicate a progressive improvement of urban quality air in this city, too. Air quality monitoring carried out in 2008 in the centre of the city reported a PM10 estimate within the Albanian norm. In Shkodra and Durrës, PM10 estimates are about the same as they were in 2007.

As regards strengthening of the environmental monitoring system, special attention has been paid to enhancing monitoring and policy-making capacity and to the prevention of environmental pollution and degradation. To this purpose, rehabilitation works were carried out in the oil refinery in Ballsh with the aim of reducing contamination and public health risks in this environmental hot spot.

## 3.2 Market economy

Consolidation of measures taken compounded with ambitious reforms, low inflation and macroeconomic stability, resulted in 2008 in sustained economic growth of 7–8 per cent and enlarged market freedom.

Economic growth was mainly driven by domestic demand and was favoured by consolidated macroeconomic stability and the positive impact of a series of structural reforms. Inflation remained within the target range of 2–4 per cent and a real exchange rate maintained its balance. Despite fluctuations in demand and supply, generated respectively by high credit growth and price increases in global commodities markets, internal and external balances of the economy were maintained. There was improved performance of industrial and agricultural production, growth in the services sector, exports and FDIs.

The fiscal position remained stable reflecting the appropriate harmonization to other macroeconomic policies in general and monetary policy in particular. Increased public investment inflow in 2008 oriented towards large infrastructure projects, had a positive effect in increasing productivity and reducing production and trade costs.

Fiscal revenues performed quite well, public debt maturity was lengthened, privatization of public assets was concluded successfully and public debt financed by domestic sources was systematically reduced. These factors account for the moderate pressure of fiscal policy over domestic demand, general price level and the internal financial market.

Budget revenue increased progressively and reached 26.8 per cent of GDP in 2008, compared to 25.1 per cent in 2005, because of fiscal reform, flat tax, decrease in social insurance rate, etc. Fiscal reforms and introduction of online tax payment made the Albanian tax system more favourable and encouraging for business development than other countries in the region and generated positive results in reducing tax evasion and in the fight against corruption. Business promotion through fiscal and administrative facilitations contributed to its good performance. With respect to administration and taxation, the most important legislative development was the adoption of the new law on tax procedures. This law harmonised best international practices to the Albanian tax procedures through considering the characteristics of our system, and it aims at reducing informality and improving the business environment. In Customs, the automated ASYCUDA system used world-wide, which helps in the modernization and simplification of procedures, is now fully operational.

Increased FDI was reported for the sectors of energy, mining, infrastructure, manufacturing, banking and insurance. Reforms implemented to improve the business climate in Albania focused on: establishment and smooth functioning of the National Registration Centre (NRC), approval of six industrial parks, installation and functioning of the online tax payment system, online procurement procedures, and significant reduction in procedures for permits and licences.

Successful privatisation of ARMO and AMC and advancement in that of Distribution System Operator (DSO) are successful structural reforms of government.

Important steps were taken and good results achieved with regard to integration of the Albanian market into the EU market, through policies aiming at market opening and proper implementation of SAA and CEFTA<sup>9</sup>, thus leading to intensified trade exchanges between the regional countries. Export weight was boosted by diversification of Albanian exports in recent years both in new products and markets. Consequently, foreign demand has had a considerable impact on Albania's economic growth.

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9 Central European Free Trade Agreement

**TABLE 2. MAIN MACROECONOMIC INDICATORS**

Indicator	Unit	2002	2003	2004	2005	2006	2007	2008
Population	million	3.08	3.10	3.12	3.13	3.15	3.16	3.17
Inflation (average)	%	5.2	2.4	2.9	2.4	2.4	2.9	3.4
Exchange rate	ALL/USD	140.2	121.9	102.8	99.9	98.1	90.4	83.9
	ALL/EUR	132.4	137.5	127.7	124.2	123.1	123.6	122.8
<b>Product</b>								
GDP	billion ALL	622.7	694.1	750.8	814.8	882.2	971.2	1,085.7
Real GDP growth	%	4.2	5.8	5.7	5.8	5.4	6.0	8.0
GDP per capita	thousand ALL	201.3	223.1	240.1	259.9	280.1	307.2	342.7
<b>Public Finance</b>								
Total revenue	% GDP	24.8	24.1	24.6	25.1	26.0	25.9	26.8
Total expenditure	% GDP	30.9	29.0	29.6	28.5	29.3	29.4	32.4
Capital expenditure	% GDP	6.1	4.5	5.1	4.7	5.8	5.9	8.6
Deficit	% GDP	-6.1	-4.9	-5.1	-3.5	-3.3	-3.5	-5.5
Total public debt	% GDP	62.8	58.8	56.5	57.4	56.1	53.2	54.9
Domestic debt	% GDP	41.9	40.5	39.3	40.2	39.6	38.0	36.9
Foreign debt	% GDP	21.0	18.4	17.2	17.3	16.5	15.2	18.0
<b>Balance of Payments</b>								
Trade balance	% GDP	-26.0	-23.5	-21.7	-22.5	-23.1	-26.8	-27.5
Exports	% GDP	7.4	7.9	8.3	8.1	8.8	10.0	10.4
Exports growth	%	5.9	17.7	13.8	6.3	17.7	25.5	15.6
Imports	% GDP	-33.4	-31.3	-30.0	-30.6	-31.9	-36.9	-37.9
Imports growth	%	9.0	4.4	3.6	10.8	12.9	27.1	14.8
Transfers	% GDP	14.1	15.3	14.3	13.7	14.1	13.3	10.6
Current balance	accounts % GDP	-9.5	-7.0	-5.8	-9.0	-6.6	-10.6	-14.9
Foreign investment	direct % GDP	3.0	3.1	4.6	3.2	3.5	6.0	6.7
Balance of payments	% GDP	0.6	1.8	4.0	1.9	2.9	1.9	2.2

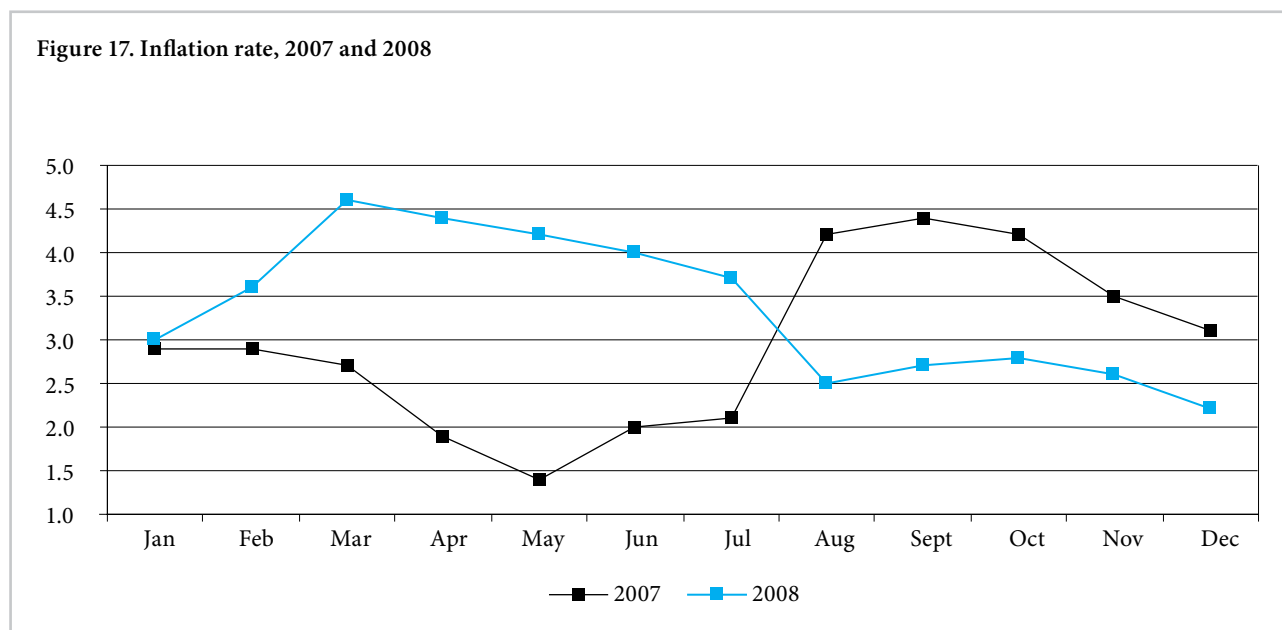
Source: Directorate of Macroeconomics, MoF



### 3.2.1 PUBLIC FINANCE

#### Indicator: Inflation-balance of payments generated by fiscal policy

According to BoA, the annual average inflation rate was at 3.4 per cent during 2008, or 0.4 higher per cent than in 2007, due to increased base inflation growth in 2008 which rose to 2.8 per cent in March 2008, against 1.3 per cent the previous year. Annual inflation rate during 2008 topped 4.6 per cent in March and fell to 2.2 per cent by the end of the year (Figure 17). The second half of 2008 recorded high inflation rates because of international food and fuel prices. Domestic prices were affected by the limited supply of domestic agricultural products of the previous year until the first half of 2008, and by higher energy prices in March 2008. These developments in the internal market combined with international developments affected greatly the consumer prices due to increased demand for such products.



Source: BoA, INSTAT

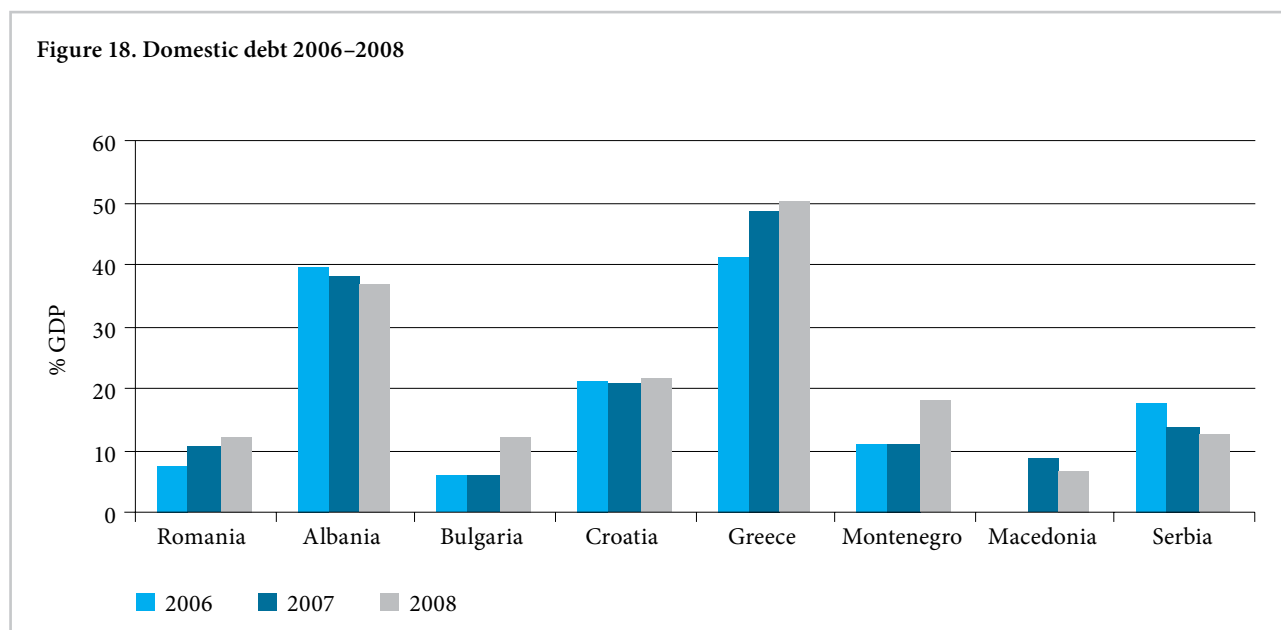
Inflation rate during the second half of 2008 reflected the global impact of decreasing consumer prices (mainly food and fuels) and the favourable prices of goods and services in the internal market, because the growing supply saturated the demand. Overall, second half of 2008 was characterised by relatively lower annual inflation rate in all the categories that triggered the sharp increase of prices during the first half of 2008.

Lower inflation rate during this period is explained by fading out of inflationary pressure generated by external factors and favourable conditions that slowed down money supply growth. In addition, spending of public expenditure in line with the budget programme, contributed to smooth further the inflationary pressure. In the meantime, restoration of balance by supply forces, decreased prices for raw material in international markets and growing domestic supply of agricultural products – in parallel to tightening of criteria for awarding credit – demonstrated that macroeconomic balances and monetary conditions in Albania were appropriate as to ensure an inflation rate within the targeted range of 3 per cent in 2008 with a fluctuation band of  $\pm$  one percentage points.

In 2008, *total balance of payments* recorded an increase in foreign currency reserves by 192 million EUR, and current account deficit stood at 1,319 million EUR, or -14.9 per cent of GDP. Deficit widened by around 489 million EUR compared to 831 million EUR in 2007. The trade deficit deepened with 327 million EUR during 2008 and went from 2,104 million to 2,431 million EUR. Capital inflows were 1,533 million EUR, covering the whole current deficit. Foreign direct investment in the Albanian economy (653.2 million EUR) was the key factor that contributed to financial liability growth of Albania. These inflows account mainly in the financial sector and as privatisation capital.

### Indicator: Domestic debt ratio (% GDP), relative to SEE countries

2008 was the year of big surprises in the global economic sphere, characterised by important economic turns in many countries, big and small alike, and a year in which central banks all over the world faced a multitude of challenges, particularly in maintaining financial stability. Inevitably, the impact of the global financial crisis was felt almost the same by any country of the Western and Eastern Europe.



Source: MoF

Albania's public debt stock by the end of 2008 was estimated at 54.64 per cent of GDP. This stock includes domestic public debt with financial instruments at 36.73 per cent of GDP and foreign public debt at 17.91 per cent of GDP. Structure of public debt stock is: domestic debt with financial instruments of 67.22 per cent and project-financing contracted debt of 32.78 per cent.

Figure 18 shows Albania's domestic debt compared with other countries in the region. Short-term public debt by the end of 2008 accounted for 55.99 per cent of the total domestic debt, compared to 62.84 in 2007; long-term debt rose to 36.14 of total debt compared to 32.9 per cent the previous year.

2008 debt deepened due to increased foreign debt by 2.9 per cent compared to the previous years, whereas domestic debt fell by 0.90 per cent. This increase is driven by improved disbursement rate for projects funded by foreign assistance and by large public investments in the road infrastructure. It is a positive indicator of improved management and implementation of externally funded projects, resulting in better performance and lower implementation costs, and consequently to a shorter project implementation time. External debt was used to invest priority projects in education, infrastructure and water supply and sewerage.

Issue policy during 2008 was in line with the Debt Strategy 2008–2010 which aims to reduce the specific weight of short-term instruments and increase that of long-term instruments. This policy intends to minimize the risks of refinancing and interest rates. Banks continue to hold the majority of Government-securities portfolio and participation of individuals in the primary market of treasury bills and bonds has been growing compared to 2007; particularly large participation is noted in treasury bill auctions.

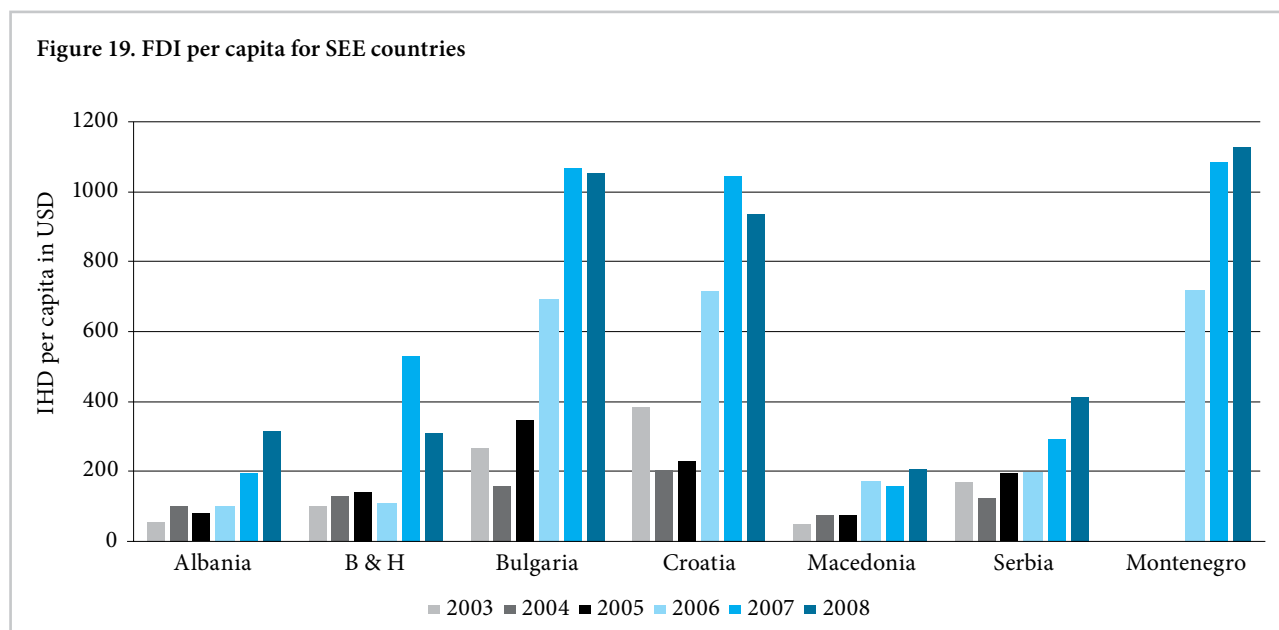
Debt service (without repayments) stood at 2.87 per cent of GDP by the end of 2008, against 2.62 in 2007. Foreign debt service increased due to higher disbursement rate for large public investment projects and growing number of commercial loans. Domestic debt service increased because of higher yields of issue during 2008 and heavier specific weight of long term-instruments which are issued on higher interest rates. Interest rate on debt in 2008 against exports was 28.73 per cent compared to 26.21 per cent in 2007, whereas debt service (including repayments) was 32.63 per cent compared to 30.42 per cent in 2007.

### 3.2.2 ECONOMY

#### Indicator: Foreign direct investment per capita, relative to SEE countries (€)

Net foreign direct investment (FDI) in 2008 grew considerably. According to BoA, from 647.4 million USD in 2007, net FDI reached more than 843 million USD in 2008 (30% higher). FDI inflow was even higher (around 42%), amounting to 937 million USD. In 2008, net inflow reached 6.8 per cent of GDP against only six per cent in 2007.

Compared to other SEE countries, Albania's FDI increased in 2008 compared to 2007 (Figure 19), while most other countries in the region (excepting Serbia and Montenegro) had lower FDI.



Source: EBRD Transition Report, 2003–2008

FDI per capita grew by around 35 per cent, reaching 275 USD per capita against 204 USD in 2007. Improved business climate was an important contributor to the rising FDI inflow, such as promotion activities, privatisations in strategic sectors and implementation of concession contracts in various economic sectors.

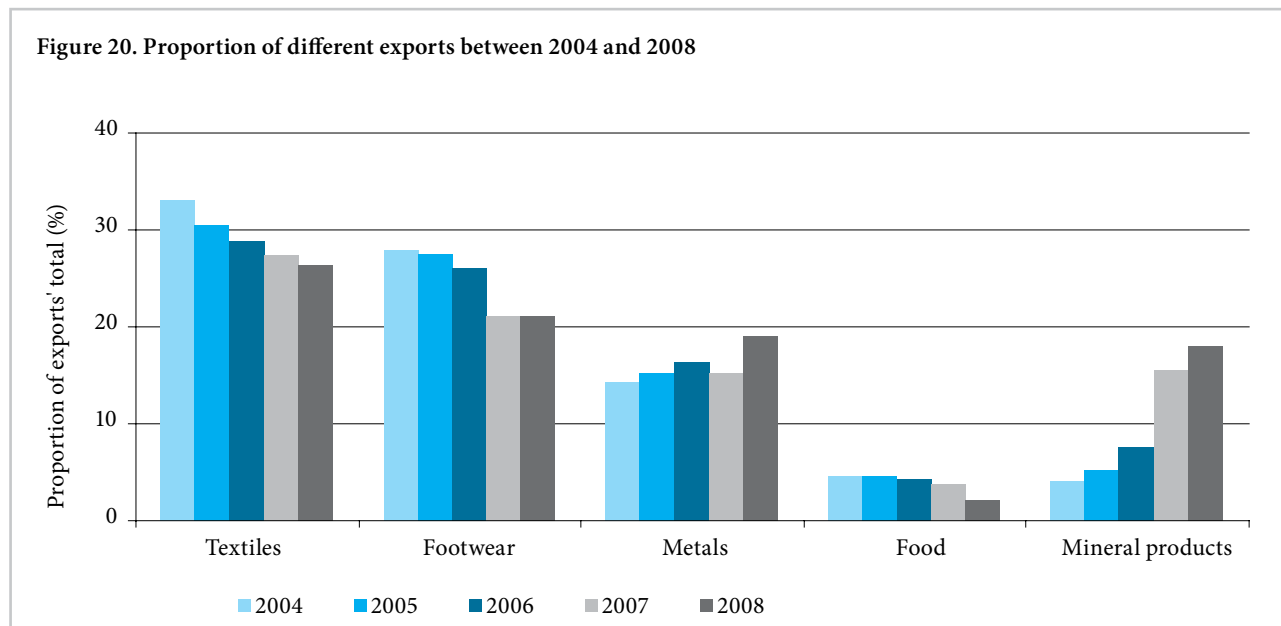
The most important privatisations for the economy include those of (i) Distributor System Operator to Czech Company CEZ for an amount of 102 million EUR, (ii) sale of AMC state-owned shares for 48 million EUR (four times more than the initial price), (iii) ARMO refinery to Refinery Associates of Texas, Anica Enterprises & Mercuria Energy Group for 127.8 million EUR, (iv) Albtelecom, through radical re-negotiation of the contract, resulting in 70 million USD more revenue for the budget, and (v) small and medium enterprises for a total sum of one billion ALL.

An important contribution was made by concession agreements signed in the energy sector, including for the thermo-power plants along the River Devoll cascade (an investment of 950 million EUR), Ashta hydro-power plant (130 million EUR invested) and 28 projects for small thermo-power plants (a total investment of 53 billion ALL). Albania's image has improved greatly, particularly with the full operation of Albinvest (Albanian Investment Promotion Agency). The business regulatory environment was improved with finalisation of relevant legislation including laws on Entrepreneur and Companies; Concessions; development of Economic Zones; Chambers of Commerce and Industry; National Registration Centre; Licences, Permits and Authorisations (NLC); etc.

A boost in FDI is now awaited following approval by government of six industrial parks, in Spitalla (Durrës), Shëngjin (Lezha), Koplík (Shkodra), Vlora, Elbasan and Shkodra, which are expected to leverage investments of 55 million EUR and open up 30,000 jobs.

**Indicator: Export diversification—share of four sectors (textiles, footwear, metals and minerals) in total exports**

Exports of goods showed an upward trend in 2008, up 15.8 per cent compared with 2007, though less than the increase in 2007, which was 25.5 per cent above that of 2006. Foreign trade of goods has increased in recent years: in 2008 it was +16.5 per cent against 2007, when it was +25.8 per cent against 2006. The trade exchange structure has remained almost the same over the last two years, at 20.4 per cent for exports and 79.6 per cent for imports.



Source: METE

Figure 20 shows exports performance in the four sectors (textiles, footwear, metals and minerals) that were main contributors to total exports during 2005–2008, comparing their performance with food exports. Over this period, there was a higher specific weight of exports originating from the Albanian economy, such as for minerals and fuels (chrome, crude oil, construction material, etc.), which grew by 18.1 per cent in 2008 against 15.4 per cent in 2007. Construction materials and metals, which accounted for 16.1 per cent of total exports in 2007, grew by 20.3 per cent in 2008. Exports of apparel goods (textiles, textile items and confections) and footwear, leather and leather-made items continued to dominate total exports during 2007–2008, specifically at 50.5 per cent in 2007 and 44.9 per cent in 2008.

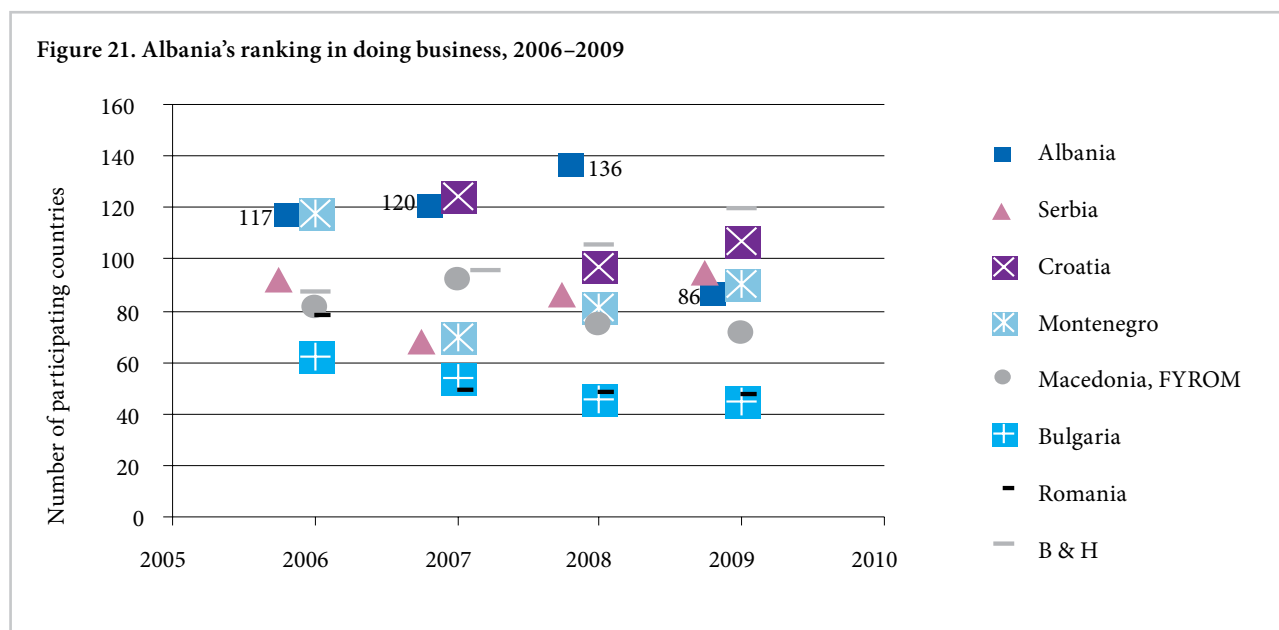
The upward trend of exports over the last three years, in terms of absolute EUR value, recorded an average annual increase of 21.3 per cent, amounting to 916.4 million EUR by the end of 2008. “Made in Albania” exports recorded a value of 368 million EUR by the end of 2008, or 40 per cent of total exports, against 29.6 per cent in 2005.

Promotion of exports was pursued through policies supporting small and medium enterprises (SMEs) such as the establishment of an Export Guarantee Credit Fund of 200 million ALL, which is available for a six-year period. Also the SME Competitiveness Fund managed by Albinvest played its part in the improved performance of exports.

**Indicator: Administrative barriers ranking in Doing Business survey among SEE countries**

Figure 21 indicates Albania’s ranking over the period 2006–2009 compared to other countries in the region according to the WB *Doing Business* report. This survey is conducted annually and indicates performance of 180 countries in their reforms to create a favourable business climate. Albania received quite a good ranking in 2008, 86th place (out of 181 countries), against 136th place the previous year, jumping 50 places. The WB report highlighted improvements in various areas, including protecting investors, starting and licensing a business, access to credit, trading across borders and employment in the private sector. Albania’s worst performance was with regard to payment of taxes and dealing with construction permits. Meanwhile, government has initiated important projects towards digitalisation of the tax system, establishment of an electronic register

of construction permits and simplification of procedures for construction permits introduced by a new law approved by government and pending adoption in parliament.



Source: Doing Business, WB 2009

With regard to reduction of administrative barriers to business and improvement of the licensing system, a considerable positive development was the establishment of the NRC, which became fully operational as a one-stop shop available to businesses, and particularly useful to new ones. This reform enables businesses to register within a day and with a minimum cost of 100 ALL. Furthermore, Albania made progress by reducing the time required for business registration to be processed: to five days and five processing steps in 2008 rather than the 36 days and ten processing steps in 2007. The licensing system was further simplified and led to drastic reduction in the number of licences: 104 licences of the 166 licences in 2007 were removed. In July 2008, preparations started for the establishment of the National Licensing Centre (NLC) as a one-stop shop office, aiming at simplifying and clarifying procedures, standards and criteria for obtaining a licence or permit, enhancing processing efficiency and transparency through use of Information and Communication Technology (ICT), and introduction of the principle of “silence is consent”.

In the WB *Doing Business* report, Albania is ranked 12th as regards “getting credit”, which measures access to credit for the private sector. According to BoA, private sector credit increased by 35 per cent compared to 2007. Credit portfolio by the end of 2008 reached 36 per cent of GDP, and saw an improvement of seven per cent points against the end of 2007. Credit portfolio by the end of 2008 amounted to 43 per cent of assets. As regards protecting investors, *Doing Business* ranked Albania in 14th place, from the 168th in the previous year. This important improvement resulted from the thorough reform in company legislation and adoption of the Law<sup>10</sup> “On entrepreneurs and companies”, which introduced a simple, clear and modern legal framework on companies.

### 3.2.3 CONSUMER PROTECTION AND MARKET SURVEILLANCE

#### **Indicator: Completion of legal framework on consumer protection**

Policy in the field of food safety and consumer protection aimed at improving the legal framework, approximating it to (EU) *acquis*. Mention can be given of the adoption of a law on consumer protection, and its implementing regulations, as well as a number of technical regulations on diverse product groups, aimed at eliminating technical barriers as part of the free movement of goods, ensuring at the same time a high level of consumer protection.

During 2008, work continued to create a proper institutional framework for consumer protection, such as establishment of a Co-ordinating Council for Consumer Protection, comprised of representatives of line ministries involved in consumer protection, NGOs and business associations.

10 Law No. 9901 dated 14.04.2008

Regarding safety of marketed industrial products, continuous efforts were made by the Central Technical Inspectorate to utilise the existing capacities to carry out their activities in the field of market surveillance, focusing first on the four main Albanian cities (Tirana, Durrës, Fier, Shkodra) and then expanding to the other main southern cities of the country, contributing in doing so to the transformation of the Inspectorate to an efficient structure of market surveillance according to European best practices. At the same time, regarding removal of dangerous products from the market, the Directorate of Market Surveillance co-ordinated its activities with the Directorate General of Customs and the Central Technical Inspectorate. However, it should be kept in mind that safety of industrial products to the consumers and market surveillance are relatively new concepts in Albania, both legally and institutionally. Much remains to be done before Albanian consumers can feel protected and safe to a proper level. In this regard, during the coming period, special attention shall be paid to implementation of the legal framework.

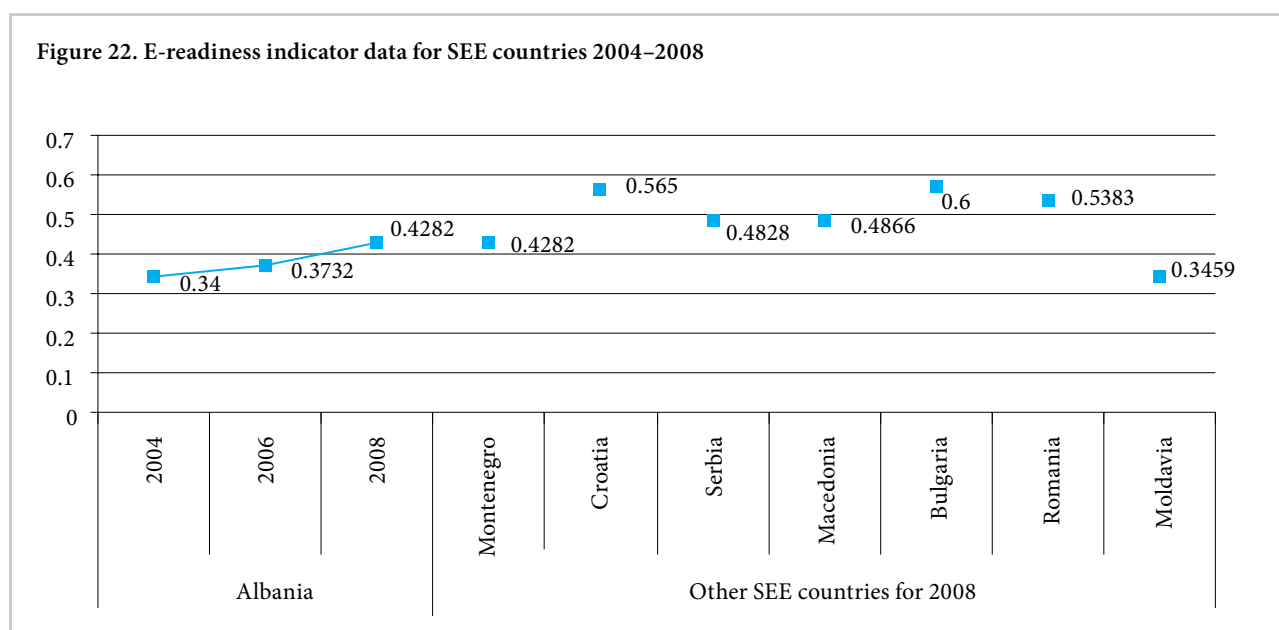
Regarding food safety, 33,000 controls were conducted across the twelve regions of the country. National plans have been devised and are implemented for control of animal diseases and plant pests, monitoring programmes for diseases, residue testing in animals and food products of animal origin, monitoring of water and of bivalve molluscs, establishment at the national level of an animal identification system and farm registration, and strengthening of veterinary and phytosanitary quarantine, as well as use of best practices with regard to protection of plant health. The laboratory network was strengthened even further and work was done to increase the professional capacities of veterinary staff, the plant protection and food safety service, establishment of a self-control system and traceability of food products, establishment of a Rapid Alert system and its integration into the European network and timely provision of information for consumers.

Further, plans are made to establish before the end of 2009, with the support of an EU-led project, the Albanian National Food Authority, as the sole institution responsible, empowered and provided with the infrastructure necessary to conduct market surveillance and guarantee food safety in Albania. During the forthcoming period, food safety and veterinary laboratories and complete identification and registration of livestock will be prioritised.

### 3.2.4 INFORMATION AND COMMUNICATION TECHNOLOGY

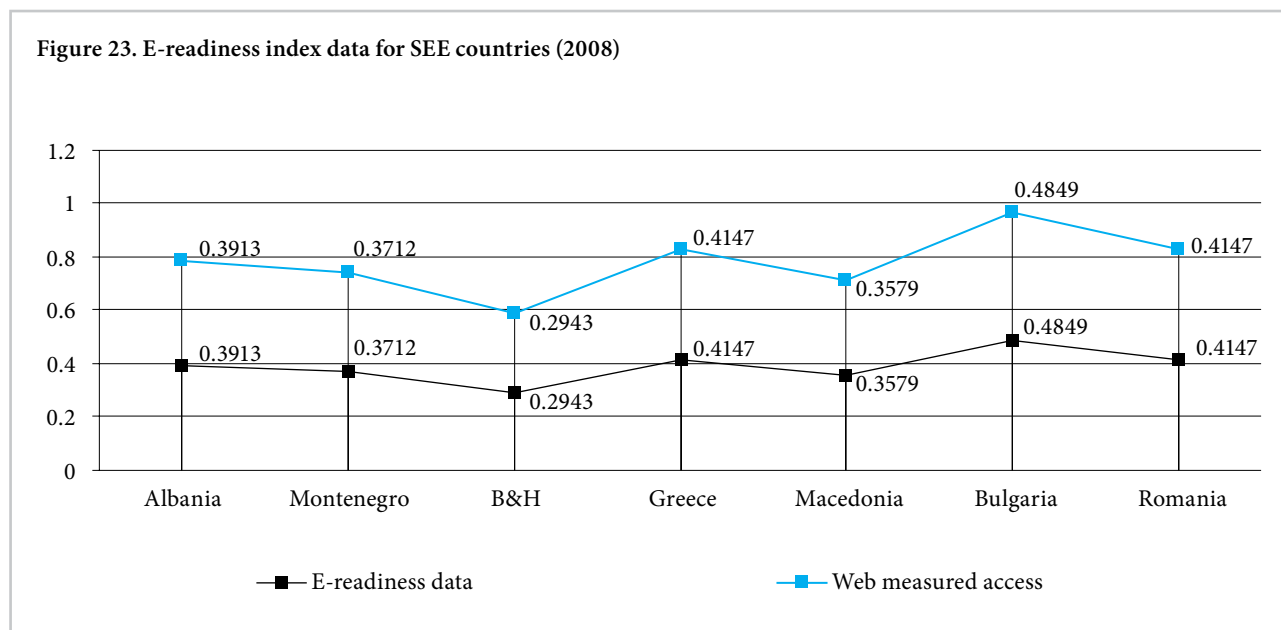
#### Indicator: e-Readiness

According to data on e-Government readiness, presented in the UN report *e-Government Survey 2008*, Albania is listed as number 86 among 182 countries evaluated in this report, climbing fourteen places from its position in 2005. Figure 22 shows the e-Government index of Albania for the period 2004–2008, and compared to other SEE countries for 2008.



Source: UN e-Government Survey, 2008

Improvement of this indicator was a direct result of several policies undertaken by the Albanian government including registration of undertakings by the NRC, reducing time required to register from 42 days to just one day, the new law on procurements that made possible the development of online procurement, tax system reform through online payment of taxes, and providing each high school and primary school with a computer room and Internet access. During 2008, e-procurements constituted only two per cent of the total value of procurements, while for 2009, it is aimed to conduct all procurements through online procedures. This shall induce reduction in the total cost of procurements, increase transparency and reduce corruption. The indicator of e-government readiness is calculated by the UN Department of Economic and Social Affairs and comprises a number of other indicators including infrastructure index, data readiness index, Internet access index and education index.



Source: UN e-Government Survey 2008

Establishing the National Agency on Information Society in 2008 has increasingly impacted the orientation and coordination of public policies on information society at a central level. During 2008 the focus was on intensive preparation and consultation of the draft strategy on information society.

Progress towards EU standards will be achieved through the process of approximating legislation and policies to the (EU) *acquis* in the field of information technology. Progress has been demonstrated through a number of legal acts adopted in this field, including the laws On Electronic Signatures and On Personal Data Protection, dated 10 March 2008, changes in the laws On Public Procurement and On Electronic Communication in the Republic of Albania, adoption during 2008 in the Albanian Criminal Code and Criminal Procedures Code of the provisions of the Convention on Cyber Crime, etc.

Particularly, the Law On Electronic Communications in the Republic of Albania, which was adopted by the Albanian parliament on 19 May 2008, is fully approximated to EU directives in the field of electronic communications. The adoption of this Law has fully liberalised the electronic communications market. In 2008 alone, the Albanian Agency for Information Society (AKEP) issued licences, or allowed expansion of services to consumers, to more than 70 undertakings.

### 3.3 Social policy

Albania's Human Development Index (HDI—UNDP Human Development Index) 2007–2008 ranked it as a medium income country (index, 0.801), 68th out of 177 evaluated countries. This country is characterised by a high labour force potential concentrated at the most productive age and the creation of new work places represents one of the most complex challenges and calls for support in the form of macroeconomic stimulation policies, a favourable climate for business development and sound and stable education policies.

Employment and employment promotion policies and the opening of new work places were among government's main priorities, but also among the most difficult to be achieved, under the conditions of a deep restructuring of the economy, especially of the industrial and manufacturing sectors. The opening of new work places is a multi-sectoral phenomenon, and includes macroeconomic policies and favourable policies for business, as well as education and social policies, etc. Therefore, the government took multi-sectoral measures to ease the problem. The most favourable fiscal policies were devised and implemented in order to support business and development of the economy and that represented the main indicator for development of the labour market and opening of new work places.

Furthermore, a switch from passive to proactive employment policies, increase in salaries and social assistance, particularly for marginalised categories, and the creation of conditions and possibilities for full employment and in accordance with the professional skills of all involved has resulted in development of the labour market.

#### 3.3.1 EMPLOYMENT

##### Indicator: Level of unemployment by age group and gender

The official unemployment level at the end of 2008 had fallen to 13 per cent compared to 14.1 per cent at the end of 2005, recording a one per cent decrease. At the end of 2008, unemployment among males was 12.45 per cent, while for females it was one per cent higher, at 13.54 per cent.

In co-operation with the National Employment Service new employment growth policies were implemented, as a result of which 6,235 jobseekers found work. 2,000 of these belonged to special groups (e.g. beneficiaries of economic support, women older than 35 years, unemployed older than 50 years, Roma, orphans, long-term unemployed, youths between 16 and 25 years old, people with social problems, those who lost their job through restructuring of economy, etc). Against a background of switching from passive to proactive employment policies, around 35,000 jobseekers became employed with the assistance of the employment, counselling and mediation offices.

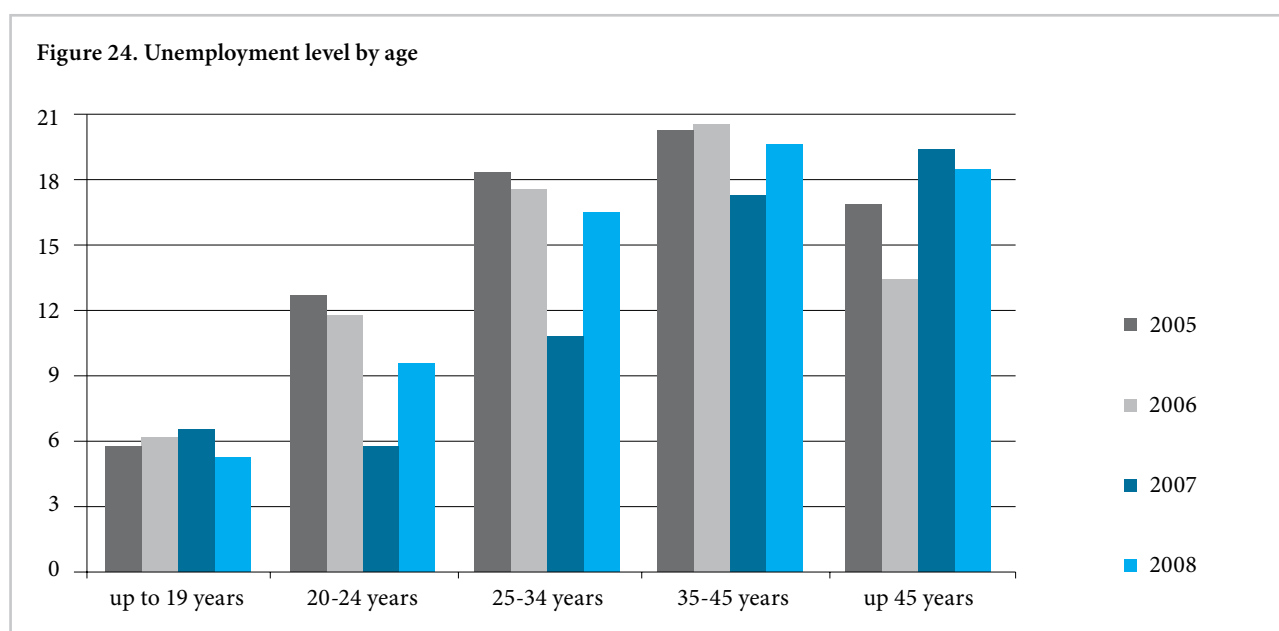
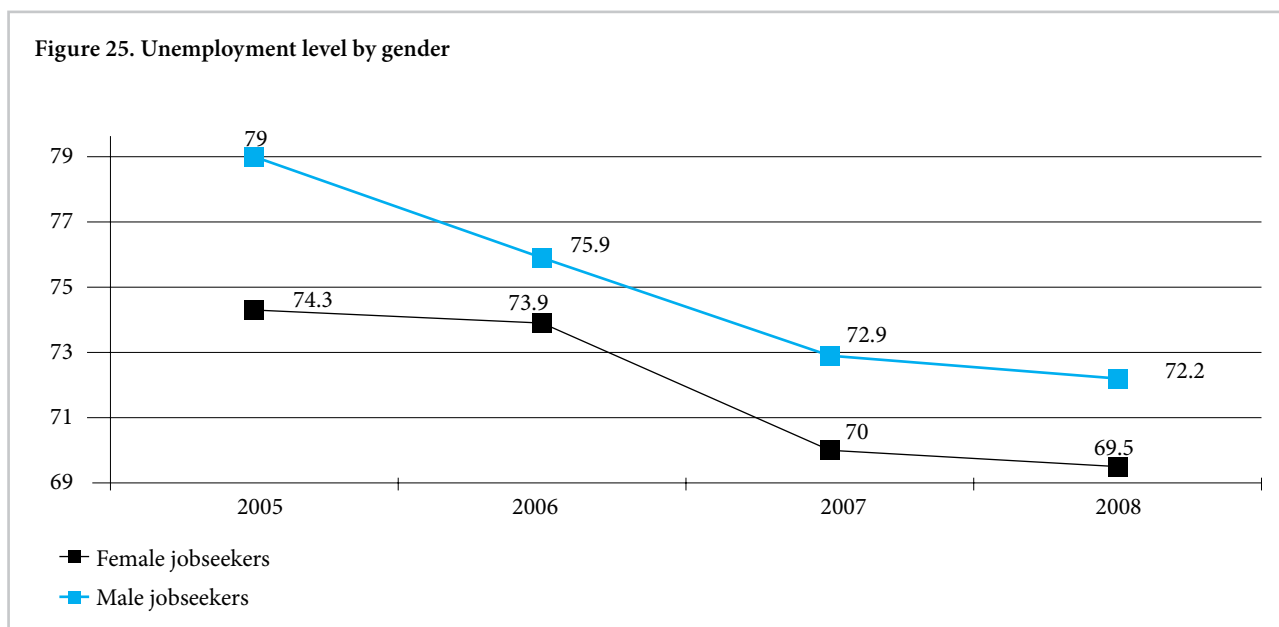




Figure 25. Unemployment level by gender



Source: INSTAT

In Albania, the level of unemployment in total has been steadily falling in recent years, for all age groups, and for both genders (Figures 24 and 25). Regarding gender, the unemployment level decreased to just 72,200 males unemployed in 2008 compared to 79,000 in 2005, and 69,000 females in 2008 compared to 74,300 in 2005. The unemployment level among females was estimated at 16.1 per cent, while that among males was at 10.8 per cent. The unemployment level varied from one region to another. In Tirana, the level of unemployment was the lowest in the whole country, at just 7.1 per cent, while in northern areas, it stood at 24 per cent, the highest in the country. Employment in the public sector constituted around 18 per cent of the total number of employed, while non-farming private sector employees constituted around 25 per cent. Compared to 2005, there was an increase of 24,000 in the number of people employed in the non-farming private sector, and a decrease in employment in the public sector, as result of the restructuring of the Albanian economy.

Intervention aimed at improving the labour market situation in areas outside of Tirana, and for separate categories, was carried out through design and implementation of efficient policies, supported with respective funding. The fund for employment growth policies for categories such as females, youth and vulnerable people is being implemented throughout the country, and especially in the North. Support of the proactive labour market policies remains a priority and the funds dedicated to this purpose have increased year after year. In 2008, the sum allocated for this fund from the state budget reached 200 million ALL. In 2008 alone, more than 12,000 people, 43 per cent of them women and 27 per cent youths, were employed.

In 2008, within the framework of poverty alleviation, passive labour market policies were improved. The number of people receiving unemployment benefit increased in comparison to 2007, mostly as a result of the privatisation of ARMO and ALBPETROL. From 1 January 2008, the minimum unemployment assistance was increased by 14.2 per cent to reach the same level as the minimal wage.

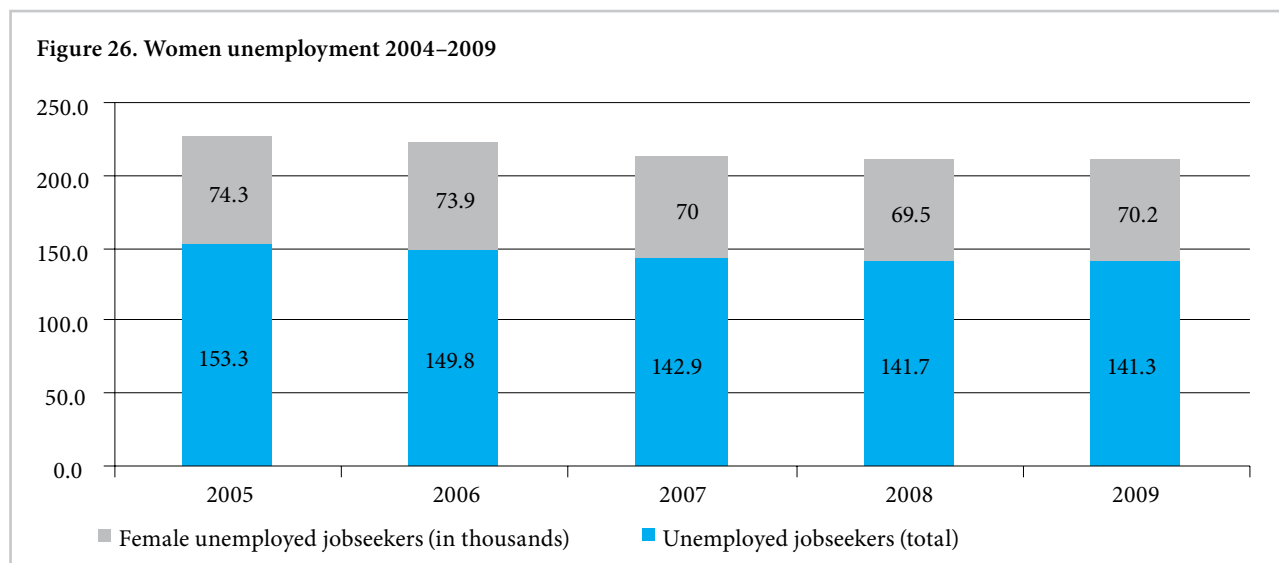
During 2008, three new public vocational training centres financed by the state budget were opened, in Fier, Gjirokastra and a mobile centre for the North-eastern areas. In order to achieve the objective of quantitative and qualitative expansion of public vocational training centres throughout the country, the construction and reconstruction of centres in some cities will continue, as well as implementation of policies aimed at opening new work places. Increase in the number and quality of trainings, and strengthening of vocational skills and retraining are necessary because of the labour market demands and the increasing need for qualified people and new professions in accordance with the new developments in the country's economy.

### 3.3.2 GENDER EQUALITY

#### Indicator: Female labour force participation rate

The institutional environment plays an important role in meeting the needs of employees, particularly in the implementation of policies that address gender disparities and promote equality. Employment promotion

programmes were implemented in 2008 to employ more women and tariffs for women were reduced in public vocational education centres. In addition, businesses were licensed to offer courses in professions and skills for women, strengthening their position at work.



Source: INSTAT

Figure 26 shows that female unemployment fell from 74,300 women to 69,500. Although unemployment rate in women is higher than in males, employment of women has improved since 2005. This progress has come about partly through improvements made in the legal and institutional framework. Mention can be made of the preparation and development of Law No. 9970 dated 24.07.2008 “On gender equality in society” and its implementing legislation, as well as the following legal developments: (i) neutral gender quota of 30 per cent sanctioned in the Electoral Code; (ii) National Council of Gender Equality was established; (iii) capacity building of Directorate of Equal Opportunity Policy in MOLSAEO was undertaken with focus on gender equality and domestic violence; (iv) institutionalisation of gender employee network for gender issues in line ministries and at the local level.

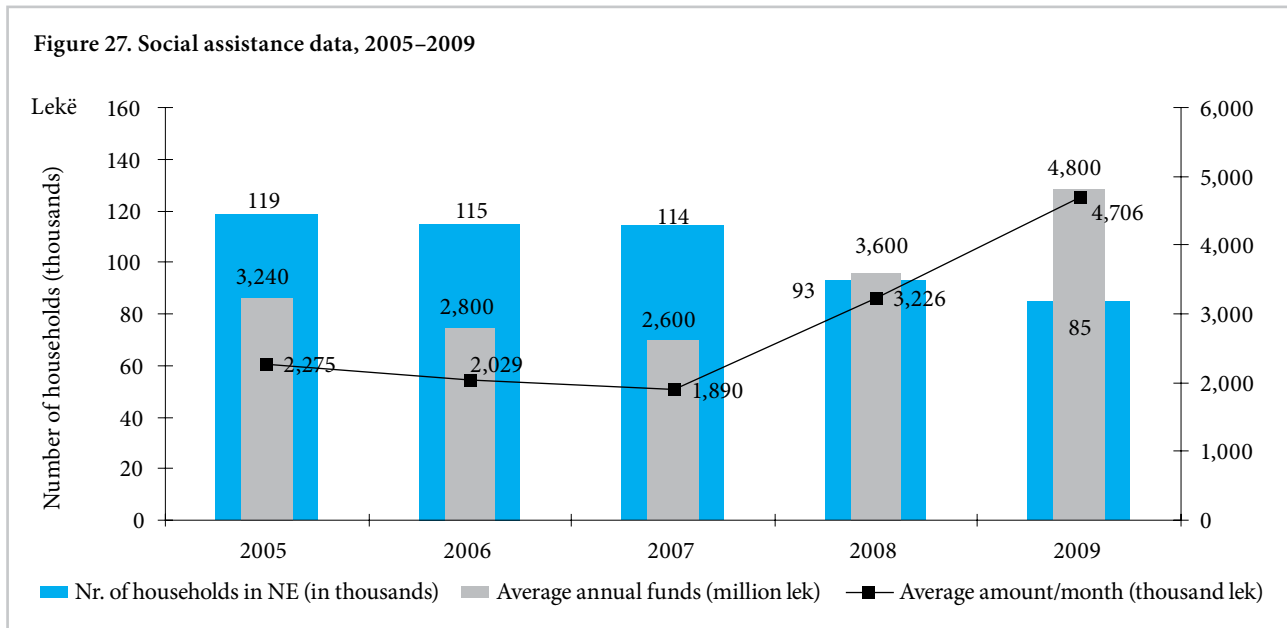
As a result, employment of women advanced in public administration, academia and management, particularly in educational institutions. In 2008, participation of women in the civil service was 58.5 per cent against 55.5 per cent in 2006. Female representation grew in the diplomatic service, from five per cent in 2005 to 14 per cent (ambassador), 33.4 per cent (first secretary), 93.4 per cent (second secretary). Furthermore, women employed in public pre-university education increased from 67.2 per cent in 2005 to 70.9 per cent in 2008. Data indicate that more women are employed at the central level than at the local level (40% and 30%, respectively). Among urban women 64 per cent are employed in education and 77 per cent in the health service (47% in 2007; 32.4% in 2005). Implementation of the National Strategy on Gender Equality and against Domestic Violence 2007–2010 shall further strengthen the institutional setting<sup>11</sup> that guarantees increased female representation in decision making, make adjustments to the electoral code, ensure economic empowerment of women, provide them with opportunities to become entrepreneurs, while special employment programmes shall contribute to eliminating gender inequality, and adoption of the necessary legal and institutional framework shall better protect women from trafficking.

### 3.3.3 SOCIAL PROTECTION

**Indicator: Coverage of economic assistance programme; proportion of (extremely) poor people who receive the benefit**

The social assistance (*Ndihma ekonomikë*, NE) scheme is a programme based on testing income that offers basic guarantees and payments in the form of cash transfers for extremely poor families or with insufficient income.

<sup>11</sup> Law on gender equality was approved in June 2008, and covers education, employment and participation of women in decision making. The law on gender equality stipulates that women should comprise 30 per cent of high decision-making positions



Source: MOLSAEO

Figure 27 provides data on the social assistance fund for families in need between 2005 and 2008, including the number of families benefiting from social assistance and the average monthly payment for each family. In 2008, average monthly social assistance per household was 3,091 ALL compared to 2,275 ALL in 2005. Social assistance was indexed for the first time in 2008, at ten per cent, as another measure to alleviate poverty.

MOLSAEO sources show that the number of families under social assistance was 93,000 in 2008 against 110,000 in 2007, indicating that approximately 17,000 families had passed above the income level threshold foreseen in the law as the criterion for provision of economic assistance. These data confirm the impact of government policies for poverty reduction, supported in 2008 by adoption of a national strategy on social protection.

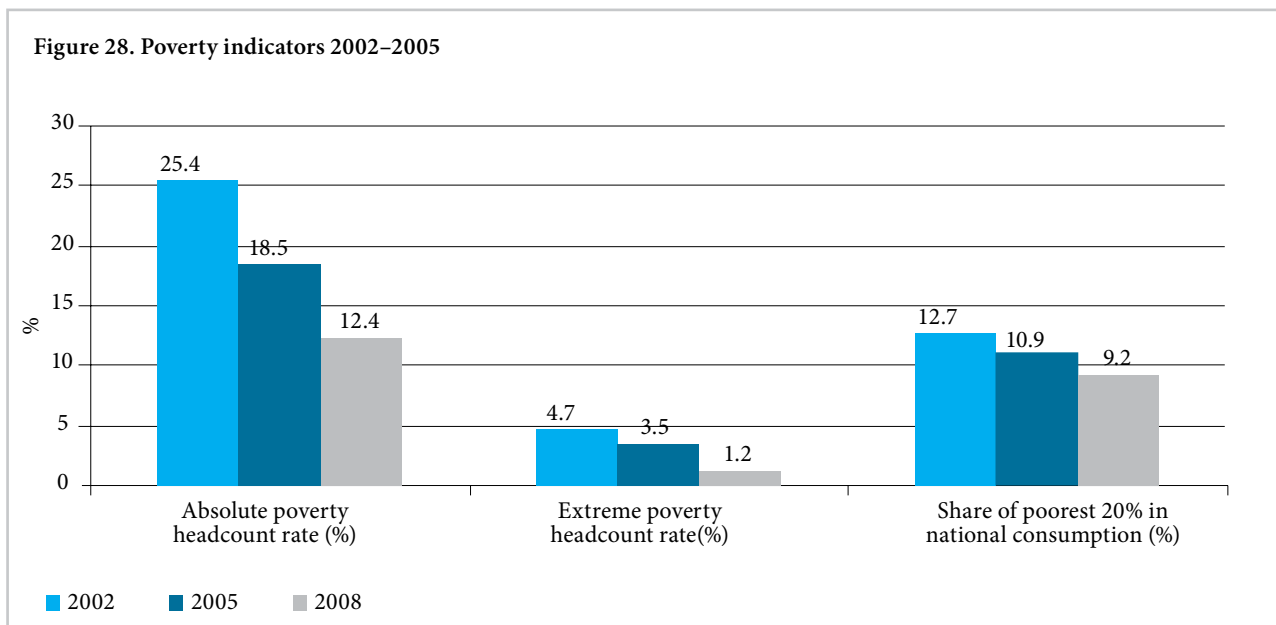
Improvement in the management and control system of the social assistance scheme remains a government priority, as one of the most direct ways of helping families in need. For this reason, control mechanisms on the use of funds and monitoring of poverty trends were improved during 2005–2009. The social assistance fund in 2008 amounted to 3.45 billion ALL, against 2.6 billion ALL in 2007, or 34 per cent more. Meanwhile, 4.3 million ALL have been committed for 2009 and funds for 2010 are planned at 5.3 billion ALL. Alternation of social assistance scheme with work and community based-services is another good alternative to engage this category of people in the labour market. This should be promoted and implemented in all regions.

### 3.3.4 SOCIAL INCLUSION

#### **Indicator: Population living in absolute poverty**

Albania has maintained solid economic growth in recent years, of between six and seven per cent of real GDP, reflected in a reduction in the poverty level. In 2005, 18.5 per cent of the Albanian population lived in absolute poverty, but this figure fell by one third to 12.4 per cent in 2008 (Figure 28). This means that of 575,000 people living in poverty in 2005, around 200,000 managed to rise out of it. The number of extremely poor people, defined as those barely meeting basic food needs, fell to 1.2 per cent in 2008, compared to 3.5 per cent in 2005 and five per cent in 2002. The greatest reduction was reported for central and coastal parts of Albania, while mountainous areas continue to suffer high levels of poverty.

Figure 28. Poverty indicators 2002–2005



Source: LSMS

Poverty aggravation fell from 5.7 per cent in 2002 to 4.0 per cent in 2005 and 2.3 per cent in 2008. This indicator, measuring the distance of poor people from the poverty line and inequality among them, fell to 0.7 per cent in 2008 from 1.3 per cent in 2005 and 2 per cent in 2002. The fight against poverty produced particularly positive results in rural areas. LSMS (2005–2008) indicated that the poverty level in rural areas decreased from 24.2 per cent in 2005 to 14.6 per cent in 2008. Poverty has also been mitigated in urban areas, to 10.1 per cent in 2008 from 11.2 per cent in 2005.

Apart from the reduction recorded in absolute poverty in rural areas (from 24.2% to 14.6% ) since 2005, a number of public infrastructure investments were made in rural areas, while investment and subsidy schemes in agriculture contributed to substantial improvement of quality of life in rural areas. A large number of projects was developed and implemented in highland areas with a focus on infrastructure upgrading and investments in agriculture.

Social policy on inclusion of people in need is oriented by strategic documents and an improved legal framework. The main policies in this area are defined under the crosscutting Social Inclusion Strategy (SIS) approved in February 2008 as part of NSDI.

The SIS monitoring framework was established in 2008 and identifies main stakeholders in SIS implementation, the relevant responsibilities, activities to be monitored, communication mechanisms among actors and a set of measurable indicators. Operations under this framework ensure higher institutional responsibility, with particular improvement of inter-ministerial and inter-agency cooperation in SIS implementation, and deepened and intensified participation in the monitoring process involving all stakeholders.

#### Indicator: Proportion of poorest quintile in total consumption

Population consumption includes consumption of food and beverages (purchased and used for personal consumption), services (gas, telephone, electricity, water), education expenditures, personal care costs and transport. Not included in consumption are average rent cost, health costs and value of long-term-use goods.

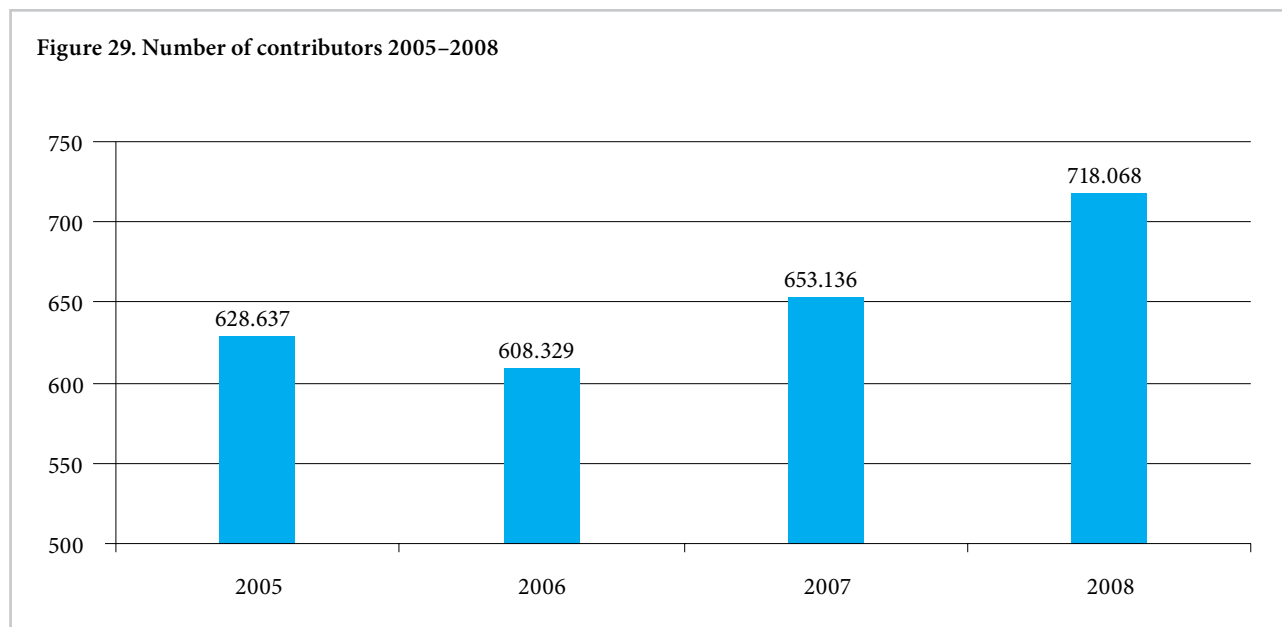
LSMS 2008 results indicated that the consumption of the poorest quintile as a proportion of the total was 9.2 per cent compared to 10.9 per cent in LSMS 2005.

According to LSMS, education expenditure and its share against the total costs increased in 2008 by, respectively, 57 per cent and 53 per cent since 2005. As a share of total consumption per capita, food consumption fell by 2.2 per cent between 2005 and 2008. The rising trend in education expenditure and of its share against real per-capita consumption, and the reduction in food expenditure against the total indicate a higher quality of living standards in Albania with its people feeling the positive impact of the country's accelerated economic development in recent years.

### 3.3.5 SOCIAL INSURANCE

#### Indicator: Coverage of social assistance scheme: proportion of contributors and beneficiaries

The Albanian pension system is driven by a pay-as-you-go principle, meaning it is financed by the contributions of employed people to cover the pension costs of the generation of a pensionable age. Both revenues and the number of contributors to the pension scheme increased in 2008 (Figure 29) as a result of a lowered contribution rate, the fight against informality in the labour market and an increase made to the retirement age.



Source: Social Insurance Institute

Figure 29 shows the number of people insured under the social insurance scheme during the four years from 2005 until 2008. The total number insured in 2008 was 14.2 per cent higher than in 2005, while the number of contributors employed in the private sector in cities reached 218,000 people, 53.7 per cent more than in 2005.

The scheme dependency rate has improved owing to the growing number of contributors and implementation of reform to gradually increase the pension age. The ratio of contributors for one person of pension age rose from 1.23:1 in 2006 to 1.38:1 in 2008. Pension age in 2008 was 62 years old for men and 57 for women. In 2012, it will be pushed back to 65 years for men and 60 for women.

Income from direct contributions in all social insurance categories grew by around 26 per cent and household budget transfers increased by almost 36 per cent (16, 233 billion ALL) in 2008 compared with 2005. Reduction in the social insurance contribution rate, from 38.5 per cent to 24.5 per cent, favoured business development and encouraged the payment of dues. In these four years, the business contribution rate has been reduced by almost 50 per cent (in 2005, 29% of salary, while from May 2009 it shall be only 15% of salary).

In the area of social insurance, DCM No. 1477 dated 12.11.2008 introduced mandatory social insurance to be paid for all employees, including relatives working full time or part time in the business.

State budget expenditure on pension compensation schemes increased by 3.741 billion ALL (90.5%) IN 2008 compared to 2005. The most important achievement in this sector and quite sensitive to beneficiaries was a progressive rise in pensions of both cities and rural areas. Government commitment to raise minimum pensions outside of the city to above 50 USD per month and those in the city to more than 100 USD per month became a reality in 2006.

The minimum city pension in 2009 was increased by 30.9 per cent compared to 2005, while the minimum rural pension was increased by 85 per cent over this period, i.e. nearly doubling, from 3,430 ALL in 2005 to 6,344 ALL in 2009. Maximum rural pensions were raised by round 81 per cent, while both minimum and maximum city pensions were raised by 31 per cent. The difference between minimum city and rural pensions shrank to 38 per cent in 2009 from 56 per cent in 2005, and for maximum pensions to 62 per cent from 73 per cent, respectively. Minimum income in rural areas and cities (including compensation or extra payments) is 7,234 ALL per month and 12,226 ALL per month, respectively. Maximum income in rural areas and cities

stands at 7,945 ALL/month and 21,052 ALL per month, respectively. Each year, a bonus of 5,000 ALL was added to any pension, both in rural areas and the city, with an annual cost of over 30 million USD.

The pension system in Albania is being reformed. Currently, it is based on only two pillars: i) PAYG benefits, calculated from the salary and work years and financed by contributors, ii) *voluntary* defined benefits, which are underdeveloped. The reform envisages a three-pillar system: i) PAYG, ii) *obligatory* defined benefits according to clearly-defined rules, and iii) a third pillar that needs to be expanded and improved. Government, in cooperation with the WB and through a broad-based political discussion with the participation of all stakeholders, is preparing the details and measures to activate this reform. In addition, a draft law on supervision of insurance funds is being developed and rules are being prepared on reporting obligations of existing companies on their economic and financial situation.

#### **Indicator: Pension replacement rate (ratio of pension to wage)**

The value of a pension depends on the contributing period and the reference wage, but the maximum pension is limited to double the value of the minimum. This restriction imposed on maximum pensions causes a low replacement rate for persons who pay contributions from high wages. Such a situation reflects the weak link between contributions paid and pension benefits. These problems remain to be addressed by the system reform, but once resolved the situation will improve with regard to contribution payments and real declaration of reference wages for contribution rates.

Benefits should generally cover to some extent the net income in the last years of work. Under international conventions, the replacement rate should not fall below 40 per cent, and a good system should provide more than 55 per cent cover, so that in combination with supplementary schemes the percentage could reach 70–75 per cent.

The average pension replacement rate in Albania currently stands at 46–47 per cent. However, the difference between minimum and maximum pension replacement rate is huge. Minimum pension replacement rate is 75 per cent, while the maximum pension replacement rate represents round 26 per cent of the maximum reference wage.

### 3.3.6 HEALTH

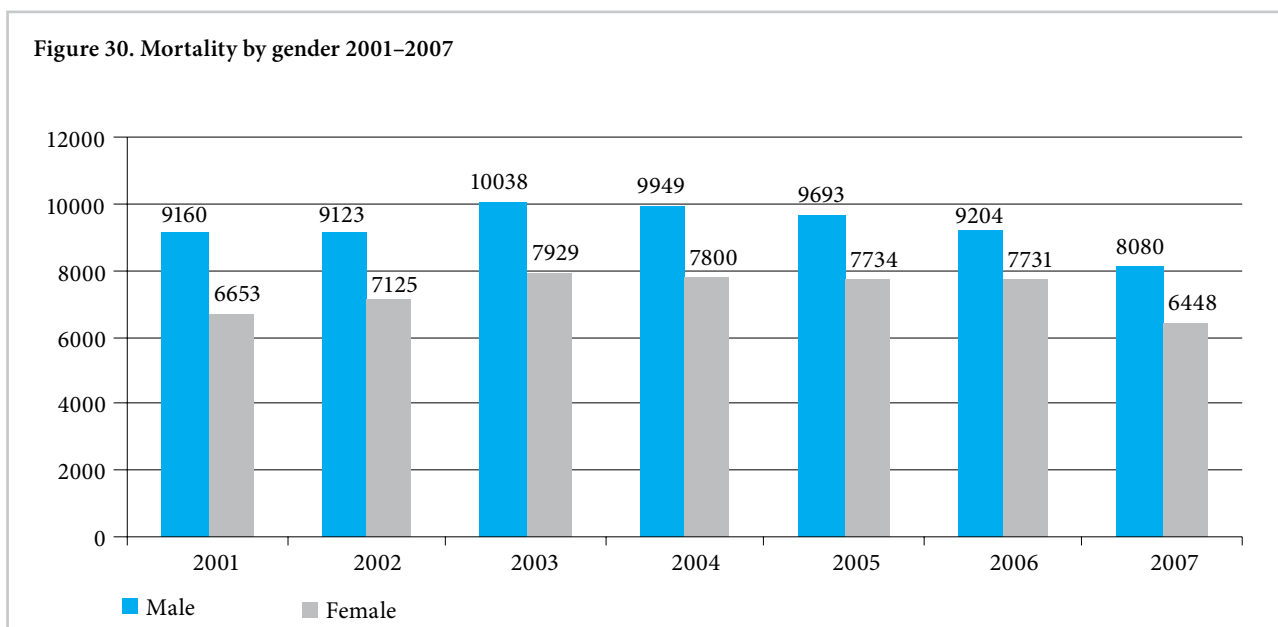
#### **Indicator: Cause of death by disease group per 100,000 inhabitants, by gender**

Albania's health service system conducts its activity based on health statistical indicators. The situation with respect to health presents many problems due to a difficult transition. Nevertheless, the main indicators show gradual improvement, both in primary health care and hospital services. Estimates of some important indicators—life expectancy, mortality and chronic disease—are comparable to levels in developed countries, though other indicators including infant mortality rate, maternal mortality rate and acute contagious diseases are comparable to levels in developing countries.

There is a rising number of cases of diseases in particular groups, including respiratory system diseases, gastrointestinal, contagious, uro-genital and blood diseases and cerebral insults. Statistics indicate that a relatively high percentage of deaths and disease in Albania are caused by tobacco consumption, alcohol abuse, traffic carelessness, illicit drugs, deficient nourishment and stress, a new phenomenon of modern Albanian society. Physical inactivity is also a major risk factor for developing hypertension, coronary artery disease, etc.

Albania has a relatively young population with an average age of 29 years. Population projections indicate an average life expectancy of 74 years, 72.5 years for males and 77.5 years for females. The most frequent diseases in Albania include circulatory, respiratory, digestive and infective diseases.

Figure 30. Mortality by gender 2001–2007



Source: INSTAT

Causes of death were analysed by INSTAT using the National Standard Classification ICD-9. Analysis showed that the overall mortality pattern between 2002 and 2006 has not changed much.

**Blood circulation diseases are the number one cause of deaths** in the overall pattern of mortality. Deaths among females are caused primarily by brain blood vessel disease, which is on the increase, while among men coronary ischemia accounts for 64 per cent of deaths.

**Tumours are the second cause of deaths** in the overall mortality pattern, especially malignant tumours of the digestive, respiratory and uro-genital tracts prevalent among people above the age of 50 years. Incidence of malignant tumours of the digestive tract is twice as high in males as in females, while malignant tumours of the respiratory tract affect males three times more than they do females. In contrast, incidence of malignant bone and breast tumours is three times higher in females than in males, though males have twice the incidence of uro-genital malignant tumours.

**Traumatic injuries, poisoning and accidents are the third cause of deaths.** In this group, 88 per cent of deaths result from accidents and thirteen per cent from traumas and poisoning. Among people involved in accidents 77 per cent are male and 23 per cent female. Traffic accidents involve 3.6 times as many males than females. Unlawful killings involve five times as many males than females, while suicides are on the increase in females.

**Respiratory tract diseases are the fourth cause of deaths** in the overall mortality pattern of causes of deaths per 100,000 inhabitants, though the frequency of death from this disease group has been slowing down.

With a view of improving human health and consequently mitigating the above indications, the Ministry of Health (MoH) introduced a mechanism to encourage physicians to follow up on chronically ill patients. A bonus of five per cent of salary is awarded dependent upon their performance with such patients. Important steps were taken to ensure kidney transplant operations in Tirana University Hospital “Nënë Tereza”. Currently, diagnosis of breast cancer and cervical cancer is possible, as a secondary form of prevention, following the installation of digital equipment for mammography and ultrasound scan in the policlinics of four major cities: Tirana, Shkodra, Durrës and Vlora. A draft strategy on prevention and control of tumour diseases was developed and measures were taken on primary prevention of lung cancer, particularly through efforts to limit tobacco consumption.

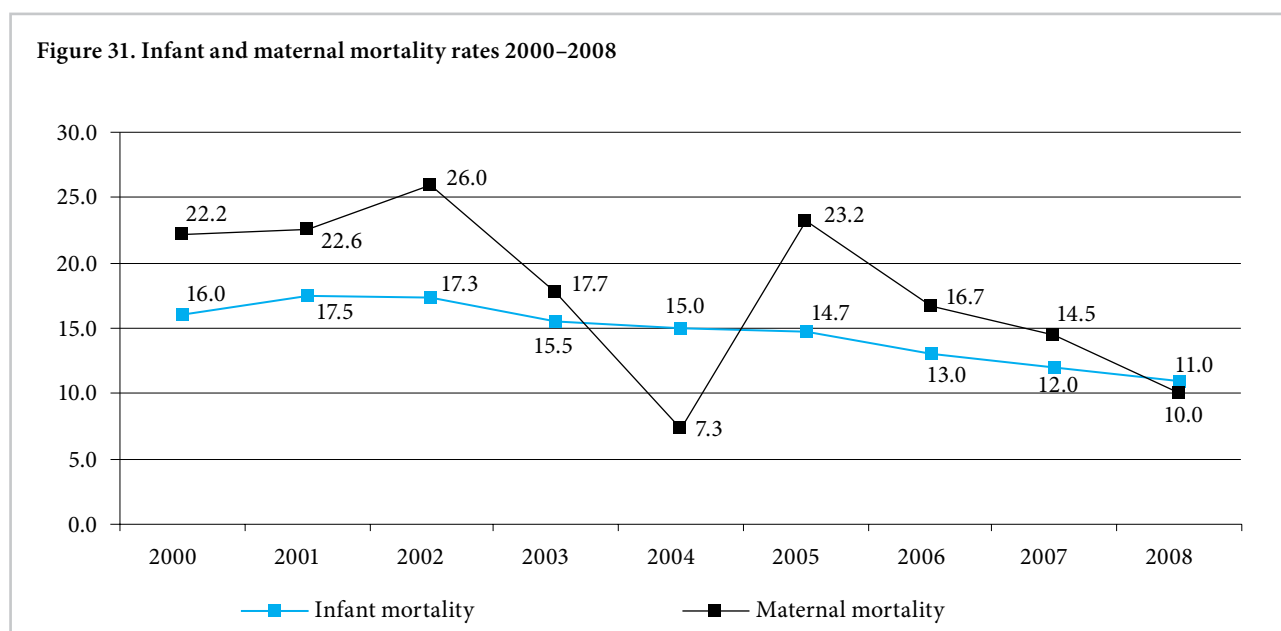
The reform implemented in the health system provides clear channels for improvement in line with economic and social developments. A draft strategy on the health system was developed and its implementation costs calculated. In 2008, budget allocated to the health system increased by 8.7 per cent compared to 2007 and represented 2.9 per cent of GDP.

Hospital reform focuses on decentralisation of competences and budget from the centre to regions. For this purpose, uniform protocols and unification of diagnostic procedures will be an important step next year. There will be a unified treatment protocol in all hospitals, for each disease. Unified protocols will bring unified prices, and treatment will cost the same in any hospital in the country.

**Indicator: Infant mortality rate and maternal mortality rate**

All sources of data demonstrate an encouraging improvement in the level of infant mortality over the last decade. Nevertheless the level remains high when compared to other European countries, though it is lower than the levels in Turkey and Macedonia.

Figure 31 shows the change in the rates of infant and maternal mortality between 2000 and 2008, based on MoH data. Infant mortality has shown a steady improvement since 2001, and in 2008 the figure was 11.1 per 1,000 live births, against twelve per 1,000 live births in 2007. This downward trend reflects the improvements made in the health service, doctor skills and applied technology.



Source: MoH

One of the most significant indications of improved maternal health is that the maternal mortality rate has been decreasing. Despite some fluctuations presumably due to incomplete data gathering in 2003 and 2004, the figure has fallen to ten deaths per 100,000 live births, compared to the previous year when it had fallen to 14.5 per 100,000. UNICEF conducted a survey (MICS) in 2006 which showed that 97.1 per cent of women during pregnancy had received health care from competent medical staff and 43 per cent of them continued with medical visits in the first three months following birth.

These data mean that medical care during pregnancy in particular and reproductive health in general can be improved further. Further efforts should be invested towards pregnancies and the post-natal period by improving hospital services and primary health care.

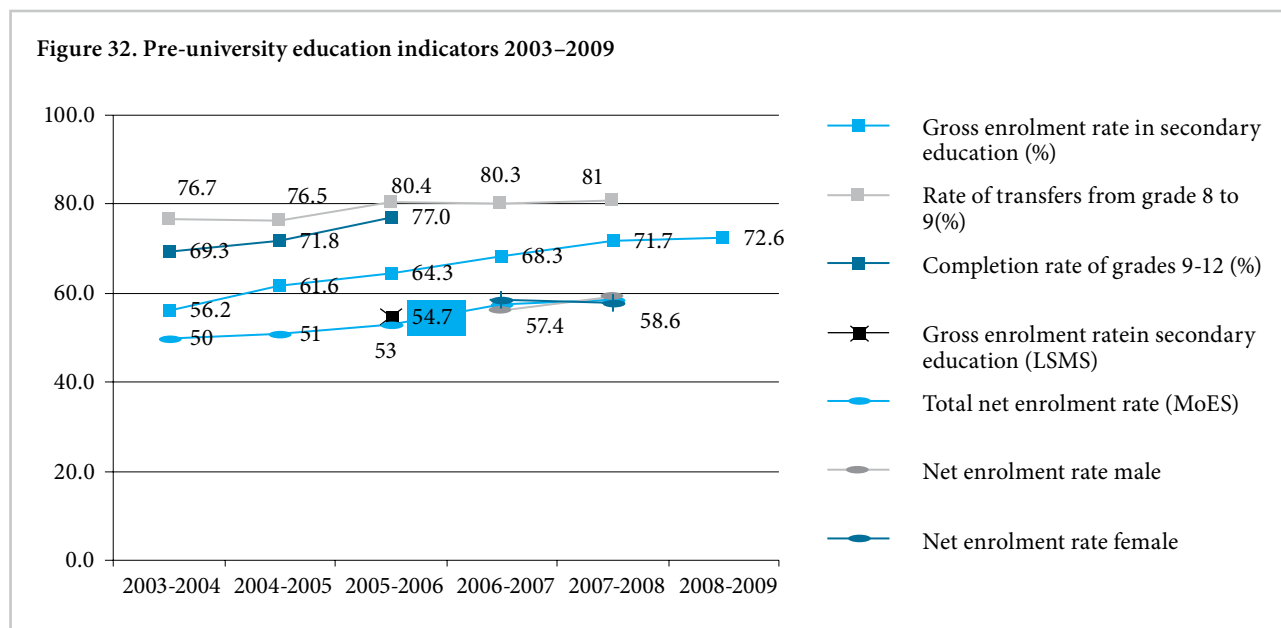
3.3.7 PRE-UNIVERSITY EDUCATION

**Indicator: Net secondary education enrolment rate: proportion of students of age 14–17 years attending classes 9–12, by gender**

Education is central to the government’s priority policies and improved considerably in 2007 and 2008. Over this period, efforts were focused on management capacity building at the central level (MES) and the regional level (Regional Education Directorates and Education Offices), decentralisation of education services and enhancement of school autonomy. Reform of school staff has been developed and implementation is expected



to start soon. It aims at limiting the competence of Regional Education Directorates in appointing school staff and involving the school and local community in the decision-making process, thus expanding school autonomy and bringing it closer to the practice in other countries in the region. In addition, reform of the new secondary education structure is being implemented on the basis of mandatory nine-year education.



Source: MES

Funding for the education sector increased significantly in 2008, and public expenditure on education accounted for 3.7 per cent of GDP. Improved performance in education was due to the implementation of a series of reforms that focused on strengthening policy making, management and decision-making capacity, improving the teaching process, capacity building, human resource development, enhancement and expansion of vocational education and training (VET).

An important indicator is net secondary education enrolment rate and performance of this indicator is given, along with six other indicators, in Figure 32. For the 2007–2008 academic year, this indicator was 58.6 per cent, 1.2 per cent more compared to 57.4% for 2006–2007. Gross education enrolment rate in 2007–2008 rose to 71.7 per cent, 3.4 per cent more than in the previous year. Further intensification of reforms already initiated aims at boosting net enrolment rate by at least 2.5 per cent in 2008–2009, while the long-term goal is to bring net secondary education enrolment rate to 76 per cent, and the transfer rate to secondary education to 86 per cent.

The continuation rate of students completing compulsory nine-year education was 81 per cent for the academic year 2007–2008, from 80 per cent in 2005–2006. School drop-out rate in basic education (classes 1–4) in 2007–2008 was 0.89 per cent, and in nine-year education 0.94 per cent. In the academic year 2007–2008, the proportion of pupils enrolling and finishing secondary education (high schools and vocational schools) was 66 per cent. In 2008, the transfer rate of children aged five and six to the pre-preparatory year prior to basic education was 63 per cent.

Policies implemented during this period aimed also at increasing the enrolment rate in professional education. A draft Albanian Qualifications Framework was developed in compliance with the European Qualifications Framework. Moreover, curricula programmes of all technical and vocational schools were improved, and facilitation was provided for students to attend this education, etc.

Intensive implementation of the “Tik Shkolla” project started in 2008, with the scope of providing 1,200 PC labs and Internet access to all pre-university schools and capacity building and training for the teaching and maintenance staff.

State Matura, an initiative that began in 2006, is completed each year with new elements that help consolidate and foster transparency of this process. School Psychology Services were provided for three years as a pilot initiative and, in 2008, these services were extended into the rural areas, thus improving the quality of the

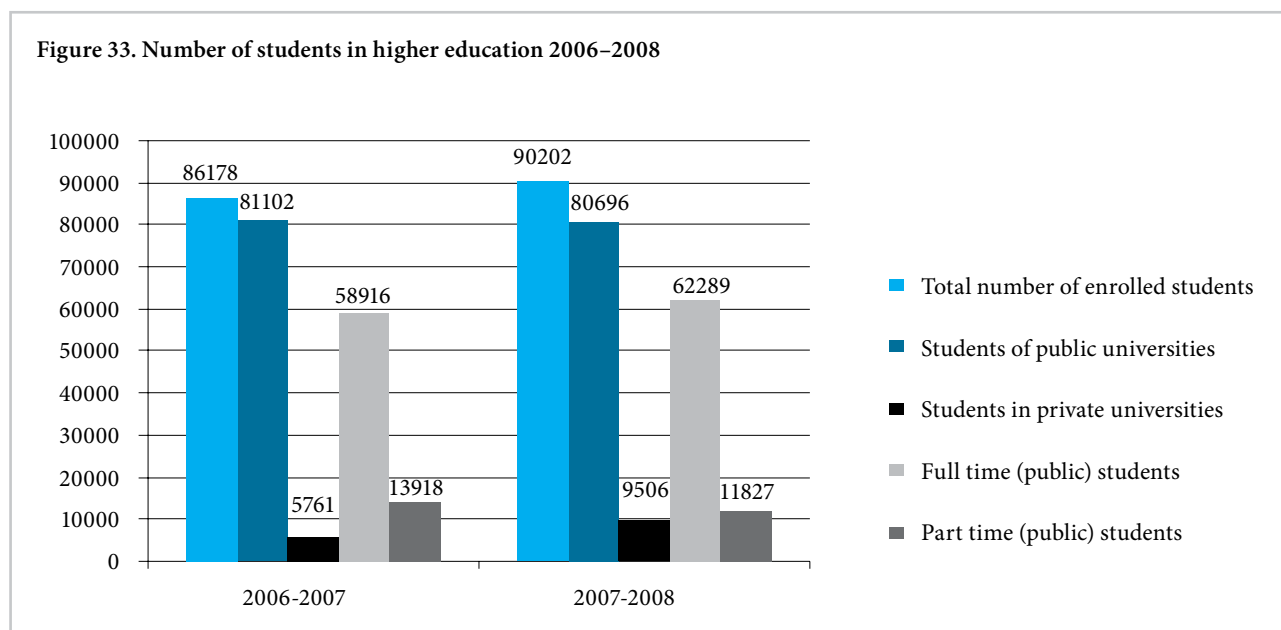
education service. Reform of textbooks and introduction of alternative texts continued in 2007–2008, laying the foundations to transfer the marketing of textbooks from MES and schools to the free market, with the education authorities only supervising the content of textbooks and allowing market competition to lead to lower-price textbooks.

With regard to VET, continuous support and implementation of policies was aimed at strengthening the sector and making it responsive to market needs. Further efforts shall focus on improving VET curricula, offering scholarships for students enrolled in these schools, irrespective of economic criteria. Meanwhile, vocational training modules will be included in high school education with the view of absorbing more students into vocational education.

### 3.3.8 HIGHER EDUCATION

#### Indicator: Number of students in higher education, by full-time/part-time status

Measures implemented during 2007–2008 aimed at i) curricula reform in first cycle study programmes to align them with related programmes in higher education institutions across the country, with modularisation of subjects, ii) introduction of credits as a performance-measuring unit, iii) increase in mobility opportunities for students, and iv) organisation of forms of part-time or distance studies oriented towards lifelong learning. Within this framework, the law on higher education and the National Higher Education Strategy 2008–2013 that were adopted in 2008 guide reforms and strategic orientation of the sector. Work is proceeding with individual plans of strategic and institutional development of universities for a three-year period, in line with the Strategy.



Source: MES

The number of students enrolled in higher education in the 2007–2008 academic year was 90,202 against 86,178 students in 2006–2007 (Figure 33). Enrolment in public higher education was lower than in the previous year: 80,696 students versus 81,102. However, enrolment in non-public education institutions grew to 9,506 students from 5,761 in the previous year. Nevertheless, enrolment in the public education system for full-time studies rose to 62,289 students versus 58,916 in the previous year. In 2008–2009, the number of students is expected to reach 115,000.

Enrolment rate in higher education increased due to policies aimed at encouraging enrolment of youths through consolidating the capacity of universities and introducing new programmes, making courses more attractive and more responsive to the labour market needs. The increased number of students was associated with an increased number of professors and integration of research institutes into the universities, thus upgrading their academic, laboratory and scientific capacity. As regards higher education, the Bologna process began to be implemented and the study programmes are being reorganised into cycles.

Cycle II, with new study programmes, began to be implemented in the academic year 2008–2009, in line with the new law on higher education. New structures were established in public higher education during 2008—FASTIP (University of Durrës), a new form of offering theoretical studies integrated with practice; APRIAL, established for admission to university based on merit; two new faculties were opened at the Polytechnic University of Tirana, and two institutes were established: IGJEO and INEUM. Also in 2008, two new university branches were opened: a branch of University of Tirana in Kukës and of Agricultural University of Tirana in Lushnja.

Higher education expansion, improved admission procedures, higher transfer rate of students by upgrading university infrastructure and providing wider programme options tailored to and in coherence with the labour force will continue to be a priority in higher education in the future.

## 3.4 Urban, rural and regional development

Urban development policy focused on improving the legal framework on urban planning and on preparation and approval of urban development plans, industrial works, tourism areas, etc.

With regard to tourism, the increasing number of tourists and tourism revenue resulted from investments in tourism infrastructure, particularly in roads, water supply and sewerage. Furthermore, promotion of Albania's tourism image was aimed at consolidating the country's position in the European tourism market and beyond. New tourism products were greatly encouraged, e.g. rural tourism including ecotourism, agro-tourism, mountain sports tourism and cultural tourism. Cultural heritage policy aimed at giving the country's assets a tourism potential. Important investments were committed for the rehabilitation of urban objects of tourism and heritage values.

In regard of rural development, farm consolidation was encouraged with the establishment and strengthening of farmer associations, introduction of agricultural technology, improvement of marketing and upgrading of vocational education of farming operators, providing opportunities for market entry, and building on the development promotion policy as the most efficient form of mitigating poverty in rural areas. Considerable investments were committed for highways and secondary roads and an appropriate system of road asset management and priority investment policy making were created.

Agricultural development and increased exports resulted from a significantly higher agricultural and agro-industrial production. Agro-processing technology investments are growing, bringing improved level and quality of technology. More investments are being made in the milk processing industry. Imports of agricultural and livestock products decreased by round 15 per cent this years, while agricultural exports increased by 30 per cent. Flexible policy and monitoring of price chronology in the regional and international markets led to the adaptation of instruments that help in the production and sale of agricultural products.

### 3.4.1 SPATIAL PLANNING

#### **Indicator: Proportion of municipalities with urban regulatory plan according to planning law**

With regard to spatial planning, finalisation of the urban planning law was the focus of 2008. This law aims to guide the sector towards a market-oriented modern approach and to establish a control system that facilitates sustainable development. To this purpose, a series of consultations took place during 2008 and the draft law was reviewed several times before endorsement by the CoM and submission in parliament for approval in February 2009. The new law on territorial planning provides the legal and institutional framework for spatial harmonisation of public and private interests through efficient orientation of private developers and investors, and by simultaneously effectuating coordination of horizontal competences and of vertical decision-making structures.

The new law aims to ensure compatibility of development planning and control responsibilities to the legislation of decentralisation, and division of competences between the central and local government. Some responsibilities related to urban planning and managements will be transferred to the local government to ensure efficient use of planning instruments and control mechanisms. The new law is expected also to institutionalise public participation and consultation, and to provide more transparency in planning and granting of construction permits.

Urban regional and partial studies were conducted country-wide during 2008 to identify potential investments for new energy sources, to encourage tourism development, build industrial works with private investment, clean up environmental hot spots and revise (reassess) previous studies. Table 3 reports an overview of decisions issued by the National Territory Adjustment Council (KKRTRSH) in 2008, particularly the studies approved for the construction of renewable energy plants and industrial works.

In the period ahead, efforts will focus on completing with the necessary bylaws the new law on territorial planning<sup>12</sup>, as a fundamental step to guide the sector. Moreover, further to implementation of the law a National Agency on Territorial Planning will be established and the National Plan on Territorial Adjustment initiated, to ensure orientation towards integrated and sustainable development in the entire country. Each city should prepare regulatory plans to precede development, particularly in regions with economic potential.

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12 Law No. 10119 "On territorial planning", dated 23.04.2009

**TABLE 3. OVERVIEW OF DECISIONS ISSUED BY NATIONAL TERRITORY ADJUSTMENT COUNCIL (KKRRTRSH), 2008**

Approved by KKRTRSH	Location
Design projects for regulatory plans	<ul style="list-style-type: none"> <li>• Kuçova and Berat (general plan) under LAMP plan (funds from state budget, WB, Japanese government and Swedish government)</li> <li>• Fier (city downtown plan)</li> </ul>
Partial urban studies, design projects, master plans and construction sites for energy plants	<ul style="list-style-type: none"> <li>• Kalivaç hydro power station on River Vjosa</li> <li>• biomass-to-liquid 140 kW plant in Shëngjin commune, Lezha</li> <li>• two 234 kW wind farms in the mountains of Rrenci and Kakariq in Balldre Commune, Lezha</li> <li>• eolic parks and interconnection line in Vlora</li> <li>• power station at Kallmet Commune, Lezha</li> </ul>
Studies and construction site permits to build industrial objects and businesses	<ul style="list-style-type: none"> <li>• cement factory at Balldre, Lezha (investor Fassa &amp; Berberi)</li> <li>• cement factory, Kruja (investor Antea Cement sh.a)</li> <li>• clinker grinding plant, Salmone–Xhafzotaj (investor Shqipëria Cement Company)</li> <li>• cement factory, Balldre Commune, Lezha (Colacem Albania)</li> <li>• foliation factory, Laç, Lezha (La Celik–Vega)</li> <li>• business centre, Katund i Ri, Tirana (investor Megatek)</li> <li>• business centre Euomax Distribution Center 1, Katund i Ri, Tirana</li> </ul>
Partial studies for hospitals and sites for environmental rehabilitation	<ul style="list-style-type: none"> <li>• construction site permit for private Hospital HYGEIA in Tirana</li> <li>• landfill for urban waste Bajram Curri city</li> <li>• landfill for hazardous waste of Copper Smelter Factory, Rubik</li> <li>• Marinëz village, Kuman Commune, Fier:</li> <li>• oil processing plant, CFT</li> <li>• ecological pits to deposit sand following oil treatment</li> <li>• ecological pits to deposit contaminated soil from oil wells</li> </ul>
Partial urban studies, design projects, development plans, modifications to existing plans, for investments in tourism	<ul style="list-style-type: none"> <li>• 59,090 m<sup>2</sup> tourism complex at Gjiri i Lalzit</li> <li>• development plan of southern coast, under WB project</li> <li>• study of tourism area Radhimë–Orikum</li> <li>• second phase of tourism village, Mak-Albania Company, Golem</li> <li>• residential complex of 56,200m<sup>2</sup> in the tourism area of Velipoja</li> <li>• modification of urban planning study of 0.19 ha from Hotel Tourism to Kanali i Cukes, Saranda</li> </ul>
Borders of informal areas	<ul style="list-style-type: none"> <li>• for regions of Tirana, Shkodra, Durrës, Elbasan, Kavaja, Vlora, Korça, as well as Lazarat area, Gjirokastra</li> </ul>
Urban planning studies for other objects	<ul style="list-style-type: none"> <li>• closed reception centre for illegal immigrants in Karrec village, Maminas, Durrës (investor MoI)</li> <li>• building of Centre of Monetary Mission, in Qesaraka, Dajti Commune (investor BoA)</li> <li>• parallel road to Tirana–Vlora highway, Limuthi Bridge</li> </ul>

## 3.4.2 REGIONAL DEVELOPMENT

### **Indicator: Degree of socio-economic development**

With regard to regional development, focus of attention in 2008 was on the draft law on regional development in the Republic of Albania, which lays down objectives, principles, instruments and institutional framework for regional development management.

Consultations on the draft law were held with a good number of stakeholders and will be finalised in the framework of the EU-funded “Integrated support for decentralisation” project (CARDS 2005). This project shall be managed by UNDP in cooperation with METE and in close partnership with the Ministry of Integration, Ministry of Interior, representatives of regions and the EC. In 2008, efforts focused on developing the final draft and selecting technical consultancy. The project shall generate a Policy Paper that will serve as an assessment basis for the draft law on regional development, with regard to its regulatory and institutional framework. It should be stressed that the adoption of the law on regional development is a precondition to continuation of implementation of the programme and the establishment of structures at central and regional levels, with the scope of ensuring regional development policy management, promoting partnerships and upgrading capacity for decentralised cooperation.

In line with the commitments under the crosscutting Regional Development Strategy, socio-economic development indexes of regions and classification indexes of disadvantaged areas are calculated every five years, meaning that reassessment of disadvantaged areas defined in the Strategy will take place in the fifth year of implementation, upon which the national map of disadvantaged areas defined in the Strategy will be revised.

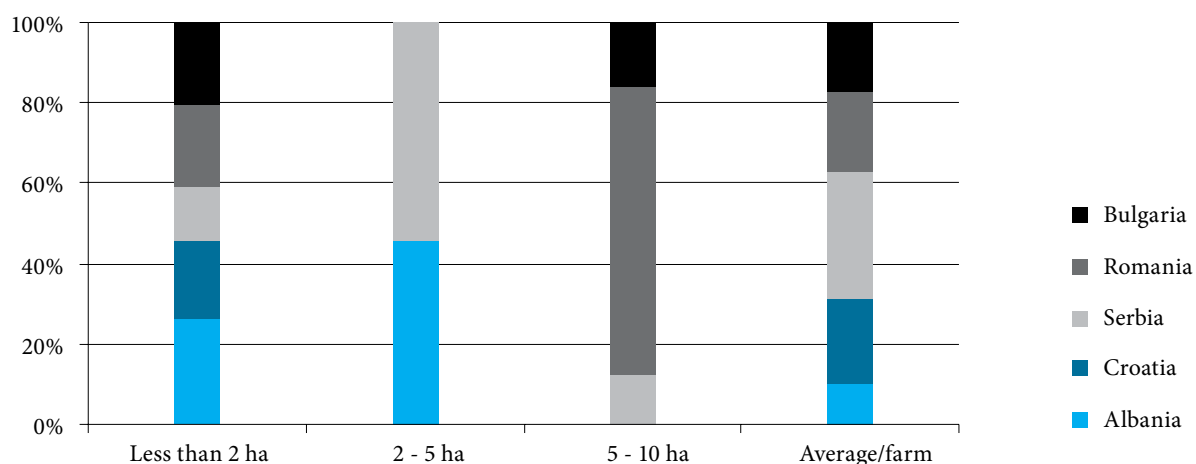
With regard to regional socio-economic indicators, municipalities and communes are classified on the basis of poverty index and HDI defined in the Strategy. Currently, poverty in rural areas is 50 per cent higher than in urban areas: in 2008, Tirana’s GDP index was 0.772 compared to 0.252 in rural areas, while its HDI was 0.830 against 0.632 in rural areas. There was significant uneven development across regions: unemployment in Kukës was three times higher than in Tirana; access to drinking water in Vlora was 2.5 times higher than in Dibra; access to health services in Kukës was 2.5 times lower than in Tirana; the number of children failing in a school year in mandatory education in Kukës was ten times greater than in Tirana

## 3.4.3 RURAL DEVELOPMENT

### **Indicator: Average size of agricultural holdings, relative to other countries in region**

Albanian agriculture is dominated by small and fragmented farm holdings, with an average of 3.9 plots per farm and average size of 0.25 hectares (ha). The size of the average farm holding in 2008 was 1.2 ha against 1.14 in 2007. Thus, the average holding grew by 11.1 per cent between 2007 and 2008. Land fragmentation triggers a series of difficulties in agricultural production and marketing, and hampers large-scale agricultural mechanisation. About 70 per cent of farms in Albania are situated in highland areas and produce is only for self-consumption, while 30 per cent are market-oriented farms due to better land quality and proximity to urban areas. There is a slight increase in farm holding size in recent years, indicating a tendency of farmers to pool resources together to boost production. It also indicates the tendency of some farmers to purchase or borrow production means from smaller inactive or abandoned farms. In comparison to Balkan countries, Albanian farm holdings are smaller and the family holding model is prevalent (Figure 34).

Figure 34. Average size of agriculture establishments



Source: MAFCP

Bulgaria has a total of 6.2 million ha of agricultural land, 77 per cent of which is arable and 23.5 per cent is pasture. Of this land, 60 per cent is private and only 40 per cent state owned. 29 per cent of pasture land is private, out of which 33 per cent are cooperatives and 71 per cent are state-owned. The average farm holding has two ha of land in four or five plots.

In Romania, total agricultural land is 14,791,000 ha, 63 per cent of the whole territory. Following land reform here, 9,400,000 ha were privatised and about 1,300,000 ha are in highland areas and 4,091,000 ha is still state-owned. The average farm holding has 2.28 ha of land distributed in three or four plots. Holdings with less than one ha represent 45 per cent of the total number, those of one to two ha represent 24 per cent, while holdings with more than two ha constitute 31 per cent of the total agricultural land.

About 80 per cent of agricultural land in Serbia has been privatised and there are 778,891 farms. 25 per cent of land is occupied by farms ten ha in size distributed among two to three plots. The average farm has 3.68 ha.

Within the framework of land reform in Albania, agricultural land division is completed based upon quantity. Currently, 80 per cent of land is private and 20 per cent is state owned. Land that has been distributed comes to 561,000 hectares, 98.6 per cent of the land fund of 569,000 ha planned for distribution. The process of granting ownership titles, in terms of service, extended across 542,000 hectares, 97.2 per cent of distributed land. Available state-owned land of 17,355 ha was identified and transferred to the Property Registration and Compensation Agency for deposit in the compensation fund for expropriated subjects. Land protection is an important part of the reform.

A “Farm File” has been introduced for the first time, containing main data on 300,000 farms country-wide. The information was entered into a database and can be used for various purposes, such as VAT reimbursement of six per cent for formalised farmers.

Policies are aimed at further farm consolidation by establishing and strengthening farmer associations, introduction of agricultural technology, improving marketing and upgrading vocational education of farming operators, providing opportunities for market entry and building on the development promotion policy as the most efficient form of mitigating poverty in rural areas. Key efforts will focus on providing credit to farmers to encourage them to expand their farms and become capable of sustaining the credit. The goal is to increase the average holding size to 1.8 ha by 2013.

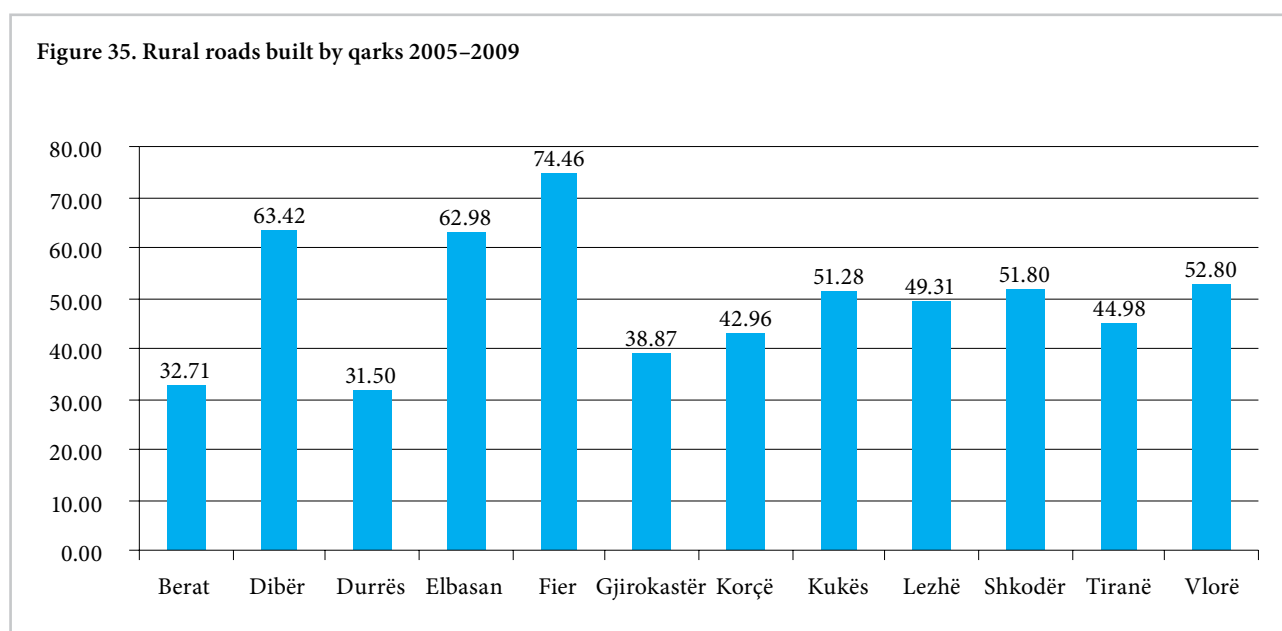
#### Indicator: Number of kilometres of rural roads constructed

Albania has a road inventory of 12,000 km, 4,980 km of which are rural roads in the communes and 4,471 km are regional roads. The considerable contribution of the road network to agricultural development and the significant share of agriculture in GDP, economic development and reduction of poverty mean that the secondary and local road network should be improved as soon as possible.

Priority in recent years has been given to secondary and local roads in the network, establishment of an adequate road asset management system to identify priority investments in secondary and local roads, and preparation of detailed five-year engineering projects in cooperation with the local community. Regional-level roads were given priority, but efforts have started in agricultural areas. The Albanian Development Fund is one of the main pushers of rural road projects to improve living conditions in these areas and integrate them in the country's social and economic life. Figure 35 shows the number of rural roads built in the different regions of the country between 2005 up until the present.

597.07 km of rural roads were completed during the period 2005–2009. Public investment for agricultural and rural development continued its increasing trend this year, fourteen per cent higher than in 2007. Total investments in 2005–2009 amount to 110 billion ALL (about 1.2 billion USD) or three times more than all the investments of 33 billion ALL committed in rural areas in 2002–2004. 1,607 km roads were built during this recent four-year period with an investment fund of 57 billion ALL.

Investment in rural roads increased from 500 million ALL in 2004 to seven billion ALL in 2008, a fourteen-fold increase.



Source: Albanian Development Fund

### 3.4.4 AGRICULTURE

#### **Indicator: Productivity in agriculture and agro-processing**

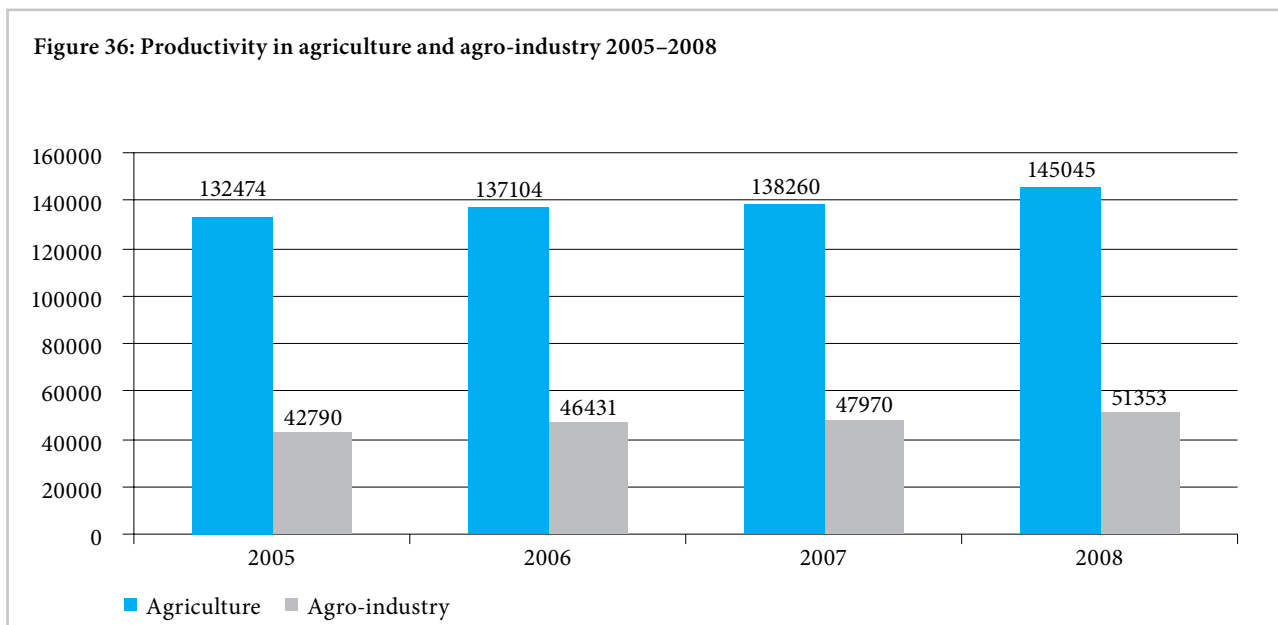
Important legislation was adopted in agriculture and the food sector, aligning Albanian standards to those of the EU, with implementation of legislation and regulations in compliance with EU *acquis* and the SAA, thus ensuring a legal foundation on which European standards can be guaranteed by government in the production, processing and marketing of food.

Gross agricultural production increased by 6.5 billion ALL in 2008, or by 4.5 per cent compared to 2005, orchards grew by 23 per cent and livestock production by 5.2 per cent. Agro-industrial production grew by nine billion ALL, an increase of 19 per cent, while fruit production recorded the largest increase of all, at 33.3 per cent, and meat 19.4 per cent.

Investments in technology are increasing every year compared to investments for construction purposes, indicating that quantitative improvements are being matched with quality, with upgrading of the industry's technological level. In recent years there has been increased funding from investors and bank loans, with the milk processing industry receiving the bulk of investments, though flour and bread production has fallen. Agricultural, livestock and agro-industrial production increased considerably between 2005 and 2008, as shown in Figure 36.



Figure 36: Productivity in agriculture and agro-industry 2005–2008



Source: MAFCP

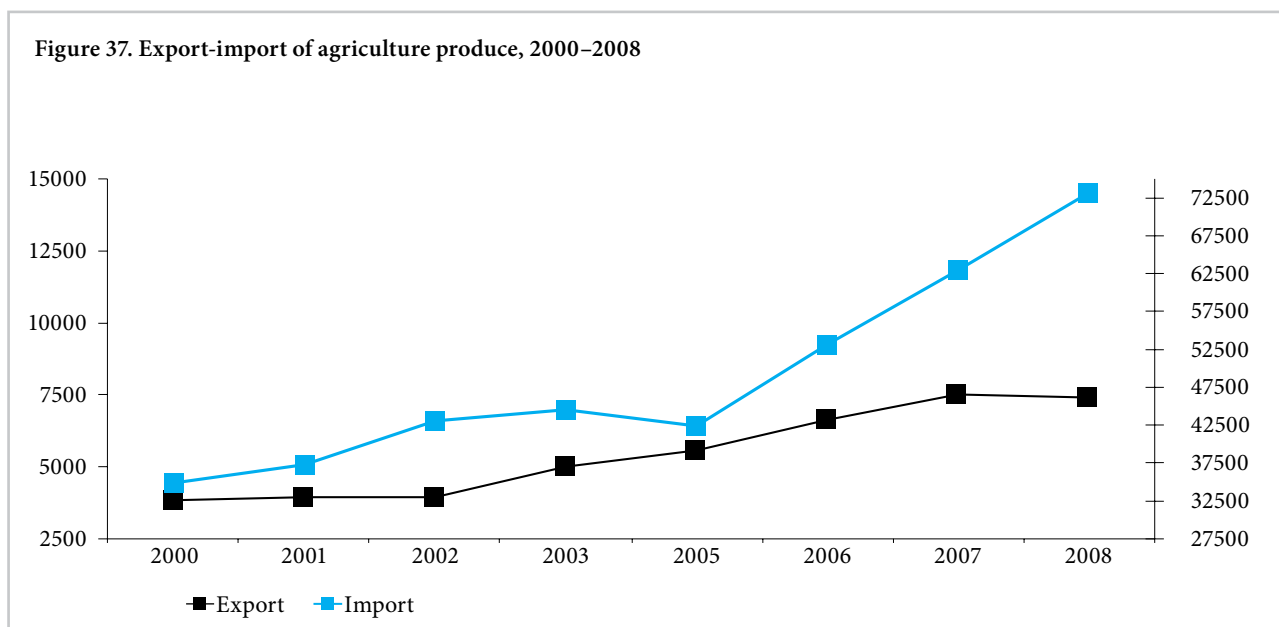
Food industry production accounts for 18 per cent of total agro-food production, according to INSTAT. In terms of agro-processing businesses, bread and confectionary industry holds first place with 966 establishments or 47 per cent of the total, followed by the milk processing industry with 362 establishment and diaries (18%) and the flour industry with 272 establishments (13%). These figures show that agro-processing enterprises are quite small and the majority probably do not meet EU safety standards. Consequently they cannot be sent to foreign markets, particularly in the EU. 312,000 tons of stores were generated in 2008, 20 per cent more than in 2007. In the first half of 2008, Albania produced 270,000 tons of vegetables, 62,000 tons of which were from greenhouses, while agro-industrial production in these six months grew by twelve per cent compared to 2007.

Income from sale of agricultural produce amounted to 220,000 ALL per farm, 58 per cent of which was from livestock products. About 43 per cent of farms generated about 55,000 ALL in income and only thirteen per cent managed to generate on average 400,000 ALL. Annual income from the sale of plant products was 92,000 ALL per farm. 75 per cent of farmers generated less than 44,000 ALL a year, while 35 per cent generated from sale only 10,000 ALL a year. In order to enhance the competitiveness of Albania’s agro-processing industry, investments are needed to support relevant development policies. Its food industry, an important sector of its economy, has though recorded an evident and sustainable rising trend in the last few years.

#### Indicator: Volume of agriculture and agro-industry exports

According to INSTAT data, agricultural products under the category “fish and crustaceans, molluscs and other aquatic invertebrates” increased by 70.4 per cent in 2008 compared to the previous year. The category “Oil seeds, industrial or medicinal plants; straw and fodder” increased by 17.2 per cent in 2008. Export share of “Preparations of meat, of fish or of crustaceans etc.” fell 3.3 per cent in 2008 against 2007. The category “Beverages, spirit and vinegar” fell drastically, by 86.2 per cent in 2008 against 2007. “Tobacco and manufactured tobacco substitutes” suffered a decrease in 2008 of 64.9 per cent compared to 2007.

Figure 37. Export-import of agriculture produce, 2000–2008



Source: Ministry of Agriculture, Food and Consumer Protection (MAFCP)

Agricultural development and higher exports resulted from increased production year-on-year to meet the demand of the domestic food market.

The majority of food products, more than 80 per cent, were produced in Albania, and exports in the last two years have grown by 25 per cent. In 2007, domestic vegetable production was 671,000 tons, while 17,000 tons were imported. Fruit production was 148,000 tons, or double that of five years ago, while imports were 90,000 tons. About 80 per cent of agricultural and livestock production is secured from domestic production.

This difference between domestic production and imports stands for the majority of products, except for a rise in sugar and vegetable oil, meaning that the bulk of agricultural and livestock production is secured from domestic production.

The trade ratio of agricultural production has increased considerably in the last two years. The imports volume of agricultural and livestock products shrank by about 15 per cent in 2008, while agricultural exports grew by 30 per cent. Flexible policy and monitoring of prices in the regional and international markets has led to adaptation of instruments that help the production and sale of agricultural produce.

Furthermore, efforts will focus on a policy that supports improvement of competitiveness for agricultural production in Albania and the sector in general. Increasing the trading ratio of agricultural produce is the appropriate way of bringing farm families and small agricultural farms away from isolation and self-sufficiency.

### 3.4.5 TOURISM

#### Indicator: Number of tourists, by country of origin

Figure 38 gives a clear picture of the number of tourists visiting Albania in 2008 with the total topping 1.3 million. Between January and August 2009, an even larger number, by 42.5 per cent, of tourists was reported compared to the same period last year.

Figure 38. Number of tourists, 2001–2008

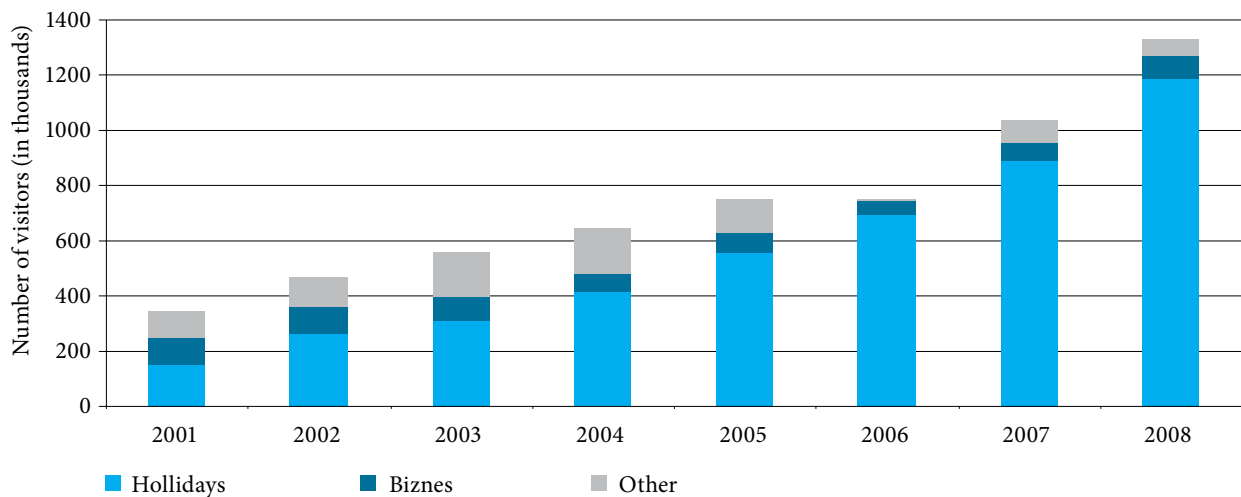
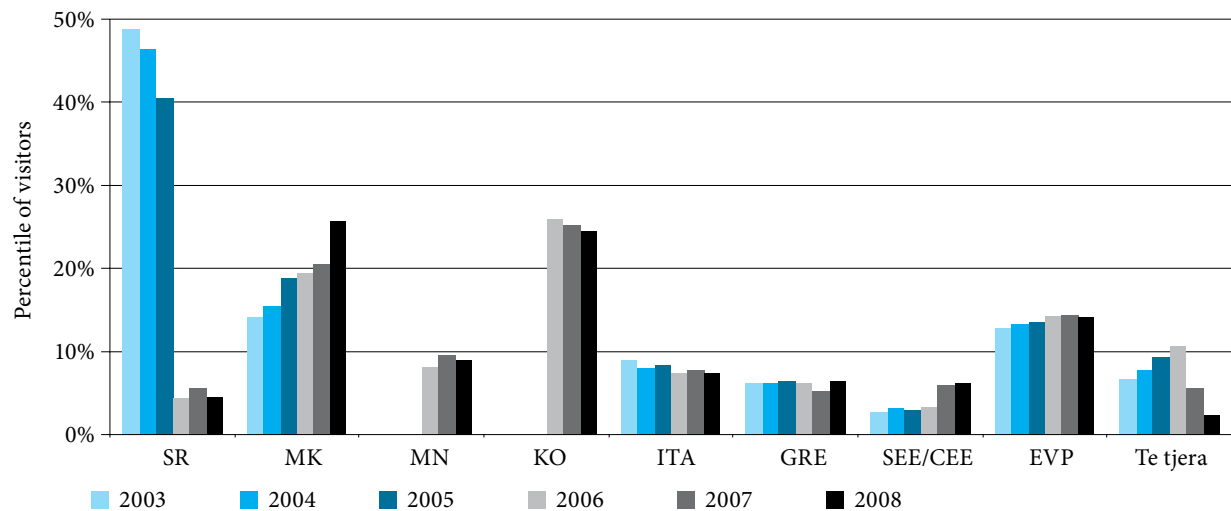


Figure 39. Visitors by country of origin, 2003–2008



Source: Ministry of Tourism, Culture, Youth and Sports (MTCYS)

Neighbouring countries contributed the biggest share (Figure 39), including Kosovo (32%), Macedonia (24%) and Montenegro (14%), but also Italy (9%), Serbia (7%), Great Britain (6%) and Greece (6%), with the remainder made up of visitors from other European countries—Germany, Austria and France.

2008 revenue from tourism alone amounted to 1,170 million EUR, 16.7 per cent higher than the 2007 figure of 1,002 million EUR. The share of tourism in the Albanian economy represented eleven per cent of GDP and the sector employed about 138,000 people in 2008. State budget allocations to MTCYS for tourism has grown in each year recently. The 2008 budget was 16,400 million ALL, while in 2009 it will be 17,000 million ALL, mainly for road signs and promotion activities.

The promotion of Albania’s tourism image is aimed at consolidating the country’s position in the European tourism market and beyond. In the last couple of years, TV spots have been broadcast on CNN and Euronews prior to opening of the tourist season, as well as in regional countries such as Kosovo and Macedonia. Image promotion was also helped by the presentation in 2008 of the Albanian Tourist Guide, preparation of tourism packages for ten large tours and eleven cultural and natural itineraries along the southern coast. Albania made a dignified presentation in the Tourism Fairs in Berlin and London.

New tourism products were encouraged strongly, such as rural tourism, including ecotourism, agro-tourism,

mountain sports tourism and culture tourism. Implementation of the “40 Hane” project started, aiming to encourage rural tourism development and support improvement of conditions, promotion and preparation of suitable tourism packages for houses of peculiar traditional architecture, particularly in the Albanian Alps area. Attention was paid to culture tourism with the restoration of cultural monuments with state budget commitment of 305 million ALL in 2008 and 170 million ALL in 2009. Archaeological national parks and museums were visited by 159,000 visitors in 2008, accounting for 32.2 million ALL in revenue.

The cultural heritage policy aimed at giving these assets potential in the field of tourism. Important investments were committed for the rehabilitation of urban objects of tourism and heritage values, such as the restoration of Gjirokastra’s historical city centre and Qafë Pazari, Han of Zagoria, House of Çabenj, House of Ismail Kadare and Gjirokastra Castle. Total investments reached two million EUR with funds from the state budget (43 million ALL) and UNESCO. EC committed funds for restoration projects in the castles in Tirana, Kruja, Himara, Berat and Lezha. In addition, the museum city of Berat was recognised by UNESCO as World Heritage Site, included now alongside Gjirokastër.

Tourism policies will be oriented towards improving infrastructure, thus facilitating development of the huge potential of tourism in Albania. The aim is to enable all touristic areas, the seaside, coast, mountains and woodlands, and the country’s cultural assets, to be easily accessible from the national roads network. Such areas will be developed based upon general all-inclusive and thematic master plans.

Besides sea and sun tourism, Albania’s culture and history resources have great potential to generate higher revenues, as do nature, mountain and adventure tourism as well as special interests, making possible a longer duration of the tourism season. Investments will be made in nature and culture tourism areas in order to maintain and improve these assets and improve their management system.

Attracting foreign investors with a strong background in tourism and operators who are well known internationally to invest in resorts and entertainment centres offering complex tourism products will be the next step. Meanwhile, domestic tourism businesses will be encouraged and stimulated through formalization and fiscal reduction.

In addition, management of the tourism information and data system will be improved locally and regionally in compliance with international standards. Efforts will focus on improving the image of the country and creating a tourism profile distinct from that of its neighbours.

# ANNEX I: Table of sector and crosscutting strategies and their status at the end of October 2009

Sector strategy	Approved through DCM	Pending finalisation
• Agriculture and food	X	
• Defence	X	
• Business and foreign investment development (including non-food industry, mining industry)	X	
• Energy		X
• Pre-university education (basic, secondary and high education, and vocational training)	X	
• Higher education	X	
• Finance (including taxation and customs)	X	
• Social insurance		X
• Foreign affairs		X
• Health		X
• Public order	X	
• Justice		X
• Employment	X	
• Social protection	X	
• Spatial planning (including housing)		X
• Water supply and sanitation		X
• Transport	X	
• Tourism	X	
• Culture		X
• Sports		X
• Statistics	X	
Crosscutting strategy	Approved through DCM	Pending finalisation
• Decentralisation		X
• Regional development	X	
• Rural development	X	
• Information society	X	
• Property rights		X
• Social inclusion	X	
• Anti-corruption and transparent governance	X	
• Environment	X	
• Consumer protection and market surveillance	X	
• Migration	X	
• Gender equality and prevention of domestic violence	X	
• Integrated border management	X	
• Youth	X	
• Fight against organised crime, trafficking and terrorism	X	
• Public administration reform	X	
• Fight against human trafficking, child trafficking	X	
• Research, technology and innovation	X	

# ANNEX II: Revision of Millennium Development Goals

## Introduction

Albania has testified strong political will to meet the Millennium Development Goals (MDGs) by adapting them to the country's needs at a national level. The process of setting MDG targets and indicators began in 2002–2003. In July 2003, the Albanian parliament approved a Resolution in support to the MDGs. The Resolution encouraged government, civil society and other stakeholders to work in partnership towards meeting these goals. Goals, targets and related indicators for Albania were identified by 2005, through a wide consultation process developed by the then government, with the participation of central institutions, local communities, civil society, other national stakeholders and the donor community. Parliament has constantly monitored the MDG agenda, and sessions in May 2006 discussed the complementary nature of MDG and EU Integration.

In 2007, four new targets were introduced in the international MDG monitoring system. The decision for revising the monitoring system was made by member states at the 2005 World Summit (with the Resolution adopted by General Assembly A/RES/60/1). The Resolution was supported by the Secretary General's Report (paragraph 24, A/61/1) with the recommendations of "Inter-Agency and Expert Group on MDG Indicators" (IAEG). The list entered into force on January 15th 2008.

Eight MDGs for Albania and one MDG on Good Governance constitute a set of national complex commitments towards each of the country's development priorities. In the process of preparing the NSDI, Albanian has harmonized MDGs with the EU integration agenda and other priorities included in sectoral and cross-sectoral strategies into an unique integrated planning system. The NSDI represents the first government strategic document that assumes full responsibility for the monitoring of the progress of MDGs. The MDG targets and indicators are also incorporated in the sector and crosscutting strategies.

MDG reporting and progress monitoring is an important process that helps in renewing political commitments based on MDGs, as well as on issues related to specific MDG priorities included in national, sectoral and cross-sectoral strategies. The 2005 National Progress Report and NSDI 2006–2007 Progress Report, prepared by DSDC, have included as an integral part the report on progress for the period before 2005, and for the period 2006 through 2007.

The part of the report on MDGs, prepared with the support of UNDP, made a general assessment of whether Albania will meet each of the targets by 2015. The assessment undertook an analysis of trends during the last decade for the indicators under each MDG as well as of the status of the current enabling environment. According to the assessment, Albania is on the right track toward meeting MDGs and that a number of targets set at the global and national levels are being met. Additionally, it becomes clear that some of the indicators (levels) will be reached before 2015, but others are considered too ambitious and unreachable for 2015. In these reports, it is recommended that government consider adoption of new, more ambitious targets, or adopt the so-called MDG-Plus agenda.

In September 2008, DSDC initiated and organized an MDG revision process. UN agencies, WB and DFID supported DSDC during this process. The discussion between DSDC and the three agencies focused on identifying and meeting more ambitious MDGs, building on the existing MDG platform and taking this process to a higher level, i.e. establishing and achieving the more ambitious MDG targets. It is to be highlighted that for the first time since the MDGs were introduced in Albania, government has taken a proactive role in terms of MDG revision and made use of them as an instrument for improving government accountability.

## PURPOSE OF MDG REVISION

The purpose of MDG targets and indicators revision is i) to agree on a set of revised MDG targets and indicators that better reflect Albania's more developed stage of social and economic development and its aspiration to become a EU member state in the foreseeable future, and ii) to clarify institutional responsibility in terms of target setting and monitoring in order to build a functional and unbiased monitoring system.

Given its level of social and economic development, Albania still needs to monitor the basic level of well-being as defined by the MDGs. Based on current monitoring, absolute poverty, though decreasing, still represents a challenge for the country. Also, enrolment in basic education is far from being universal, the child and maternal mortality still remain a concern, and access to safe drinking water is distant even by neighbouring country standards. Under these circumstances, Albania still needs to monitor the basic level of well-being as defined by MDGs. On the other hand, Albania has submitted its application to obtain the status of EU candidate country and is aspiring to become an EU member in the short- to mid-term horizon. Therefore, the country should gradually introduce the EU system of social inclusion indicators. Hence, it is logical that MDG targets and indicators will cohabit with EU social inclusion indicators for some years to come. Based on this reasoning, the proposed system of targets and indicators reflects both Albania's social and economic development level and its aspiration to be an EU member.

## REVISION PROCESS AND METHODOLOGY

The MDG revision process was guided by DSDC, and supported by UNDP. The process was conducted in the period March to June 2009, and went through several phases. Seven working groups were set up to carry out the MDG target and indicator process, namely on i) poverty reduction, ii) education, iii) health, iv) gender, v) environment, vi) global partnership, and vii) governance. The working groups consisted of representatives from line ministries at the level of experts with strategy preparation and monitoring, non-for-profit organizations and UN agencies that all played a very active role.

During the revision process and identification of new MDG targets and indicators, the working groups i) conducted a consultation process with all interest groups, ii) reflected political and social ambitions of government and of other non-government actors, iii) considered the EU average level of indicators and those of countries in the region, iv) took into consideration the past and the expected trends, v) considered the past and the expected financial allocations, and vi) reflected the recommendations of the NSDI Progress Report 2006–2007, and the MDG Report 2007.

During the revision process, working groups were instructed to identify indicators that were in conformity with MDG global indicators and of EU social inclusion indicators but also indicators that were realistic and manageable by Albanian institutions. The revision process went through several discussion phases, including i) revision of goals, targets and indicators, (ii) revision of the level of indicators, by reflecting Albania's aspiration to become an EU member, (iii) clarification of institutional responsibility in terms of indicator level as well as indicator monitoring, and (iv) identification of information sources.

## MDG 1: Eradicate extreme poverty and reduce the risk of social exclusion

Improvements regarding MDG1 can be summarised as follows:

### 1. The formulation of MDG 1 and of MDG 1-related targets has been altered

The most important change in terms of MDG 1 relates to consideration of a reduction in the risk of social exclusion, according to the EU social inclusion policy. This is reflected in introducing a new target: “Improve income distribution in order that the Albanian distribution model get closer to the EU model between 2008 and 2015”.

### 2. Targeted levels of indicators have been more ambitious

This being true for the majority of indicators, it is particularly visible for the indicators of absolute poverty, poverty gap, children malnutrition, etc.

### 3. New indicators have been introduced

The new indicators introduced monitor relative poverty (social exclusion) and the scale of children malnutrition.

### 4. Some indicators, part of the older monitoring system, have been removed

Indicators monitoring ICT have been transferred to MDG 8. On the other hand, the monitoring system has been made lighter by removing the level of Foreign Direct Investment and energy use.

A summary of the monitoring system for MDG 1 is presented in the table below. Indicators 1.1.5, 1.1.6, 1.1.7 are not collected periodically by the MoH. In connection with these three indicators, MOH owns data from ADHS for 2002–2007. Methodology used in this study is different from that used in previous studies carried out as LSMS and MICS.

## MDG 1: Eradicate extreme poverty and reduce the risk of social exclusion

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.1. Eradicate extreme poverty and reduce three-fold absolute poverty between 2002 and 2015	1.1.1. Absolute poverty headcount rate (% of population below national poverty line)	total	LSMS, every three years, BHS	INSTAT	%	13	12.4	8	MOLSAEO
		F			%	nd	12.9	8.2	
		M			%	nd	11.9	7.6	
	1.1.2. Extreme poverty headcount rate	total			%	0	1.2	0	
		F			%	0	1.3	0	
		M			%	0	1	0	
	1.1.3. Poverty gap	total	%	3	2.3	1.2			
	1.1.4. Share of poorest quintile in national consumption	total	%	6.3	9.2	>10			
	1.1.5. <sup>1</sup> Prevalence of underweight children under 5 years of age	total	%	8	5	3	MoH		
	1.1.6. Prevalence of wasting in children under 5 years of age	total	%	nd	9	6			
1.1.7. Prevalence of stunting in children under 5 years of age	total	%	nd	19	17				



1.2. Reduce unemployment rate towards EU rate between 2002 and 2015	1.2.1. Unemployment rate	total	LFS, Admin data	INSTAT/ MOLSAEO	%	7	13	9	MOLSAEO		
		F			%	nd	13.54	9			
		M			%	nd	12.45	9			
1.3. Improve income distribution in order that Albanian distribution model get closer to EU model between 2008 and 2015	1.3.1. At risk of poverty rate	total	BHS	INSTAT	%	nd	15.6	15			
		M			%	nd	16.1	15			
		F			%	nd	15	15			
	1.3.2. At risk of poverty rate before social transfer	total			%	nd	na	nd			
		M			%	nd	na	nd			
		F			%	nd	na	nd			
	1.3.3. Relative at risk of poverty gap	total			%	nd	3.14	3			
		M			%	nd	3.31	3			
		F			%	nd	2.97	3			
	1.3.4. Inequality of income distribution S80/S20 quintile share ratio	total			%	nd	4.1	4			
		1.3.5. Regional cohesion (dispersion of regional employment rates)			total	LFS	%	nd		na	11.1 (2007)
					M		%	nd		na	nd
F	%		nd	na	nd						

F=Female, M=Male, HBS=Household Budget Survey, DHS=Demographic Health Survey, LFS=Labour Force Survey, nd=not defined, na=not available

## **MDG 2: Achieve high quality basic universal education**

Improvements with regard MDG 2 can be summarised as follows:

1. *Targets have been reformulated*

The target of universal enrolment in basic education has been altered to take into consideration the legal obligation of nine years duration of basic education. On the other hand, the target of basic education system financing has been reworded to express Albania's aspiration to become an EU member; setting new EU member countries as a target makes the target more realistic.

2. *Targeted levels of indicators have been more ambitious*

Given that all indicators regarding enrolment and completion of basic education have been set to their maximum, indicators of spending in basic education have been made more ambitious.

3. *New indicators have been introduced*

The indicators introduced are those affecting enrolment in pre-school education, gross enrolment ratio and indicators of quality in basic education. Given the above and because indicators of quality in basic education are indicators of status in education, the working group on education recommends that they should be part of the education monitoring system. Based on the above, external evaluation indicators have been recommended, such as average grade in maths and reading at the end of basic education

4. *Inappropriate indicators have been removed*

Given the dynamic migration movements over the past two decades, the indicator tracking the proportion of pupils starting grade 1 and reaching grade 9 does not adequately reflect the situation. It has therefore been removed from the monitoring system.

A summary of the monitoring system for MDG 2 is presented in the table below.

**MDG 2: Achieve high quality basic universal education**

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2.1. Ensure universal enrolment of basic education (1–9 years) by 2015	2.1.1. Enrolment ratio in pre-school education for children of 5 to 6 years of age	total	Admin data, every year	MoE / INSTAT	%	nd	49.6	70	MoE
		F			%	nd	48.8	70	
		M			%	nd	50.2	70	
	2.1.2. Net enrolment ratio in basic education	total			%	100	89.3	96	
		F			%	100	89.9	96	
		M			%	100	89.1	96	
		R			%	100	na	96	
		U			%	100	na	96	
	2.1.3. Gross enrolment ratio in basic education	total			%	100	94.3	100	
		F			%	100	na	100	
		M			%	100	na	100	
		R			%	100	na	100	
		U			%	100	na	100	
	2.1.4. Proportion of pupils starting grade 1 who reach grade 5 (low cycle of basic education)	total			%	100	93 (2007)	100	
		F			%	100	95 (2007)	100	
		M			%	100	91 (2007)	100	
		R			%	100	83 (2007)	100	
		U			%	100	100 (2007)	100	
	2.1.5. Literacy rate of 15–24 year-olds	total			%	100	98.8	100	
		F			%	100	99.1	100	
M		%	100	98.5	100				
R		%	100	98.6	100				
U		%	100	99.1	100				
2.1.6. Average years of schooling	total	years	LSMS (HBS, DHS)	INSTAT	years	>13.5	11.2	14	
	R	years	LSMS (HBS, DHS)	INSTAT	years	nd	na	nd	
	U	years	LSMS (HBS, DHS)	INSTAT	years	nd	na	nd	
2.1.7. Net attendance ratio	total	%	Admin data, every year		%	100	92 (2007)	nd	
2.2. Improve education quality to approach OECD countries level	2.2.1. Average grade for language at the end of basic education	total	Admin data, every year	MoE	no.	nd	6.24 (2007)	nd	
		no.			nd	na	nd		
	2.2.2. Average grade for maths at the end of basic education	total			no.	nd	na	nd	
no.		nd	na	nd					
no.		nd	na	nd					
2.2.3. PISA	total	points			nd	na	nd		
2.3. Increase spending for basic education to the level of new EU member states	2.3.1. Proportion of government budget for pre-school and basic education	total	Admin data, every year	MoE	%	nd	58	52	
	2.3.2. Government budget for education as part of GDP	total		MoE	%	nd	3.5	5	
	2.3.3. Public spending per pupil for pre-school and basic education	total pre-school			MoE	ALL	nd	42,000	72,000
		basic			MoE	ALL	nd	30,000	50,400
				MoE	ALL	nd	44,000	72,000	

OECD=Organization for Economic Cooperation and Development, PISA=Programme for International Student Assessment, F=Female, M=Male, R=Rural, U=Urban, na=not available, nd=not defined

### **MDG 3: Promote gender equality and empower women**

Improvements regarding MDG 3 can be summarised as follows:

1. *New targets have been introduced*

The newly introduced targets are related to preventing and combating violence against women, and eliminating gender disparity in employment and payment. The two targets introduced aim at improving gender status in Albania. They reflect the problems of the current situation, and therefore are considered as major objectives of the Strategy of Gender Equality and Preventing Gender-based Violence.

2. *New indicators have been introduced*

The indicators introduced measure progress towards preventing gender-based violence and elimination of gender inequality in employment and payment.

3. *Targeted levels of indicators have been more ambitious*

The targeted levels for 2015 for both newly introduced indicators and the former ones are set at a quite ambitious level.

Targets have been reformulated according to the proposals from the MOLSAEO and UNIFEM, and indicators have been rearranged to fit the reformulated targets. A summary of the monitoring system for MDG 3 is presented in the table below.

### MDG 3: Promote gender equality and empower women

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
3.1. Eliminate gender disparities in basic education (grade 1 to 9) by 2015	3.1.1. Ratio of females to males in basic education	total	MoES, every year	MoES INSTAT	no.	1	0.92	1	MoES
		R			no.	1	0.94	1	
		U			no.	1	0.92	1	
	3.1.2. Ratio of literate women to men, 15–24 years old	total	LSMS (HBS, DHS)	INSTAT	no.	1	1	1	
		R			no.	1	0.9	1	
		U			no.	1	1.1	1	
3.2. Eliminate gender disparities in elected bodies, decision making in central and local government, and judicial system	3.2.1. Proportion of seats held by women in national parliament	total	parliament, every 4 years	MOLSAEO INSTAT	%	30	7.1	30	MOLSAEO
	3.2.2. Proportion of females holding posts of minister and deputy minister	total	every year, admin. data		%	30	14.2 and 25	30	
	3.2.3. Proportion of females in local elected government bodies	total	MoI, every 4 years		%	30	0–16	30	
	3.2.4. Proportion of females employed in civil service, at four highest levels of office	total	DPA, every year		%	nd	43	50	
	3.2.5. Proportion of females at decision making positions in judicial system	total	MoJ, every year		%	nd	na	nd	
3.3. Proportion of budget allocated to gender equality and to reduction of violence against women and children increased by 50% between 2009 and 2015	3.3.1. Percentage of budget allocated to gender equality	central level	MF, every year	MOLSAEO	%	nd	na	nd	
		local level			%	nd	na	nd	
	3.3.2. Percentage of budget allocated to prevent gender based violence	central level	MF, every year		%	nd	na	nd	
		local level			%	nd	na	nd	
	3.3.3. Number of registered gender based violence cases	total	MoI, national surveys		no.	nd	na	nd	
		F			no.	nd	na	nd	
M		no.		nd	na	nd			
3.4. Eliminate gender inequality in employment by reducing women's dependence on informal employment, closing gender gaps in earnings and reducing occupational segregation	3.4.1. Female to male employment ratio	total	LFS	INSTAT	no.	nd	0.72	nd	
	3.4.2. Proportion of females employed in public administration	total	admin. data	MOLSAEO	%	nd	58	>50	
	3.4.3. Share of women in wage employment in non-agricultural sector	total	LFS	INSTAT	%	50	32	50	
	3.4.4. Women to men wage gap	total	LFS	INSTAT	%	nd	19.15	nd	

LFS=Labour Force Survey, DPA=Department of Public Administration, MoJ=Ministry of Justice, nd=non defined, na=not available

## MDG 4: Reduce child mortality

The data in the table below show that the MDG 4 target and indicators are almost the same as those of the previous monitoring system. The targeted level of child mortality of 10/1,000 is considered as quite ambitious given that the current level of child mortality (12/1,000) is under reported.

### MDG 4: Reduce child mortality

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
4.1. Reduce under-five mortality rate to 10/1,000 by 2015	4.1.1. Infant mortality per 1,000 live births	total	DHS, admin data, every year	INSTAT/MoH	per thousand	10	11.1	10	MoH
	4.1.2. Under 5 mortality rate per 1,000 live birth	total			per thousand	10	12.4	10	
	4.1.3. Proportion of children vaccinated against measles rubella and parotitis	total			%	>95	>95	>95	

## MDG 5: Improve maternal health

Improvements regarding MDG 5, can be summarised as follows:

1. *Targets have been reworded*

The target on maternal health has been reworded to become more ambitious and to express Albania's ambition to become an EU member.

2. *Targeted levels of indicators have been more ambitious*

Targeted level of maternal mortality has been lowered to eight per 100,000 live births instead of ten per 100,000.

3. *Current indicators have been disaggregated into rural and urban.*

Given that maternal mortality tends to be higher in rural areas, this indicator has been disaggregated into rural and urban indicators.

## MDG 5: Improve maternal health

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
5.1. Reduce maternal mortality rate to 8/100,000 by 2015	5.1.1. Maternal mortality rate	total	DHS, admin. data	INSTAT/MoH	per 100,000	11	20.9	11	MoH
	5.1.2 Percentage of medical visits made during pregnancy	total			%	70	54.4	>70	
	5.1.3. Proportion of births attended by skilled health personnel	total			%	>98	>98	>99	

R=Rural, U=Urban, nd=not defined, na=not available

## MDG 6: Combat HIV/AIDS and Tuberculosis

Improvements regarding MDG 6 can be summarised as follows:

1. *New indicators have been added and the current indicators have been disaggregated*

The newly added indicators aim at monitoring groups at risk, including new mothers and persons taking drugs. Additionally, the indicator of Adult HIV prevalence rate has been disaggregated by gender and age.

## MDG 6: Combat HIV/AIDS and Tuberculosis

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
6.1. Halt by 2015 and begun to reverse the spread of HIV/AIDS	6.1.1. Adult HIV prevalence rate	total	DHS, Admin data	INSTAT/MoH	no.		350		MoH
		F			no.		107		
		M			no.		243		
		0–5 old			no.		12		
		6–14 old			no.		5		
		15–19 old			no.		4		
		over 19 old			no.		329		
	6.1.2. HIV prevalence among pregnant women aged 15–24 years	total			%	Nd	na	nd	
	6.1.3. Proportion of population with advanced HIV infection taking antiretroviral care	total			%	100	120 adults 15 children	100	
	6.1.4. Percentage of population aged 15–24 years with comprehensive correct knowledge of HIV/AIDS	total			%	100	na	100	
6.1.5. Number of people taking drugs	total	no	Nd	na	nd				
6.2. Halt and eliminate mortality from tuberculosis, by 2015	6.2.1. Tuberculosis notification rate <sup>2</sup>	total	%	100	100	100			
	6.2.2. Proportion of tuberculosis cases detected and cured under DOTS	total	%	100	44.2 (2007)	100			
	6.2.3. Tuberculosis mortality rate (per 100,000)	total	per 100,000	2.5	0.5 (2008)	<2.5			



## MDG 7: Ensure sustainable environment development

Improvements regarding MDG 7 can be summarised as follows:

1. *New indicators have been introduced*

The newly introduced indicators aim at monitoring pollution and threatened natural resources. The indicators introduced are selected in such a way that they track the progress toward meeting government objectives but also be in line with global MDG indicators.

2. *The current indicators have been disaggregated*

Indicators of access to safe drinking water and sanitation have been disaggregated by rural and urban areas.

3. *Targeted levels of indicators have been more ambitious, or more realistic*

Targeted level for terrestrial and marine areas protected has been more ambitious. But indicators of access to safe drinking water and access to sanitation have been more realistic.

## MDG 7: Ensure sustainable environment development

Revised target	Revised indicator	Disaggregation	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
7.1. Integrate the principles of sustainable development into country policies and programmes and reverse the trend of loss of environmental resources	7.1.1. Proportion of terrestrial and marine areas protected	total	Every year, admin data	MEFWA	%	11.4	11.42	14 (2014)	MEFWA
	7.1.2. Proportion of land area covered by forest	total			ha	1,045	1,040	1,041.5	
	7.1.3. CO <sub>2</sub> emissions	total			000 ton	nd	9,200	13,000	
	7.1.4. Consumption of ozone depleting substances	total			ton	nd	0	0	
	7.1.5. Proportion of fish stocks within safe biological limits	total			ton	nd	7,132	39,000	
	7.1.6. Proportion of total water resources used	total			%	nd	na	nd	
	7.1.7. Proportion of species threatened with extinction	total			no.	nd	936		
7.2. Improve access to safe drinking water and sanitation to approach EU standards, by 2015	7.2.1. Proportion of population declaring having access to safe drinking water	total	LSMS, HBS	INSTAT	%	98	75	98	MPWTT
		R			%	98	82.1	98	
		U			%	98	69	90	
	7.2.2. Proportion of population having access to sewage systems and having septic holes	total			%	nd	86.3	90	
		U			%	nd	98.6	100	

PPP=Purchasing Power Parity, R=Rural, U=Urban, MEFWA=Ministry of Environment, Forest and Water Administration, nd=non defined, na=non available

## MDG 8: Develop a Global Partnership for Development

Improvements regarding MDG 8 can be summarised as follows:

1. *New targets have been introduced*

A new target related to access of Albanian products in developed countries markets in order to make debt management sustainable in the long run has been introduced

2. *Current targets have been reformulated*

The first target has been reformulated to emphasize the partnership between government and donor community intended to increase aid effectiveness. Additionally, access to ICT has been transferred from MDG 1 to MDG 8 where it belongs. This target has also been reformulated to better express Albania's aspiration to get closer to EU standards of access to ICT.

3. *Targeted levels of indicators have been more ambitious, or more realistic*

Indicator of access to Internet and indicator of access to mobile telephone service have become more ambitious, while the indicator of access to fixed telephony has become more realistic.

4. *New indicators have been introduced*

Indicators of Target 8.1. are new ones. They have been extracted from the list of the Paris Declaration on aid effectiveness. Additionally, indicators belonging to Target 8.2. are also new indicators adopted from the global list of MGD indicators.

Indicator 8.2.4 Facilitate Debt under HIPC initiatives is taken out following Ministry of Finance proposal, as Albania is not a HIPC country. As regards yearly indicators 8.11 Aid reported to budget and 8.1.2 Improvement of in-year predictability, METE and MoD have proposed to take out, cause such data are impossible to gather. The report based on Paris Declaration prepared by DEBASKON every two years, foresees such information, but the data is still insufficient.

## MDG 8: Develop a Global Partnership for Development

Revised target	Revised indicators	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
8.1. Ensure partnership with donor community in order to increase aid effectiveness	8.1.1. Aid reported on budget	every two years	DSDC	%	nd	32 (2007)	>85	DSDC
	8.1.2. In-year predictability				nd	49 (2007)	>74	
	8.1.3. Use of programme-based approaches			%	nd	5 (2007)	>66	
	8.1.4. Proportion of sectoral (cross-sectoral) strategies equipped with targets and outcome indicators quantitatively measured	every year		%	nd	15	100	
	8.1.5. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)	every year		%	nd	na	nd	
8.2. Improve access to trade markets of developed countries so that the foreign debt is managed better and for a longer period.	8.2.1. Proportion of ODA provided to help build trade capacity	MoF, every year	MoF	%	nd	na	nd	MF
	8.2.2. Debt service as a percentage of exports of goods and services	MoF, every year	MoF	%	nd	na	3.1	
8.3. Improve access to ICT to the level of EU new member countries	8.3.1. Telephone lines subscribers per 100 population	admin. data, every year	MPWTT / ANIS	%	58	10.29	20	MPWTT
	8.3.2. Cellular subscribers per 100 population			%	78	95	110	
	8.3.3. Internet users per 100 population		MPWTT / INSTAT	%	35	14.9 (2006)	35	ANIS

ODA=Official Development Assistance, DAC=Donor Aid Charts, ANIS=Albanian National Information Society

## **MDG 9: Improve governance for all citizens and especially for most disadvantaged groups**

Improvements regarding MDG 9 can be summarised as follows:

### *1. New targets have been introduced*

Transparency through better use of ICT is seen as an effective way of radically improving governance. Based on this, a new target—Implementation of electronic governance in accordance to EU Standards—has been added. This target is expected to be met by considering the two sides of the market: supply, by offering public services on-line, and demand, improvement of citizens' willingness to use ICT, and access services on line.

Government should improve access to services for all citizens, and especially access to services for those most in need. Control of corruption is expected to directly improve this access. Given that poverty in Albania has more a rural aspect, special attention has been paid to improving governance in rural areas. The target is to ensure access to services and resources for most disadvantaged groups in accordance with the most advanced standards, expected to motivate policies that improve access to services for less favoured groups.

### *2. New indicators have been added*

The newly added indicators support the newly added targets mentioned above. Improvement in the level of newly introduced indicators (so-called second tier indicators, refer to 9.2.1. through 9.3.8.) is expected to result in improvement of six main governance indicators (9.1.1. through 9.1.6.) monitored by the WB Institute. On the other hand, it should be highlighted that newly added indicators are sensitive to government policies in the short to medium term and therefore it is expected that they motivate active policies. Lastly, one should mention that the new indicators are costless: they are monitored periodically by UNPAN, Transparency International and International Food and Agricultural Development (IFAD).

### *3. Targets and targeted level of indicators have been set at ambitious, but realistic levels.*

The level of indicators measuring the frequency of corruption has been set at the EU average level for 2007, while the level for access to resources in rural areas has been set based on the average of the five most advanced countries having access to IFAD funds.

## MDG 9: Improve governance for all citizens and especially for most disadvantaged groups

Revised target	Revised indicators	Source and periodicity	Institutional responsibility	Unit	Indicator level for 2015 in 2004 baseline report	Indicator level for 2008, or the most recent year	Revised indicator 2015	Institutional responsibility
9.1. Governance in Albania approaches EU governance standards by 2015	9.1.1. Voice and accountability	every year, WBI	WBI	points	81	50.0	81	DSDC
	9.1.2. Political stability			points	71	34.6	71	
	9.1.3. Government effectiveness			points	76	43.1	76	
	9.1.4. Regulatory quality			points	83	55.8	83	
	9.1.5. Rule of law			points	74	28.1	74	
	9.1.6. Control of corruption			points	73	36.7	73	
9.2. Implementation of electronic governance in accordance to EU standards	9.2.1. Availability of electronic services on-line	every year	AKSHI	no	Nd	50% of basic services offered at 1 and 2 level	EU average level	ANIS
	9.2.2. Index of electronic governance readiness	every year	UNDAN	no ranking	nd	0.467 (2008) rank 82	average ranking	
9.3. Ensure access to services and resources for most disadvantaged groups in accordance with the most advanced standards	9.3.1. Frequency of corruption in the court system	every year	TI	point (1–5; 5, worst)	nd	3.8	3.1	MoJ
	9.3.2. Frequency of corruption in the health system			points	nd	4.2	3.0	MoH
	9.3.3. Frequency of corruption in police system			points	nd	3.7	3.0	MoI
	9.3.4. Frequency of corruption in utilities (power, water)			points	nd	3.7	2.6	MPWTT
	9.3.5. Access to land	every year	IFAD	points (1–6; 6, best)	nd	4.4	5.0	MAFCP
	9.3.6. Access to irrigation water			points	nd	3.9	4.6	
	9.3.7. Allocation & management of public resources for rural development			points	nd	4.7	4.9	
	9.3.8. Accountability, transparency and corruption in rural areas			points	nd	4.2	4.4	

WBI=WB Institute, IFAD=International Food and Agricultural Development, TI=Transparency International

1 MAP, Membership Action Plan; PARR, Partnership for Peace Planning and Review Process; IPP, Individual Partnership Programme

1 Data on Indicators 1.1.5;1.1.6;1.1.7 are not gathered periodically by MoH, that data is secured by ADHS 2002 – 2007. The methodology used in the study is different from that of LSMS and MICS.

2 According to MoH data, tuberculosis notification rate for 2008 is 13.4 cases in 100,000 persons





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**skzhi** 

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