

REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS

**NATIONAL STRATEGY
FOR DEVELOPMENT
AND INTEGRATION** | **2015
2020**

- EUROPEAN INTEGRATION —
- GOOD GOVERNANCE, DEMOCRACY AND RULE OF LAW —
 - MACROECONOMIC AND FISCAL STABILITY —
 - ENHANCING COMPETITIVENESS —
- HUMAN DEVELOPMENT AND SOCIAL COHESION —
 - SUSTAINABLE USE OF RESOURCES —

MAY 2016

The vision 2020

“Albania – a strengthened democracy, on the path towards EU integration, with a competitive, stable and sustainable economy, guaranteeing fundamental and human rights”

Acronyms

AII	Adriatic-Ionian Initiative
FSA	Financial Supervisory Authority
VET	Vocational Education Training
WB	The World Bank
EU	European Union
BSEC	Black Sea Economic Cooperation
BoA	Bank of Albania
CEI	Central European Initiative
DDFFA	Department for Development, Financing, and Foreign Aid
SEE	South East Europe
FDIs	Foreign Direct Investments
ECHR	European Court of Human Rights
IPMG	Integrated Policy Management Group
GRECO	Group of States against corruption
Ghg	Greenhouse gas
SWG	Sector Working Groups
HEC	Hydropower Stations
HEI	Higher Education Institutions
INSTAT	Albanian Institute of Statistics
IPA	Instrument of Pre-Accession
UN	United Nations
EC	EUROPEAN Commission
CEC	Central Elections Committee
SPC	Strategic Planning Committee
MARRI	Migration, Asylum, Refugees Regional Initiative
SAA	Stabilization and Association Agreement
NATO	North Atlantic Treaty Organization
NE	Social (cash) assistance
LGU	Local Government Unit
WHO	World Health Organization
ODIHR	Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Cooperation in Europe
SDG	Sustainable Development Goals
MDG	Millennium Development Goals
MTBP	Medium-Term Budget Programming
GDP	Gross Domestic Product
PIP	Public Investments Program
NPEI	National Plan of European Integration
NPER	National Program for Economic Reform
PPP	Public Private Partnership
PAR	Public Administration Reform

RCC	Regional Cooperation Council
SEEC	South East European Cooperation Process
SELEC	Southeast European Law Enforcement Centre
PEFA	Public expenditure and financial accountability
SIGMA	Program of “Support for Improving Governance and Management of Administration”
NSDI	National Strategy for Development and Integration
PFMS	Public Finance Management System
IPS	Integrated Planning System
ICT	Information and Communication Technology
UNDP	United Nations Development Program
DCM	Decision of the Council of Ministers

The Government of Albania - **Ministries**

MoARDWA	Ministry of Agriculture, Rural Development and Water Administration	www.bujqesia.gov.al
MoC	Ministry of Culture	www.kultura.gov.al
MoD	Ministry of Defense	www.mod.gov.al
MoEDTTE	Ministry of Economic Development, Tourism, Trade and Entrepreneurship www.ekonomia.gov.al	
MoES	Ministry of Education and Sports	www.education.gov.al
MoEI	Ministry of Energy and Industry	www.energija.gov.al
MoE	Ministry of Environment	www.mjedisi.gov.al
MoEI	Ministry of European Integration	www.integrimi.gov.al
MoF	Ministry of Finance	www.financa.gov.al
MoFA	Ministry of Foreign Affairs	www.punetejashtme.gov.al
MoH	Ministry of Health	www.shendetesia.gov.al
MoSIPA	Minister of State for Innovation and Public Administration	www.inovacioni.gov.al
MoI	Ministry of Internal Affairs	www.punetebrendshme.gov.al
MoJ	Ministry of Justice	www.drejtesia.gov.al
MoSLA	Minister of State for Local Affairs	www.ceshtjetvendore.gov.al
MoSRP	Minister of State for Relations with the Parliament	www.marredhenietmeparlamentin.gov.al
MoSWY	Ministry of Social Welfare and Youth	www.sociale.gov.al
MoTI	Ministry of Transports and Infrastructure	www.transporti.gov.al
MoUD	Ministry of Urban Development	www.zhvillimiurban.gov.al

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PART I: STRATEGIC CONTEXT

1.0 NSDI-II GOAL

The National Strategy for Development and Integration (NSDI) represents the core strategic document that combines the EU integration agenda with the country's sustainable economic and social development, including the co-relation with the Sustainable Development Goals. NSDI II is the document that presents the vision for the development of democracy, social and economic development for the timeframe 2015-2020, while highlighting the aspirations for the EU integration. NSDI 2015-2020 is a depiction of how this vision is going to be translated into policies and priorities, as follows:

- Promoting country's development rates, by fostering sustainable economic growth through macro-economic and financial stability;
- Achieving standards regarding the citizens' services, ensuring better quality of life and protection of their rights;
- Transforming Albania into a country whose standards would enable its EU membership;
- Establishing policies that enhance competitiveness and foster the country's economic growth, compared to the countries of the region and beyond.

■ NSDI-II – part of Integrated Planning System (IPS)

NSDI-II¹ is a key component of the Integrated Planning System (IPS). IPS is a union of operational principles that ensure that planning and implementation of Government's planning policies are coherent, efficient and integrated. IPS has evolved and includes two main pillars of strategic planning and policy coordination at the national level:²

- *The medium-term strategic planning process* up to the long-term planning of NSDI II, alongside with sector strategies that guide policy-making at high levels, in the definition of national strategic priorities and goals, and,
- *Medium-term budgeting program (MTBP)*, which requires from every governmental agency and Ministry to draft a three year plan, within a given ceiling of expenditures, for the delivery of the policy objectives, as interim steps in the realization of NSDI-II.

¹ NSDI-I was drafted for the period 2007-2013 and was approved by the Decision of the Council of Ministers in March 2008 (DCM No. 342, dated 12/03/2008). This document was preceded by the first strategic development plan, the "National Strategy for Socio-Economic Development - Medium-term Program of the Albanian Government: Growth and Poverty Reduction Strategy" (GPRS 2002-2004).

² SPI was adopted by DCM no 256, 2005. SPI includes four parallel planning processes: (1) **the Government's Program for 2013-2017**; (2) **European Integration process (EI)**, which describes the planning measures and resource requirements to achieve the objectives under the EI agenda, and in particular the implementation of the SAA; (3) **Public Investments Management**, as an integral part of MTBP; and (4) **Foreign Aid** management, in particular the government efforts to optimize the use of foreign aid in agreement with a wide range of international conventions.

The NSDI-II also guides *annual budget allocations*, by providing policy objectives that are included in the guidelines of the Ministry of Finance' instructions for budget preparation, by all line ministries and implementing agencies. The NSDI-II represents an important *reference* document for the development partners, from the perspective of the harmonization of their countries strategies and programs by aligning them with the national strategies for development and integration of the country in the EU, as well as for reporting on progress. Finally, NSDI is an overview of the current stage of the country's development in line with the country's aspiration and progress in its historical road towards European integration.

■ Harmonization with other important documents

NSDI is harmonized in terms of content and time horizon with a number of other strategic documents that were drafted during the same time frame as this document. It is worth pointing out that process for the drafting of NSDI-II has run parallel with the sector programming documents of institutions, and with a number of programming reports and documents drafted by the development partners, in the context of development funding planning. This has led to synergies in the prioritization of policies and programming of reform funds for the country's development and integration.

The NSDI-II timeframe between 2015-2020 coincides with the period of EU financial planning for 2014-2020, EU Lisbon Strategy until 2020, and with three MTBP cycles. In addition to these processes, NSDI-II is also harmonized with other key strategic documents, namely:

- The National Plan for European Integration (NPEI), as the national instrument for full alignment of the Albanian legislation with the EU *acquis communautaire*;
- The National Program for Economic Reforms (NPER) 2015-2017 and PRE 2016-2018;
- Adopted sector and cross-sector strategies (Annex1);
- Medium-term budget program (MTBP) for 2016-2018;

Furthermore, NSDI-II is based upon and along the same lines as other documents drafted by development partners, and other documents of development context for the entire region, such as:

- EU Strategic Indicative Paper for Albania (2014-2020), also referred to as the EC Country Strategy paper;
- EU Progress Reports and the World Bank reports (such as: Country Partnership Framework for 2015-2020);
- Reports of country's development partners, with an impact on the national development strategies and EU integration, and
- South East European Strategy 2020 (SEE 2020) – Jobs and prosperity from a European perspective.

■ The strategy development process

The process for the of the NSDI 2015-2020 is characterized by a certain dynamic and synergy as a result of drafting in parallel of a number of other key strategic documents for the country. During the period of

the formulation of NSDI-II, a number of sector and cross-sector strategies were drafted which have served as a reference base for NSDI-II.

NSDI-II represents a **synthesis of sector and cross-sector strategies**, and other planning documents for reforms drafted until end of 2015, which were mainly adopted through Decisions of Council of Ministers (DCM). Out of the total number of strategic documents, 37³ were adopted through DCMs, of which 2 were adopted by law in the Albanian Parliament, and one with a decision of the Assembly of the Republic of Albania.

In the preparation of the sector strategies, a number of factors were taken into account with regard to: (i) their importance in terms of the sector development; (ii) the definition of the relationship between and among the strategies with the EU legislation (EU *Acquis Communautaire*) (hereinafter to be referred to as: *Acquis*);⁴ (iii) the establishment of funding levels; (iv) number of programs required for their implementation.

The technical process for drafting the NSDI-II was coordinated by the **Strategic Planning and Development Unit, in the Prime Minister's Office** (part of the Department of Development, Funding, and Foreign Aid (DDFFA)). This Unit is responsible for the coordination and ensuring the cooperation with the working groups established in the line ministries, with the independent and central institutions, such as: the Bank of Albania, INSTAT, and other departments in the Council of Ministers (Delivery Unit, Department of Legislation, Program Monitoring and Anti-Corruption, Department of Communication and Public Relations), and ensuring the support of national and international experts for the preparation of NSDI II, 2015-2020.

As a complex and multi-dimensional process, NSDI II has been guided by the political leadership of the strategic leading team, composed of senior political and leading officials of the main institutions represented in the Strategic Planning Committee (the Council of Ministers, Ministry of Finance, Ministry of Economic Development, Tourism, Trade and Entrepreneurship, Ministry of European Integration, Ministry of Foreign Affairs.)

The drafting of NSDI-II has gone through several phases, as follows:

- **Definition of short to medium term implementation priorities.** During this stage, the Government came up with 6 priority areas (alongside with relevant policies and actions), as well as 56 short-term priorities for the line ministries. In addition, this phase served for establishing the vision, and main objectives and pillars for NSDI-II, based on the country's development priorities.
- **Review of sector policies** by the line ministries, in keeping with the Government's key priorities. This phase concluded with the preparation of the main Chapter on the sector policies, based on the

³ Part of NSDI-II are 27 national strategies (adopted by Order no 93, of 07.08.2012), of which 21 strategies were adopted by DCM.

⁴ The *Acquis communautaire* is one of the most important concepts in the European Union as it ". . . covers all treaties, EU legislation, international agreements, standards, court verdicts, fundamental rights provisions and horizontal principles in the treaties such as equality and non-discrimination. In short: EU-law. All member states and their citizens must obey the *Acquis* and all candidate countries must accept the full *Acquis* to become a member of the European Union. The complete body of the EU *Acquis* is composed of more than 108,000 documents." See: <http://en.euabc.com/word/12>.

contribution of the line ministries, mainly policy departments, strategic planning and European Integration Directorates, and monitoring related structures. At this stage were also involved the independent institutions that provided valuable contribution for the sector strategic objectives. This is a valued added for the strategy, since it included the buy-in of the independent institutions since the phase of the formulation of the document, thus lending NSDI-II comprehensive and national features.

- **Sector budget analysis** took into account the key projects in each sector. At the end of this process, an analysis was drafted on the sector budgets, and on the key priority projects for each sector. The analysis was conducted in cooperation with the Budget Directorates of the line ministries, Budget Directorate in the Ministry of Finance, Directorate of Investments in the Ministry of Economic Development, Tourism, Trade and Entrepreneurship. The analysis served for the indicative budget of the strategy policies.
- **Formulation of the macro-economic and fiscal framework** looked into the current program of public finances, and budgeting, as well as on the planned funds from the development partners, either as grants or loans, through their development strategies and/or other agreements. This phase coincides with the formulation of the Chapter on the macro-economic framework and the financial implications of NSDI-II. The main contributors at this phase were: the Ministry of Finance, as well as the Ministry of Economic Development, Tourism, Trade, and Entrepreneurship, as well as the Bank of Albania.
- **Definition of the monitoring indicators** took place in several phases, given the difficulties in establishing measurable indicators, for the respective medium to long-term goals. The most important phases are related to the definition of the indicators and goals for each sector that became integral parts of the sector strategies drafted by the line ministries. The text of the document refers to specific indicators and goals regarding sector policies. In addition were also defined the indicators and goals of the Indicative Country Strategy Paper of the EU for 2014-2020⁵. Furthermore, the process reflected the indicators and goals in the framework of piloting the SDG16 related to Good Governance, in the context of the Sustainable Development Goals for 2015-2030.⁶
- **Consultations for NSDI-II with the development partners.** Consultations were part of the continuous communication process during the formulation of reports and conduct of analyses, as well as of the main programming documents for foreign aid, while aiming at ensuring synergy of donor strategies with NSDI-II. In addition, the document was disseminated to the key development partners for their comments and feedback, and was launched in a meeting of the Donors Technical Secretariat, as well as in other meetings of the group of the development partners.

In summary, formal processes of consultations with broad participation from a large number of governmental and non-governmental organizations and institutions were followed for the formulation of NSDI-II. The process called for approximately **44 Albanian institutions, of which 16 were line**

⁵ Indicative Country Strategy Paper, 2014-2020

⁶ Albania has signed the 2030 Agenda for Sustainable Development in September 2014. This agenda, at the global level, defines the Sustainable Development Objectives for 2015-2030.

ministries, 3 state ministries and 25 independent institutions, which provided sustainable contribution in the formulation of the document. The participatory process provides for the participation in meetings and workshops organized with the institutions during all technical stages of the drafting of the document.

The document was reviewed in the meeting of the Strategic Planning Committee (December 1, 2015), which endorsed the document in principle, while also providing some specific recommendations. The revised document was adopted in its final shape in the meeting of the Strategic Planning Committee (SPC) of February 8, 2016. The final draft, in line with the law on “Public notification and consultation” was published in the official webpages of the line ministries during March-April, 2016, according to a communications platform⁷ designed around general consultations, thematic consultations and consultations with the civil society and stakeholder groups.

■ Document layout

NSDI-II is organized around four main parts, as follows:

Part I reiterates the main achievements from the implementation of NSDI-I during 2007 - 2014, including focusing on key lessons learned, main triggers of change, and the **Government’s national vision** for the next five years. In addition, the document includes a brief summary of the most recent macro-economic trends and key challenges. The national vision looks into the actions that are necessary in a broad range of *areas and policies* in the public domain, together with the development partners, NGOs, private sector and the civil society, for ensuring economic growth and the welfare for a European Albania.

Part II of this document addresses the objectives and outcomes foreseen for six priorities of the Government in the medium-term. These priorities include: (1) ensuring innovative, citizen-centered good governance; (2) integrated water management; (3) recovery and financial consolidation of the energy sector; (4) enhancing innovation and competitiveness; (5) integrated land management; and (6) structural reform of the financial system. These topics run through most of the NSDI-II sectors, and hence may be perceived as cross-sector sub-groups, in the context of *broader priorities and strategies of Government policies* for national development and European integration during 2015-2020.

Part III represents the core of the document, presenting and depicting the statement/declaration for the vision for the country’s development and integration. This part is about the foundations and main pillars for the delivery of NSDI-II vision which include:

- **The major objective:** EU integration;

⁷ Consultation is about publication in the website of the main institutions of SPC (Prime Minister’s Office, Ministry of Finance, Ministry of Economic Development, Ministry of European Integration, and Ministry of Foreign Affairs). Thematic consultations are about publication in the website of the relevant line Ministries of the chapters referred to in 4 pillars of NSDI-II. Consultation with stakeholder groups and groups of civil society is about publication of the document in the official websites of the Agency for Supporting the Civil Society (AMSHC), Agency for Development of Foreign Investments (AIDA), National Agency for Territorial Planning (AKPT).

- **Foundation of the vision:** Consolidation of good governance, democracy and the rule of law.
- **Pillar 1:** Ensuring economic growth through macro-economic and fiscal stability;
- **Pillar 2:** Ensuring growth through enhanced competitiveness and innovation
- **Pillar 3:** Investing in human capital and social cohesion;
- **Pillar 4:** Securing growth through sustainable use of resources and territorial development.

Part IV focuses on the conditions and terms for the implementation and coordination of NSDI-II, including the risk factors and financial considerations. This Part is about the main coordination and cooperation mechanisms among institutions, and with the international partners that would enable the implementation of the strategy. In addition, it includes the potential risk factors for the implementation of NSDI-II, as well as the financial implications for the strategy.

At the end of the document there are Tables (in the shape of Annexes) with approved sector strategies, and tables with the NSDI-II key selected indicators. It is worth pointing out that the data in the document are provided alongside respective references. The data may belong to different periods, depending on when the information was generated respective resource institutions.

2.0 ACHIEVEMENTS, LESSONS LEARNED AND DRIVERS OF CHANGE

2.1 Key achievements for 2007-2015 including NSDI-I

Albania has made progress in terms of national development and EU integration during 2007 until 2015⁸ which is given below as a summary of the progress and challenges, according to aspects in line with the main pillars of the previous NSDI.

■ European integration

For starters, the country's greatest achievement was the granting of the candidate country status by the EU Council of Europe on June 27, 2014. Albania furthermore became full-fledged member of the North Atlantic Treaty Alliance (NATO)⁹, and has signed the SAA with the EU¹⁰. Albanian citizens are free to travel with no visa in the Schengen area, thanks to liberalization of the visa regime with the EU¹¹. Albania scored high among middle income countries, according to the World Bank classification. In addition, Albania was for the first time selected member of United Nations Council¹² for 2015-2017. All of these events have been deemed as important steps towards the initiation of a new phase in the country's EU integration process.

The main factors behind this new status should be sought in fulfilling a broad range of political, and economic criteria and EU requirements. From the perspective of the **political criteria**, this is particularly valid in terms of the constructive cooperation between the parliamentary majority and the opposition regarding the priorities of the integration process, Parliamentary Elections of June 23, 2013, and the anti-corruption measures, as well as measures against organized crime.

In order to expedite the opening of accession negotiations, the Government of Albania drafted and is implementing the Roadmap¹³ for meeting Five Priorities recommended by the European Commission in its Enlargement Strategy for 2013-2014¹⁴. These priorities are given in more detail as part of Section 7, and are the following:

1. Public administration reform;
2. Independence, efficiency and accountability of the institutions of the Judiciary;
3. Fight against corruption;
4. Fight against organized crime; and

⁸ A mid-term assessment of the NSDI-I 2007-2013 was conducted in 2011, with the support of the Integrated Planning System Trust Fund administered by the World Bank, and funded by the European Union, the Swedish International Development Agency, and the Austrian Development Agency. The present section is for the most part a brief update of the mid-term assessment.

⁹ NATO membership, on April 4, 2010 at the Bucharest Summit.

¹⁰ Effectiveness of the Stabilization-association Agreement, April 1, 2009.

¹¹ EU Visa Facilitation Agreement (2010).

¹² Elections of October 21, 2014, 69th Sessions of UN General Assembly.

¹³ Adopted by DCM no. 330, of May 28, 2014, "On adoption of the guidelines for five priorities recommended by the European Commission, 2013".

¹⁴ http://ec.BEropa.BE/enlargement/pdf/key_dokuments/2013/package/strategy_paper_2013_en.pdf

5. Protection of human rights (including the rights of Roma community, anti-discrimination policies, and implementation of property rights).

These five key priorities also represent the framework of reforms that need to be expedited during 2015-2020, which coincides with planning of NSDI-II and IPS.

The Roadmap is an important demarcation point in the country's path towards EU integration. On the one hand, it marked the culmination of intensive, but constructive consultations between the Government and the European Commission. While on the other, it marked the launch of a very determined and greatly structured action plan in the continuous and long-term fight of Albania against corruption and organized crime, the reform in the public administration and civil service, strengthening of the Judiciary, and better performance in the protection and enforcement of human rights, including the property rights.

The Government has reiterated the strategic aspects of these challenges: support on achievements, continuing on the same path, more investments in planning, coordination and attraction and sustainability of the key reforms. To this end, the Government will implement measures that address the Five above mentioned Priorities, in the context of the broader and longer-term national plan of European integration which covers all aspects of the EU integration process, including accomplishment of Copenhagen political criteria.

In terms of meeting the economic requirements, Albania has continuously advanced towards the establishment of a functional market economy, and the preservation of the macro-economic stability through a sound monetary policy, despite the decline in the scale of growth of GDP since 2009. However, the global financial and economic crises of 2009 is perceived to have had an impact in the country, by reiterating the need and the reaction of the Government to focus on economic growth and competition. Attention to these areas will be accompanied with improvements in overall economic governance and the investments climate, in order to meet certain criteria for EU integration. Important aspects that address macro-economic and fiscal stability (debt and deficit), foreign direct investments (FDIs), business climate, economic integration in the EU, and related areas are addressed under Section 9 of this document.

As a summary, the Government holds that a sustainable market economy and a competitive business environment cannot be guaranteed or supported in their development, without rule of law, a sustainable and professional public administration and civil service, and without the will and capacities for law enforcement, or without an independent and efficient Judiciary.

In meeting the requirements for European Standards, Albania has in general met the SAA requirements, according to the established deadlines and joint EU-Albania recommendations. Albania has gradually approximated its legislation with the EU *Acquis in a broad range of sectors*, ranging from the free movement of goods up to the free movement of capital, to public procurements, competition and

transports, etc. The successful implementation of the SAA so far, has yielded positive results, in particular with regard to the introduction of a free trade area between Albania and the EU.

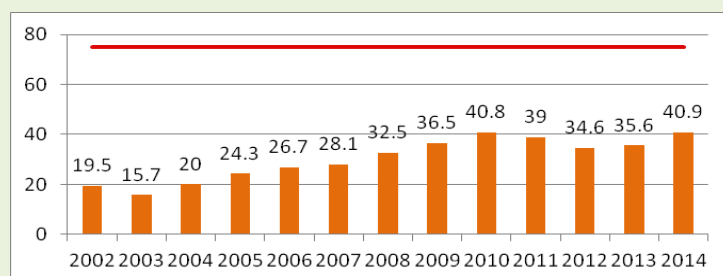
As reported in the most recent EU Progress Report for Albania 2014 and 2015, the Government should take further actions for advancing harmonization of the national legislation with the EU *acquis*. These actions and related challenges are addressed in detail in Part III of this document.

■ Democratization and Rule of Law

Albania has made progress in the consolidation of the Judiciary, despite the fact that efforts have been more guided towards operational measures, such as: modernization of infrastructure, and partial introduction of IT to improve communication with the public. In several instances legal changes were introduced with the view of improving certain aspects of the organization of the Judiciary and governance, based on the principle of “*check and balance*”¹⁵. These include, for instance, the approval of laws for the establishment of the Serious Crimes Court, and the Administrative Court, and changes to the law on Supreme Court and the High Council of Justice (HCJ).

Despite the reforms that have been carried out, the judicial system is still perceived as highly corrupt.¹⁶ Albania ranked 59 out of 102 countries in the 2015 *Access to Justice* Index, and it ranked 101 out of 142 countries in the 2014 *Judicial Independence* index.¹⁷ According to measurements of the World Bank Institute about the Rule of Law indicator (one of the key corruption indicators), Albania in general made visible progress from 2002-2014, as illustrated in Figure 1, despite a drop during 2010-2014. The ranking of 40, 9 for 2014, is far below Millennium Development Goals (MDG) for 2015, where the targeted level is 74.¹⁸

Figure 1. Rule of Law, 2002-2014



Source: World Bank Institute/ MDG Report 2015

¹⁵ The check and balance principle

¹⁶ INSTAT, “*Corruption in Albania: Bribery as experienced by the population*”, UNDOC, 2011.

¹⁷ These two indices comprise the composite used by the EU in its ISP 2014-2020 Table 2 composite sector indicator to measure Judicial Reform. Access to Justice is the 7th Factor in the World Justice project’s Rule of Law index, and measures whether civil justice systems are accessible and affordable, free of discrimination, corruption, and improper influence by public officials. Judicial Independence is the second index used by the EC, and is one of several used in the World Economic Forums Global Competitiveness Index.

¹⁸ Albania’s MDG performance up to 2015 has been assessed and is presented in the report “*Millennium Development Goals in Albania: 2015*”, prepared by the Government of Albania and the UN, August, 2015.

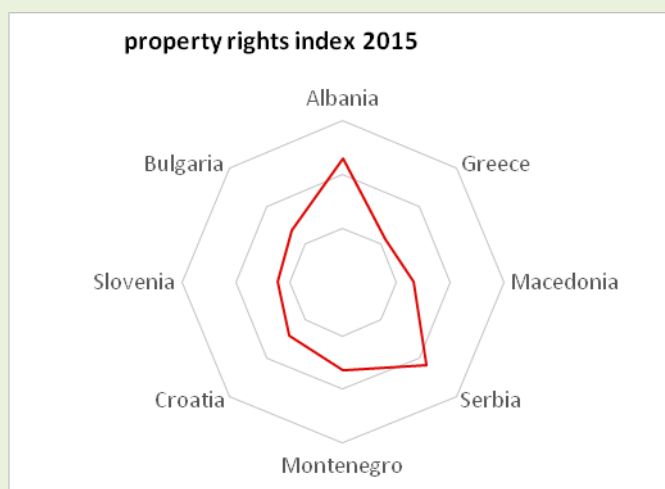
The Council of Europe Progress Report for Albania¹⁹ draws attention, in particular, about the operation of the Judiciary, indicating *inter alia* that “...the Judiciary system is in its early stages of preparation”, while pointing to the fact that there is widespread corruption in the Justice system. The report indicates that there has been “somewhat” progress with the establishment of the ad-hoc parliamentary committee for the Justice reform, in November 2014, while emphasizing the priority for the adoption of a strategy and taking action, with broad consultation, to guide the reform and implementation of concrete relevant measures.

The main areas that require focused attention *inter alia* include the need for: (1) increasing independence and impartiality of the judiciary, including the removal of potential for politicization; (2) increased transparency and issues related to the appointment, promotion, transfer, appraisal and security of judges; (3) speed up the allocation and management of judicial cases; (4) full harmonization and unification of the case law system; (5) ensuring better public access to more complete information (e.g. on court rulings); (6) clarification of the role and accountability of judicial institutions; (7) combat instances and / or allegations of corruption; and (6) increasing efficiency and capacities of judicial institutions.

Reforms in **property rights** continued, mainly in service provision related to property transactions. The provision of online services through the “one-stop-shop” concept reduced the time needed for property registration, and enhanced transparency. However, the reform contributed little to the safeguarding of ownership rights and the elimination of legal uncertainty. The legalization of construction is not complete and the restitution and compensation of ex-owners was not properly addressed. Albania’s ranking on the 2013 Property Right Index was at the bottom in comparison to other countries in the Balkan region, as illustrated in Figure 2.

Among the many issues to be addressed stands the need to finalize the first registration of properties, in order to ensure certainty of ownership and to resolve any ownership related disputes. Indeed, these and other issues in securing property rights and establishing a sound system of land management are numerous, they are complex and they will need a long time to resolve. For these reasons, the Government identified “property and the sustainability of land management” as one of its six key priorities. The issues and challenges will be further addressed

Figure 2. Property rights index, SEE countries



Source: World Economic Forum
(Global Competitiveness Index)

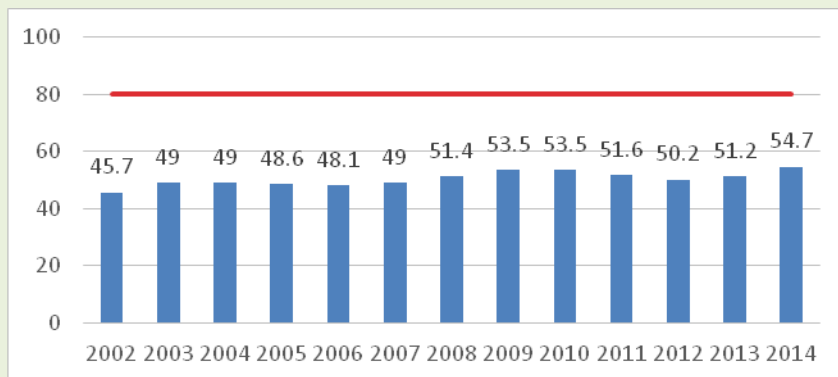
¹⁹ EU Progress Report, 2015

under Section 5.5, as one of the key priorities of the Government, as well as under Section 10.1 that looks at the sector, as a whole.

There has been progress in public procurement as regards support of **anti-corruption measures** through the introduction of **the e-procurement system**. In addition, the introduction of e-tax and e-customs systems have reduced possibilities for corruption and fiscal evasion. However, the Council of Europe Progress Report for 2015 reiterates that: "... there is widespread corruption and there is need for more efforts to have a solid track record of investigations, criminal prosecution and punishment at all levels, in particular for cases with the involvement of senior Government officials."

Albania's ranking in terms of "Voice and Accountability", one of the key indicators of corruption of the World Bank Institute (WBI) has shown fluctuations in the course of the several past years. Following a decline in the course of 2011-2012, there is an increase in 2014, with an appreciation of 54, 7. However, the MDG for anti-corruption for 2015 for 81, 0 is still unmet. (Figure 3).

Figure 3. Voice and Accountability, 2002-2014



Source: World Bank Institute/MDG Report 2015

The decision to grant the country the candidate status was based, in part, on the condition that the Government must pursue its fight against corruption and organized crime. To this end, the Government approved the "Anti-Corruption Cross Sector Strategy: 2015-2020" in March, 2015, wherein it is stated that corruption continues to be "... the main obstacle to sustainable political, economic and social development . . . In 2013, for the third year in a row, based on the corruption perception index (CPI), Albania was . . . last among other countries of the region, being thus marked as the most corrupt country in Europe."²⁰

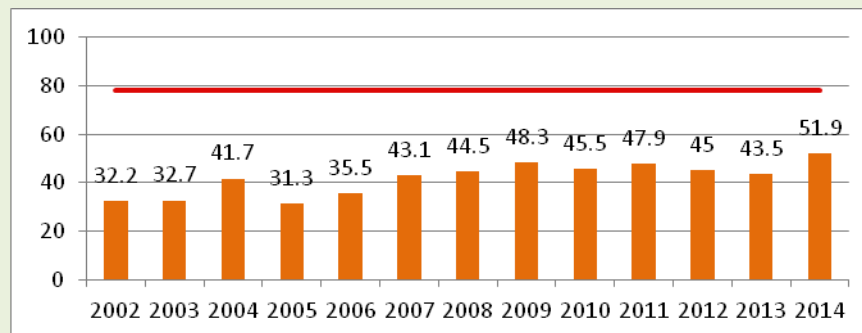
Given that corruption is extremely complex and affects many sectors, the Government has appointed a National Anti-Corruption Coordinator, as well as has established a network of persons responsible for the fight against corruption in all line ministries. Still, the biggest challenges lay with regard to law enforcement and in the coordination of the work of the institutions, as well as in the necessary legal

²⁰ "Inter-sectorial Strategy against Corruption: 2015-2020" adopted by DCM in March 2015.

changes to ensure efficiency in the fight against corruption. Greater attention should be paid to the fight against corruption in education and health sectors that represent currently a source of major concern.

Public administration and civil service reforms were improved through legal changes for the consolidation of the operation of an efficient institutional network, and to ensure a more sustainable and professional administration.

Figure 4. Good governance effectiveness, 2002-2014



Source: World Bank Institute/ MDG Report 2015

The World Bank Institute Government Effectiveness indicator demonstrates many fluctuations during 2002-2014, with 2014 marking the peak at 51.9 compared to other years (Figure 4). The implementation of the Civil Service Law and of the “National Cross-Sector Strategy on Public Administration Reform, 2014-2020”, which was adopted in early 2015 are expected to address the challenges that are aimed at enhancing government effectiveness. It is of paramount importance to ensure that the civil service is more professional, modern, depoliticized and based on meritocracy.

■ Growth and economic development

The Albanian economy has shown good progress, in terms of growth, whereby annual real growth during 2008-2015 was 3,1%, as is addressed in detail under Section 4 of this document. Monetary policies have played an important role in alleviating the aftermath of global financial crises, and ensuring **macro-economic stability**. During the global crises of 2009-2013, the growth of GDP slowed down, while during 2014-2015 growth rates resumed, while creating growth expectations for the next period.

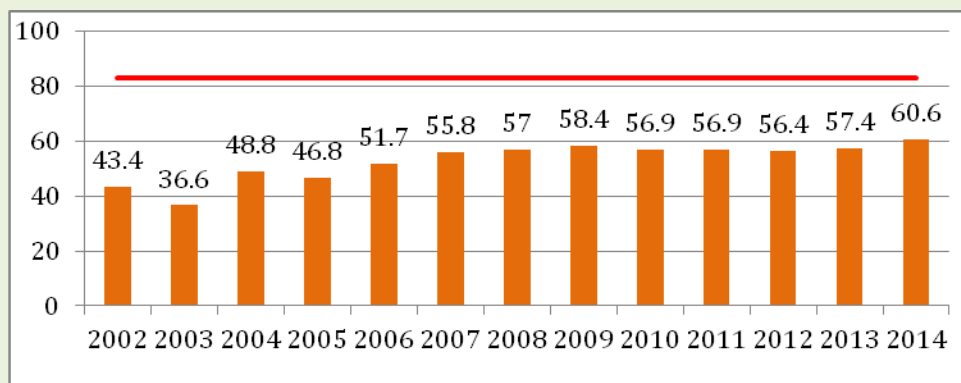
One of the important factors in avoiding recession during the global crises were the **strong fiscal incentives** injected in the economy in 2009, through the fiscal expansionary policy. Yet again, domestic debt escalated to 72,5% of the GDP until the end of 2015, due to the Government’s failure to settle a considerable amount of arrears due to the businesses, in the last 3-4 years, leading to a weakened liquidity and trust in the market. In 2014, the Government launched a series of successful short-term measures, aimed at improving public finances management, and ensuring macro-economic stability through adoption of: (i) a

“Strategy for prevention of future arrears and settlement of existing ones” in 2014, (ii) while settling debt arrears accumulated during 2014-2015, with the support of International Monetary Fund (IMF) and World Bank loans; (iii) stabilization with growing trend of economic growth during 2014-2015; (iv) regulatory measures aimed at fiscal and financial consolidation.

A **cautious monetary policy** has as well played an important role in alleviating the aftermath of the global financial crises. Reforms focused on the harmonization of instruments of monetary policies with the ECB standards, introduction of new elements, with the view of deepening the money market, ensuring greater flexibility in the management of liquidities, strengthen the trust in the banking system for the implementation of the monetary policy, and the development of the interbank market.

Progress is also made with regard to further consolidation of budgetary planning and its linkage with the Government’s priority policies. One of the main achievements of NSDI-I with regard to public finances was the **institutionalization of the Medium-Term Budget Program (MTBP)**, as an instrument for budget reconciliation with sector policies. Public expenditure management and monetary instruments were further consolidated with the introduction of the Automatic Treasury System, strengthened internal audit of public finances (to ensure alignment with EU standards), expansion of the tax base, and alignment of the customs systems with the requirements of the World Trade Organization (WTO).

Figure 5. Regulatory quality 2002-2014



Source: World Bank Institute

There has been progress regarding establishment of a favorable business climate. In the most recent “Doing Business” report for 2015, Albania has demonstrated significant improvement in the overall score, in particular regarding “ease of doing business.

Until 2015, Albania’s ranked improved to 68th place, a significant improvement from the ranking of 108th in 2014, and 136th in 2008. Improvement of the “*Doing Business Indicators*” is at the core of reforms to lead to increased competitiveness and innovation, increased flows of Foreign Direct Investment (FDI)

and overall economic growth. In the course of 2007-2015 policies were implemented aimed at reducing red tape, together with reforms in the tax area, while strengthening e-governance. Regulatory quality remains, in general, an indicator with a very positive and growing trend, as illustrated in Figure 5, within its peak in 2014. However, the goal of 83 for 2015 in the context of MDGs remains well below the target.

The Small and Medium Enterprises Sector (SMEs) continues to represent a very important component of the economy of the Albanian business, accounting for 81% of employment (EU average: 67%), and providing for approximately 70% of the value-added (EU average: 58%).²¹ The current distribution of active enterprises, according to the sectors of the economy is as follows: trade (43, 4%), hotels and restaurants (16, 2%), transport and communication (9, 9%), industry (9, 6%), construction (4, 3%), agriculture and fishery (1, 7%) and other services (14, 9%). However, despite positive growth of SMEs there have been considerable inequalities among the regions.

There are major public investments ongoing in **infrastructure**, as part of the key support for the development of all other sectors of the economy. Special attention was paid to the integration with regional networks, improvement of services for the population, and creation of a sustainable environment. **Road transport** was the main focus during 2007-2013, in particular the north-South Corridor, the Nation's Highway that connects Kosovo with the North-South Corridor and the Durrës port, and the construction of VIII Corridor. These investments represent an important contribution in connecting the country with the Balkans' infrastructure networks, with the long-term goal for Albania's future integration in the Pan European transport networks.

Since 2014, Albania was actively involved in the **Berlin Process** launched by the German Government, with the view of further fostering the political dialogue and economic development of the countries of the Balkans, in the context of the joint EU membership perspective. This process began with the High Level Conference in Berlin, in August 2014, while providing for a framework for promoting the dynamics of efforts for EU membership of the countries of the Western Balkans. The Government of Albania deems this process as a vision "for a region of peace and well-prepared for EU membership, while guaranteeing a dignified life for its citizens."²²

In the framework of this process were outlined several financing instruments of the EU and member countries, translated into concrete projects aimed at linking the regional infrastructure with that of the EU, and generating economic growth and promoting welfare in the region. The South East Europe Transport Observatory (SEETO) deems that this infrastructure will be worth 7, 7 billion Euro in terms of priority projects. Results of a study conducted by the Vienna Institute for International Economic Studies (WIIW), indicate that such a comprehensive infrastructure investments package totaling 7.7 billion euro would be conducive to an economic growth of 1% for all countries of the region for a period of 15 years. In addition, the project is believed to generate 200.000 new jobs in the region.

²¹ European Commission, "Enterprise and industry 2014 SBA Fact Sheet – Albania" (Small Business Act for Europe).

²² http://www.punetegashtme.gov.al/files/news_files/Albanian_Working_Paper_for_Berlin_Conference_28_08_2014.pdf

Liberalization of the energy market in the course of 2011-2013 did not bring about the expected progress in the country's development. On the contrary, privatization of the distribution sector led to instability in the country's macro-economic situation, due to the unsuccessful privatization of the Power System Distribution Operator (OSHEE). Power losses increased, while the tariff collection rates fell. In addition, during 2007-2013, the sector continued to be characterized by high losses in transmission and distribution networks, low tariff collection rates, and high rates of bad debt. Currently, the sector is one of the six medium-term priority sectors of the Government, where intervention has focused on introduction of effective measures for proper management of the sector and increasing the rates of investments in the sector. Consequently, during 2014-2015, financial aspects were stabilized, while there was an increase in the collection rates. There are still many key challenges ahead that need to be addressed with regard to efficient and management of the sector and the liberalization of the energy market, with the view to ensure safe and affordably power supply.

During 2007-2013 the approach followed in **water –related sectors was a fragmented one**. In the **water and wastewater sector**, the situation during 2008-2013, despite high rates of investments in infrastructure was characterized by several problems, regarding: (i) water supply for the population, (ii) poor management of water and wastewater utilities, (iii) high levels of losses in the network, (iv) and low levels of coverage of the waste water treatment service. The same situation applied to the **irrigation and drainage infrastructure during 2007-2013** accompanied by low levels of efficiency, with an impact on the agricultural development. This trend changed during 2014-2015, since in the course of 2015-2017 there is a plan for ensuring irrigation of 210 thousand hectares of land (through state budget funds and the World Bank Water Resources and Irrigation Project) and improvement of drainage for 270 thousand ha of agricultural land.

Given the importance of water, since 2014, the Government is following an **integrated water management approach**, which is one of the 6 national key priorities. A Water IPMG is established. The IPMG is chaired by the Prime minister, while a national sector program is being drafted, and is expected to ensure sector coordinated policies.

Efforts to ensure progress in the **waste management sector** have been insufficient to address the many challenges of the sector. The Waste Strategy approved in 2010 failed to translate into a useful tool, for guiding interventions and investments, whose level has been very low. The need for a more operational platform for the sector has guided the preparation of a master plan for the sector which is underway since 2015, and would contribute to the prioritization of interventions, and shaping of a realistic and enforceable sector policy.

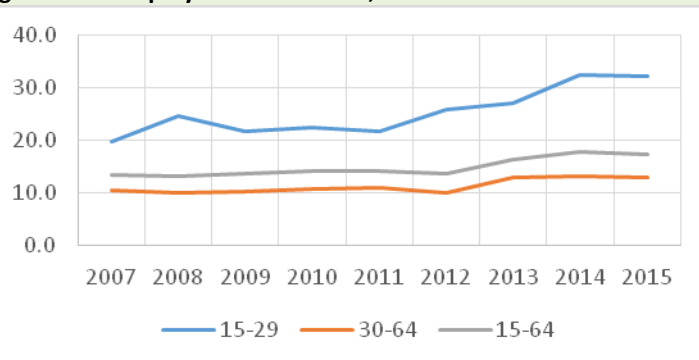
In terms of the Information and Communication Technology (ICT) sector, and the information society in general, the electronic communication market is liberalized, there is internet in all the country, and that includes expansion of electronic services (such as for instance, the establishment of the National Center for Licensing and National Center for Registration, expansion of GovNet infrastructure, e-taxes, e-procurement, e-customs and e-patents). A number of laws were passed in line with EU standards. The challenge remains intensification of use of ICT in light of assuring better quality services for the citizens, with the view of strengthening good governance.

■ Policies and social development

The focus of the policies during 2007-2014 was promoting employment, generation of new jobs, consolidation of social support and social protection, and modernization and improvement of quality of the health and education sectors.

In the **labor market**, the unemployment rates showed slight fluctuations over the years (Figure 6). There is a growing trend in general in terms of unemployment and in 2015 it reached 17,5% for the age group 15-64 years old, compared to 2007, for which the figure of unemployment was at 13,5%. Unemployment was substantially high among youth (15-29 years old) (from 19, 8% in 2007 to 32.5% in 2014). In response to this situation, the Government has implemented policies for generation of new employment, including expansion of Vocational Education Training (VET) public centers, linking VET more closely with the labor market, strengthening training capacities etc. this policy has begun to yield its first results, and in the third quarter of 2015, youth unemployment for 15-29 age group was at 32, 3%.

Figure 6. Unemployment rates in %, 2007-2015



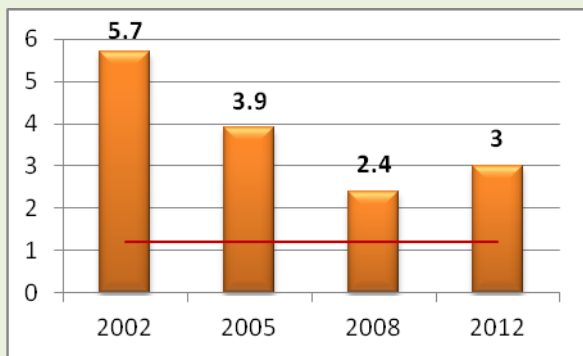
Source: INSTAT

Poverty alleviation and social inclusion are at the core of the national development policies. The most recent trends demonstrate that the scale of poverty is a direct expression of social exclusion. Relative poverty is growing, and was at 14, 3% in 2012,²³ from 12, and 4% which was the figure in 2008, and was accompanied by a broadening of

the poverty gap among regions. The percentage of persons living in extreme poverty almost doubled during 2008-2012, from 1, 2% which was the figure for 2008 to 2, 2% in 2012. The poverty gap, as illustrated in Figure 7, fell from 5,7 in 2002, to 2,4 until 2008, but experience an increase of 3,0 until 2012. On a positive note, there was a decline of 11, 8% of the number of poor persons living in rural areas during 2008-2012. Policies and investments in these areas remain an important challenge for the future.

²³ INSTAT, Living Standards Measurement Survey – LSMS.

Figure 7. Poverty gap in Albania 2002-2012



Source: LSMS / INSTAT

Poverty Gap . . .

The poverty gap is defined as the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence (World Bank, Development Research Group).

The Poverty Gap is also used as part of Albania's first Millennium Development Goal (MDG-1). The 2012 target was 1.2.

There has been progress in the area of **social protection**, as regards strengthening of control over payments, decentralization and quality of service. However, certain vulnerable groups such as: Roma and Egyptian communities, persons with disabilities (PWDs) and the elderly are faced with difficulties in living conditions, and often times are subjected to exclusion from health care, education and other governmental services.

Achievements in the **health system** consisted in improvement of the operation of Primary, Secondary, and Tertiary health care, and in the continued strengthening of their administrative and financial autonomy. Now, Albania has in place a compulsory immunization scheme against main childhood diseases that covers over 97% of the children. The Health Insurance Institute has strengthened its role as a sole purchaser of healthcare services. Yet again, major challenges lay ahead in terms of deteriorating and inadequate medical facilities, unequal access to healthcare, underfunding, and inadequate staffing.

While the number of primary health care facilities is over 400, private secondary and tertiary healthcare remains limited. Expenditure for hospitals account for approximately 55% of the overall health budget, which explains the improvement in the hospital infrastructure. Approximately 70% of the population are regular users of public healthcare system. Albanians are healthy, according to regional standards, but the country needs to guide the healthcare system towards reduced mortality rates, and curbing increasing risks on the health of the population.

Reforms in the **Education System** resulted in improved teaching and learning conditions, moving Albania closer to EU average indicators. The Internet has been installed in all schools thereby significantly expanding the possibilities for new methods of teaching and learning, but this infrastructure is beginning to deteriorate. Public expenditures on education are low at 3% of GDP, and explain in part the fact that Albania continues to have gaps in years of schooling, enrolment rates at the secondary level, the quality of curricula and teaching, and in relevance to the economy. In **higher education** the main achievements consisted in improving the access and participation of young people, and in the implementation of the reformed 3-cycle studies, in line with the Bologna process. The number of enrolled students in higher educational institutions increased from 90,205 in 2007 to 145,028 in 2013-14, a significant 60% increase,

but the increase in teaching staff was only half that rate, resulting in reduced quality in teaching delivery.

■ Urban, rural and regional development

Albania's legal framework as regards territorial planning and development has recently suffered many changes. As of October 1, 2014, a new law is in place i.e. Law no.107/2014, "On territorial planning and development". Albania has adopted the legal framework on the procedures, and other requirements for issuing construction permits, as well as the planning instruments and the development regulations. The growth of small and medium enterprises (SMEs) has generally followed a positive trend throughout the country, while there is inequity in the development of the regional economies which is reflected in the number of small and medium enterprises established at the regional levels. Empowerment of the Fund for the Development of the Regions is expected to play a key role in promoting balanced and sustainable development of the regions, and fostering the local and regional economic potential.

Agriculture continues to be one of the most important sectors currently, with potential for future development, while also remaining the main sector of employment, with approximately 52% full time employees. Even though there is no accurate data, it is believed that more than 2/3 of general agricultural land is in use. In order to secure financial support, and promote crediting in agricultural and rural development, in 2015 was approved the establishment of the National Guarantee Fund with the goal of crediting agriculture and fostering rural development.

2.2 Lessons learned

The implementation of the NSDI-I commenced in 2007 and was extended to 2014. This 8 year period represented a formative and "learning experience" in many ways: it addressed the setting up of the original Department of Strategy and Donor Coordination at the Council of Ministers; it marked the introduction of new mechanisms and expansion of the existing ones for policy coordination (such as: sector working groups (SWGs); involved the continued roll-out of major components of the IPS; and pursued major investments in the development of sector and cross-cutting sector strategies. A lot of this was pioneering work for the Government, and a number of lessons were learned.

■ **Capacity needs.** NSDI-I failed to sufficiently address the aspect of capacities required for the implementation of policies, absorption of considerable financing levels, or capacities that were required for the continuation, preservation or operation of implemented reforms. Different capacities required for their successful implementation were not sufficiently understood in all cases. Sustainable human and institutional capacities development requires a more comprehensive and strategic approach, and instruments such as the regulatory impact assessment should be used in a more systematic fashion. These aspects of implementation, *inter alia*, are more broadly addressed in Part IV of this document.

■ **The complexity of the strategy.** Despite the logical structure of NSDI-I in three main pillars, building it around 37 sector and cross-sector strategies proved to be complex. Some specific strategies failed to be drafted, or where alternatively drafted and adopted with delays. Even though the Government has

reduced the number of adopted key strategies, there are still a considerable number of support strategies, long-term programs and master plans. The aspect of complexity is also related to the definition of priorities. Under NSDI-II, the policy priorities are clearly defined and get addressed in the Six Key Priorities of the Government (Section 5), medium-term national development priorities, and EU integration priorities (Section 6), as well as agreed specific priorities that stem from Council of Europe annual progress reports (Section 7).

■ **Performance Measurement.** NSDI-I included a considerable number of indicators through which to measure progress in the implementation of the strategy. For both NSDI products, as well for specific sector strategies, measuring performance has proved to be a too difficult and complex a task. Broadening the processes of understanding, acceptance and implementation of results and evidence based decision-making is a lengthy and time consuming process, which requires considerable investments in the training and preparation of support systems. NSDI-II pays more attention to measurement and reporting on the progress, in particular as regards: (i) a broad range of goals and indicators, cross-cutting sectors and program areas addressed under Part III of this document; (ii) agreed goals and indicators regarding Indicative Strategy Paper, 2014-2020 (to be discussed under Section 7); and (iii) inclusion of Sustainable Development Goals (SDGs) in the NSDI-II, with particular attention to agreed goals and indicators under Sustainable Development Objectives about “governance”.

■ **Accountability and reporting.** The systems and procedures under the IPS intended for routine monitoring and reporting of the NSDI and the sector strategies, in many instances were not effective. The goal was for each Ministry to report about its progress on annual bases, based on its integrated plan. The reports of the Ministries would serve to complement an annual progress report of NSDI, tailored mainly for the broad public. These annual reports were incomplete and drafted with delays, thus having no impact on the policy-making cycle. A more practical approach regarding monitoring and reporting, including coordination is addressed in detail under Part IV of this document.

2.3 Triggers of change

Reforms in the Albanian economy, and society, or in the intrinsic democratic systems of its governance have not occurred in what could be considered as an organic way. On the contrary, reforms and changes in Albania during the last 25 years were driven by a number of internal and external factors, the most important of which was the country’s transformation from a highly centralized system to a democracy based on the principles of open market, greater decentralization, more freedoms and human rights. This necessary transformation, accompanied with the aspiration of Albania to become an EU member will continue to be the main trigger of change for the future.

However, during each major planning, other and different important drivers of change come into play that are taken into account in the national development policies and strategies. For the current NSDI-II, for the planning period of 2015-2020, the main drivers behind change include:

■ **Citizens and demands.** With the new Government coming into power, the main impetus for change and reforms was the response to citizens' demands for more qualitative, timely, safer, more accessible services, and for more accountability, transparency and more cost effective services. At the center of the country's development are its citizens, civil society, and the respective market/business organizations. The government's Six Key Priorities, together with all sector and cross-sector strategies will be more and more driven by the citizens and the demand-side, and will be guided by the services. Consequently, the goal is to transform the existing system, by making it into a new model for service delivery, with the citizens at its core, while fighting corruption through innovation and modernization.

■ **EU Integration.** The SAA and all other related agreements entered into by the Government as well as the obligations resulting from them will continue to exert significant pressure on the Government and all sectors of the economy, in order to live up to these agreements. This external driver of change will increasingly be internalized as Albanian institutions respond to demands for greater performance across all criteria for EU integration. The benefits of EU integration are seen by both the Government and the population to far outweigh the costs and the adjustments that need to be made.

■ **Global financial crisis.** The effects of the global financial and economic crisis – primarily external – have had long-lasting impacts. This crisis is far from over, as it reaches into national issues beyond simply remittances, trade, banking or fiscal considerations, to include aspects of national sovereignty and survival. Albania will continue to monitor, analyze and respond to this evolving crisis through major policy actions in monetary, fiscal and other macroeconomic policies and strategies, and these strategies will have secondary or collateral change impacts on all sectors of the Albanian economy and society.

■ **Energy and water.** The national obligation for affordable, sustainable, available and safe water and energy resources will in the predicted future constitute a key driver of major changes and development in all these sectors and the respective support sectors. In addition, the Government has responded to the requirements for change in these areas through two out of its six key priorities. But, for these priorities to be delivered and sustained for a long time it is important to have in place carefully drafted and implemented broader sector strategies, as well as integrated sector management systems, and citizen-centered services.

■ **Information and Communication Technology (ICT).** The introduction of ICT in a broad range of Government's functions has had and will continue to have a transforming effect on the ways governance operates, on the type and modalities for service delivery, types of businesses and sectors of the economy with growth potential. Together with other forms of technological changes and innovations, the Government of Albania and private sector institutions will not only have to react towards the drivers of change, but as well actively seek opportunities for change, greater competitiveness and, growth and development in general.

Needless to say, other drivers of change and reforms will need to factor in the country's national development and the EU integration policies and strategies. These, *inter alia* include climate and environmental changes, demographic changes, other regional and global Conventions and agreements, *inter alia* NATO membership and national/regional security. However, the abovementioned five drivers

are those expected to have a more important impact on the national development policy during the planned period of NSDI-II for 2015-2020.

3.0 NATIONAL DEVELOPMENT AND INTEGRATION PRIORITIES

3.1 The national vision

Having achieved candidate status for EU integration and obtaining membership in the Euro-Atlantic community, Albania is positioned to secure major advances in its national and long-term development aspirations over the 2015-2020 planning period. The many successes over the past several years, combined with important lessons learned, need to be consolidated. Albania's development potential continues to be considerable in terms of both its human and natural resources, and in terms of its relative economic and geographic positioning within the region, within Europe, and beyond.

The many investments made in infrastructure - especially transports - in the development of a buoyant business climate, and in strengthening its human, social, economic and democratic foundations will see Albania graduating from a middle income country, to upper-middle income and then to a fully developed and eventually to an advanced economy. This second National Strategy for Development and Integration sets the following vision for 2015-2020:

“Albania - a strengthening democracy, on the path towards its integration with the European Union, with a competitive, stable and sustainable economy, and with guarantees for fundamental human rights and liberties”

Realization of this vision will be translated into three main outcomes:

- **Sustainable economic, environment friendly growth** throughout 2015 - 2020, ensured through increasing macro-economic stability, a more competitive and innovative business environment, and through the more sustainable use of resources, all of which build on Albania's long record of strong growth over the last two decades
- Using enhanced wealth from this long period of growth, the generation of greater **well-being** among Albania's citizens in an increasingly **cohesive society** that tends to the needs and rights of all of its citizens.
- Being in a position, by 2020 to demonstrate to Albania's partners in the EU that its institutions and its society are well on their way to successfully completing the negotiations for Albania to become a full rights member of the **European Union**.

3.2 National Development and Integration Policy pillars

Albania's aspirations for national development and European integration can best be met through the articulation of specific priorities and policies and their broad acceptance among all segments of governance and society, with the consent of Albania's closest development partners.

The vision of NSDI-II is based on the delivery of the main objective (“the roof”) and four strategic policy pillars (following is the scheme). Each pillar is focused on the key dimension of national development and integration, and is translated into strategic objectives, outcomes and expected impact (Figure 8).

Figure 8. Pillars of the National Strategy for Development and Integration, 2015-2020



■ Major objective: EU membership

The Government vision and priority for EU integration enjoys full political consensus and popular support. The successful opening and conclusion of negotiations for Albania’s European Integration process remains the signal priority over the implementation period of NSDI-II. Albania’s progress – EU integration, accession and then membership – depends on the successful fulfilling of many complex and inter-related conditions that were set out and agreed to in the SAA, and among which five areas have been set by the EU in its Enlargement Strategy 2013-2014. Achievement will be measured through:

- public administration reform, stable institutions and a modern, professional and depoliticized civil service;
- strengthening the independence, efficiency and accountability of judicial institutions;
- increasing the fight against corruption;
- increasing the fight against organized crime; and
- Ensuring the protection of human rights (including property rights).

European integration not only brings the prospect of the EU membership, but also the *process* of accession itself presents a unique opportunity to stimulate growth and development and to enhance well-being among all of Albania’s citizens.

■ Foundation: Consolidating good governance, democracy and the rule of law.

Strong, effective and democratic government institutions are Albania's foundation for competitiveness and growth. They are essential for EU membership. Good governance in Albania defines well-functioning legal and regulatory frameworks for businesses, social groups and individuals, and embodies the key notions of transparency, accountability, participation and client-oriented service delivery. These foundations will be strengthened and consolidated through:

- a fully functional and open judicial system with equal access for all;
- stronger and more effective legislative and electoral processes;
- consolidated and integrated border management that ensures open and safe borders;
- the creation of an Albanian society free from organized crime and terrorism;
- an effective and broadened system of public order;
- the establishment, respect and safeguards for human rights and guarantees;
- a reformed public administration and modern, professional civil service;
- a more integrated and concerted approach in the fight against corruption;
- decentralized government services and empowered local government;
- the provision of quality and comparable statistical information;
- a strengthened and active Foreign Service;
- enhanced national defense of Albania through a more professional Armed Force; and
- Better cooperation and partnership between government and civil society, including the existence of a free and independent media.

■ Pillar 1: Ensuring economic growth through macro-economic and fiscal stability

Economic growth and the sustainable development of Albania will have a greater chance of success by ensuring macroeconomic and fiscal stability, especially in light of the economic, political and financial uncertainties within the region and globally. The levels of national debt and budgetary deficits will be reduced to manageable and sustainable levels through:

- a reduction in the **national debt** to below 60% of GDP by 2020 and putting public finances on a sustainable footing; and
- a reduction in the annual **deficit** to 1% of GDP by 2020, and efficient execution of the state budget.

■ Pillar 2: Ensuring growth through increased competitiveness and innovation

Increased productivity in both labor force and businesses represents a key input to greater competitiveness in the Albanian economy. Productivity and competitiveness are among the most important challenges to sustained growth in Albania. Access to growing markets will convert competitiveness into economic growth. The guarantee of property rights and increased flows of foreign

direct investments (FDIs) combined with research and innovation will help foster a dynamic business environment in Albania through:

- a guarantee to property rights;
- the promotion of business and foreign direct investment;
- research and innovation capable of dealing successfully with future challenges;
- a society based on knowledge and information;
- a stable policy environment that provides planning reliability for investors;
- consumer safety and honest, safe and competitive market; and
- The protection of competition and a transparent system for state aid control.

■ Pillar 3: Investing in human capital and social cohesion

Albania's most important resource are its people, and by extension its society and culture. It is in these segments of the state that all those values essential to freedom, equality, well-being and the security of person and property are embedded. Along with systems for good governance, democracy and the rule of law, it is the human and social dimensions of Albania that underpin economic growth and prosperity through:

- a modern educational system that has students' needs and interests at its core;
- a universal and quality health care system accessible to all resident Albanians;
- expanded opportunities for decent employment for all women and men in Albania;
- a financial sustainability social security system;
- a stronger social protection system;
- social inclusion where society enables all Albanians equal access;
- gender equality and equality of opportunity;
- a vibrant art and cultural heritage;
- greater access to and involvement in sports; and
- greater and more focused support to the Youth of Albania.

■ Pillar 4: Ensuring growth through connectivity, the sustainable use of resources and territorial development

The vision and priorities of the Government in terms of economic growth, takes into consideration the vision for EU accession, to ensure the development of a productive and competitive Albanian economy based on a balanced and sustainable use of resources. This Pillar also takes into consideration the regional approach concerning connectivity in the framework of the Berlin Process. Investments in the country's infrastructure – energy, transport, natural resources and the environment, agriculture, mining, tourism, water – will expand opportunities for business and the economy, will increase the well-being for all Albanian citizens, and advance the country on its path to integration into European systems through:

- a cost-effective and sustainable energy system based on market principles;
- a national and integrated transport system;
- a growth-conducive more diversified agricultural and agro-food sector;
- dynamic and balanced regional development;
- a healthy and sustainable environment;
- a sustainable and diversified mining industry;
- a recognized and attractive tourism industry;
- improved water supply, sewerage and waste management systems;
- increased coverage of urban wastewater treatment plants for the population;
- sustainable management of water resources;
- strengthened measures on adaptation to climate change and flood protection; and
- Strengthened territorial, and urban planning, with the view to ensuring sustainable development.

3.3 Principles of national development and integration

Albania's vision and strategic priorities are based on a sound knowledge of the factors for European integration and national development. The development of the NSDI-II was guided by a number of underlying principles, some of which are articulated in a range of international conventions and agreements,²⁴ and others which emerged and were applied during the processes of consultation and policy analysis. Principles have also been applied to the development of specific sectorial and cross-cutting sectorial strategies and plans, such as principles for fair trade and good public financial management, or the principles of the EU Charter for Local Self-Government. However, certain higher-level principles underpin the vision of the NSDI-II as a whole. These are:

■ **The principles of sustainability.** The NSDI-II is based on the application of globally accepted principles of sustainable development, including those of the European Commission's Declaration on Guiding Principles for Sustainable Development. Among the many principles that are integral parts of sustainability, particular focus is given to the following:

- **Human development and social cohesion**, where Albanian citizens are at the core of the development, in a free, democratic, socially inclusive, cohesive, healthy, safe and just society, with due respect for fundamental human and civil rights, and a rejection of all forms of discrimination.
- **Environment protection**, through the promotion of sustainable production and consumption, the prevention of environmental degradation, water resources depletion, the integration of

²⁴ To wit, ". . . The Republic of Albania committed itself to respecting the general principles of democracy and human rights as proclaimed in the Universal Declaration of Human Rights and as defined in the European Convention on Human Rights, in the Helsinki Final Act and the Charter of Paris for a New Europe", extracted from the Albania "National Plan for European Integration 2014-2020", page 1.

environmental issues in all sector strategies and also in the notion of corporate social responsibility, (CSR) and in the application of the precautionary principle in the planned activities.²⁵

- **Participation and consultation**, where citizens, civil society and the private sector participate in or are consulted on policy decision-making, and where social dialogue is promoted and encouraged.
- **Information and knowledge** used: as a factor for development; and basis for evidence-based decision making.
- **Feasibility aspect**. All planned development initiatives should be economically, socially, technically, financially and environmentally sound, feasible as well as cost-effective. Albania and its institutions should have in place the necessary capacities for the implementation, absorption, and ongoing operations, maintenance and monitoring, with tangible returns on investments.

■ **Principles of entrepreneurship**. Albania's aspirations for EU integration and national development should be delivered through innovation, competitiveness and a focus on performance and results – in both the public and private sectors. All of this can be captured in the applied principle of entrepreneurship: first through modernized *governance*, where the focus is on the cost-effective delivery of public services in a climate of macroeconomic and fiscal stability; and second in a vibrant, vivid *private sector* that promotes equitable economic growth and through diversification, productivity and prosperity that contribute to the overall well-being of the country's citizens.

■ **Principles of Good governance**. Strong and effective government institutions constitute Albania's foundation for competitiveness, growth and sustainability. These are essential for EU membership. All government functions of policy, programming and delivery are to be carried out in a transparent, accountable, and predictable manner. All policy is coordinated and integrated, through this NSDI-II and related instruments and mechanisms such as the Integrated Planning System and the Sector Budget Approach, and is subject to workable monitoring and evaluation mechanisms. Albania's political will, at all levels, in achieving integration and national development goals is translated into meaningful commitment and important actions, a modern and professional public administration and civil service, in making available the necessary resources, and in providing for effective control and oversight mechanisms.

3.4 Note on Sustainable Development Goals

The United Nations Sustainable Development Agenda 2030 includes 17 Sustainable Development Goals (SDGs) and 169 targets. SDGs should be able to provide a plan of action to bring poverty to an end, and to promote sustainable and inclusive economic growth, ensure social protection and generate a healthy environment.²⁶ The Government is committed to the implementation of the Sustainable Development

²⁵ Each project, program and/or activity must be planned and implemented in such a way as to have the least possible negative impact on the environment, or would otherwise mitigate any such negative impacts through remedial and/or preventative measures.

²⁶ The goals aim, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; to ensure the lasting protection of the planet and its natural

Agenda by 2030, aiming to achieving sustainable development in its three economic, social and environmental dimensions, while doing it in a balanced and integrated fashion.

In the implementation of SDGs agenda, 2030, the country is based on the experience in the implementation of Millennium Development Goals (MDGs) that were concluded, at the global level, in 2015. Albania implemented 8 MDGs²⁷, and a ninth objective related to good governance, which it implemented on volunteer bases. Albania has marked progress in achieving the goals for each MDG, and reaching 5 goals (i.e. health, education, infant mortality, poverty and gender equality), and is close to achieving 4 additional ones.

SDGs are compatible with and complementary to Albania's strategic goals associated with European integration and national development, as outlined in NSDI-II. Annex 3 presents a high level linkage between the SDGs and the main NSDI-II pillars and strategies. The Sustainable Development Agenda in Albania involves many fields, but the subject and key to success will be determined by the reform in the Justice System, the rule of law in the economic field and environmental protection as necessary tools for building a competitive economy and fostering solidarity within the society.

Governance Indicators. As presented throughout this document, the Government places a high emphasis on the issue of governance. Over the period 2014-2015, Albania was one the 5 volunteer countries (together with UK, Indonesia, Tunisia, Ruanda), to implement a pilot project for preparing and testing the goals and indicators of good governance (SDG 16), with the aim, on one hand of feeding in the UN SDG agenda, for the post MDG one, and on the other hand to ensure a switch from MDGs to SDGs. The pilot project offered expertise for integration of measures and indicators of good governance in NSDI-II, with an impact on improving Government capacities for the collection, monitoring and analyses of data for the selected unit of indicators. The pilot project helped the Government to exchange experience for informing preparation of SDGs for post-2015 agenda in the field of "*rule of law, efficient and capable institutions*", or SDG 16. The pilot project range focuses mainly on the main principles of innovative and good governance: such as accountability, transparency, participation and predictability. As a result of this pilot exercise, 21 good governance indicators were selected (out of 120 that were taken into account), with the basic data, information sources and goals for 2020, in line with each NSDI pillar. Of these indicators, 7 are indicators included in the list of indicators of Annexes 1 and 2 of NSDI-II, mainly on : (i) justice; (ii) anti-corruption; (iii) effective public administration; (iv) service level; (v) transparency; (vi) Media freedom.

resources; and to create conditions for sustainable, inclusive and sustained economic growth. This includes shared prosperity and decent work for all, taking into account different levels of national development and capacities. Global indicators are also developed to ensure that all countries, including Albania, can report on progress on a comparable basis.

²⁷ At the global level there are 8 defined MDGs, with objectives and goals for developing countries.

4.0 OUTLINE OF MACROECONOMIC TRENDS

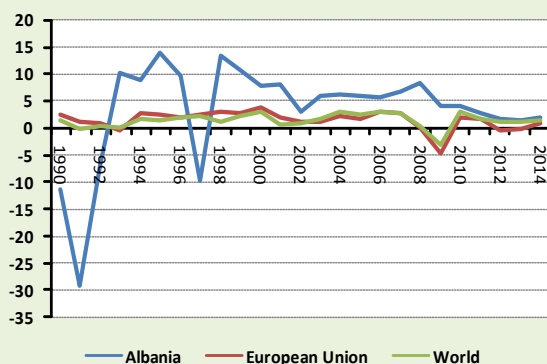
This section presents a brief summary of selected macroeconomic trends and prospects that have a strong bearing on Albania's national development and European Integration strategies. Other key macroeconomic factors addressed in the NERP (2016-2018), the MTBP 2016-2018 and other strategic documents identified in Part I of this document (to which the reader is referred), and are to varying degrees addressed in the specific national development and sector strategies presented in Part III of this document (for e.g. employment and the labor market in Section 11.3, agriculture in Section 12.3 and so on), as well as in Part II on the Government's six key priorities.

■ **Overall growth trends.** As described in brief under Section 2.1 of this document, Albania's economic growth has been consistently positive since the beginning of its transition towards a free market economy. The country's relative insulation from the global crisis is explained in large part: (1) by the low degree of integration of its financial sector with the rest of the world, (2) by the presence of sufficient buffers of capital, liquidity and accommodating monetary policy, and (3) by the government's counter-cyclical fiscal policy that focused on increasing internal demand through increased public investments. Consequently, this helped the country to avoid the deep contractions experienced in other EU economies, as illustrated in the graph in Figure 9.

Nonetheless, national economic growth rates have been falling since 2008, from 7.5% in 2008 to 1.1% in 2013, likely reflective of a delayed negative impact of the global economic downturn. The data for 2014 are seemingly indicative of a turnaround point, given that growth rates improved somewhat compared to the rates of growth for 2013 (an increase by 2.0 % in 2014)²⁸. This trend prevailed as well during 2015, where there was GDP growth, estimated at 2.6%, with an expected continuing trend.

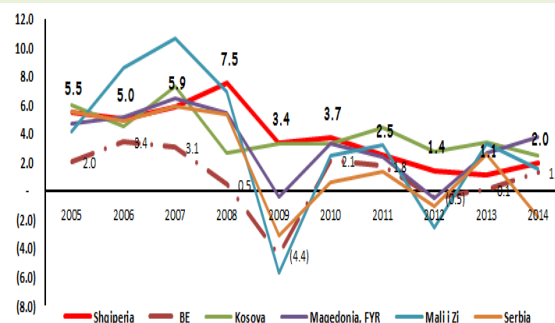
²⁸ Data on economic growth refer to DCM no.80, of 03.02.2016 "On adoption of the macro-economic and fiscal framework for 2017-2019"

Figure 9. Trends of Albania's GDP per capita compared to the Eu and globally, for 1990-2014



Source: WB data, July 2015.

Figure 10. Albania's comparative growth rates, 2005-2014

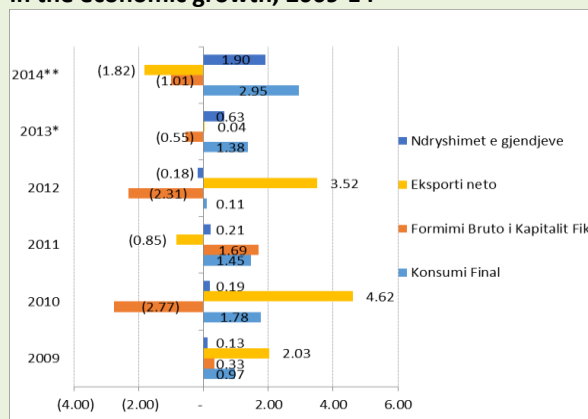


Source: WB data, July 2015. The source for GDP data for 2013-14 is MoF (DCM 80, 03.02.2016)

Albania's economic benefits in terms of GDP per capita (Figure 9) have continued to be somewhat high compared to EU and global average. This fact is an indicator of the country's economic growth and its progress towards EU integration. However, the rates of GDP per capita showed a decline after 2008, pointing to the necessity for greater economic growth and competitiveness in the Albanian economy, coinciding with the current priorities of the Government.

■ **Demand dynamics.** On the demand side, growth has been driven mainly by a combination of consumption and heavy public investment from 2008 to 2011, with subsequent lower levels post 2012. Growth in all sectors of the economy continued to slow after 2012 as a result of increasing uncertainties and low levels of confidence in the private sector. As previously noted in Section 2.1 of this document, the substantial arrears that had accumulated in public investment contracts with private sector companies was the main cause for this low confidence.

Figure 11. Contribution of demand side components in the economic growth, 2009-14



Source: INSTAT, July 2015;
2013* quasi final assesments; 2014**preliminary

The arrears were reflected in high levels of nonperforming loans within the banking sector, which resulted in banks becoming more reluctant to extend new loans to these companies. Following new directions and standards applied at EU level for banks of EU origin,²⁹ the Albanian banking sector's tightened lending policy resulted in increased borrowing costs.

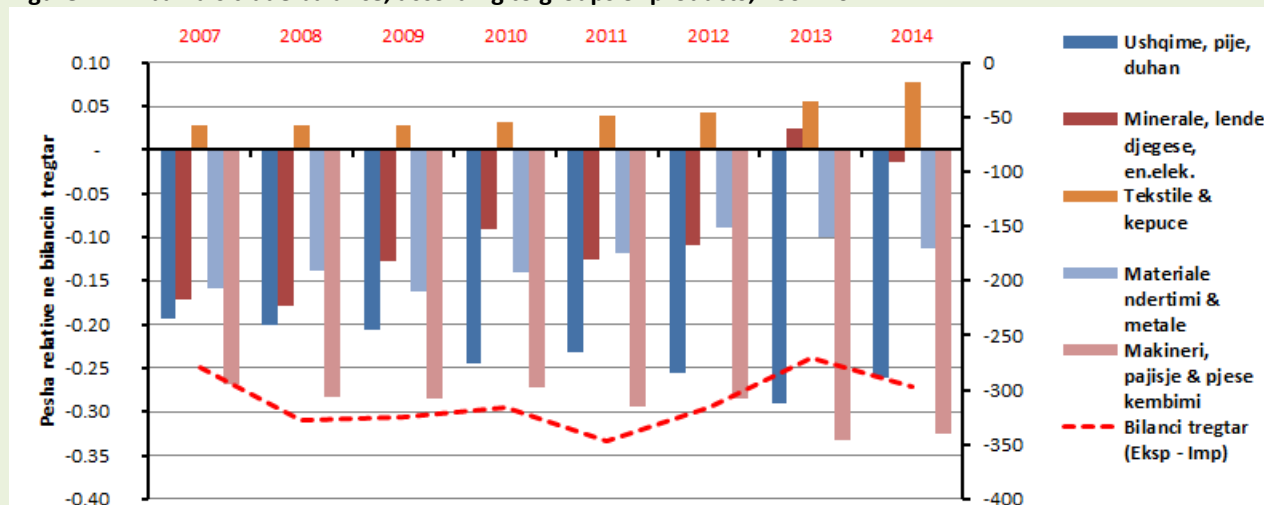
²⁹ In Albania in 2013, the subsidiaries of EU foreign banks owned at least 78% of the banking system's total financial assets, which accounted for 92% of the country's financial assets. On the other hand, credit to the

International developments, poorer growth and the more pronounced credit slowdown had an adverse impact on the expectations of households and businesses, thus translating into lower consumption and investments levels. Consequently, domestic aggregate demand components slowed down considerably over the period 2009-2013, while external demand remained sluggish due to continuing challenges within the EU economies.

Exports and imports dynamics reflected this lack-luster demand on the side of both households and government. In general, Albania's trade balance has been negative, with imports of goods having the greater impact on an overall negative trade balance (Figure 12).

The graph in Figure 12 illustrates the trade balance trends, according to products, during the period from 2007 until 2014. The category of Food and Beverages, combined with plastic and chemical products (for the consumption market) had the largest adverse impact on the negative trade balance (by over 30%).

Figure 12. Albania's trade balance, according to groups of products, 2007-2014



Source: INSTAT, July 2015

Note: Right axes shows trade balance in billion lek

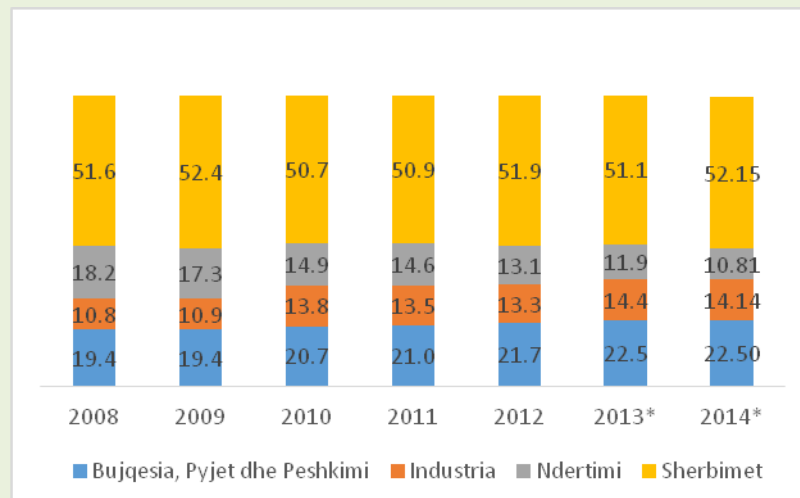
The noted high import levels in 2013 and 2014 in machinery and equipment corresponded with increased demand for foreign investment in the extractive Industries, due to more favorable market conditions. The group of textiles and footwear is the only group that has had a positive impact on the trade balance, which has increased steadily since 2007, up to over 7% until 2014.

This brief analysis demonstrates that Albania continues to have not only a narrow production base but also one that is situated at the lower end of the value-added chain. This points to the need for greater support to the private sector development and overall competitiveness, and is indeed one of the main priorities of the government.

corporate sector in 2013 accounted for 73% of total loans. Household loans were focused primarily in the immovable properties sector.

■ **Supply dynamics.** The structure and dynamics of the Albanian economy in the course of 2007-2014 was dominated by the service sector (on average with about 52%), followed by agriculture (on average 20%), industry (on average 11–14%), and construction (which went down from 18% in 2008 to approximately 11% in 2014). It is significant to note that agriculture has continued to be the main employment generator in Albania, despite the fact that its contribution to economic growth has been slowly declining over the past several years.

Figure 13. Structure of gross values added, according to economic activity 2008–2014, with current prices)



Source: INSTAT
(2013* quasi final; 2014** preliminary)

The specific dynamics of the sector are discussed in Section 12.3 of this document, including its employment dimensions (in Section 11.3). Other notable trends and patterns in other sub-sectors include:

- **Industry.** The contribution share of the Industry sub-sector in terms of both Gross Value Added (GVA) and the economic growth rate has been increasing steadily from 2007 to 2013, supported especially by increasing levels of activity in the extracting industry. The rates of industrial activity after 2012 accelerated from 3.97% to 5.65% of GVA, as a result of favorable market prices for minerals. According to recent Bank of Albania data, this acceleration was also due to higher flows of FDIs.
- **The contribution of Manufacturing** to economic growth has been driven mainly by textile products and related activities, and by hydropower generation. While these sub-sectors have provided modest contributions to general economic growth, they have nonetheless been important in terms of the positive impacts they have had on Albania's trade balance and on FDI flows.
- **The Construction** sector has suffered a continuous decline since 2008 in terms of both GVA share and in terms of productivity. The sub-sector is seen as one of the main factors that has influenced Albanian economic performance in terms of the positive/negative output gap prior to, and after

2008.³⁰ Before 2008, the sub-sector contribution to the GDP growth rate reached as high as 1.6%; however, since 2008 the contribution has been mainly on the negative side reaching its lowest level of -0.93% by 2013. These dynamics call for caution³¹ in forecasting the impact of its capital intensive sub-sector and capacity/responsiveness to absorb future spending foreseen in the NSDI-II. This is one of the more important factors for adopting prudent **macroeconomic baseline and pessimistic scenarios** for the NSDI-II planning period (2015-2020).

■ **Financial sector.** Albania's financial sector comprises bank and non-bank entities. With respect to loans, 75% are businesses and corporate loans, with the remaining 25% consumer loans. Due to heavy lending prior to the international financial crisis, the largest component of loans to households (70%) were real estate related. Generally, it has been this level of credit that has sustained construction's strong growth dynamics prior to 2008.

Banking activity ownership over the past several years has been concentrated in foreign owned subsidiaries. The largest 5 of these banks at the end of 2013 owned more than 78% of total assets of the financial sector, of which four were owned by EU parent institutions. Insurance activity has continued to be relatively modest and concentrated mainly in non-life insurance (NLI) products (accounting for 89% of prime volume in 2014).

In order to address increased risks of contagion from foreign bank in EU countries, the Bank of Albania (BoA) initiated and succeeded in adopting some legal changes to allow for the incorporation of national branches of foreign banks as subsidiaries, according to Albanian Law. At the same time, the BoA increased the capital requirements for all banks to guarantee their solvency. The main contagion risks stemming from the "Greek crisis" appeared to be well under control: the share of subsidiaries of Greek parent banks fell from 28% in 2008 (in terms of share of banking system total assets) to 16.8% by 2014.³²

A major impact on the banking sector and the economy as a whole was the increasing incidence of *non-performing loans* (NPL) with the onset of the global financial crisis in 2009. By 2013, the NPL rates in Albania were the highest in the region. Based on analysis carried out by the BoA and the IMF in 2013-

³⁰According to INSTAT data on GDP using the production method, construction's contribution to the GDP growth rate in 2007 and 2008 was 1.6% and 1.5% respectively, and 27% and 20% respectively of GDP real growth rate of 5.9% and 7.5%. In line with BoA findings and NERP 2015, the Albanian economy over this period performed with a 1.0% and 2.2% positive output gap. On the contrary, over the period 2009-2013, the Albanian economy operated at negative output levels: that is, with values ranging from -0.6% for 2009 to -1.5% for 2013. Construction's contribution to the growth rate in these years remained within between -0.09% in 2009 and -0.93% for 2013.

³¹ According to output gap methodology and literature, in order to close the output gap with appropriate macro/fiscal and monetary policies, one of the most important factors to be considered is the question of whether unused capacities during negative output gap periods have been lost or can be reactivated in the short term so economic activity can respond to fiscal stimulus or business opportunity. This ability or responsiveness capacity is a critical factor in assessing the degree of impact of macroeconomic short term to medium policies at both the fiscal and monetary levels.

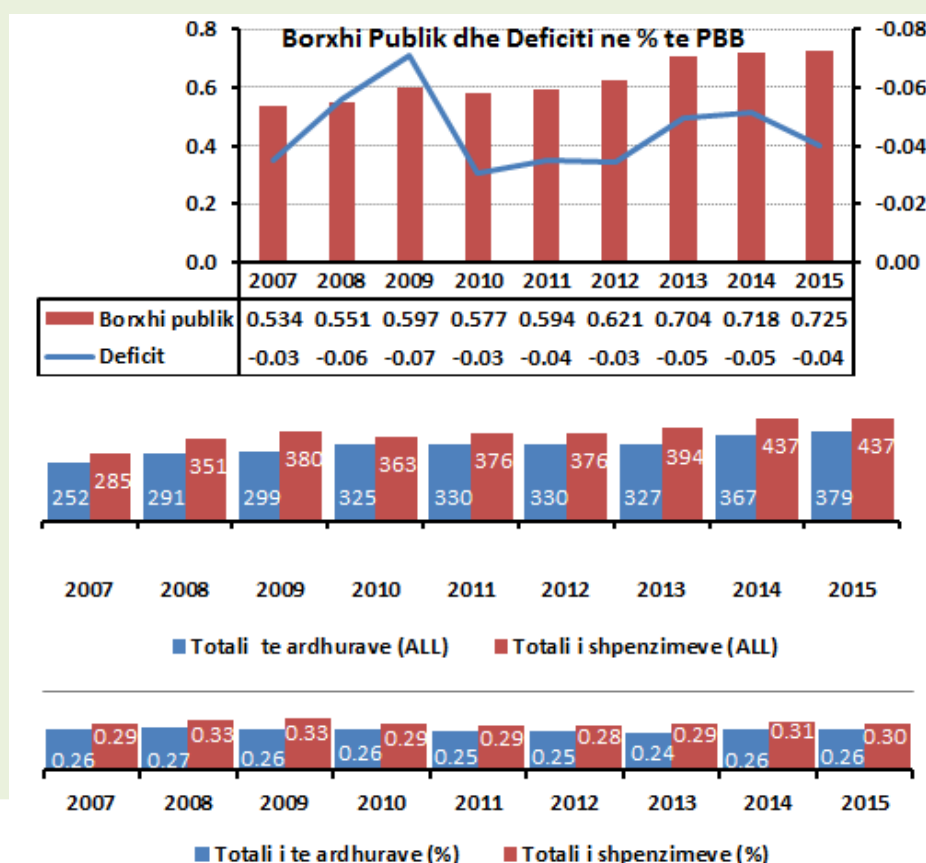
³² Source: Albanian Association of Banks Statistics, July 2015. It is also interesting to note that the share of these banks in loans has been reduced significantly as well, from 41% of total bank loans in 2008 to 19% by the end of 2014 (ibid). Greek banks appear to have the highest levels of NPL in terms of Gross Loans, above 35% as compared to the national average of 25% in 2014 (ibid).

2014, it was determined that one of the main underlying reasons related to loans to businesses engaged in public infrastructure investment programs post 2009. The increase in the stock of arrears was translated into an increase in NPL stock year after year as businesses needed to cover financing needs to cover the shortfalls from timely payments from the government. The other component of the NPL stock related primarily to household real estate (housing) loans reflecting mainly lower available income due to lower economic growth, higher unemployment and lower remittances, in addition to problematic collateral backing terms.

■ **Public finances.** As discussed in more detail in Section 9.2 of this document, the Government launched several legal and institutional measures, with the view to strengthening public finances, ensuring fiscal stability, and a more efficient and transparent system of public financial management. These include *inter alia*: the Organic Budget Law, the law on Public Financial Management, Internal Audit and financial Law, the law on public procurement, strengthening of public finances management and that of the Treasury system. However, progress in public finances has been somewhat mix, as can be seen in Figure 14, despite the continuously positive trend of revenues, in terms of percentage of GDP, despite almost continuous positive revenue performance in terms of % of GDP, expenditures at the beginning of each fiscal year had been projected at higher levels, especially from 2008 onward. This resulted in successively higher commitments for contracts against unavailable budget appropriations, in successively higher deficit levels and in consequent budget cuts in order to meet real revenue performance.

Given that the Organic Budget Law did not allow for the debt level to exceed 60% of the GDP, public

Figure 14. Dynamics of expenditure, revenues, debt and deficit, 2007-2014



works failed to due to unavailability of budget. This, as previously noted, resulted in the accumulation of arrears that remained unrecognized for so long as private companies did not submit invoices. The overall situation led the Parliament to lift the 60% debt to GDP restriction in 2012, resulting in formal public levels to exceed 60% of GDP by the end of 2013. Concrete actions to further address this situation are discussed under Section 9.2 of this document.

PART II: THE SIX GOVERNMENT PRIORITIES

5.0 THE GOVERNMENT'S PROGRAM CONTEXT

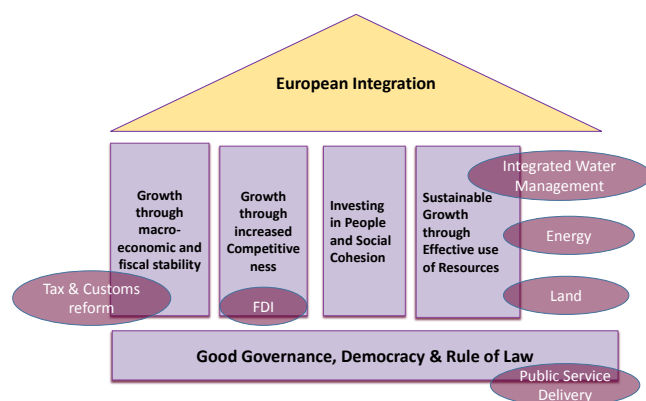
The platform on which the new government got elected in the June 23, 2013 national elections was based on a vision of accelerating growth, creating jobs, restoring trust in the government, furthering progress toward EU accession, and meeting the pressing needs of citizens. Over the next several months, the Government by mid-2014 developed its program to translate its vision to action through the identification and adoption of six key priorities for the Government as a whole.³³

The overall goal is to . . .

“. . . provide Albanians with improved access to high quality public services and to ensure positive, accelerated and measurable impact”

Priorities constitute in: **(1) innovative and citizen-centered public services (good governance); (2) recovery and financial consolidation of the energy sector (energy); (3) fostering innovation and competitiveness (Foreign Direct Investments (FDIs) and domestic investments); (4) integrated water management; (5) integrated land management; and (6) financial structural reform.** Linkage of the priorities with the main pillars of the vision of NSDI 2015-2020 is presented in Figure no. 15.

Figure no. 15. Linking priorities with NSDI 2015-2020 pillars



For ensuring implementation and delivery of its priorities, the Government launched **a special network for the delivery and identification of policy priority specific objectives, expected outcome** and the

³³ The new government also carried out a broad redistribution of responsibilities and changed the structure and names of the ministries. The government currently has 16 ministries, one more than the previous government, and three Ministers of State.

measures for monitoring progress. All line ministries now have in place their own Priority Delivery Directorates, which are coordinated by the **Project Delivery Unit**, at the Prime Minister's Office, whose task is to guarantee achievement of results for these priorities. The main role of this Unit is: (1) to clarify the vision and desired results in the priority areas; (2) to ensure agreement on the activities and roadmaps that will provide results; (3) to define the resources, roles and implementation responsibilities throughout the project delivery chain; (4) to support the development of cross-government delivery agreements; (5) design performance, risk management and reporting systems; and (6) to engage in problem solving and resolve implementation obstacles.

The Project Delivery Unit coordinates the work to ensure the implementation of main reforms for the 6 Government Priorities that will be described further down in the text. As instruments for coordinating and determining results, and the institutional roles and responsibilities there are in place "**Project delivery agreements**" between the Prime Minister's Office and the line ministries/institutions, which have either been negotiated and adopted, or are underway. These agreements, one for each priority, are a key management tool to ensure the focus of all stakeholders on producing agreed results. They demonstrate the Government's commitment to meeting the six priorities. They also define clear responsibilities for delivery against performance indicators, set out the risks and mitigation measures to be used, establish delivery timelines, and detailed monitoring and reporting obligations.

The Government has established a complementary structure to ensure coordination with broader priorities and objectives associated with the key sectors within which some of the six key priorities are to be delivered. This mechanism is composed of **Integrated Policy Management Groups (IPMGs)**, that will be in charge of leading and managing on ongoing and systematic bases, the formulation, delivery and monitoring of reforms in specific sectors (through a national sectorial program). They should be in line with governmental priorities, NSDI-II, other sector strategies, Medium-Term Budgetary Program (MTBP), EU accession process, and Albania's international obligations.

During the preparation of NSDI-II, the Government, through its Priority Delivery Unit started working on ensuring implementation of all key priorities, such as: innovative public citizen-focused services (good governance); cost-effective supply of energy (energy); and increased availability of irrigated and drained land (water and agriculture), etc. In the following sub-sections, each of the priority areas is described in terms of its current situation, the issues to be addressed, strategic objectives and key performance measures by which they are to be met, and the general coordination or governance arrangements to be applied.

5.1 Innovative and Citizen-Centered Public Service Delivery

Good governance in the broader sense covers a very wide scope of activities, functions and programs, and is seen as the main foundation supporting national development and EU integration. Within this broad scope, the Government has identified the need for the more efficient, effective and accountable delivery of services to citizens as one of the six top priorities over the short to medium term. The full scope of good governance, also a main medium term priority of the Government, and as the main foundation to national development and EU integration, is presented in **Part III** of this NSDI-II document.

Delivery of public services has a tangible and direct impact on the lives of the citizens; public services are important, as well, for shaping the citizens' living standards. The delivery of public services facilitates access to critical social and economic opportunities. The Albanian public administration and civil service are the main "agents" responsible for the delivery of public services, and as such are, metaphorically

speaking “the window” through which the citizens of Albania view the Government in the performance of its duties and obligations.

With due acknowledgment of the progress made in the recent years, however, the current situation regarding the delivery of a number of services leaves considerable room for improvement. The current system, which is more supply driven, is far from being centered on citizen needs. It is generally seen as somewhat self-serving, inefficient and in many cases corrupt. Citizens face high compliance costs in terms of the time and financial resources needed to obtain a service. The underlying causes often times consist of outdated regulations, complex procedures, insufficient use of modern technology, poor training, a lack of incentives for public servants delivering the services, high fragmentation of the system, and a general mentality that the system is not merit-based (more details on this are discussed in **Part III**).

The Government of Albania is proposing an overhauling reform, aimed at the radical change in the modalities of service delivery, and improving the efficiency of the delivery of main administrative services in the country, through the use of innovative solutions and ICT, and aligning Albanian system with the international best practices.

In June 2014, the Albanian Government asked for the World Bank assistance for a new program entitled “*Innovation against corruption: Building a Citizen-Centered Service Delivery Model in Albania*”. The World Bank was willing for funding the good governance and public services delivery reform through a Program for Result (PforR) Loan. In addition, further funding is envisaged from the EU through IPA 2014 Program, as well as budget support.³⁴

The main pillars of the reform are: (1) establishment and management of an integrated national model for service delivery, whereby the front offices will focus on the Public Relations, and will be separate from the Back Offices that will provide the services – through introduction of One-Stop-Shops;³⁵ (2) standardization of service delivery by the administration (Front office and Back Office), while also ensuring simplification of new job processes, to ensure that these processes are clear and properly defined, and that they leave no space for corruptive practices; (3) digitalization of state registers and archives, and focusing on the development of *on-line services*; and (4) broadening the citizens’ information channels, and monitoring of performance for the service delivery, aiming its continuous improvement.

■ Short to medium-term Priorities:

1. Enhanced efficiency in the delivery of administrative services, through significant reduction of **the time** it takes citizens to obtain public services, as measured by the number of days needed to get a certain public service.

³⁴ In addition, IPA 2015 sector budget support for public administration reform in the amount of € 32 million includes service delivery as one of its components.

³⁵ It is recognized that one of the risks of the new delivery system is the potential for exclusion of vulnerable groups such as widows, the Roma community, and people living in suburban/remote areas, among others. To minimize such risks, the implementation of the new system will be closely coordinated with those sectorial strategies dealing with social exclusion and service delivery related sectorial strategies discussed in Part III of this document).

2. Significant reduction of the **corruption** levels, during public service delivery, as measured by instances of corruption reported by citizens through an SMS Citizen Feedback Mechanism.
3. Launching and operation of **Integrated One-Stop-Shop public service delivery Centers**.

Several key indicators will be used for measuring performance, results and achievement of objectives. These indicators are related to reduce time for administrative processing of a certain procedure, citizens' perception of corruption, number of digitalized services and registers, etc. Work on these aspects will include: (i) monitoring of reduced time for citizens' services, as a result of the introduction of the model of the integrated one-stop-shop center for the provision of public services, (ii) a survey will be conducted to measure citizens' satisfaction perception, (iii) and the levels of corruption in the delivered services.

5.2 Financial Recovery and Consolidation of the Energy Sector

Electrical power, as part of Albania's energy sector, is a central component of the country's economic and social infrastructure. A reliable and efficient generation and distribution system of energy is a pre-requisite for country's growth and the prosperity of its citizens. During the recent years, the Government has worked towards the modernization of the energy infrastructure and strengthening of its institutions. This was in response to high levels of energy losses, due to deplete infrastructure, low collection rates for billed electricity, wide-spread theft and illegal consumption of energy. These factors have brought about the need for high levels of subsidies, while posing a heavy burden on the annual state budget, by draining the scarce resources from other important development projects.

As a result of poor management from the power distribution company (OSHEE³⁶), the level of losses surged from 36.4% in 2007 to 45.04% in 2013, while *cash* collection rates fell from 88.5% in 2007 to 79.3% in 2013. The Government is committed to improve financial performance of the energy sector, and to recover the financial gap caused by the poor management of the sector. A series of comprehensive measures were launched, aimed at minimization of losses, and improvement of settlement of bills and other arrears. As part of this commitment, a major investments program is underway, with important changes in the system design and administration. As a result of these measures, immediate tangible improvements were introduced in the last 2 years in terms of level of losses and collection of *cash money*, as compared to 2013.

Expected outcomes are connected to improved financial performance of OSHEE with regard to: reduced technical losses in the distribution system, reduced levels of illegal consumption of energy, and non-payments, recovery of a large share of accumulated debt, and improved customer relations, via new service culture.

■ Short to medium-term priorities:

1. Reduction of **power losses** (both technical and non-technical loss).
2. Improved **payment collection rates**, as measured against percentage of collected payments per billed services.

³⁶ Power distribution operator (OSHEE) is the main power utility in Albania.

3. Improved **recovery of debt** accumulated during 2007 - 2014, measured by the ratio of debt recovered as a part of total debt.

The Ministry of Energy and Industry (MoEI) will lead and take over the general responsibility for the delivery of objectives defined in the Priority Agreement. This includes provision of policy and strategic guidance to OSHEE, securing funding for all investment programs envisaged under said agreement, support and monitoring of the implementation of efforts by OSHEE, and connection/coordination of this priority with other strategic priorities and objectives in the energy sector, as described in **Part III** of this document. The main governing body for this Agreement will be an inter-Agency Committee chaired by the Minister of Energy and Industry, with the participation of senior officials from MoEI and OSHEE. Progress will be measured through key performance indicators.

5.3 Integrated Water Management

The Government of Albania is committed towards a new approach about water management and its use. This new approach is broadly based on the EU legal framework principles, and political program. The vision of the Government regarding this new approach is “*meeting the basic livelihood needs, user competitiveness and prioritization towards economic profit, with due consideration for the sustainability of the ecosystems sustainability*”.³⁷ The main principles that run through this new approach are the following:

- Water resources protection, and sustainable water use, while meeting basic needs, and preserving resources for the next generations;
- Promoting equitable access to water;
- Creating opportunities for the use of water in the economic and social development of the country;
- Water use cost recovery; and
- Protection of ecosystems and equilibrium of biodiversity.

For the implementation of the new approach a National Water Council was established, together with its Water Technical Secretariat. The National Water Council, which plays the role of the Integrated Water Policy Management Group³⁸ ensures political leadership and decision-making for an integrated and efficient management of the water sector. The Secretariat of the National Water Council (SNWC) provides the technical skills for management of the new approach, with the view of ensuring the integrated programming, implementation, and monitoring of policies.

The operation of the SNWC/IPMG will be supported through the establishment of sub-thematic groups. For the integrated water management there are in place four sub-thematic groups, namely: water for people, water for food, and water for environment and water for industry, each to be chaired by the ministries responsible for respective water-related issues.

³⁷ This summarized analyses is also based on “*Sector Planning Document*” on the water sector drafted by the Government in mid-2015.

³⁸ The Integrated Policy Management Mechanism is explained under Part IV: Implementation and Coordination

■ Short to medium-term priorities:

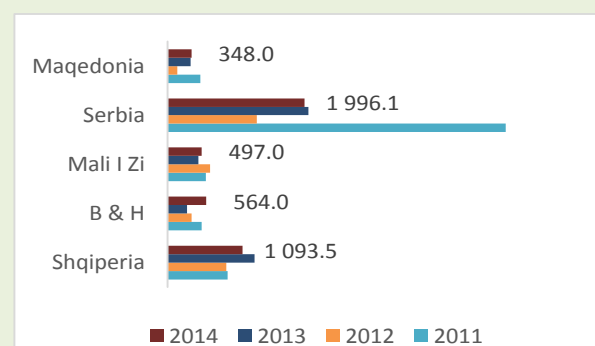
- **Water for people: Improved water supply and drainage in the tourist areas in the country, through:**
 - 1.1 Ensuring drinking water supply for the population in the tourist areas;
 - 1.2 Rehabilitation of existing water supply systems.
- **Water for food: improved irrigation and drainage systems through:**
 - 1.3 Increased area of irrigated land, as measured by the number of hectares covered by fully operational irrigation systems;
 - 1.4 Qualitative improvement of the operation of the drainage system, as measured by the hectares covered by fully operational drainage systems;
 - 1.5 Rehabilitated and modern irrigation and drainage infrastructure, and flood protection.
- **Water for environment: ensuring sustainable use of water, as a vital component of natural environment through:**
 - 1.6 Introduction and maintenance of e-water national cadaster.
- **Water for industry: ensuring sustainable use of water for industrial purposes, in particular for generation of electricity.**

5.4 Enhanced Innovation and Competitiveness

The Government of Albania views foreign direct investments (FDIs)³⁹ as one of the three engines for growth in the country, alongside with tourism and development of “Technical and Economic Zones”.⁴⁰ To guide developments in this sector, the Government adopted in October, 2014 the “*Business and Investment Development Strategy (BIDS), 2014-2020*”.

Prior to the global financial and economic crisis, South-East European countries were relatively successful in attracting FDIs: inflows increased to USD 13.3 billion in 2008 from USD 2.1 billion in 2002.⁴¹ This positive trend was reversed in 2009, due to the global financial crises, resulting in a sharp drop of FDIs in the

Figure 16. FDI flows in SEE countries, 2011-2014 (million USD)



Source: UNCTAD WIR 2015

³⁹ Growth through enhanced competitiveness is one of the main pillars of the NSDI-II, and is discussed under Section 10 of this document.

⁴⁰ Previously referred to as Industrial Zones.

⁴¹ UNCTAD WIR 2015

region, with the figure for FDIs in 2014 at 4.7 billion dollars.

However, Albania has maintained a relatively stable trend during this period, and Serbia with Albania were the biggest FDI beneficiaries during 2014 (Figure 16). Despite that, there was a drop in FDIs, as indicated in Table 1, below. For the Government it is clear that FDIs represent a critical resource for innovation, competitiveness, and economic growth (and employment), in particular in the sectors of energy, transports, manufacturing, construction, tourism, telecommunications and natural resources

Tabel no. 1. Albania, main FDI indicators, 2006-2014 (million USD)

Treguesit	2006	2007	2008	2009	2010	2011	2012*	2013*	2014*
Prurjet e IHD	325	663	959	991	1050	876	859	1265	1153
% e GDP	3.6	6.1	7.6	8.3	8.8	6.8	6.9	9.8	-
Stoku i IHD	1391	2689	2902	3256	3250	4392	5134	5661	5537
IHD për frymë	108.6	223.2	325.4	338.5	360.5	301.6	296.2	436.6	398.3

* Values in line with 6th edition of Balance of Payments Manual

Source: BoA

development etc. In addition there is a serious lack of balance in the agriculture sector, which accounts for only 1% of investments, while it accounts for 20% of the GDP, and more than half of country's employment.

The aftermath of the global financial crises has led to a net drop of FDIs by 18%, during 2010 up to 2012⁴², while during 2013-2014 there was an increasing trend in FDIs.

Institutional factors in Albania are deemed to be barriers and challenges for FDI flows, and to dampen innovation and competitiveness, as revealed in "Doing Business" indicators. Although reforms are proceeding along many fronts, challenges still remain in aspects such as: starting a business, obtaining construction permits, red-tape, property registration, access to infrastructure (especially in energy, transports, ports), access to crediting, taxes and tariffs, trade, contract enforcement and perceptions of corruption, and addressing aspects of bankruptcy.

■ Short to medium-term priorities⁴³:

- Reform of the legal and regulatory framework, aimed at improving business and investments environment⁴⁴;
- Support for investors in determined strategic sectors, such as: infrastructure, tourism, energy or agriculture etc.;
- Developing necessary driver mechanisms, for increasing annual IHDs and/or achieving an IHD ratio to GDP of 9% by 2020 (for instance through introduction of a package of incentives; *fast-track mechanisms; support programs etc.*);

⁴² Source, Bank of Albania. This compares well to the 70% reduction in net FDI flows to the region over the period 2008 – 2012 (source, UNCTAD, 2013).

⁴³ These areas will be discussed in more detail under Section 10.2.

⁴⁴ It is worthwhile to note that several aspects of the legal framework have already been updated (or are ongoing): PPP/concessions, TEDAs, SIL. Meanwhile, work is underway to create a comprehensive legal framework or otherwise referred to as "Code of Investments".

- Focusing the attention on one or more of the planned “*Technical and Economic Development zones*”;
- Fostering and supporting public private partnerships (PPP) by reforming legislation, administrative procedures, or specific sectors.

5.5 Integrated Land Management

Integrated Land Management is a medium to long-term priority of the Government. Challenges pertaining to land and property are many, and include: (1) formalization of land settlements; (2) increasing the productivity, availability and sustainability of land needed to promote development (especially in priority sectors such as tourism, agriculture, manufacturing); (3) establishing a land market and land management systems (including addressing aspects of informality); (4) using land as a productive asset against which credit might be accessed (thus strengthening overall land and related capital / credit / mortgage markets); and (5) addressing equity aspects between men and women regarding land property aspects⁴⁵; (6) modernization of land and property services (property titles).

Within this broad objective, the main goal of the Government in the context of this key priority remains addressing long-term and historic land and property rights issues.⁴⁶ This is deemed to be very important for increasing economic development, fostering urban and rural investments, overcoming regional disparities, and addressing poverty. Issues related to property rights and land management and property in Albania go well beyond the simply economic aspects.⁴⁷ This is a politically sensitive issue, hence any action taken by the Government in this respect will be duly considered.

5.6 Fiscal structural reform

Structural Reform coincides with Priority no. Six of the Government, and in the medium-term it is related with improved revenues (i.e. tax and customs system). As an essential component of the fiscal policy, the structural reform may constitute an efficient instrument for enhancing innovation and competitiveness, through facilitation of business and economic development on one hand, and macroeconomic growth and fiscal stability on the other. As established in the Strategy for the Management of Public Finances for 2014-2020, some of the future actions *inter alia* include:

- Review of tax policy and reform of the tax and customs administrations, with the view to enhancing revenues collection efficiency, reduction of tax gap, fight against tax evasion and informal economy.
- Adopting the tax policy to the new legislation on corporate income tax and personal income tax.
- Reform of property tax.
- Continuous review of tax percentages in light of the Budget needs and in line with the economic developments.
- Measures against fiscal informality and payments systems.

⁴⁵ Based on a pilot program of the World Bank in registration of properties, it was found that men landowners outnumber women landowners by about 2:1 and most women landowners have a property share of less than 25%). Source: World Bank, “*Country Partnership Framework*”, 2015-2019, page 12.

⁴⁶ Ensuring the sustainability of Albania’s land or real property markets is one of the government’s approved sector requiring a strategy and is discussed in Section 10 of this document.

⁴⁷ National Cross-Sector Strategy on Property Rights Reform, 2012-2020 was adopted in June 2012.

6.0 NSDI-II: DESIGN AND APPROACH

The NSDI-II vision and policy priorities of the Government will be delivered through a set of realistic and achievable measures in six key areas, graphically illustrated in Figure no. 17.

Figure 17. Pillars of the National Strategy for Development and Integration, 2015-2020



EU integration is the overarching goal. Good governance, democracy and rule of law form the foundation upon which the NSDI-II vision will be achieved. These goals work around four pillars:

- Growth through macroeconomic and fiscal stability constitute **Pillar 1** of the support upon which the NSDI-II vision will be achieved.
- Growth through enhancing competitiveness constitutes **Pillar 2**.
- Investing in human capital and social cohesion constitute **Pillar 3**.
- Growth through sustainable use of resources and the territorial development constitute **Pillar 4**.

Each pillar is composed of a number of inter-related sectors, and corresponds to one specific sector or broader priority, as defined under Section 3.2 of this document. Each of these is presented and discussed under the following sections, from the perspective of current circumstances, challenges that need to be addressed, strategic objectives that need to be delivered, which will be used for measuring

performance. Hence, NSDI-II incorporates the principles of results-based management and the use of SMART indicators (i.e. specific, measurable, attainable, relevant and time-bound).

7.0 OVERARCHING GOAL: EUROPEAN UNION MEMBERSHIP

■ **Current situation.** EU integration is the first priority of the Government program and represents not only an opportunity, but also a challenge in terms of delivering the structural reforms and for transition towards a competitive market economy as an EU member state. The EU integration process is determined by Article 49 TBE (Copenhagen criteria) and the SAA⁴⁸ and is guided by the NPEI FOR 2016-2020.⁴⁹ Albania's obligations under the SAA are in line with the Copenhagen criteria, required to be met by a European country aiming EU accession, and overall, Albania has been implementing these smoothly.

Progress made in the fulfillment of obligations in line with the **political criteria**, especially constructive cooperation and political dialogue between the ruling majority and the opposition on major reforms linked to the priorities of the accession process, the parliamentary elections of June 23, 2013, and measures against corruption and organized crime, all in all conditioned the granting of candidate status to Albania by the European Council on June 27, 2014. In addition, for ensuring swift opening of accession negotiations, the Government of Albania developed an inclusive process and is successfully implementing the Roadmap,⁵⁰ while addressing five priorities⁵¹ set out in the European Commission's Enlargement Strategy, 2013-2014.⁵²

Following the publication of 2015 Report of the European Commission on Albanian, on November 10, 2015, the Government of Albania drafted a short-term action plan, to address recommendations of the European Commission on opening of accession negotiations.

The Government of Albania has made progress in fulfilling the political criteria for EU accession the following areas: (1) the upholding of the constitution; transparency and inclusiveness in the legislative processes; (2) the overall functioning of Parliament; decentralization and reforms in local self-government; (3) public administration and civil service reform; (4) public financial management; (5) the

⁴⁸ The SAA agreement between the Republic of Albania on one side and the European Community and its Member States on the other was signed in June 2006 and entered into force in April 2009.

⁴⁹ Adopted by DCM no. 74, January 27, 2016, "On adoption of the National Plan on European Integration, 2016 – 2020".

⁵⁰ Approved by Decision of Council of Ministers No 330 of May 28, 2014 "On the approval of the Roadmap on five priorities recommended by the European Commission, 2013".

⁵¹ These key priorities are: (1) "... continue to implement **public administration reform** with a view to enhancing professionalism and depolitization of public administration; (2) "... take further action to reinforce the independence, efficiency and accountability of **judicial institutions**; (3) "... make further determined efforts in the **fight against corruption**, including towards establishing a solid track record of proactive investigations, prosecutions and convictions; (4) "... make further determined efforts in the fight against **organized crime**, including towards establishing a solid track record of proactive investigations, prosecutions and convictions; and (5) "... take effective measures to reinforce the protection of human rights, including of Roma, and anti-discrimination policies, as well as implement property rights".

⁵² http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/strategy_paper_2013_en.pdf

fight against corruption and organized crime; and (6) the protection of human rights and social inclusion.⁵³ The local elections of 2015 were a step further towards meeting obligations deriving from the political criteria.

The parliamentary monitoring of the accession process and activities were further enhanced with the adoption of the Law No 15/2015 of 5.03.2015 *“On the role of the Parliament in the integration process of the Republic of Albania in the European Union”*. The National Council of European Integration, led by the opposition, was set up as an advisory body of the Parliament. In line with this Law, the National Council of European Integration is the highest national advisory structure on European integration aspects, which promotes and guarantees comprehensive cooperation among political forces, public institutions and the civil society, as well as ensures increased transparency in the decision-making process on the EU integration aspects. The National Council of European Integration is chaired by the opposition and includes MPs, Government representatives, representatives of independent institutions, the civil society, Academia and other stakeholders involved in the monitoring of the EU integration process."

Concerning the **economic criteria**, Albania made progress towards establishing a functional market economy and preservation of macroeconomic stability through a sound monetary policy, despite a sharp drop in GDP growth, as discussed in Section 4 of this document. The Government has launched a series of measures to guarantee the continuity of economic reforms aimed at recovery of growth, competitiveness, investments, trade, employment and reduction of public debt and budgetary deficit.

Concerning the third criteria on **European standards**, Albania has generally and smoothly implemented the SAA according to established deadlines and according to the recommendations of the EU-Albania joint institutions set up under the SAA. The aforementioned NPEI 2016–2020 is aimed at the strategic planning and the full alignment of Albanian legislation with the EU *Acquis*, according to the SAA and expected obligations that come with the EU accession process.

The successful implementation of SAA, so far, has ensured positive developments, in particular in the establishment of a free trade zone between Albania and the EU. EU continues to be Albania's main trade partner, with annual average exports to 28 EU countries at 8, 7% from 2010 until 2014. In 2014,

Copenhagen Criteria

“Membership requires that the candidate country has achieved:

- ***“stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities,***
- ***“the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.***
- ***“Membership presupposes the candidate’s ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.”***

⁵³ European Commission, *“Albania 2014 Progress Report”*, Commission Staff Working Document, Brussels, 8 October 2014, see pp. 5 – 14.

the share of Albanian exports to EU-28 countries in value of total exports was 77.4%, while the share of Albanian imports from EU-28 countries in value of total imports was 61.1%.⁵⁴

In March 2014, the European Commission accredited the Albanian structures for decentralized management of EU funds, thus enabling the implementation of six pilot projects of IPA 2013 by the Albanian government, and in June 2015 two other projects funded by IPA 2012 were switched to decentralized mode as well. In addition, the Ministry of European Integration has taken over “duties for implementation of the budget” from European Commission for the implementation of cross-border cooperation programs, in line with the indirect management approach. Simultaneously is being drafted the Indicative Strategy Paper for Albania, 2014 – 2020,⁵⁵ which provides for the priority sectors to receive support during the next seven years. Successful programming and implementation, in line with the sector approach, represent important challenges that would enable full absorption of the financial assistance envisaged in line with the Indicative Strategy Paper for Albania (2014-2020). Hence, immediate measures are being introduced to strengthen the institutional capacities of the ministries and beneficiary institutions.

Attention should also be given to the institutional capacities of local authorities and stakeholders, as regards their skills for developing and implementing successful projects of territorial cooperation, under the new financial prospects of IPA II. Currently, Albania is participating in eight EU-funded territorial cooperation programmes, which present a very good opportunity for the Albanian applicants (namely, regional and local institutions, Civil Society Organizations (CSOs), universities etc.), to expand the network of potential partners for regional cooperation activities.

Furthermore, Albania is part of the EU Strategy for the Adriatic and Ionian Region (EUSAIR) and therefore the implementation of the specific objectives of the Strategy, through the Territorial Cooperation Programs is of prime importance.

■ **Challenges.** The challenges and priorities of the Government of Albania in terms of EU accession are articulated in a number of key strategic planning documents, in particular in the Integrated Strategic Planning for Albania (2014-2020), the NPEI 2016 – 2020, the Roadmap on the five key priorities and other documents issued by the EU.⁵⁶ In essence, all of these reports and evaluations point to the need for continued action across the board for the implementation of EU accession criteria and the fulfilment of the SAA obligations. The main challenges focus on the need to: (i) Implement the Roadmap on the 5 key priorities and Action Plan addressing the Recommendations of the 2015 EC Report on Albania and accomplish the key reforms to open and successfully carry out the accession negotiations; (ii) fulfill all of the obligations deriving from the SAA, and full alignment of the Albanian legislation with the EU *Acquis*, as required by the SAA, and the EU accession; (iii) Successfully open, administer and finalize the accession negotiations; (iv) Better manage the European Union assistance and the successful decentralized management of IPA funds.

⁵⁴ http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_report_albania.pdf.

⁵⁵ http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf

⁵⁶ These include primarily the EC annual progress reports, annual Sigma reports, and EC reports on Multi-Country Programs.

■ **The vision. “Opening accession negotiations and being able to demonstrate to the EU member countries Albania’s ability to meet EU accession criteria”**

The vision of the Government of Albania enjoys full political consensus and broad social support. It asks for improved capacities and enhanced transparency of the sector, with the view of further strengthening and development *inter alia* of a stable and consolidated civil society, as a dignified representative of the general public interest.

■ **Strategic objectives**

1. Monitoring fulfillment of the obligations of the Republic of Albania in the context of SAA, and identification of shortcomings and taking redress measures through:

- 1.1 Formulation and constant monitoring of the implementation of the NPEI, as the main document for the approximation of the Albanian legislation with the EU *Acquis*, while ensuring its alignment with the MTBP;
- 1.2 Reporting to the EC on Albania’s progress on the European Integration process (mainly through the annual contribution on the EC Progress Report process on Albania), and identification and inclusion of EU recommendations in the NPEI, as well as in action plans of other ministries and public institutions;
- 1.3 Monitoring the approximation process of Albanian legislation to the EU *Acquis*, by assessing the alignment of all draft national legal acts with EU *Acquis*; and through
- 1.4 The fulfillment of the approximation obligations to ensure that Albania’s existing laws and future legislation shall be gradually made compatible with the EU *Acquis*. The closer Albania’s legislation is to EU law, the better its starting position in the accession negotiations.

2. Coordination of the process of negotiations for Albania’s EU accession, to ensure fulfillment of accession criteria by 2020 through:

- 2.1 Review of the legal and institutional framework for the coordination and management of the integration process and drafting of recommendations for improvements;
- 2.2 Planning and proposal of national negotiation structures that will guide and coordinate the process of negotiations;
- 2.3 Setting the methodological context for the negotiations process;
- 2.4 Appointment of Chief Negotiator and establishment of negotiation team; and
- 2.5 Enhancing institutional capacities of the Ministries, institutions and negotiation structures, with view of concomitantly ensuring their functionality and capacities for being up to par with the negotiation process.

3. Absorption of 100% of EU financial assistance through:

- 3.1 Enhancement of institutional capacities of Line Ministries and other beneficiary institutions, to ensure better planning and implementation of EU funds through quality programs and projects, implemented in line with the EU standards;

- 3.2 Strengthening capacities of Local Government Units (LGUs) and other local/regional stakeholders, with the view of preparing qualitative project proposals, and ensuring smooth implementation of projects in the context of territorial cooperation policy area;
- 3.3 Monitoring of concrete projects, actions and capacities for absorption of EU funds, during the programming and implementation processes, conducted by responsible national units, and EC units.

4. Translation of EU legislation in Albanian, and translation of the Albanian legislation into one of the official languages of EU, as a pre-requisite for EU accession by 2020 through:

- 4.1 Qualitative, cost-contained translation of the European legislation in Albanian;
- 4.2 Review of the translation of the legislation in Albanian, and the Albanian legislation in one of the EU languages, as well as linguistic review and publication of legal acts translated in cooperation with the Line Ministries, and other central institutions;
- 4.3 Broad cooperation with the Republic of Kosovo for the translation, review of acts, and formulation of common terminology manuals; and
- 4.4 Translation of the European Legislation in Albanian, and of the Albanian legislation in one of the EU languages.

8.0 FOUNDATIONS: GOOD GOVERNANCE, DEMOCRACY AND RULE OF LAW

Strong and effective government institutions are Albania's foundation for competitiveness and growth. They are essential for Albania's EU accession. Good governance in Albania defines well-functioning legal and regulatory frameworks for businesses, social groups and individuals, and embodies the key notions of good governance promoted by a broad range of international institutions (see Box on the right). Achieving EU standards in public administration, ensuring accountability and transparency in the public sector and expanding decentralization and local democracy remain the top priorities for good governance in Albania.

Successive governments have demonstrated consistent high levels of commitment and effort in creating a healthy business environment that is attractive to investors at home and abroad. This is reflected in international assessments such as the International Finance Corporation's (IFC) Report on Doing Business. Reforms will continue to focus on strengthening the Judiciary, respecting human rights, including property rights, enhancing fundamental freedoms, addressing corruption and crimes of all forms, and ensuring security and public order.

Pillar 1 encompasses 13 sectors or components, listed as follows. Some of them are seen as a cross-cutting sectors or sub-sectors for which individual strategies have been developed or are underway.

- | | |
|--|---------------------------------------|
| ▪ Justice system reform | ▪ Transparency/anti-corruption |
| ▪ Legislative and electoral processes | ▪ Decentralization & local governance |
| ▪ Integrated Border Management | ▪ Statistics |
| ▪ Organized crime, terrorism and trafficking | ▪ Foreign affairs |
| ▪ Public order | ▪ Defense |
| ▪ Human rights | ▪ Civil society |
| ▪ Public Administration reform | |

National defense and foreign affairs may not be seen as components of good governance in the conventional sense, but are nonetheless essential to the smooth, secure and free functioning of the state, while statistics is key to good governance as it contributes directly to the progress of various local and national policies through support to sound, informed, transparent and evidenced based policy analysis and decision-making.

Good governance. . .

"...is about the role of public authorities in establishing an environment whereby economic operators may operate, and function and in determining the distribution of benefits as well as the relationship between the rulers and the ruled."

OECD

"... summarized as predictable, open and enlightened policy-making; bureaucracy imbued with professional ethics; an executive arm of the Government that is accountable for its actions; and a strong civil society with a participatory role in the public affairs; ...everyone abiding by the rule of law.."

The World Bank

"... inter alia participatory, transparent and accountable. It is also effective and equitable...promotes the rule of law".

UNDP

8.1 Justice System Reform

■ **Current situation.** Efforts of institutions to improve Justice System are many, but however partial and fragmented, and have consisted mainly in improving the system through operational measures, such as: modernization of infrastructure, introduction of information technology to improve communication with the public etc. In several instances there have been mainly legal interventions to address or improve several aspects of organization of the system and its governance. Such as for instance: adoption of law on Serious Crimes Court and Law on Administrative court, recent changes in the law on Supreme Court, and High Council of Justice, law on “the School for Magistrates”, etc.

However, despite awareness about the paramount importance of the justice system there have been no comprehensive and deep efforts to analyze the results of the Justice system overall, and to radically and in an integrated fashion address the numerous challenges of the system. The “*National Strategy of Justice Sector, 2010-2014*”⁵⁷ adopted in 2010 failed to transform into a substantial and operational platform, to guide a radical reform of the system, while concomitantly failing to address the challenges related to system consolidation.

The establishment of the *Ad Hoc* Parliamentary Committee on Justice System Reform in 2014 is an important step that ensures highest political and consensual commitment, so much needed for a radical reform. The Committee drafted and adopted the “Analyses of the Justice System in Albania” in June 2015. This document represents a deep analyses of the system, while addressing the justice system as a whole. The observations of the document are specifically related to the legal analyses of justice reform, and Constitutional Court reform, analyses of the Judiciary, criminal justice system, and education system of justice, legal services, anti-corruption measures, and funding and infrastructure of the Justice system. In addition, the analyses focuses on other issues related to public perception about the justice system (see Box on the right). This analyses serves to provide guidance and show the steps for the Justice System reform.

Public perception about the Judiciary in Albania:

“There is a widespread public perception that the system suffers from the phenomenon of corruption and outside influence in delivering justice.

Corruption, lack of transparent, overlong processes or non-execution of court decisions have contributed to the negative perception of the public on judicial transparency.”

Analyses of the Judicial system in Albania, June 2015, pg. 10

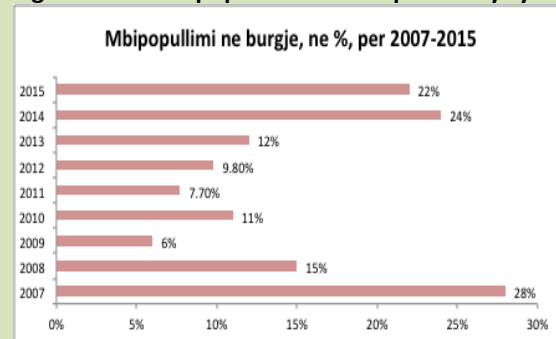
An independent and efficient Judiciary system is a key pre-requisite for the functioning of the rule of law, and hence a primary aspect of Democracy, and an important enabling environment for the country’s sustainable development.

⁵⁷ The “*National Sector Strategy of Justice 2015-2020*” is currently in the initial drafting stages.

This aspect is reiterated in the EU Indicative Paper for Albania for 2014-2020⁵⁸, which refers to the priority for the country for having in place “... *an accountable, independent and efficient justice system which is aligned to EU legislation and best practice*” (ref. pages 17-18). In addition, the EU Progress Report for 2015, states that the Judiciary in Albania is at an early preparation stage, and gives guidance on substantial gaps that need to be addressed “... regarding independence and accountability of judges and prosecutors, enforcement of verdicts, cross-institutional cooperation, and administration of justice, which remains slow”. The Report reiterates the importance of drafting a strategy and an action plan that would guide the reform through a series of concrete measures and interventions.

Regarding the system of prisons, the conditions of prisons and standards for treatment of prisoners and detainees were improved. However, despite investments in years, there are still fluctuations in terms of overpopulation in the penitentiary system (see Figure 18).

Figure 18. Over-population in the penitentiary system

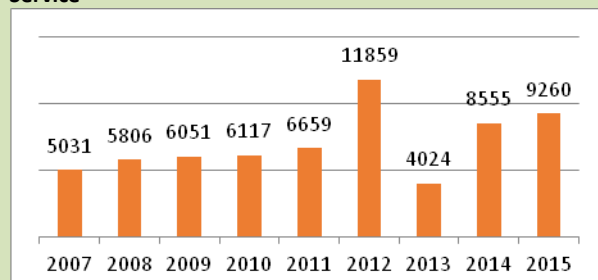


Source: Ministry of Justice

At a more operational level, standards for treatment of juvenile offenders and new offenders are improved. There has been a considerable increase in alternative sentencing for juveniles, as compared to pre-detention. During 2009 – 2014, the ratio of minors with alternative sentencing as compared to overall number of sentenced juveniles is 46.5%.

However, the juvenile justice system itself represents an important challenge for the system, which needs to be addressed in the future. The European Commission Report on this point reiterates the need to introduce a separate system for juvenile justice, to ensure that the current legislation is aligned with the international standards.

Figure 19. Number of cases executed by the State Bailiff's Service



Source: Ministry of Justice

The strengthening of the private bailiff service significantly improved the performance and enforcement of executive acts, even though the challenge lays with reducing back logs and faster delivery of execution of verdicts. Statistical data from State Bailiff Service indicate that during the course of 2015 were executed 9260 cases (Figure 19). The sound

⁵⁸ EU Indicative Paper for Albania, 2014-2020, pp 17-18

operation of the Mediation System for settlement of disputes has contributed in the reduction of the court case load.

As far as the free professions are concerned, such as: attorneys-at-law, notary public and mediation, progress was made regarding the review of the legal and institutional frameworks. Currently there are efforts underway to regulate the arbitration institute, to launch the reform on the notary public through *One Stop Shop delivery of service*. Attention was also given to the introduction and operation of the Notary Electronic Register; the execution of wills and hereditary certificates from notaries; and the establishment and functioning of the respective registers. Special importance has been attached to timely execution of rulings of the European Court of Human Rights (ECHR). Over the period of 2007 - 2014, 36 decisions of ECHR were executed.

■ **Challenges.** As discussed under Section 2.2, the justice sector will be faced with many challenges ahead. These will focus on the need: (1) for a continuous process of reforms that need to be implemented in the Judiciary; (2) for further consolidation of the independence of the Judiciary and greater efficiency within the Judiciary; (3) for greater transparency and a higher level of public trust in the judiciary; (4) for further strengthening the performance of the public and private Bailiff Services and other free professions; (5) for measures to ensure respect of the fundamental rights of individuals; (6) for the transformation from the notion of criminal punishment to one of rehabilitation opportunities through strengthening community rehabilitation programs; and (7) for enhancing the overall accountability and transparency in the Judiciary through further development and integration of information management support systems.

■ **The vision.** *“Albania: a nation based on the rule of law, a guarantee of human rights & freedoms, with an open & equal judicial system ensuring justice for all”*

■ Strategic objectives

1. Consolidation of independence and efficiency of Judiciary through:

- 1.1 Frequent review of the Justice system, including gap analyses and identification of areas in need of improvement;
- 1.2 Strengthening legislation, in order to ensure independence of the judiciary;
- 1.3 Implementation of the legislation along with measures that would enhance the independence, efficiency, integrity and accountability of the judiciary at all levels of the system;
- 1.4 Improving efficiency in the operation and organization of First Instance and Appeal courts, in light of the new territorial map;
- 1.5 Review of court efficiency, by reducing case load, compared to the number of cases registered for trial;
- 1.6 Improving infrastructure capacities;⁵⁹
- 1.7 Strong mechanism of control within the Judiciary related to the status and professional skills of inspectors, and verification methods;

⁵⁹ Construction of the Palace of Justice in Tirana, construction of courts and prosecutors' offices in several cities.

- 1.8 Improving the filing system of the Judiciary through operation and functioning of the central archive of the Judiciary;
- 1.9 Strengthening inter-institutional cooperation through Cooperation Agreements, and organization of joint trainings; and
- 1.10 Promoting regional and international cooperation in the judiciary through new cooperation agreements.

2. Enhancing transparency and consolidating the public confidence in the Justice system through:

- 2.1 Increased professionalism and performance through (i) merit-based and transparent criteria for appointments of judges, prosecutors and court administrators, (ii) evaluations of performance, merit based promotions and court inspections, and publication of the results of the appointments;
- 2.2 Considerable reduction of backlogs;
- 2.3 Strengthening the role and independence of the prosecutors during investigation process;
- 2.4 Increased levels of legal predictability and enforcement of laws and court decisions in the interest of businesses and citizens;
- 2.5 Enhanced court information and processes through the implementation of the Integrated Case Management Information System and audio systems in all courts, to ensure that information is user-friendly for the citizens at large;
- 2.6 Expansion of State Commission on Legal Aid through opening of seven new offices, and strengthening human resources skills;
- 2.7 Strengthening professionals skills of the State Advocate's office;
- 2.8 Improving public opportunities for access to legal norms and information, by increasing the print run of publications of Official Gazette editions, codes and legal summaries etc.

3. Improving further public and private Bailiff's service and performance of the free professions through:

- 3.1 Increased enforcement rates of executed titles⁶⁰;
- 3.2 Greater bailiff service quality by fostering staff professionalism and strengthening the control over and inspection of each bailiff office (results with respect to the Bailiff system are also covered in Section 10.1 on property rights); and
- 3.3 Improved efficiency in general of the activity of free experts and professionals in the Justice field, while improving legal provisions;
- 3.4 Delivery of inter-disciplinary training programs for legal and other professionals related to the Justice system, including programs that promote opportunities for new professionals in the juvenile justice, justice for children, domestic violence and gender based-violence etc.

4. Ensuring personal fundamental rights, and transformation of criminal punishment into re-education opportunities through:

- 4.1 The further improvement of detention and pre-detention systems;
- 4.2 The compliance of the penitentiary system with international standards, including specific treatment for different categories of detainees;
- 4.3 The reduction of the overpopulation rate in penitentiary institutions; and

⁶⁰ Referred to decision execution data of state bailiff service.

- 4.4 Strengthening social policies through actions aimed at: (i) extend the 9-year education over the entire penitentiary system⁶¹; (ii) establishing special care sectors for persons with mental health problems in five IEVPs; (ii) drafting standard protocols for preparing the path to re-integration following release, and to ensuring increased engagement of detainees in activities that support their re-integration upon release from prison; (iv) provision of up to 3.5 hours of counseling per detainee/month.
5. **Further upgrade of penitentiary infrastructure and security elements** in detention and pre-detention systems in line with international standards and conventions and installation of CCTV (camera) systems in all penitentiary institutions, while ensuring gradual transformation of juvenile facilities into open or semi-open structures.
6. **Establishment of an electronic database for prisoners** through a software for on –line searching of files, and connection of local prisons with detention centers and central institutions, and installation of a database for information and statistics management.

8.2 Strengthening legislative and electoral processes

In the recent years, Albania has made considerable progress in strengthening the electoral and legislative processes, which have contributed to strengthening democracy and the overall rule of law. However, the strengthening process by its very nature requires ongoing attention towards consolidation of the achievements made so far, as well as focusing on continued reforms of the democratic system that will ensure respect of human rights and fundamental freedoms, in compliance with European standards.

8.2.1. Strengthening legislative processes

■ **Current situation.** Regarding strengthening of the legislative processes, the European Commission Report of 2015 attests to improved transparency and comprehensiveness. The Report underlines that Parliamentary Committees have in general been proactive in holding consultations with the Civil Society and the stakeholder groups, in light also of the adoption of a Resolution on the role of the civil society in the country's democratic development by the Parliament in December 2014. However, the EU Report reiterates the need for improvements in the organizational parliamentary structures, with administrative capacities and expertise, while focusing on securing sufficient funds for staff hiring and training, in particular about research and analyses.

In light of improving transparency and increasing participation in decision-making, through stakeholder consultations, in 2014 was adopted the Law on Public Consultation of political and legislative acts, and a

⁶¹ The Ministry of Justice and Ministry of Education and Sports have signed a Memorandum of Understanding (July 2014) on secondary education delivery for minors in conflict with the law.

new Law on the Right for Information⁶², for which the appropriate necessary measures were taken to ensure their complete and qualitative implementation.

Currently, work has started on the Legislative Reform for which two working groups have been established, one at the Strategic level, and the other at the technical level, with aim of running an inventory of legislation, analyses of the structures in charge with formulation of legislation and its alignment, establishment of clear criteria for hiring persons that will work on lawmaking etc. The process of transposition of EU acquis with the local legislation, even though often backed up by EU funding and technical assistance, still needs to be further consolidated, while capacities need to be improved to ensure better quality of proposed legislation, in particular in terms of prospects for opening accession negotiations with the EU.

■ **Challenges.** From the prospective of **legislative processes** there are a number of key policy changes that need undivided attention in the future, and these include: (1) enhanced transparency and public confidence in the democratic state institutions; (2) further improvement of constitutional functions related to law-making and legislative process; (3) strengthening of administrative law-making capacities; (4) enhanced transparency in the law-making process, and cooperation with the civil society; and (5) increased cooperation and interaction among constitutional institutions, with the view of ensuring an efficient legislative process; (6) establishment of institutional capacities for the legislative process. Addressing these challenges is expected to ensure further consolidation of electoral processes and democracy in the country.

■ **The vision.** *“Ensuring a transparent, inclusive and qualitative process, in line with the best European practices”*

■ Strategic objectives

1. Further improving the lawmaking function through better review of legislation during the legislative process and introducing improvements in the legislative procedure, to ensure better alignment of Albanian legislation with that of EU.
2. Strengthening inter-institutional cooperation among constitutional institutions in charge with the delivery of the legislative process (mainly the Executive and the lawmakers), with the aim of enhancing process efficiency.
3. Increased transparency in the legislative processes through increased participation of public and civil society in the decision-making processes.
4. Enhanced efficiency of Parliamentary oversight, in particular regarding implementation and alignment of new legislation with EU legislation ⁶³.

⁶² Law no. 119/2014 “On the right for information” and Law no.146/2014 “On public notification and consultation”

5. Improved institutional capacities (at the Parliament and Council of Ministers) in terms of efficacy of legislative process.
6. Improving the process of drafting and adoption of legislation, and improved quality of legal acts through:
 - a. A transparent, comprehensive, policy-based system for drafting of legislation, which ensures alignment with the *acquis*;
 - b. Improving procedures for conduct of expected impact assessment and compliance assessments with the *Acquis*, and connection of regulatory acts with country-level policies;
 - c. Increasing transparency in the publication of legislation

8.2.1. Strengthening electoral processes

■ **Current situation.** Regarding the electoral process, reforms in the recent years have focused on the changes in the Electoral Code. Their aim was to improve the setting of rules for the preparation, development, management, supervision, and announcement of election results and of the regulation of the electoral process. For instance, the changes introduced in the Electoral Code in 2012⁶⁴ provide for: (1) the improvement in the administrative management of the entire electoral process; (2) keeping the balance among all political parties during the elections process; (3) improving independence of the Central Elections Committee (CEC), as the key institution for the administration of elections; (4) enhanced transparency;⁶⁵ and (5) minimizing pressure of the majority during the elections period. The legal framework regulating parliamentary elections now provides a sound basis for the conduct of democratic elections in Albania.⁶⁶ However, more remains to be done on the transparency aspect, in particular about reporting on the funding of electoral campaigns.

In addition, measures were introduced for the adoption of the System of Information and Administration of Elections, introduction of modalities about training and learning, and to further promote transparency of electoral processes.

⁶³ Oversight of the implementation of obligations stemming from the EU-Albania SAA; implementation of the Guideline on 5 key priorities recommended by the European Commission in 2013 (approved with CMD No. 330, dated 28 May 2014); implementation of the National Plan for European Integration 2015- 2020 (approved with CMD No. 404, dated 13 May 2015); addressing the recommendations of the Annual Progress Reports of the European Commission for Albania for the period 2015-2020 and negotiating positions of the Albanian government during Albania's EU accession negotiation process (following the opening of negotiations).

⁶⁴ Law no.74/2012 "On some amendments to Law no. 10019, of 29.12.2008, *"Electoral Code of the Republic of Albania"*.

⁶⁵ 40 days prior to the launch of the electoral campaigns, CEC establishes the Media Monitoring Board, whose task it is to monitor implementation of the provisions of this Code, for electoral campaign from the public and private radio and TV stations.

⁶⁶ OSCE, "Albania's Parliamentary Elections of June 23, 2013, *Elections Observation Mission – Final Report*", Office of Democratic Institutions and Human Rights (ODIHR), Warsaw, October 10, 2013, pg. 1.

In January 2015, the Albanian Parliament adopted some amendments to the Electoral Code⁶⁷, in light of the local elections held on June 21, 2015. The changes consisted in the technical alignment of the election administration by the CEC, following the new territorial division and changes associated with gender quotas. According to these amendments, 50% of the candidates in the lists for municipal councils should be women. These measures will contribute in creating an enabling environment for women to advance in their political and public careers, and are considered as key aspects of the electoral reform.⁶⁸ Following local elections of June 2015, the ratio between men and women (in terms of municipal council members) was 34.8% female and 65.2% male, while the ratio for the mayoral positions was 14.75% female and 85.25% male.⁶⁹

■ **Challenges.** In terms of **electoral** processes, a number of challenges remain to be addressed over the 2015-2020 planning period: (1) the need to increase transparency during the entire electoral process, both in Parliamentary and local elections (2) the need to strengthen the electoral processes, to ensure that they are free from the influence of the political parties; (3) the need for clarification of the roles of constitutional instructions regarding electoral processes; (4) the need to strengthen accountability of political parties, in general, regarding increased transparency of funds raised during electoral campaigns.

■ **The vision** *"Ensuring free and fair elections, whereby the citizens may express their free will, based on due administrative process, free from political interventions, and in line with the standards."*

■ Strategic objectives

1. **Continued improvement of the overall legal framework and of the Electoral Code, while** addressing the recommendations made by the Organization for Security and Cooperation in Europe (OSCE) / Office for Democratic Institutions and Human Rights (ODIHR) in their 2013 and 2015 election observation mission reports.
2. **Improving levels of civil information** about their rights regarding the electoral process, in order to ensure greater participation in the elections.
3. **Increased transparency about** funds raised by the electoral parties during the electoral campaigns, through the necessary legal changes.

8.3 Integrated Border Management

■ **Current situation.** Solid progress in border control and surveillance was one of the conditions that led to the visa-free regime with the EU countries, since December 2010 Albania produced results in all

⁶⁷ Law no. 31/2015 on some amendments and additions to Law no. 10,019, dated 29.12.2008 "The Electoral Code of the Republic of Albania", as amended.

⁶⁸ In line with the Electoral Code of Albania, Parliamentary and Local elections also held every four years, but with a time difference of 2 years between the two. The Albanian parliament currently consists of 140 deputies elected through a proportional system, and is composed of 29 women and 111 men. From the local elections held on 21 June 2015, 61 mayors were elected (10 women and 51 men).

⁶⁹ Albania's Central Elections Committee

components of the Integrated Border Management system, in particular with regard to: improving basic legislation; organization and management of border agencies; improved administrative and professional skills of respective structures; delivery of standard operating procedures; conduct of training programs and drafting of curricula; strengthening infrastructure and information system,; high quality services for the citizens; facilitation of trade exchanges; strengthening the fight against illegal activities; and improving border security.

In this context, progress was made in the development and implementation of the “*National Cross-Sector Strategy on Integrated Border Management and its Action Plan, 2014-2020*” (adopted in 2014), which aim at: (1) the consolidation of the achievements of Integrated Border Management; (2) improvement of security at the border; (3) facilitation of the movement of citizens and trade exchanges; (4) guarantee open and safe borders.

An important component of the border control is the Inter-institutional Maritime Operational Centre (IMOC). IMOC is an inter-ministerial institution with the mandate to ensure the surveillance of Albanian maritime space. As a relatively new organization, IMOC needs to further strengthen its capacities, in order to abide by its mandate.

Risk analyses is used in the identification and analyses of trends for illegal activities, such as: trafficking of narcotics, vehicles, use of false papers, and trafficking of human beings. Recently there is an increasing trend of illegal activities, related mainly to levels of surveillance of green border. The main reasons behind this phenomenon include: border length, difficult terrain, border crossings and small number of border police patrol and police stations. Border patrols often - lack capacities and techniques. Another key factor is found in the small number of border police officers and seniority (old age) of the border police and migration staff who work in the field, at the border stations (currently 1.4 police officers for every km of border line, while the EU standard policy provides for 3-5 police officers for 1 km border line)⁷⁰. Some border crossing points lack appropriate infrastructure to help them deal with the flow of citizens, vehicles and goods, and technical supplies in the vehicles that are used by the operational units of Border and Migration Police. In addition, existing capacities need to be further strengthened in order to manage the uneven pattern in the flow of migrants arriving from third party countries.

■ **Challenges.** There are still some serious challenges that need to be addressed with regard to increased cross-border crime: (1) improving sector appropriate policies to strengthen Border Security System, in particular with the view of reducing and preventing cross-border crime, and illicit trafficking; (2) the requirement to continue strengthening capacities, particularly with respect to operational performance associated with border monitoring and surveillance; (3) the need to apply best practices of

⁷⁰ Schengen Borders Code, standards and rules govern the movement of persons across borders established by the European Parliament and of the Council of 15 March 2006. This regulation applies to any person crossing the external borders of all EU countries, except those of the United Kingdom and Ireland, and the internal borders of the [Schengen area](#) (a border-free area comprising 22 EU countries, along with Iceland, Liechtenstein, Norway and Switzerland). See for example, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:l14514>.

integrated border management; and (4) formulation of a new legal framework, in line with EU standards and the Schengen Code.

- **The vision.** *“Consolidation of achievements in consolidated border management, to ensure safe and open borders, fully aligned with EU standards.”*

■ Strategic objectives

1. Strengthening detection powers in the fight against cross-border crime through:

- 1.1 Increased detection rates of illegal trafficking;
- 1.2 Increased detection and elimination of trading of narcotics.

2. Enhanced professionalism and technical skills in the detection and fight against use of false papers for border crossing purposes.

3. Improving monitoring and surveillance standards through standardization of Border Crossing Points (BCP), in line with the EU standards, and the Schengen Code.

4. Prevention and downsizing of cases of illegal migration and of the numbers of foreign citizens who are caught in the Albanian territory with irregular papers through:

- 4.1 Conduct of accurate risk analyses;
- 4.2 Deployment of staff in the most problematic areas; and
- 4.3 Supply with modern technology for the prevention of illegal migration.

5. Prevention and reduction of illegal migration through:

- 5.1 Increased rates of detection and elimination of illegal migration;
- 5.2 Reduction of cases of illegal migration and of the numbers of foreign citizens caught in the Albanian territory with documents not in order;
- 5.3 Monitoring migration flow through monthly and annual analyses of risk, in line with FRONTEX⁷¹ standards.
- 5.4 monitoring of migration flow through monthly and annual analyses of risk, in line with CIRAM model; and
- 5.5 strengthened cooperation with the neighboring countries, for the prevention and fight of irregular migration of Albanian citizens and third country nationals in the framework of existing bilateral agreements, the Police Cooperation Convention for South East Europe and other regional initiatives.

6. Overall strengthening of the capacities of the overall capacities of the Inter-institutional Maritime Operational Centre

⁷¹ Frontex promotes, coordinates and develops European border management in line with the EU Charter of Fundamental Rights applying the concept of Integrated Border Management.

8.4 Fight against organized crime, terrorism and trafficking

■ **Current situation.** In the recent years, Albania has made progress in its fight against organized crime, trafficking and terrorism. The “*Cross-Cutting Strategy on Combating Organized Crime, Trafficking, and Terrorism 2014-2020*” was updated in November 2014, to include the fight against child trafficking, the fight against money laundering, and the fight against drug trafficking. In addition, a specific action plan for the strategy on the fight against human trafficking was developed and adopted during the same year.

Progress was reflected in the EC Progress Reports for Albania for 2013, 2014, and 2015.⁷² The moratorium on the speedboats represented a strong legal instrument in the 5 years policy for the elimination of illegal migration, and managed to eliminate illegal migration towards Italy via the sea route.

International police cooperation continued to produce good results in relation to police operations, detentions and investigative exercises. This was followed by an increase in the number of infestation of assets, confiscations and court proceedings.

There was significant improvement in terms of risk analyses and use of criminal intelligence. The prosecution and confiscation of drug cases increased due to the efficient use of available means and equipment, risk analysis and international cooperation. Capacities for ensuring witness protection were further strengthened. MONEYVAL⁷³ recommendations regarding money laundering were also addressed. Changes in the Criminal Code addressed aspects of internal human trafficking, including with regard to criminalization of the use of the services of victims of trafficking.

A new unit for combating cybercrime is now in place. Compared to the previous structure, this new unit runs computerized investigation and preliminary review of all computer data saved on computer devices, and used as material evidence. This has led to increased cooperation between the police and the prosecution authorities. Joint trainings with the police, prosecution and other staff of the law enforcement agencies has been ongoing.

While the fight against production and trafficking of drugs was significantly strengthened in the course of 2013-2015, it still remains an important challenge. Special attention has been given to the fight against terrorism, in particular prevention of extremism and radicalization, followed with strong religious and ethnical connotation. This was reflected in amendments to the Criminal Code and the entry into force of the “*Law on prohibition of joining the armed conflicts outside the state territory for Albanian citizens*” which provides for serious punishment for such criminal offences.

⁷² European Commission, Brussels, 16.10.2013 SWD (2013) 414 final, Albania 2013 Progress Report, 2014 Brussels, 8.10.2014 SWD (2014) 304 final, 2015 Brussels, 10.11.2015 SWD (2015) 213 final.

⁷³ Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism.

Regarding money laundering, progress was made during 2015, as observed in the increase of 25.7% from 2014, in criminal proceedings related to money laundering and products of criminal acts or criminal activities. The processes were accompanied with confiscation of assets and banks accounts.

Given that the fight against corruption and corrupt officials remains one of the main priorities of the Government there has been an increase in the number of detected and penalized cases of corruption. Special investigation techniques are being increasingly applied. In 2015, the fight against corruption focused on the justice system, and on other areas such as: education, health, and tax, to mention some of them. There was an increase of 110 identified criminal offenses, or 10% for corruption cases, compared to 2014. In the economic and financial sectors, in the course of 2015 there was an increase of an additional 16.3% in the detection rates of criminal offenses, compared to 2014. Compared to the previous year, 53 additional police operations were delivered, or an additional 10%.

■ **Challenges.** Despite tangible achievements and progress made in the fight against organized crime, trafficking, and terrorism, main challenges include: (1) greater efforts in strengthening cooperation among law enforcement agencies; (2) introduction of reliable “track-record” of proactive investigations, proceedings and punishment combined with the systematic use of financial investigation; (3) expediting and intensification of the fight against productions and trafficking of drugs, to ensure longer lived impact; and (4) a more coordinated and focused fight against all forms of organized crime, and international cooperation, and strong counter measures.

■ **The vision “Albania – with a society free of trafficking, organized crime and terrorism threats; projecting an image of a peaceful country, abiding by European security standards”.**

■ Strategic objectives

1. **Creating a safe environment for the society through reduced offer and access to illegal use of drugs through:**
 - 1.1 Prevention and significantly decreasing drugs production in Albania by a targeted 67% reduction by 2020;
 - 1.2 Prohibiting access to the illegal use of drugs, through intensification of the fight against individuals, groups and criminal organizations involved in the sale, distribution, internal and international trafficking of drugs;
 - 1.3 Maintaining quantities of strong drugs seized from neighboring countries with origin or transited through Albania at low levels.
2. **Reduction of illegal trafficking and in particular trafficking of human beings from/through Albania by 2020 through:**
 - 2.1 Increased detection of crime rates for individuals and criminal networks involved in illegal trafficking;
 - 2.2 Increased number of joint international operations against illegal traffics;
 - 2.3 Increased number of operations against illegal trafficking through special investigation techniques.

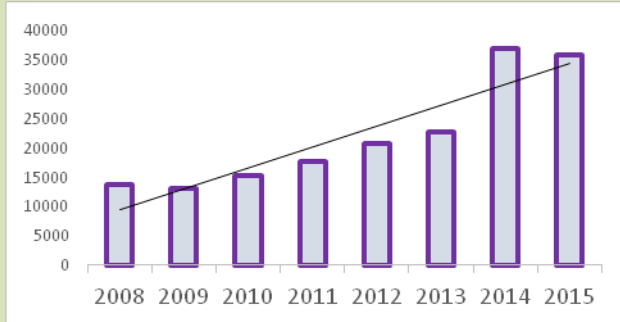
3. **Improved efficiency in the fight against economic and financial crime**, money laundering, corruption and crime proceeds **through**:
 - 3.1 Increase in the number of investigations of crime related assets and prevention cases of corruption;
 - 3.2 Increase in the number of criminal proceedings against “money laundering of crime assets”;
 - 3.3 Increase in the number of investigated cases for other offenses related to economic crime.
4. **Increased efficiency of the Cyber Crime Unit through**:
 - 4.1 Increased number of investigations of criminal offenses related to cybercrimes;
 - 4.2 Increased number of investigations of cases of abuse with minors through internet; and
 - 4.3 Increased numbers of preventive investigations of cybercrimes.
5. **Prevention and reduction of terrorist threats through**:
 - 5.1 better results in the fight against terrorism through the establishment and use of an efficient risk evaluation system combined with institutional strengthening of units engaged in this area. Expected results include: (i) increased operations that use special investigation techniques; (ii) increased number of joint international operations; and (iii) increased detection and elimination rates of terrorist criminal offenses;
 - 5.2 Formulation of an organic law, in line with EU standards in the fight against terrorism;
 - 5.3 Establishment and operation of the *Inter-institutional Committee for the Coordination of actions in the fight against terrorism*”; and
 - 5.4 Establishment of a secure communication network for the exchange of information among agencies committed in the fight against terrorism.
6. **Establishment of a state-of-art investigation service based on**:
 - 6.1 Enhancing investigation capacities towards intelligence-based investigations;
 - 6.2 Improved tools and modern technology, through the completion of the Total Information Management System (TIMS), establishment of the Risk Management Information System, and implementation of the communication network for the State Police;
 - 6.3 Increased capacity of Scientific Police through the introduction of new technologies that will ensure an increased number of forensic examinations in the process of detection and identification of crime evidence in the crime scene; and
 - 6.4 Establishment and operation of the National Bureau of Investigation.
7. **Strengthening international and regional cooperation through**:
 - 7.1 Enforcement of existing agreements and new forms of police cooperation with the countries of the region and the EU; mainly through enhanced exchange of information with EUROPOL and INTERPOL;
 - 7.2 Increased number of joint operations with EUROPOL; and
 - 7.3 Increased number of detained wanted persons.

8.5 Strengthening public order and preparing for the cases of Civil Emergencies

■ **Current situation: Public Order.** Public Order is the results from efficient operations among police units, increased professional capacity of the State Police and strengthened territorial control.⁷⁴

In the course of 2007-2014, there was an increasing trend of criminal offenses. Figure 20 illustrates an

Figure 20. Criminal offense 2008-2015



Source: Ministry of Internal Affairs

Figure 21. Road accidents 2009-2014



Source: Ministry of Internal Affairs

average increase of 75% in the number of criminal offenses during 2010-2015. Whereas during 2015, there was a slight decline in the number of committed criminal offenses compared to 2014. In addition, road safety remains an issue of public security in Albania. According to statistical data, the number of road accidents is showing an increasing trend (figure 21), with an average increase of 24% in the number of accidents during 2015 compared to 2010.

■ **Challenges.** The implementation of the “*National Sector Strategy of Public Order 2014-2020 (State Police)*” remains one of the key priorities of the public order sector focusing on: (1) the need to change the overall negative trends in public order, especially in road accidents; (2) the need to incorporate modern standards of policing; (3) strengthening of police-community partnerships through the professional management of criminal situations; and (4) greater attention to addressing domestic violence and antisocial behaviors.

■ **Current situation: preparing for civil emergencies.** Ensuring public order also means being prepared for emergencies and disasters. Albania has a high level of economic risk from multiple hazards, with 86% of its territory prone to two or more disasters, where 88.5% of national GDP is generated. Albania has one of the highest seismicity ratings in Europe with the maximum potential probable losses from a disaster with a 250-year mean return period (MRP) estimated at USD \$2.3 billion for earthquakes and USD \$1.3 billion for floods.⁷⁵ As evidence of vulnerability to disaster, the recent floods of early 2015 in

⁷⁴ “National Strategy of Public Order Sector, 2014-2020 (State Police)” was adopted by DCM no.702, of 26.08.2015.

⁷⁵ Disaster Risk Mitigation and Adaptation Project, World Bank, April 30, 2014, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/05/22/000016351_20140522141557/Rendered/PDF/ICR29910P110840C0disclosed050210140.pdf

southern Albania resulted in significant damage to infrastructure and agricultural livelihood. Data from the Albanian Red Cross and local authorities estimate that 42,000 people had been affected.

Disaster risk is also linked to housing, settlement and livelihood patterns and exposure among different groups and locations throughout the country. Economic loss in Albania due to landslides, floods and forest fires and indirect costs on the economy and the society are deemed to be very high.

Albania is also at risk of a range of disasters and other natural and manmade disasters, Albania is also vulnerable to a range of other natural and human-made disasters: forest fires, landslides, snow, drought, epidemics, avalanches, tsunamis, technological risks, failing dams, storms, and so on. According to the global “risk index of natural disasters” for 2014, Albania’s rank is first in Europe and 37th out of 171 countries worldwide.⁷⁶

In general, the civil protection system is fragmented and uncoordinated, with weak capacities across a wide range of institutions. These weaknesses and vulnerability to disasters and catastrophes are compounded by deforestation, poor river basin management, and inadequate levels of preparation on the part of local populations, and inadequate warning and monitoring mechanisms. Climate change in particular presents risks to Albania in terms of the frequency, intensity, spatial extent, duration, and timing of extreme weather events. Rainfall and snow patterns in Albania are the most diverse in Europe. Albania National Communication under the UN Framework Convention on Climate Change (UNFCCC), identifies Albania's coastal areas and water resources, ecosystems, agriculture, energy and tourism as sectors most vulnerable to climate change.

■ **Challenges.** With respect to disaster risk reduction and civil protection management, the main challenges *inter alia* include the need to: (1) transform the overall system from being primarily reactive to one that is pro-active in its approach to emergencies and disasters; (2) integrate emergency preparedness issues into sectorial strategies and plans at the central and local levels; (3) strengthen the legislation and regulations that cover those areas; (4) develop a strategic document on emergency preparedness; (5) strengthen the technical, organizational and management capacities of the various institutions involved in emergency preparedness; (6) strengthen the capacities of emergency response entities; (7) upgrade construction and safety standards in buildings and other structures; and (8) ensure the development of an adequate and well-capitalized catastrophe/disaster insurance market.

■ **The vision:** *“Albania: a safe and secure place for citizens and visitors, with reduced vulnerabilities to life, property and the environment”*

■ **Strategic objectives with respect to public order**

1. Reduction of anti-social behavior and street crime by 2020, mainly crimes against property through:

1.1 Reduction of number of criminal offence against property (per 100.000 inhabitants);

⁷⁶ The index is based on vulnerability and exposure to disasters, increases in susceptibility, response and coping capacities, adaptation. Etc. Ref. World Risk Report’s 2014, United Nations University.

- 1.2 Improving rates of detection of criminal offences against property;
- 1.3 Increased number of Immediate Protection Orders (IPOs) for women and girls victims of violence, with the view of improving safety of victims of domestic violence.

2. Improving service delivery quality and increasing public confidence through:

- 2.1 Reduction in police response time to community calls;
- 2.2 Reduction in public complaints against police officers (per 100,000 inhabitants); and;
- 2.3 Increase in the number of public calls.

3. Improving road safety parameters by 2020 in line with EU *Vision Zero* through:

- 3.1 Reduction of number fatal road accidents per 10,000 vehicles;
- 3.2 Reduction of the overall number of road accidents due to use of alcohol compared to 2013;
- 3.3 Reduction of the overall number of road accidents due to speed, compared to 2013.

4. Improving human resources (HR) management standards, training, police assets, logistics services and budget monitoring through:

- 4.1 The implementation of mandatory in-service training and re-certification for all staff;
- 4.2 The certification of personnel in specialized and advanced training focusing particularly on joint training with other law enforcement agencies in the fight against organized crime and illegal trafficking (Training of staff within one year (certification & re-certification)
- 4.3 Improved logistics infrastructure through increased investment, good management of support services, and an improvement in information technology tools and communication networks.

■ Strategic objectives with respect to disaster risk reduction and civil protection management.

5. Strengthen disaster risk reduction and civil protection management through:

- 5.1 Preparation and approval of the National Operational Plan for the integrated management of Civil Emergencies.
- 5.2 The updating and strengthening of related legislation and regulations, including the establishment of construction and related standards in line with EU standards;
- 5.3 Strengthened capacities of emergency preparedness and disaster response entities across Albania;
- 5.4 Gathering and organizing risk information, and strengthening Early Warning Systems; and
- 5.5 Review of catastrophe insurance market.

8.6 Strengthening human rights

■ Current situation. Human rights and fundamental freedoms are essential conditions for the enhancement and advancement of the role of citizens in society. The Constitution guarantees freedom of speech, the right to information, protection of personal data, occasional hearing, and the right to appeal. In the course of 2007-2014 a series of international acts have been ratified and efforts were

made to complete the legal and institutional framework in Albania in order to strengthen / ensure human rights.⁷⁷

The People's Advocate institution (Ombudsman) contributed not only in promoting human rights, but also in protecting human rights when threatened by illegal and arbitrary actions of the state. They provided for protection in cases of persons deprived of their freedom and of persons in contact with judicial entities (in particular, in cases of vulnerable groups, such as minors, children, women, Roma and other vulnerable groups). They also played an active role in the mechanism for the prevention of torture.

The Office of the Commissioner for Freedom of Information and Protection of Personal Data (ZKMDP) established in 2008 achieved progress in monitoring the personal data protection law, increased awareness, and strengthened the conduct of administrative investigations. Following the approval in September 2014 of the new law no. 119/2014 "*On the Right to Information*"⁷⁸, responsibility for this area was transferred from the Ombudsman to the ZKMDP strengthening its role and competencies in monitoring the other major pillar, the right to information. The administration is in the process of developing transparency programs, appointing access-to-information coordinators and establishing registries of requests for information, as required under the new law. So far 141 coordinators were nominated by public administration institutions.

The Office of the Commissioner for Protection against Discrimination established in 2010 contributed to the enhancement of public awareness on the protection from discrimination and available legal means. The Office also offered assistance to victims of discrimination through the examination of discrimination complaints, carrying out administrative investigations, examining court opinions on discrimination issues, and developing recommendations to improve the legislative framework.

⁷⁷ **UN Convention on human rights:** International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (adhered with law no. 9703, dated 2/7/2007); UN Convention for the Protection of All Persons from Enforced Disappearance (ratified with law no. 9802, dated 13/09/007); UN Convention on the Right of Persons with Disabilities (ratified with law 108/2012); Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography (adhered with law no. 9834, dated 22/11/2007); Optional Protocol on the Involvement of Children in Armed Conflict (adhered with law no. 9833, dated 21/12/2007); Optional Protocol to the Convention on the Rights of Children on Communications Procedure (ratified with law no. 86/2013); Optional Protocol of International Pact on Civil and Political Rights (adhered on 4/10/2007); Second Additional Protocol of International Pact on Civil and Political Rights (adhered with law no. 9726, dt. 7/05/2007); UN Convention on Rights of Persons with Disabilities, ratified with law no. 108/2012; **Conventions in the framework of the Council of Europe:** Convention on Action against Trafficking in Human Being (ratified on 6/2/2007); Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (ratified on 14/4/2009); Convention on Acknowledge and Implementation of Food Obligations (adhered with law no. 10398, dt. 17/3/2011); Convention of the Council of Europe on the Exercise of Children's Rights (June 2011). Convention on the Legal Status of Children Born out of Wedlock (June 2011); Convention on Prevention and Fight against Violence against Women and Domestic Violence (104/2012); Protocol 13 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, concerning the abolition of death penalty in all circumstances (2007); Protocol 15 of the European Convention on Human Rights and Fundamental Freedoms (2014).

⁷⁸ Law no. 119/2014 "*On the Right to Information*" was adopted on September 18, 2014 and became effective in November 2014.

The State Agency for the Protection of Child Rights, with the support of the Ministry of Social Welfare and Youth has undertaken a series of initiatives, in line with the Law “On Protection of Child Rights” at the national and the local levels. In this context, it is important to point out that children do not interact with the justice system only in their capacity as alleged perpetrators of criminal offences, but that they should be viewed as rights-holders who need to claim these rights whenever they are violated. Children should not be seen only as responsibility-holders, but also as right-holders. Therefore, the challenge is to give children access to justice, while focusing on efforts for removal of barriers, access to information for the children and their families about their rights, legislation, and possible means of redress, ways to find the right path in the system to seek these rights, and the introduction or strengthening of available services for their support.

It is important to highlight that for the first time Albania was elected as a member of the UN Council on Human Rights for 2015-2017 in the elections of October 21, 2014 of the 69th Session of the UN General Assembly, with extensive support from the electoral group and other member countries.

■ **Challenges.** The main challenges that remain to be addressed over the NSDI-II planning period are: (1) the need for greater attention to the protection of the rights of women, children and disabled people, minorities, Roma, juveniles, prisoners and pre-detained persons; (2) greater assurance of the right to information and the protection of personal data; (3) advancing the awareness for protection from discrimination and available legal means; (4) more effective protection from discrimination; (5) the creation of conditions for the efficient implementation of final court decisions and European Court of Human Rights decisions; and (6) the strengthening the role and the capacities of independent institutions that ensure protection of human rights.

■ **The vision.** *“A society that respects and safeguards human rights, guarantees the principle of equality and promotes equal chances and opportunities, as an effective means for a consolidated democracy and rule of law”.*

■ Strategic objectives

1. Enhanced integrity and assurance of human rights through:

- 1.1 Having in place legislation for the protection of human rights, in line with EU legislation and international obligations, in particular through:
 - (i) Improved legislation for establishing monitoring and tracking mechanisms regarding the implementation of all human rights conventions ratified by Albania;
 - (ii) Completing legislation in light of the framework law “On Inclusion and Accessibility of Persons with Disabilities” ;
 - (iii) Improving legislation on protection of minorities and introducing opportunities for their education, in line with international commitments;
- 1.2 Strengthening capacities of independent institutions that ensure delivery of human rights, such as: the People’s Advocate, the Commissioner for the Right to Information and Protection of Personal Data, the Commissioner for Protection against Discrimination, and the State Agency for

Protection of Children' Rights and strengthening the implementation of their recommendations and decisions;

2. **Ensuring the right for information and protection of personal data** through raising awareness of individuals, public authorities, and public and private oversight, as well as through increased numbers of administrative controls.
3. **Raising awareness about anti-discrimination protection, in particular** with regard to vulnerable groups such as: Roma and Egyptian communities, women, persons with disabilities, children, minorities and other vulnerable groups through:
 - 3.1 Strengthened capacities of vulnerable groups and civil society organizations to claim their rights;
 - 3.2 An increase in the number of complaints and administrative investigations initiated ex-officio by the Commissioner for Protection against Discrimination;
 - 3.3 Improved cooperation and organization of joint activities of independent institutions that operate in the area of human rights protection.
4. **Strengthening the institutional and legal mechanisms to ensure delivery of child rights through:**
 - 4.1. Harmonizing and strengthening legislation in light of child rights and international standards;
 - 4.2. Improving oversight system and promotion of evidence-based policies;
 - 4.3. Strengthening the Child Protection System through multidisciplinary and multi-sectorial approaches that clarify the roles and responsibilities of each actor involved in the child protection process, an appropriate budgeting at local and national level;
 - 4.4. Strengthening coordination between central and local power units: for an inter-sectorial approach in relation to care for parentless children or children victims of abuse exploited or neglected children and consolidation of de-institutionalization through alternative forms of care.
5. **Protection of rights of children in conflict with the law and children in legal proceedings through:**
 - 5.1 Establishment and consolidation of prevention services against juvenile delinquency, to ensure child integration and protection;
 - 5.2 Taking away of freedom only as a last measure and for the shortest time possible to reflect international standards on the matter; and
 - 5.3 Ensuring social protection for children under 14 years old, in conflict with the law.
6. **Ensuring social inclusion of all socially excluded categories** due to poverty, social status, lack of access to public services, lack of attention on the part of public institutions etc.
7. **Ensuring independent living for persons with disabilities through:**
 - 7.1. Delivery of social services and health services;
 - 7.2. Making sure that PWDs lead a respected life, through means of wage indexation, employment, improving their access to urban and inter-urban transportation services, while improving services and infrastructure;
 - 7.3. Their inclusion in mainstream public education.

8. Respecting rights and treatment of prisoners and pre-detained persons in penitentiary institutions through:

- 8.1. Minimization of cases of maltreatment and use of violence through systematic in penitentiary institutions through monitoring ;
- 8.2. Establishment and consolidation of a special medical institution for the treatment of prisoners with mental health problems;
- 8.3. Respect of the rights and treatment of prisoners and pre-detained persons taking into consideration paid labor.

8.7 Creating a conducive environment for the civil society and its development

■ **Current situation.** Civil society in the Western Balkans countries, historically, has developed in similar ways. In most of the region, except for cultural and sports associations, other existing organizations had been subject to communist regime monitoring. Following the fall of the communist regimes, Non-Government Organizations (NGOs) and Civil Society Organizations (CSOs) began to thrive in response to the need to help build democratic and inclusive systems and to tackle issues of poverty. Of the many components of civil society, the media in particular has become particularly important.

Currently, civil society in general is viewed by the Government and citizens as a mechanism that enables the preservation and coordination of public interests, the facilitation of large-based discussions, the convening of organizational forums, the provision of information in the public interest, the promotion and advocacy for human rights, and the independent monitoring of government itself. These essential elements of political freedom are necessary for a functional democracy and accountable governance.

Over the past three decades, the civil society sector in Albania has offered an increasing range of services and products. Compared to the initial period of transition (1991-2000) when priority was given to supporting vulnerable groups and the promotion of human and women's rights, attention is now focused on higher civic representation in the area of advocacy, rather than on service delivery. In the case of the media, the role in part is that of independent 'watch-dog' of government in terms of also investigating and reporting on cases of corruption, and through various research, analysis and investigative capacities reporting on government performance. There is also the importance of developing the partnership between civil society and private sector, not only as a way to generate funding to support CSO activities but also in the light of promoting social responsibility of private sector.

Civil society organizations, in general, in Albania, as well as in the region are characterized by low rates of civic participation. The majority of civil society organizations are found in the most developed regions of the country, which in many cases has led to under-representation of vulnerable groups, ethnic minorities, and those from the rural and remote areas of the country. One common feature of the civil society in Albania, and the region, as an overall, is dependency from foreign donors' funds.

According to existing legislation, civil society organizations may compete for government service contracts on equal terms with other competitors through open procurement processes. In practice

however, civil society organizations generally fail to engage in contracts with other service providers due to a lack of clear rules and procedures, and also due to weak contracting management capacities within public institutions.

2014 marked a new history of cooperation with the CS sector. In this framework, the drafting of a Guideline on Civil Society as an instrument to assist strengthening of the civil society role in policy-making processes was initiated. More recently, a ‘roadmap’ was developed and approved by the Government to strengthen its policy toward the creation of a more enabling environment for civil society.⁷⁹ The commitment of the Government towards this new approach of improved dialogue with the civil society was reflected in the establishment of the National Council for Civil Society, adopted by Law no. 119/2015.⁸⁰ Now, there are in place several formal mechanisms for the representation of CSOs in policy and decision-making processes. The first was adoption by Law no. 15/2015, of March 5, 2015, on “*The role of the Parliament in the process of Albania’s EU integration*” and establishment of the National Council of European Integration with representatives as well from the CS sector. A second body, and quite essential for the representation of interests of CSOs is the National Council of Civil Society”. This council is composed of a majority of civil society representatives with participation from high level officials from state institutions. The council is to ensure that issues relevant to civil society are addressed by relevant state institutions: e.g. on capacities of civil society organizations, on legal frameworks and on funding arrangements, among other issues. In addition, the National Economic Council established in line with Law no. 57/2014 and the National Labor Council include representatives from the civil society.

The EU Integration Facility 2014, from IPA II funds, is expected to be a meaningful source of funding support to civil society organizations. The facility will be implemented in 2016 and result in grants to support activities related to increasing the knowledge of the EU accession process among all key stakeholders, including schools, universities, academic institutions and citizens in general as well as to related to increasing policy dialogue between the CSO sector and the Government.

With respect to the **media**, key policies are geared to achieving longer-term reforms to strengthen media independence. The reforms also aim to ensure full digital broadcasting so that media may function as a better voice for citizens’ interests. Progress was made in the approximation of legislation with the EU *Acquis* for audiovisual media services, such as the approval of the Law on Audiovisual Media Services (March 2013). However, further efforts are needed to ensure and guarantee the independence and regulatory authority of the media sector. Other bylaws were adopted through the implementation

⁷⁹ “*ROAD MAP for Albanian government policy towards more enabling environment for civil society development*”, Draft, November 2014, prepared jointly by the Government of Albania, TACS (Technical Assistance for Civil Society Organizations), SIPU (Swedish Institute for Public Administration), with funding from the EU. The drafting of a Guideline on Civil Society and roadmap was carried out in close collaboration among the Office of the Prime Minister, the Ministry of European Integration, and the Agency for Support of Civil Society, the Ministry of Social Welfare and Youth, the European Delegation Office in Tirana, the donor community, the public and civil society organizations. It was approved by Decision of the Council of Ministers, no. 459, May 27, 2015.

⁸⁰ This increased level of consultation and cooperation was stated in the recent EC Progress Report for 2014 for Albania.

of the Audiovisual Media Law, including code transmission and transmission criteria for authorization and inspection procedures. Substantial work is needed regarding Albania's international commitments to transition to digital broadcasting.

■ **Challenges.** The main challenges faced by the Albanian Government in terms of its policies and working relationship **with civil society** as extracted from the aforementioned roadmap are: (1) the need to develop a national strategic policy environment for civil society development; (2) build and strengthen institutions supporting Government-CSO cooperation; (3) the need to better involve CSOs in the policy making process; (4) the development of a public funding framework for CSO programs;⁸¹ (5) the need to develop and strengthen the legislative framework for the registration and work of CSOs; (6) the streamlining and simplification of the mechanisms for financial reporting/accounting and tax treatment of CSOs (including the value-added tax treatment); (7) the need to develop and implement systems for the collection of data and monitoring of civil society development; (8) the need to encourage and promote volunteering; and (9) the development of the mechanisms that will enable CSOs to contribute to Albania's EU accession process.

The main challenges ahead for the **media** sector include: (1) the need to further increase media independence especially with respect to ethical content / broadcast; (2) the digitization of the audiovisual media; (3) the need to increase content diversity and quality offered by the public and other operators; and (4) the need to capture the many opportunities associated with digital broadcasting.

■ **The vision.** *“Creating an enabling environment for a strong and consolidated civil society that contributes to the development of the society and the country, together with an independent and free Media”*

■ Strategic objectives

The short, medium and longer term objectives for the Government's policy on developing and enabling environment for civil society in Albania are detailed in the aforementioned roadmap, and its supporting annex of priority areas and proposed actions. The following list of strategic objectives highlights those priority areas of action in the NSDI-II.

1. Creating the legal environment and financial premises to support CSO sustainability through:

- 1.1 Better application of existing procedures to fulfill financial obligations of civil society organizations in proportion to their annual turnover and non-commercial activities;
- 1.2 The drafting and adoption of a law on *“Functioning and organization of social enterprises”* in the framework of strengthened financial capacities of civil society organizations; and
- 1.3 Review of the law on *“Organization and functioning of non-profit organizations”*.

⁸¹ According to EU Progress Report for Albania (2013), civil society organizations continue to be dependent on foreign donors funds.

- 2. Strengthening and institutionalization of cooperation with civil society and public institutions, with the goal of establishing a partnership based on willingness, trust and mutual understanding of common interests:**
 - 2.1 Operation and strengthening the role and influence in public policies of the National Council of Civil Society, as a body that represents the interests of civil society;
 - 2.2 Formulation of a national strategy to strengthen civil society as a cooperating actor with greater impact on decision-making processes; and
 - 2.3 The promotion and realization of partnerships between local government institutions and civil society for delivery of social services.
- 3. Promoting CSOs, in line with national priorities and EU recommendations:**
 - 3.1 Encouragement of voluntarism and citizens' participation in community development through small funds, workshops and local level training; and
 - 3.2 The promotion and strengthening of civil society capacities according to national priorities and EU recommendations.
- 4. Promoting more open and efficient operation of Media, through regulatory policies for:**
 - 1.1 Reducing economic pressure on the Media market;
 - 1.2 Improving working conditions of journalists fighting informality;
 - 1.3 Establishing a self-regulatory entity;
 - 1.4 Strengthening capacities of journalists trade Unions;
 - 1.5 Strengthening cooperation of the Media, while strengthen the social service role.
- 2. Carry out a full switchover from analogue to digital broadcasting by 2015, and reduce the illegal use of frequencies by improving the legal and regulatory framework in the field of audiovisual broadcasting.**
- 3. Enhancing administrative and technical capacities of the Regulatory Authority and Audiovisual Media Authority.**

8.8 Public Administration and Civil Service Reform

■ **Current situation.** The reform in the Public administration (PAR) in Albania continues to be a necessary and high priority process of the Government, and it is closely associated with the EU integration process. In fact, the European Commission has strengthened its focus on public administration, as one of the fundamental pillars of the enlargement process, in its communication "Enlargement Strategy and Main Challenges 2014-2015".⁸² As an instrument of reform, PAR focuses on not only the civil service, but also on the structuring and functioning of the entire system of public administration (its organization, rules, administrative procedures, systems of accountability and transparency, control mechanisms). The final goal is ensuring cost effective and accountable delivery of services to citizens and businesses. These priorities are set forth in the Government's program for 2013-2017.

Accountability.

"An accountable government is one which makes itself answerable to the public, upholding standards of behavior and integrity, and both explaining and taking responsibility for its decisions and actions. Accountability requires that rules, regulations and mechanisms be in place governing the exercise of public power and the spending of public funds. Specific and detailed measures are required to reduce corruption risks, to identify and prevent potential conflicts of interest, and to guard against illicit enrichment. There should be protections for those who expose wrongdoing."

<http://www.opengovstandards.org/>

The Crosscutting Public Administration Reform Strategy 2015-2020, was adopted by the DCM no.319, dated 15 April 2015. The strategy focuses on four main pillars: (1) policymaking and the quality of legislation; (2) organization and functioning of public administration; (3) administration of human resources in the civil service; and (4) administrative procedures and oversight. In addition, the Public administration reform represents one of the four pilot sectors for the sector approach and the use of the IPMG mechanism (Integrated Policy Management Group), as noted previously.

The percentage of contractual employment in the civil service over this period was relatively high (at over 20%).⁸³ Most civil service staff hired on a contractual basis would have their positions confirmed through open competition. There were also a high percentage of replaced employees due to the politicization of the recruitment process. These practices have reduced the general capacity of the civil service, thus undermining the procedures and principles of the law on the civil service. Absence of a unified law on overall organization and operation of the public administration during the same period⁸⁴ has led to risk of fragmentation of different legal acts.

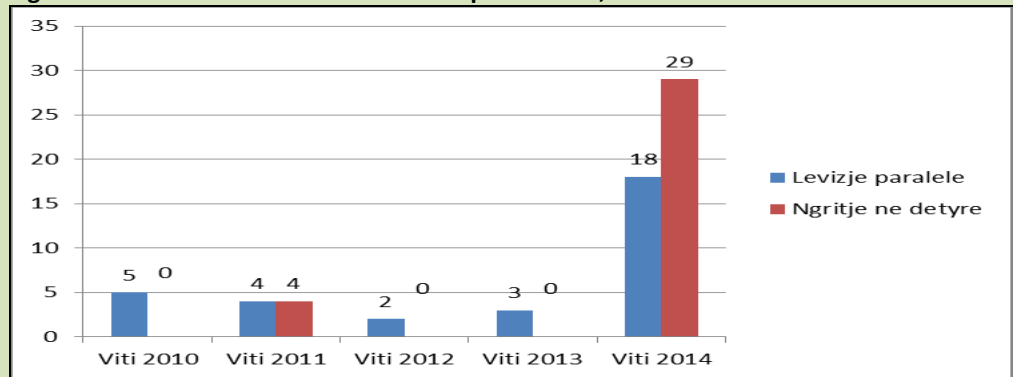
⁸² ⁸² The EC structures its work on PAR around six key issues outlined in the Enlargement Strategy: strategic framework of public administration reform; policy development and coordination; public service and human resources management; accountability; service delivery and public finance management.

⁸³ EC Progress Report

⁸⁴ Ibid.

A number of important actions have been introduced recently (2013–2015). Law no. 152/2013 “On the civil servant”, as amended, and the bylaws approved in its implementation are currently addressing the need for a professional and merit-based civil service. The new legislation is comprehensive and defines the setups responsible for managing the civil service. Implementation of the new recruitment procedure has begun, with positive, early results demonstrating the application of meritocracy. Figure 26 shows the number of annual lateral transfers and promotions over the period 2010 to 2014, while Figure 27 presents the number of annual recruitments from 2000-2014.

Figure 2. Number of annual transfers and promotions, 2010-2014

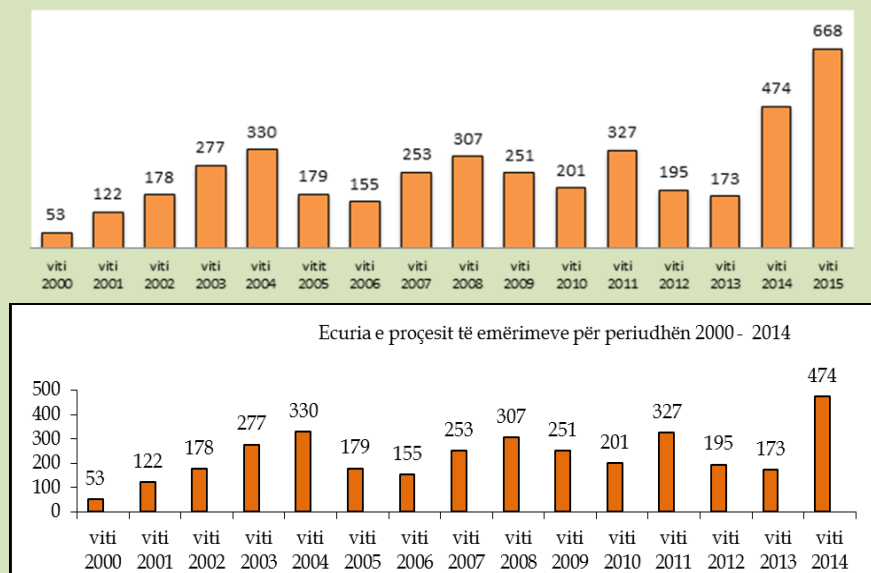


Source: DoPA

In terms of recruitment of senior level civil servants in 2014, 47% of the total were recruited into management positions and 53% into executive levels.

In order to adapt to the new provisions of the civil service law, a major achievement over the past several years was the re-design and implementation of the Human Resource Management Information System. The system became operational in May 2015 and is currently in the process of being populated with personnel files and other information from the line Ministries. The system is integrated with the National Registry of Civil Status and is scheduled to be integrated with the Treasury System. The system

Figure 23. Number of annual appointments, 2000-2014



is planned to be extended to other agencies and local government levels over the period 2016-2017.

Major steps were taken in strengthening the supervision over the public administration through the adoption of Law 44/2015, dated 30 April 2015 on “*Code of Administrative Procedures*”. In addition to legislative developments, institutional set ups have occurred as well. These include: (1) the Albanian School of Public Administration established in 2013 in order to further strengthen the capacities of civil servants; and (2) the Civil Service Oversight Commissioner which is now operational.

Reforms in the wage system continued to be implemented and are expected to increase the motivation and retention of civil servants. Wage reform is a part of the PAR Strategy, specifically dealing with the *drafting and adoption of a document on the policies of the wage system and the adoption of the new wage structure*. This will examine the implications of the methodology of job classification and the new wage structure under the provisions of the new law.

■ **Challenges.** The World Bank 2014 Report⁸⁵ highlights that the Cross-cutting Public Administration Reform Strategy (PAR Strategy) for 2009-2013 failed to address several issues related to effective public administration. Different components of that strategy were assigned to other national strategies leading to its overall fragmentation in implementation and the fact that it has mainly addressed human resources management issues. The new PAR strategy for 2015-2020 is expected to address the above-noted issues, and other measures will be needed to address the following challenges: (1) the need to improve the delivery of services to citizens (as per one of the Government’s 6 key priorities); (2) strengthening the accountability of public officials; (3) the need for greater delegation of decision-making; (4) the promotion of professionalism in the civil service and meritocracy in recruitment; (5) greater assurance given to the sustainability and de-politization of the civil service; (6) the need to establish more effective control mechanisms; (7) the stricter implementation of the law on the civil service; (8) the need for more transparent recruitment procedures; (9) greater attention to the fight against corruption; (10) greater use of information technology in service delivery; and (11) the need to address the capacity development requirements within the public administration on a more strategic and system-wide basis.

■ **The vision.** *“Development of public administration in the framework, and in line with the European Administrative Space, with the aim of ensuring delivery of high quality services to citizens and businesses in a transparent, effective and efficient way, through the use of modern technologies and innovative services in line with European integration requirements, through impartial and professional civil employees, as part of efficient structures”.*

■ Strategic objectives

1. Improving public administration effectiveness and efficiency and reduction of corruption through:

1.1 Strengthened public administration structures focused on improving services;

⁸⁵ World Bank Report no. 82013-AL, Albania’s Public Finances Control, May 2014.

- 1.2 Increased efficiency and accountability of public employees through the delegation of decision-making authority;
- 1.3 Functional and organizational review of state administration institutions in the central and local level;
- 1.4 Creation of a functional structure based on Administrative and Territorial Reform that will support equality of access to public funds or other financial sources at the local and central levels; and
- 1.5 Modernized institutions and public administration services for citizens and businesses including increased efficiency through the application of ICT solutions

2. Developing a professional, impartial, independent and merit-based civil service through:

- 2.1 Strengthened institutional capacities for unified implementation of new legislation and improved management of human resources;
- 2.2 A re-structured civil service salary system based on job position evaluation, annual performance assessment and mandatory training;
- 2.3 Improved performance and development of capacities through training; and
- 2.4 Increased transparency and accountability through the implementation of civil service reform at all decision-making levels.

3. Improving administrative and oversight procedures through:

- 3.1 Increased control over the activity of public administration and to ensure citizens' rights;
- 3.2 Increased transparency and access to information on public administration through the application of ICT solutions;
- 3.3 Increased capacities of the administration to implement the new Code of Administrative Procedures;
- 3.4 Facilitation of compensation procedures in case of damages caused by the administration; and
- 3.5 Facilitation of administrative procedures through innovative solutions.

4. Improved public services and reduction of corruption through:

- 4.1 The modernization of public administration services to citizens and businesses and increased efficiency through ICT solutions; and
- 4.2 The integration of administrative procedures using innovative solutions for services.

8.9 Transparency and the fight against corruption

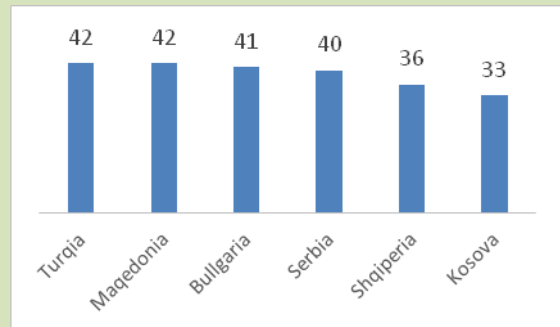
■ **Current situation.** Corruption is a highly complex and cross-cutting issue, which requires taking of different types of measures. Dimensions of corruption are significant across a number of areas, from the rule of law, voice and accountability, and quality of regulatory measures.

In terms of overall control of corruption performance, Albania has demonstrated considerable fluctuations over the years. According to World Bank Corruption Control Index (Figure 25), public

perception about corruption in Albania remains high, despite ups and downs in years. Even at the regional level, Albania and Kosovo score very high in terms of corruption levels (Figure 24)⁸⁶.

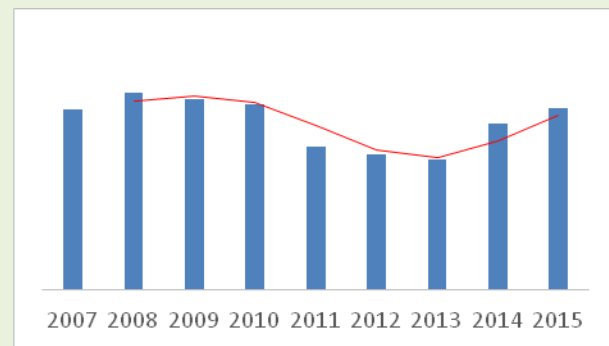
Anti-corruption reforms are focused on three main areas: (1) prevention, transparency, inclusiveness and education of the public; (2) investigation and punishment of corruption acts; and (3) consolidation

Figure 24. Corruption Perception Index, Albania 2015



Source: Transparency International

Figure 25. Corruption control 2007-2015



Source: World Bank Institute

of international coordination and cooperation. Other achievements were related to delivery of public services in a number of government sectors, and include: (1) introduction and use of an electronic procurement system (e-procurement); (2) establishment of the National Center for Registration (NCR) and National Center of Licensing (NCL); and (3) introduction of tax and customs electronic systems (e-tax and e-customs), all of which have significantly facilitated the relevant administrative procedures.

Constitutional amendments limiting the immunity of MPs and judges paved the way for the criminal punishment of corruption at high levels. In the meantime, recommendations of the second and third round of the Group of States against Corruption (GRECO) for Albania were implemented regarding legislative measures on high official immunities, money laundering and financing of political parties and election campaigns. In the framework of programs, the *“Inter-sectorial Strategy against corruption 2015-2020”*, the Action Plan⁸⁷, and the oversight instrument for the implementation of the Strategy, based on a transparency and inclusive process.

■ **Challenges.** Main challenges for the planned period of NSDI-a III 2015-2020 include: (1) enhanced governance transparency; (2) addressing the aspect of limited possibilities for the broad public and stakeholder groups to obtain information; (3) increased participation rates and public consultation in the formulation of public policies and legislation; (4) integrity among the public and party officials; (5) increased prosecution of corruption cases; and (6) increased public confidence.

■ **The vision.** *“Transparent and high integrity public institutions that enjoy public trust, guarantee quality services and are not the prey of corrupt practices”*

⁸⁶ Source <http://www.transparency.org/>

⁸⁷ DCM no.247, March 20, 2015

■ Strategic objectives

1. Prevention of corruption and increased public confidence through:

- 1.1 Increased transparency of government activities through citizens' access to information, improved legislation, procedures and capacities of state institutions;
- 1.2 Demonstrable track record in successful investigations, prosecutions and final convictions in corruption cases;
- 1.3 The regular review and necessary adjustment to anti-corruption measures in order to increase effectiveness, including through necessary legislative changes, and fully functioning capacities of the prosecution and law enforcement agencies, as well as through a robust institutional framework to prevent corruption;
- 1.4 Improved communication and consultation with the general public in the process of drafting and adopting regulatory acts (laws, decisions etc.);
- 1.5 Adoption and implementation of the legal framework and legislation to protect whistleblowers and establishing a comprehensive system for their protection;
- 1.6 A reduction in the levels of corruption cases through the tracking, development and production of consolidated statistics, the analysis of trends, and the publication of periodical reports on corruption cases;
- 1.7 Strengthened monitoring over the financing of political parties;
- 1.8 A strengthened declaration regime and control of assets of public officials and cases of conflict of interest through an online declaration system for all reporting entities and the possibility of their publication, especially for senior and elected persons.

2. Prevention of corruption through improved procedures of public administration, in particular through:

- 2.1 Strengthened electronic infrastructure of public institutions and automation of supporting processes;
- 2.2 The review and update of the system and mechanisms that handle public complaints;
- 2.3 Systematic use of risk analyses, and improved efficiency of auditing, internal inspection and corruption proofing of legislation through an assessment methodology to identify gaps in new legislation which potentially carry a risk for corruption activity;
- 2.4 Systematic use of integrity testing procedures;
- 2.5 Adoption of policies against corruption at the local level.

3. Punishment of corruption and reduction of impunity through:

- 3.1 Greater efficiency and effectiveness of criminal investigations against economic and financial crimes, particularly in the area of proactive investigations and illegal enrichment;
- 3.2 Improved cooperation among law enforcement institutions in order to prosecute and punish corruption cases detected through the management and exchange of information;
- 3.3 Revision of the legal framework on criminal proceedings of economic and financial crimes; and

3.4 Enhanced international cooperation in the area of the Judiciary in the fight against economic and financial crimes.

4. Raising public awareness in the fight against corruption through:

- 4.1 Encouraging the general public to actively use the mechanisms and systems of complaints and reports, and raise awareness on the consequences of corruption; and
- 4.2 Encouraging cooperation with civil society in order to draft and implement measures against corruption and to monitor their implementation.

8.10 Decentralization and local government reform

■ **Current situation.** The imperative for decentralization in Albania is based on the Constitution (1998), the European Charter for Local Self-Government (ratified in November 1999) and the decentralization strategy adopted by the Government of Albania. In this respect, the decentralization process in Albania was guided until 2013 by the National Decentralization Strategy which was adopted in 1999. Currently, in light of addressing the decentralization challenges, the Council of Ministers approved in July 29, 2015 “the Cross-Sector Strategy on Decentralization and Local Governance, 2015-2020”, which became effective on August 13, 2015.

Reforms in decentralization and local governance have progressed steadily 1999-2014. The first most important step in the reform process was the adoption and implementation of Law no. 8652, July 31, 2000, “On the organization and operation of the local governance”, which provides for the rights and duties of the local government units (LGUs). Following the adoption of Law no. 115/2014 “On the administrative and territorial division of LGUs in the Republic of Albania”, local governance has been reformed and re-sharped into 61 municipalities and 12 regions⁸⁸.

In terms of fiscal decentralization, local government revenues and expenditures have increased annually in nominal terms since 2000, having almost nearly tripled since 2002 (taken as baseline year). The ratio of local government revenues in terms of GDP and public expenditure share has shown a modest, upward trend, increasing very substantially between 2002 and 2007, with variations during 2007-2009. This was followed by a decline during 2010–2013, below the level of 2002 percentage. In the course of 2014 -2015, the growing trend in percentage of the local budget picked up, with a respective increase in the GDP of 2, 4% and 2, 7%, due to the increase of state budget transfers. Despite these trends, fiscal autonomy a local government level remains a challenge. Local authorities have neither sufficient resources, nor local revenues proportionate to their respective competencies and obligations for the delivery of services.

⁸⁸ Previously the local government was organized as per the Law No. 8653/2000 “On the Territorial and Administrative Reform” on which the LGUs, consisting of 65 municipalities and 308 communes, were established as units to provide public services. Transfer of immovable state assets and properties to the Local Governments (2001), Law on territorial and administrative division of Local Governance (2000), specific law on Organization and Operation of Tirana municipalities were drafted and adopted at the same time.

With regard to local revenues, the objective is strengthening of collection of revenues, in particular from sources such as: property tax and other taxes and payments. Reduction of the scale of business tax, followed by the reduction on the tax of vehicles, and the fact there is no national system for division of personal income tax for local government have contributed to an adverse impact on the local government revenues, in the course of the recent years.

The functions, roles, and competencies of central and local authorities, at the regional and local levels, including shared functions are not clearly defined in the legal and regulatory frameworks. This has generated insecurity and unclarity in the role of the local government units and decentralized institutions, and in their relations with the central authorities.

■ **Challenges.** Despite noted progress in advancing with the decentralization reform,⁸⁹ during the last decade, several inter-related challenges have emerged and need continued attention. These consist primarily in: (1) lack of a clear legal and regulatory decentralization framework; (2) low level of fiscal decentralization; (3) insufficient human resource capacities at the local level; (4) poor performance standards in delivering local services; (5) the absence of consensus among locally elected officials, combined with their partisan behavior and low consensus inside local government associations; (6) the weakening position of local governance vis-à-vis the central government; and (7) delays in implementation of several important reforms.

Consequently, decentralization constitutes a key priority, and is perceived as a long-term process of a major change in governance. In line with the decentralization challenges, the Government has adopted an Action plan which is an integral part of the new Cross-Sector Strategy on Decentralization and local governance, 2015-2020”, as an instrument for the steps and measures that should be taken in the short, medium to long –term, for the implementation and completion of the consolidation of the local government units.

■ **The vision.** *“Empowering local governance and strengthening its decentralization process, with the view of ensuring greater efficiency of local self-governance”.*

■ Strategic objectives

1. Enhanced efficiency of local governance structures through:

- 1.1 Implementation of the administrative and territorial reform;
- 1.2 Improved local governance structures; and
- 1.3 Restructuring of decentralized structures of local governance at the district level.

2. Strengthening local finances and enhancing fiscal autonomy through:

⁸⁹ The Albanian Parliament approved on July, 31, 2014 Law 115/2014 “On the Administrative and Territorial Division” of local government units in the Republic of Albania” and with the new map of 61 Municipalities, certified also in December 2014 by the Constitutional Court, and in December 2015 the new law on decentralization.

- 2.1 Reform of the local fiscal system; and
- 2.2 Improved financial management at the local level.

3. Promoting local sustainable development through:

- 3.1 The reform of local government functions;
- 3.2 The review of shared functions of local government; and
- 3.3 The review of delegated functions to the local government.

4. Strengthening good governance at the local level through:

- 4.1 Building capacities at the local level; and
- 4.2 Including the role of local governance in the European integration process.

8.11 Strengthening Albanian statistics

■ **Current situation.** The Census of October 2011 marks a key achievement for the sector, bringing population statistics closer to the reality. Over the period 2012-2013, INSTAT significantly improved indicators to measure the social and economic situation of families and individuals in Albania. The Living Standards Measurement Survey (LSMS) was held in 2012⁹⁰ and the Labor Market survey⁹¹ was launched in 2012. A series of macro-economic indicators were assessed⁹² alongside with a number of existing indicators⁹³, which were updated and improved. With the publication of these short-term macroeconomic accounts, Albania was able to meet another key requirement of the Special Data Distribution Standards. The statistical register of local units in line with EU requirements was the most important output of the Census of Non-Agriculture Economic Enterprises. NACE Rev.2 was implemented and has become an integrated part of all economic statistics provided by INSTAT allowing Albania to be in line with the international classifications used by the EU.

■ **Challenges.** Key challenges in the field of statistics for the period covering 2015-2020 include: (1) strengthening the role of the National System of Statistics, to give public institutions sufficient, accurate and transparent official statistics; (2) mobilization of resources for funding statistical programs and projects; (3) improving and updating step by step inter-institutional contacts and professional capacities, to ensure equal development, from each perspective; and (4) increasing public confidence at INSTAT for the delivery of statistical information, as a public good and service for public users.

⁹⁰ The Living Standards Measurement Survey measured poverty and monitored the living standards in Albania.

⁹¹ The labor force Survey pointed out indicators that measure the labor market dynamics every quarter, and is conducted by INSTAT since 2007.

⁹² GDP at the regional level, at Level II of Nomenclature of Territorial Units (NUTS).

⁹³ Quarterly measurement of GDP, while using the production approach for key economic sectors; product percentage and consumption goods basket; construction cost index for dwellings; producer price index for export goods.

■ **The vision.** *“Ensuring provision of high quality, relevant, timely, and sufficient data and statistical information, in response to growing demand from users for decision-making, research and education in Albania, as well as for the interested community, through the use of modern network and information technology.”*

It is important to note that the *integrity* of data, statistics and information (timely, complete, accurate, and consistent) is essential to support good governance in terms of transparency and accountability (i.e. in terms of measuring and monitoring government performance). In this regard, civil society organizations such as the media and the private sector are important stakeholders in the statistics function. The objectives set out below reflect these notions and will contribute to the building of public trust in INSTAT.

■ Strategic objectives

1. Improving infrastructure of production and dissemination of statistical data through:

- 1.1 Increased cooperation among statistical agencies, with the view improving statistical data processing;
- 1.2 Increasing and improving resources of primary statistical data;
- 1.3 New technologies for collection and processing of data, and ensuring exchange of information online with statistical agencies;
- 1.4 Updated statistical systems and software, aimed at improving the quality of the analyses of the statistical indicators;
- 1.5 Establishment of a data warehouse system, for the integration of INSTAT databases, including metadata; and
- 1.6 Increased opportunities for statistical information through improving the calendar of publications, and increasing the data that are published electronically.

2. Improving demographic and social statistics through:

- 2.1 The automation of vital statistics (births, deaths, marriages);
- 2.2 Application of new ICD-10 classification for causes of mortality and morbidity;
- 2.3 Consolidate a continuous Household Budget Survey The carrying out of the Income and Living Condition Survey according to the European format; and
- 2.4 Constant improvement of the labor market indicators

3. Improving macro-economic statistics through:

- 3.1 Implementation of National Accounts indicators, according to ESA 2010;
- 3.2 Development of quarterly components of GDP, while using the expenditure approach;
- 3.3 Development of an integrated statistical system to construct Supply-Use and Input-Output tables to expand the scale of macro-economic analyses; and
- 3.4 The implementation of EDP transmission tables according to the sub-sectors of Public Administration and the final transmission to EUROSTAT.

4. Improving business statistics through:

- 4.1 The development of better economic statistics of enterprises related to their quantitative and qualitative production;
- 4.2 The measurement of new economic phenomenon and developments through statistical surveys, such as research and scientific development, innovation, information technology, etc.
- 4.3 Enhanced comparability of national statistics to European statistics using new statistical classifications;
- 4.4 Reductions in the non-response levels and information gathering times through new contemporary techniques; and

5. Improving agriculture, forestry and fishery statistics through:

- 5.1 The establishment of the agricultural holdings register from the Agriculture Census and update through statistical and administrative data;
- 5.2 The calculation of price indexing of agricultural products through surveys based on modern methodologies;
- 5.3 Conducting surveys on livestock, milk and dairy products using European methodologies and publication of statistical data in this area;
- 5.4 An increase in the number of agricultural statistical indicators for decorative and medicinal plants, etc.;
- 5.5 Carrying out the Farm Structure Survey; and
- 5.6 Improving the gathering of administrative information on fishery statistics.

6. Improving multi-faceted statistics (environment, sciences, and IT) through:

- 6.1 Conducting an urban waste survey at the district level;
- 6.2 Improving environmental statistics on pollution and CO² emissions from various pollution sources;
- 6.3 Conducting a survey on ICT in large enterprises; and
- 6.4 A survey on science and techniques, innovation and technology in large enterprises.

7. Supporting generation of statistics (statistical registers and classifications) through:

- 7.1 Introduction of a statistical registry of population for economic units, enterprises and local units and agricultural economic units, ensuring quality and updated geo-spatial information;
- 7.2 The use of NACE Rev.2 revised classification in all statistical activities within INSTAT, and implemented by other institutions that enforce and use this classification at the national level; and
- 7.3 The use of the CPA 2008 product classification in all statistical activities.

8.12 The growing importance of Foreign Policy

■ **Current situation.** Foreign policy is confirmed as a valuable tool in the presentation of Albania as an added value to peace, stability, prosperity and the safeguarding of human rights in the region and beyond. Albania is internationally recognized as a country that contributes to the preservation of peace and global safety. Albania's constructive policies in the region for further cooperation and integration are preconditions for EU integration, and are the features of the country's foreign policy. Its geographical position, cultural inheritance and the exemplary tolerant nature of its society has made

Albania a driver of dialogue, respect and harmonious co-existence among different religions, cultures and civilizations.

Albanian foreign policy played an essential role in achieving a number of objectives, such as fully-fledged NATO membership, free movement of citizens in the Schengen area, membership to the UN Human Rights Council, UN Economic and Social Council (ECOSOC), 'Executive Board of UNESCO the granting of candidate country status for EU accession, and support for membership in two Council of Europe bodies (Council of Europe Development Bank and the Venice Commission).

In recent years Albania has made significant contributions in various areas of regional multilateral cooperation. Albania chaired the Adriatic-Ionian Initiative, is currently chairing the Adriatic-A5 Charter, and in June 2014 took over the one-year presidency of the South-East European Cooperation Process (SEECP). Cooperation increased significantly with Albania's key partners in Europe and beyond. Albanian diplomatic presence in the Balkan countries increased and the solution of the Kosovo issue was the main factor leading to stability of the region. Albania will continue its efforts to increase international recognition for Kosovo until it takes its deserved place within the United Nations.

■ **Challenges.** Despite noted progress in its foreign policy, Albania is still facing a number of challenges that include: (1) intensification of the political dialogue with the EU structures and institutions and EU member countries, for meeting the goal of EU membership; (2) developing further the cooperation with strategic partners, friendly countries and those of mutual interest; (3) strengthening cooperation under regional initiatives where integration of the Republic of Kosovo into these structures will represent one of the main mid-term objectives; (4) for greater initiative to ensure active participation in international organizations and multilateral forums (UN, OSCE, Council of Europe, etc.); (5) for a more active role as a NATO member plus the strengthening of Albania's role as contributor to peace and stability in the region and beyond; (6) to fulfill obligations under the SAA framework for contribution to Joint foreign Policy and Safety of EU; and (7) to strengthen regional cooperation with Southeast European countries in general and Western Balkan countries in particular in order to accelerate the cooperation process mainly in infrastructure, energy, economy, tourism, etc., and progress towards European integration process.

■ **The vision.** *"A European Albania in the region and the world – The Foreign Service system to ensure the country's good cooperation of mutual interest with regional countries, Euro-Atlantic countries and beyond, to support fundamental developments in the country and protect the interests of the Republic of Albania and its citizens abroad"*

■ Strategic objectives

4. Further development of bilateral and multilateral relations with all countries, with particular focus on the strategic partners, such as USA, EU member states, and the neighboring countries by:

4.1 Promoting the new role of Albania in multilateral cooperation through intensified interaction with international organizations, increased representation and a proactive profile to promote national values and interests;

- 4.2 Necessary political contribution under NATO, as a member with full rights;
 - 4.3 Further expansion and international recognition of the state of Kosovo and the promotion of its membership / participation in regional and international organizations and beyond;
 - 4.4 Continued constructive policy dialogue in the region and an active role in the development of regional cooperation, considering regional integration as a pre-requisite for the integration of the countries of the region in the Euro Atlantic structures;
 - 4.5 Backing and supporting Albanian candidates for the chairmanship structures of regional organizations and initiatives, and the Albanian contribution to them;
 - 4.6 Taking on the chairmanship of several international organizations and initiatives over 2015-2020, including the rotating chairmanship of the OSCE, membership in the UN Human Rights Council for the period 2015-2017, as well as lobbying for Albania's membership to the UN Security Council for the period 2022-2023;
 - 4.7 Full engagement in the processes of regional cooperation, and in formats of SEE and WB, Albania will continue to foster its relations with main regional forums, centers and structures such as: RCC, SEECP, CEI, MARRI, SELEC, AII, BSEC, etc.;
 - 4.8 In the WB6 format, following the outcomes of the Berlin Process, Albania will continue to promote good neighborly relations, aiming at concrete programs/projects in the areas of connectivity, energy, youth, and cross border cooperation. As a sign of this approach, Albania will host for the first time the seat of the Western Balkans Fund;
 - 4.9 Participation in joint projects with international organizations, in areas of interest for Albania);
 - 4.10 Strengthening and promoting greater economic and trade cooperation with Albania's international partners, at bilateral and multilateral levels, aiming at ensuring measurable outcomes, for increasing trade volumes and foreign investments in the country;
 - 4.11 Constantly improving Albania's image, with the view of increasing its visibility and representation of Albanian values and interests, for strengthening economic relations with other countries and increasing foreign investments in Albania;
 - 4.12 Improved professionalism, quality and agility of consular services delivered to Albanian and foreign citizens;
 - 4.13 Participation in IPA II cross-border programs with other IPA II beneficiaries, mainly Montenegro, Kosovo and the former Yugoslav Republic of Macedonia, as well as a bilateral program with Greece;
 - 4.14 Continued participation in the Mediterranean transnational program; and
 - 4.15 Membership or participation in the new Adriatic-Ionian program.
- 5. **Moving forward with the implementation of the EU integration processes**, in the framework of preparations for opening of the EU accession negotiations, and enhancing the capacities of the central structures of the Ministry of Foreign Affairs, the Albanian EU Mission and foreign embassies to EU member countries.
 - 6. **Developing economic diplomacy, as an effective instrument for increasing national revenues**, to ensure rapid and sustainable economic development and advancement of the economic and trade interests of the country.
 - 7. **Respecting the rights and interests of Albanian citizens abroad** and supporting their projects in the fields of business, art, culture, sports, education, etc. Respecting the Albanian Diaspora and absorbing its best values.

8.13 Consolidated defense

■ **Current situation.** Albania became member of NATO on April 1, 2009. This represented an important achievement since it had been a national aspiration and one of the key priorities under NSDI 2007-2013.⁹⁴ In July 2014, the Albanian Parliament adopted the National Security Strategy⁹⁵ in line with the Constitutional obligations for: (1) guaranteeing the security of the country; (2) strengthening fundamental freedoms, human rights, and the rule of law; (3) protecting and promoting the interests of the Albanian citizens; and (4) preserving the national identity. At the core of the National Security Strategy of the Republic of Albania lay the aspiration of the Albanian people and the political will to have in place a common vision that guarantees: security, justice, equality and prosperity for the current and future generations.

Progress in the Defense sector consists in: 1) establishment of a Professional Force; 2) completing the hierarchy of the strategic documents in the defense area; 3) assigning to Defense 2% of the GDP budget; 4) disposal of 180 tons of chemicals; 5) active participation in NATO, EU and UN operations; 6) completing the legal framework with legal and by-legal acts in the field of defense.

■ **Challenges.** Challenges for Albania in the defense sector focus on accomplishment of obligations in light of NATO membership, which include: (1) meeting the obligations for the capacity/skills objectives; (2) introducing a “*Comprehensive/inclusive approach*” of the state security institutions; (3) development and re-shaping the Defense Diplomacy in the regional and globally; (4) military cooperation, based on the “cost-sharing” principle; and (5) building operational capacities in the context of the “*Smart Defense*” (NATO), and “*Pooling and Sharing*” (EU) initiatives.

■ **The vision.** *“A professional Armed Force, small in numbers, agile, interactive, and with operational capacities and structures, that can ensure successful operations, in a complex and diversified security environment.”*

■ Strategic objectives

1. **Better management of human resources and transformation of military education through:**
 - 1.1 Integrated and comprehensive programs, in line with NATO standards;
 - 1.2 Development and professional training of military and civil personnel that will serve in the Armed Forces.

⁹⁴ “Review of the Strategic Document on Defense” adopted by the Council of Ministers in 2013.

⁹⁵ National Security Strategy was adopted by Law no. 103/2014, of 31.07.2014

2. **Enhancing operational capacities** needed to operate in the actual and future operational environments, to participate in international operations and to conduct military and non-military operations in the country.
3. **Supplying combating troops with tools and safety equipment's, transport, supply, maintenance and infrastructure, including command and control equipment, conditions for living, working and exercising, through:**
 - 3.1 Logistic support to priority units and sub-units under "*NATO Pool of Forces*"; and
 - 3.2 By 2020, the development and implementation of logistics automated systems and introduction of a modern infrastructure for all Albanian Forces priority structures.
4. **Further development of capacities of Armed Forces**, in line with a long-term Development Plan through:
 - 4.1 Gradual increase in the defense budget; and
 - 4.2 Harmonization of relations of personnel categories, operations and investments, in order to align them with those of other NATO member countries, as well as with the recommendations of the defense strategic review document.

9.0 PILLAR 1: GROWTH THROUGH MACRO-ECONOMIC AND FISCAL STABILITY

Since 2008, Albania's economic growth rates have slowed down, while there has been an increase in unemployment rates. From an annual average growth rate of 6% before the onset of the global crises of 2009, growth average was less than 3%, while in 2014 it dropped to 1,3%, with (pessimistic) forecasts for medium-term growth to a range of 1,4% to (optimistic) forecasts of 2,8%. Should there be no substantial improvement in the Eurozone economies, medium term growth in Albania may likely show a trend on the lower side. Unemployment rates have grown from about 13% in 2007 to over 17% by early 2015, with unemployment rates being more problematic among the youth (about 34%). Macro-economic factors and scenarios are discussed in detail in Part 16.

To counter these trends, virtually all of the sectorial, cross-cutting sector and related program strategies and objectives outlined in NSDI-II are designed to directly or indirectly foster economic growth and development. Indeed, these policies will lead to the generation of a "new economic model" for Albania in the course of the next 15-20 years. Speeding up growth will require concerted and well-coordinated attention to productive investments in human capital, energy and infrastructure, innovation and other areas combined with the removal of a wide array of constraints to private investment and business. Consequently, macro-economic and fiscal policies will need to be tailored in such a way that would not lead to increased debt or deficit, while concomitantly contributing to growth.

In the course of NSDI-II 2015-2020 planning period, special attention will be given to securing macroeconomic and fiscal stability, in particular in the light of many economic and financial uncertainties in the region and globally. For these reasons, macroeconomic and fiscal stability are perceived as **Pillar 1** for the national development and the country's aspiration towards EU integration.

9.1 Strengthening the financial system, and the monetary policy

■ **Current situation.** In Albania, following a cautious monetary policy, with the goal of ensuring stability has played an important role in softening the aftermath of the global financial crises. Bank of Albania has frequently updated its monetary policy in the course of the last seven years. Reforms have consisted in: (1) continuous improvement of analytical and forecast capacities of the BoA; (2) aligning monetary policy instruments with European Central Bank (ECB) standards; (3) introduction of new elements aimed at deepening the money market; (4) increasing flexibility in liquidity management; (5) increased confidence in the banking system, including through implementation of the monetary policy; and (6) development of the inter-banking market. In the course of 2012 -2014, inter-banking market trading quadrupled, compared to 2008-2011.

Financial markets were further developed in terms of participants and products diversity. Recent years bear witness to the establishment of financial non-banking intermediaries, whose key focus of activities is channeling the savings towards investments in vouchers, thus making the market more competitive. In particular, the primary market demonstrated significant improvement through increasing investment opportunities under different terms, adding participants and clarifying their investment strategies, ensuring a better match between supply and demand and providing competitive interest rates. Participation in the primary market auctions is now significantly diversified, through the participation of individuals in the purchase of bonds.

In the non-banking sector, the Financial Supervisory Authority has continuously improved its efforts to improve infrastructure and create the necessary regulatory basis that would ensure a smooth and sustainable development of non-bank financial markets, while aligning them with EU directives. Growth

of non-banking financial sector is evidenced through further liberalization and restructuring of the insurance market and in the improvements in the legal framework.

The adoption in May 2014 of the Law "On insurance and re-insurance" paved the way to improving the effectiveness of supervision through the application of the risk-focused supervisory methodology, along with strengthening of governance supervision. These elements are creating the conditions for the approximation of legislation with EU directives and supervisory practices with international standards of insurance supervision. While applying the same principle, projects were launched for improving the legal framework for private volunteer pension funds, and the vouchers legislation, with the long-term goal of creating an appropriate and regulated environment for the promotion of the development of the capital markets.

The development of this sector during previous planning period of NSDI 2007-20014 focused on licensing of entities, companies and new physical entities, to ensure their operation in the markets of vouchers, insurance and private volunteer pension schemes. The year 2012 marks the beginning of the activities of the investments fund.

Current achievements are due to concrete programs, related to having in place and updating a reporting and monitoring platform for the insurance and private pensions markets, as well as to a better risk-focused supervisory methodology. In addition, they are also the result of the introduction of the electronic reporting system "AMF In-Reg" and of the establishment of the National Centre for the data of Compulsory Motor Insurance."

■ **Challenges.** The main challenges of the financial and economic policies that Albania would need to address during the planned NSDI-II period lay in a number of key areas, as presented in the National Program of Economic Reforms (NPER) 2015-2017 and in the Economic Reforms Program (ERP) 2016-2018. The first is related to the need for policies that can ensure medium-term sustainable growth in terms of employment and living standards of the Albanian population. Achievement of these goals depends on increased macroeconomic stability, in particular as regards reduction of public debt, putting finances on a sustainable footing, and removing barriers to mid-term growth.

With regard to addressing the aspects of deficit and debt, policies need to be oriented towards fiscal consolidation in the medium term, with the view of reducing public debt as a percentage of GDP down to 60% or even lower by 2020. The main causes of high deficit may be addressed through tax revenues and Public Finance Management (PFM) reforms, as defined in the PFM Strategy of Albania for 2014-2020 (to be addressed further in this document).⁹⁶

These reforms would need to be followed with: (1) further facilities for the monetary policy, under the assumption that inflationary pressure and exchange market pressures will remain low; (2) appropriate monetary policies that would ensure price stability, and facilitate full employment in the economy; (3) full settlement of unpaid government bills prior to 2013; (4) reduction of the rates of non-performing loans (NPL), with the goal of restoring the trust on the banks and recovery of crediting for the economy;

⁹⁶ Republic of Albania, "Albania Public Management Reform Strategy 2014-2020", Ministry of Finance, December, 2014.

(5) continuation of reforms directly related with the progress towards EU accession, as key components of the structural reforms program; (6) the need to address low inflationary pressures; (7) the need to ensure the return of a steady and healthy growth of lending; (8) safeguarding financial stability, especially with regard to credit risk management and improving indicators of bank asset quality in the framework of measures taken for cleaning the balance sheets of banks and addressing the problem of non-performing loans; and (9) mitigation of effects deriving from problematic developments in the Eurozone (with direct and immediate focus on Greece, and the structural arrangements placed by imposed by EU-based banking groups in the context of reducing their exposure to subsidiaries outside the EU, and international financial markets.)

■ **The vision.** *“Albania: a strong economy, with accountable financial institutions and a developed and consolidated financial market capable of supporting sustainable economic convergence, while maintaining the country’s monetary and financial stability.”*

■ **Banking sector strategic objectives:**

1. **Securing a sound financial and banking activity in the country**, which would guarantee the safety of savings of Albanian citizens, would support the financial stability and contribute to the positive performance of the economy as a whole. In this context, it is important to further broaden and financial intermediation in the country
2. **Supporting private sector lending** via the banking sector, non-bank financial institutions.
3. **Improving the quality of loan portfolio in the banking system, and further strengthening risk management.**
4. **Harmonization of the supervisory authority and fiscal policies**, in order to generate appropriate incentives for addressing bad loans and facilitating the lending process in the country.
5. **Improving systemic risk assessment instruments and introducing the supervisory framework.**
6. **Strengthening information systems and analytical frameworks** to identify risks, and develop methodologies for the assessment and tracking of trends in immovable property prices.
7. **Strengthening the dialogue with the banking sector**, in order to improve accountability and sound management of banking activities in the best public interest and and for the performance of the banking industry .

■ **Strategic objectives of non-banking financial system:**

8. **Aligning national legislation** with the EU legislation, and with international standards of supervision of supervision of the securities and pensions markets, as well as improving the legal framework for compulsory insurance in the motor transport sector.
9. **Improving and completing the regulatory framework for the supervision of financial markets**, for enhancing harmonization with EU directives, international standards of financial supervision, as well as identification and effective management of associated risks.

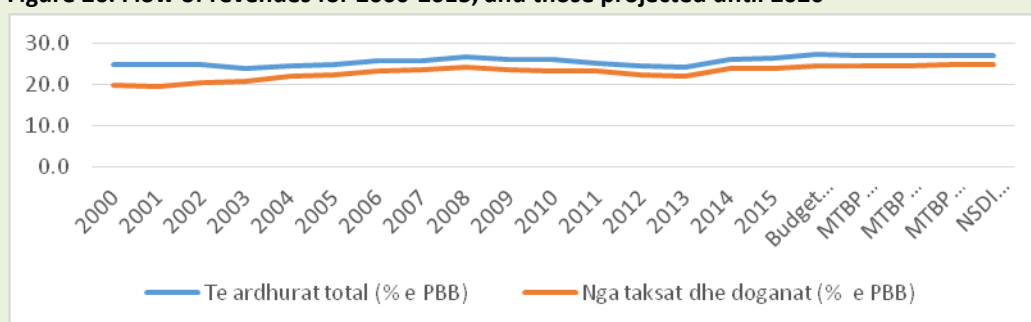
10. **Strengthening approximation of supervisory practice and operation of the insurance market with the International Association of Insurance Supervisors.**
11. **Strengthening supervision of the private volunteer pensions market** through risk-based methodology, and promotion of the development of the third pillar pensions.⁹⁷
12. **Strengthening supervision of investment funds**, by strengthening the supervisory capacities of these funds and associated risk analysis.
13. **Strengthening the FSA** by ensuring its independence *de facto*, through formulation of a strategy for crisis management, a strategy for the securities market, and through enhancing supervisory capacities in the fight against money laundering and terrorist financing.

9.2 Strengthening public finances and fiscal stability

■ **Current situation.** Reforms in Public Finance Management (RPFM) in Albania have produced significant results over the years. The Public Finance Management Strategy of 2014-2020 was adopted in December 2014. In March 2015, the Government adopted the Public Debt Management Strategy, 2015-2017, whose implementation ensured planning of settlement (repayment) of arrears and preventing accumulation of new ones.

Main achievements over the last years include technical and legal aspects: (1) institutionalization of the Medium Term Budget Program (MTBP), the institutionalization of the MTBP as a key instrument for connecting the budget with national policies and sector activities; (2) improvements in public expenditure management and the raising of cash through the Automated information Treasury System; (3) strengthening of Public Internal Financial Control in line with EU standards; (4) increased transparency since 2002 in intergovernmental fiscal relations through the application of the formula for the allocation of unconditional transfers; and (5) significant improvements in the public procurement.

Figure 26. Flow of revenues for 2000-2015, and those projected until 2020



Source: Ministry of Finance

⁹⁷ The term "Third Pillar" is broadly used for the part of volunteer private pensions fund market, according to World Bank definition.

Figure 26 shows the flow of revenues for the period of 2000 – 2015, and sustainable forecasts for the period up to 2020.

Table 2.13. Summary of PEFA scores

Indicator	Description
PI-1	Aggregate expenditure out-turn compared to original approved budget
PI-2	Composition of expenditure out-turn compared to original approved budget
PI-6	Comprehensiveness of information included in budget documentation
PI-7	Extent of unreported government operations
PI-8	Transparency of Inter-Governmental Fiscal Relations
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting
PI-16	Predictability in the availability of funds for commitment of expenditures
PI-17	Recording and management of cash balances, debt and guarantees
PI-19	Competition, value for money and controls in procurement
PI-22	Timeliness and regularity of accounts reconciliation
PI-23	Availability of information on resources received by service delivery units
PI-25	Quality and timeliness of annual financial statements
PI-28	Legislative scrutiny of external audit reports

Source: PEFA Albania 2011, Table 2, page 10

The 2011 Public Expenditure and Financial Accountability (PEFA) ⁹⁸ came to the conclusion that public finance management (PFM) in Albania had improved across a wide range of the performance indicators since the previous Public Expenditure and Financial Accountability assessment.

Most of the progress made relates to the more technical aspects of public finance management.

In general, the assessment of the Public Expenditure and Financial Accountability (PEFA) continues to display several weaknesses, given improvement only in 13 out of 28 PEFA indicators, while in ten others there has been no change (please refer to Table 2).

Some indicators could not be rated. Indicators intended to capture the “results” in public finance management were less positive. Aggregate revenue actually collected deviated substantially from the forecast / planned collection and the composition of actual expenditure deviated substantially and systematically from budgeted expenditure.

Despite the fact that the Albanian economy managed to avoid recession and the worst effects of the global financial/economic crisis that began in 2007, economic growth slowed down in recent years and the level of public debt increased. As discussed under Section 4 on the macro framework, over the global crisis period of 2009-2013, economic growth slowed significantly to an average rate of GDP growth of 2.5%, from an average increase in GDP growth of about 7% over a decade ago.

Weaknesses in public finance management are deemed to have contributed to the increase in public debt to 72.6% of GDP by the end of 2014, a significant increase compared to 55.1% at the end of 2008. In addition, the continued failure in revenue collection over this period resulted in the accumulation of arrears (despite the fact that this was due to optimistic forecasts for the system, the drop in tax

⁹⁸ Public Expenditure and Financial Accountability (PEFA) is a partnership program of 7 donor agencies and international financial institutions to assess the terms of public expenditure, procurement and accounting system and to develop practical follow up actions to reform and build in-country capacities. The most recent PEFA reports for Albania go back to 2012.

collection or both). According to the International Monetary Fund (IMF) assessment, the stock of arrears was approximately 5, 3% of GDP, until 2013. The accumulation of arrears was also deemed to be undermining public confidence in the Government's fiscal policy and its ability to meet its future payment obligations, as well as contributing to the build-up of non-performing loans in the banking system.

In this context, a number of important reforms were enacted in 2014 directed at strengthening public finances. The reforms comprised agreements with the International Monetary Fund and the World Bank (WB). Their implementation is currently resulting in the annual check on commitments and an improvement of treasury management. Paid arrears, including most of the VAT arrears, amounted to Euro 241 million or 2.4% of GDP out of the total 5.3% of GDP by the end of 2014.

■ **Challenges.** Still there are many challenges ahead with regard to strengthening public finance management. Main challenges related to strengthening of public finances *inter alia* include: (1) realistic forecasts about public revenues which generate fiscal security; (2) measures for fiscal adaptation and control, in order to avoid accumulation of arrears; (3) better mid-term operational planning of budget; (4) statistical systems to monitor products and expenditure outcome; (5) improvements in the treasury system; (6) efficient systems of internal audit; (7) tax administration modernization; and (8) the fight against informality in the economy.

■ **The vision.**

“Stable fiscal framework, properly integrated planning and efficient public expenditures, efficient execution of state budget, increasing the transparency of government financial reporting and strengthening internal control and an effective oversight of public finances.”

■ **Strategic objectives**

1. Ensuring a sustainable and prudent fiscal framework through:

- 1.1 Introduction of an appropriate fiscal rule that would ensure long-term sustainability of public debt;
- 1.2 Enhanced controls on multi-year financial commitments;
- 1.3 Strengthened registration of fiscal cash registers; and
- 1.4 Reduction of public debt below 60% of GDP, by 2020.

2. Conduct of more realistic planning and budgeting, including better integrated and efficient public expenditure through:

- 2.1 Greater consistency in programming budget goals and objectives;
- 2.2 The registration and automatic control at the treasury system in terms of budget commitments;
- 2.3 Improving and ensuring better definition of fiscal intra-governmental relations through formulation of a new law on local governance finances;
- 2.4 More realistic formulation of medium-term budget plan; and
- 2.5 Implementation of a comprehensive financial management Albanian system.

3. Efficient implementation of budget and increased revenues, while ensuring formalization of the economy through:

- 3.1 Reduction of the size of informal economy and increase tax revenues;
- 3.2 Increased revenues from property tax;
- 3.3 Approximation of laws on taxes and customs with EU directives and European best practices that promote competition and the free movement of goods and services in Albania and the region;
- 3.4 Increasing tax revenue collection and curbing tax evasion by establishing a new system for risk management for the tax administration;
- 3.5 Introduction of a national database and system for customs evaluation, based on risk assessment;
- 3.6 Implementation of an improved budget monitoring system supporting better guidance on monitoring and permanent guidance on the budget execution;
- 3.7 Improving implementation of public expenditure, supported by a strengthened (automated) system for debt management;
- 3.8 Introduction of a short-term financial instruments market, and integrated monetary and debt management;
- 3.9 Establishing a link between the HR management system and the Treasury system;
- 3.10 Settlement of arrears in an accurate, transparent and credible manner, and ensuring greater financial discipline to prevent generation of new arrears.

4. Improving and enhancing transparency of Governmental financial reporting through:

- 4.1 Expanding the Treasury system up to 150 budgetary institutions;
- 4.2 Full integration of the tax system in the Treasury System, in order to improve the process of receiving and registration of information on daily bases, and accounting of tax revenue collection;
- 4.3 The review of existing public financial reporting, gradually implementing reporting standards of the International Public Sector Accountability Standards (IPSAS), as well as EUROSTAT and EU standards; and
- 4.4 Increased transparency before the Parliament the public through inclusive/comprehensive reporting of annual budget.

5. Strengthening public sector internal audit, with the view of improving public funds management and managerial accountability through:

- 5.1 Improved internal audit system, while taking measures for internal review of financial control and management;
- 5.2 Improved budgeting, by introducing in the planning phase an identification and risk assessment (i.e. formulation of a risk registry from each budgetary institution and discussion of the risk-based budget);
- 5.3 Strengthening professional skills of auditors, to give them opportunities to conduct auditing, in line with international standards;
- 5.4 Broader use of regulatory impact assessment instrument for any law, or regulation with major impact on the budget;
- 5.5 Strengthened public procurement audit;
- 5.6 Linking and supporting Public Finance Management (PFM) with the new sectorial approach; and

5.7 Implementation of the internal audit recommendations, with the view of achieving objectives and activities of public economic units.

6. Strengthening external supervision of public finance through:

- 6.1 Increased effectiveness of external control of public finances, by improving quality of financial audits;
- 6.2 Strengthening oversight of the budget by the parliament and the external audit institution;
- 6.3 Greater transparency in the budgeting process vis-a-vis Civil Society Organizations (CSOs) and the public opinion

10.0 PILLAR 2: ECONOMIC GROWTH THROUGH ENHANCED COMPETITIVENESS AND INNOVATION

Productivity and competitiveness are among the most important challenges for ensuring sustained growth in Albania. The structural reforms of the last decade accompanied with the opening of the Albanian economy to European and global markets created momentum for sustained future growth. Further restructuring of the economy, however, will generate limited potential for further growth as the shift from traditional, low labor cost activities in sectors such as agriculture, construction and textiles towards more skills-oriented and increased value added activities in sectors such as telecommunications, banking, insurance and tourism, has almost come full cycle. This important achievement, complemented by significant privatization, has upgraded Albania's economy, while on the other hand has slowed down its potential for further economic diversification.

There is a strong correlation between Albania's progress in improving rules of "doing business" and the continued positive growth of the recent years.

In 2013, the Global Competitiveness Report 2013-2014 of the World Economic Forum, ranked Albania in the 97th place out of 148 countries (see Figure 27). Actually, Albania's ranking has dropped over the past two years after, following several years of steady improvement. The main factors leading to the decline in ranking as identified by "doing business" are: limited access to financing, tax rates, corruption.

Another measure of Albania's competitiveness relative to other countries in the immediate region is the World Bank's "*Ease of Doing Business*" indicators for 2013-2014. Overall, Albania's ranking according to this measure is 90th out of 189 countries. Table 3 below presents 10 factors, and indicators of "Doing Business" and the scores for 2013 and 2014. Albania ranks high in access to credit and investor protection, but quite low in several others, pointing to considerable room for improvement and in increasing competitiveness.

Tabel 3. Albania “Doing business” indicators 2013 - 2014

No.	Indicators	DB 2014 Rank 90	DB 2013 Rank 82*	# in rank
1	Starting a business	76	68	-8
2	Construction permits	189	189	No change
3	Getting electricity	158	155	-3
4	Property registrations	119	115	-4
5	Getting credit	13	11	-2
6	Investors protection	14	14	No change
7	Paying taxes	146	146	No change
8	Trading accross borders	85	84	-1
9	Enforcing contracts	124	96	-28
10	Resolving insolvency	62	65	3

Source: World Bank, “Doing business”, database 2014

Access to growing markets will be vital in order to convert competitiveness improvements into growth. The Albanian market alone, with a total population of less than three million people, will provide only limited market opportunities for growth. With the passing of time, the EU market will be fully open to Albanian goods and services in time. In the meantime, Albania must expand market access to other markets. In addition to ongoing efforts to broaden market access in the Western Balkans and elsewhere, an important and relatively untapped opportunity lies on Albania’s doorstep with Kosovo. Creating a free trade zone would double the size of Albania’s market immediately.

Pillar 2 includes a number of key sectors to focus on economic growth through enhanced competitiveness, which are:

- **Property rights**
- **Foreign Direct Investments**
- **Scientific research and Innovation**
- **Information Technology and Communications**
- **Consumer protection and market surveillance**
- **Competition and control of state aid**

A number of national strategies have been approved or are currently under development, addressing growth through increased competitiveness. The main strategies include (1) the “*Business and Investment Development Strategy (BIDS) 2014-2020*” approved in 2014; (2 “*Digital Albania Strategy, 2015-2020*”, adopted in 2015; and other sector strategies that have included in their design elements of growth and competition.

In addition, the right to private property is seen as a critical enabler of secure, transparent and predictable business formation and activity, and is one of the Government’s six key priorities. Further reforms in the business environment and competitiveness also depend on and need to be coordinated with sectorial reforms under the other NSDI-II pillars (e.g. anti-corruption, public administration).

10.1 Securing and protecting property rights

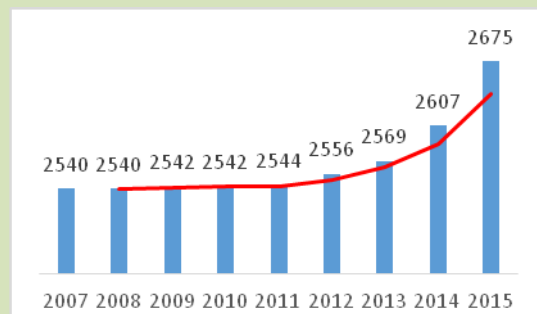
■ **Current situation.** Reforms in the area of property rights are directed toward the protection of the clear right to ownership and the elimination of legal uncertainty, and are perceived by the Government as a cross-cutting issue. In addition, they represent a pre-requisite for consolidating the rule of law,

fostering economic development, attracting foreign investments and for meeting EU integration criteria.⁹⁹

The Land reform is also one of the key sectors of the Government reforms. The “Sector strategy for reform of property rights, 2012-2020” was adopted in June 2012, while a new document is in the pipeline.

Land sector reform is more longer term. Initial steps in this long-term process include the completion of the *initial registration of immovable properties* which

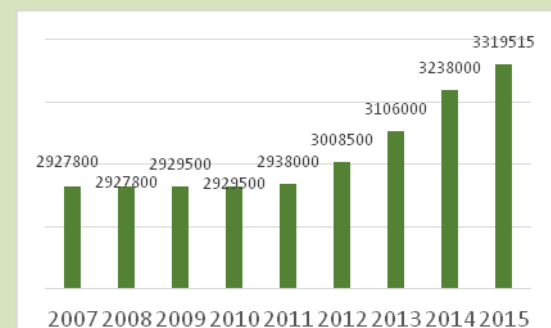
Figure 28. Number of cadastral zones in the IPRS, 2007-2015



Source: Immovable Properties Registration Office (IPRO)

will guarantee complete security of property titles. Over the past few years, initial registration was completed in 2,675 cadastral zones, or about 86% of the total of 3,058 zones (figure 28). In addition, initial registration was complete for 3,319,515 immovable property titles (83% of the overall number), as illustrated figures 28 and 29). Legalization of constructions led to completion of approximately 52,115 buildings by end of May 2015, plus an additional 420,000 new buildings where legalization process is underway.

Figure 29. Number of registered properties, 2007-2015



in

The envisaged automation of the property/titles system is expected to further improve the level of service and transparency. Initial registration remains to be fully completed, with the support of the system, since data updating is in its nascent stage. Currently only 330 thousand titles of immovable properties, or 10% of the overall number have been updated. Introduction of online services¹⁰⁰ through the concept of “One stop shop” has improved customer service¹⁰¹, has reduced property registration

⁹⁹ Property in this sector refers primarily to real property (land). Property rights is also related to property of an intellectual nature, and this is addressed in the section on protection of competition and state aid control.

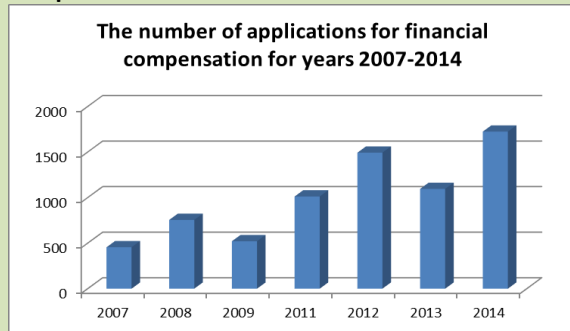
¹⁰⁰ Online services for notary offices in connection with areas of buying and selling transactions for Tirana and Durrës, as well as the application procedure of citizens throughout the territory.

¹⁰¹ For the system of immovable properties registration, the clients include: the owners, banks and lending institutions, builders, real estate agencies, real estate appraisers, licensed surveyors, lawyers, legal, notaries, the Ministry of Interior, the General Prosecutor's Office, the Prosecutor in districts, the General Directorate of the State Police, the General Directorate of Taxes, FIU, ILDKPKI/HIDA, local government institutions, private & State bailiffs, ALUIZNI, PRCA, the Department of Public Property Sales, AKPT, etc.

time from 45 to 6 days, and has improved transparency. However, absence of a comprehensive database and current weaknesses in updating the data limits service for the broad public.

The process of *property restitution and compensation* remains a sensitive issue (see figures 30 and 31).

Figure 30. Applications for financial compensation



physical and financial fund has hampered progress of the compensation process.

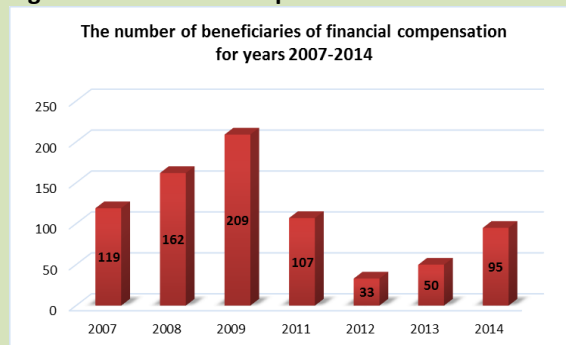
In the course of 2013-2014 attention was given to the automation or digitalization of indexation of files and data, scanning of the administrative and court deliberations, as well as cartographic materials. Currently, the Agency for Restitution and Compensation of Properties (ARCP) is working to establish a compensation Electronic Registry, which will contain all existing decisions recognizing the right to property / compensation. Data encompass the period from 1993 to the present. This registration ended in December 2014 and the finalization of the registration process is deemed as an important step in deriving the total financial compensation cost.

An Order of the Prime Minister No. 154, of April 17, 2014, "On the establishment of the inter-institutional working group for the identification of state properties (assets) to be used for physical compensation", set in place a working group for identifying agricultural land which will be available to the Agency for financial compensation of the owners of the expropriated properties. Even though the *legalization process* started in 2004, it is as yet not complete.

■ **Challenges.** Over the NSDI-II planning period of 2015-2020, the main challenges in the area of property include: (1) establishment of an integrated land management system aimed at ensuring a functional land market; (2) securing a safe, efficient, and state of the art registration system for immovable properties; (3) modernization and automation of immovable properties registration system; (4) facilitating civil flow of property titles; (5) ensuring due administrative process for concluding the

There is as yet no inventory on decisions taken over the period 1993 to September 2013. In addition there are not enough data on the state's financial liability for the compensation of all expropriated properties. However, for the first time in 20 years, Albania now has an accurate count of the files in the archives of the Agency for the restitution and compensation of property, and the country is very close to estimating the full cost of compensating owners of the expropriated properties¹⁰². However, the absence of a real

Figure 31. Financial compensation beneficiaries



Source: Property restitution & compensation agency

¹⁰² In 2015 was adopted Law no.133/2015 "On handling property and finalization of the property compensation process", which defines that the scope of activity includes all requirements under review.

process of recognition, restitution and compensation within the set legal limits; (6) execution of rulings of European Court of Human Rights (ECHR) (7) the finalization of three processes to guarantee rights in Albania: registration, legalization and compensation; and (8) ensuring that the land registration system provides for de facto access of both women and men to their land. In addition, one of the agreed action items with the EU in the ISP is that “... *property rights management is further advanced and in line with the relevant jurisprudence of the European Court of Human Rights*”

■ **The vision.** *“Albania, a developed and consolidated European rule of law state, able to guarantee in practice the right to ownership, as one of the fundamental human rights, provided through a regulated system of harmonized real property, which offers clear and safe property titles for everyone”.*

■ **Strategic objectives include land management and administration reform, to ensure integrated and sustainable management throughout the country.**

■ **Strategic objectives in the field of Immovable Properties registration:**

1. **By 2020, completion of initial systematic national registration and introduction of a public consolidated electronic register of immovable properties.**
2. **Reform the Local Offices of the Immovable Property Registration (LIPRO) and strengthening institutional cooperation on issues of ownership, as well as enhancing professional capacities and supporting management systems.**
3. **Improving customer service quality, aiming at improving satisfaction rates** (to be carried out through surveys).
4. **Modernization and improving data integrity and information**, through digitalization and interconnection of immovable properties information systems (including digital maps) and provision of online services for the customers, **through:**
 - 4.1 Introduction of an automated system of immovable properties in all local IPROs;
 - 4.2 Provision of online information and services to public institutions;
 - 4.3 Linking the digital system of local IPROs and other state databases; and
 - 4.4 Improving and updating archives of manual information and registers for cadastral zones of the automated Register of immovable properties.

■ **Strategic objectives in the area of properties restitution and compensation:**

5. **Reforming and strengthening the role and capacities of ATP through:**
 - 5.1 Improvements in the legal framework, to ensure their alignment with EU standards in the field of property rights;
 - 5.2 Strengthening Human Resources and other capacities of ATP;
 - 5.3 Better standards for service delivery by introducing a new practice in addressing demands from expropriated subjects;
 - 5.4 The institution of a unique “map” for “decisions” regarding the process of property restitution and compensation; and

5.5 Regular update of information from the Agency, including information on administrative or court acts or rulings through the Electronic Registry,¹⁰³ which is integrated with court data from the years on claims for property compensation and restitution.

6. Finalization of the review of files pending final decisions through:

- 6.1 Finalization of the administrative procedure for the acknowledgment of ownership of expropriated properties;
- 6.2 Introduction of a unique and effective compensation scheme through the implementation of a new methodology for the evaluation of immovable property market, and introduction of a digital system for the drafting of property maps aimed at producing a final invoice of financial obligations.

7. Strengthening the system of property rights and their protection up to the execution phase according to ECHR standards through:

- 7.1 Improved quality of the bailiff service, the consolidation of the Albania Bailiff Information System, as well as its extension to all bailiff systems (results with respect to the Bailiff system are also covered under Section 8.1 on the Judiciary Reform;
- 7.2 Preparation of a plan for the execution of final rulings of the Albanian courts, as well as their execution within a deadline set by the Albanian Government;
- 7.3 Reduction in the number of appeals to the ECHR on the subject of property rights through the implementation of legal reform, in consultation with concerned stakeholder groups;
- 7.4 Priority execution of decisions for restitution or compensation, in line with ECHR obligations; and
- 7.5 Improved management of property rights, in light of ECHR case law.

■ **Strategic objectives in the area of legalization of informal buildings:**

8. Legalization of existing informal settlements and incorporating existing illegal construction within urban development plans through:

- 8.1 Review of existing legislation, in order to set limits not only regarding the initiation of the legalization procedures, but also regarding those that are completed;
- 8.2 Finalization of the legalization procedure;
- 8.3 Registration of immovable properties in LIPROS and supervision of execution of court decisions of final form;
- 8.4 Follow up of urban planning and development in the territories with legal constructions and the prevention of future informal construction; and
- 8.5 Better definition of responsibilities and tasks of the local *urban construction inspectorates*, for coordination purposes and control of the activities.
- 8.6 Realization of the legalization process by upholding the rights of former owners and harmonizing a fair proportional benefit, for the category of the former owners and category benefiting from the legalization process.

¹⁰³ Electronic register is available at PRCA website: www.akpp.gov.al

10.2 Promoting Business and Foreign Direct Investments

■ **Current situation.** Promoting business and foreign direct investments by reducing red tape constitute strategic priorities for the sustainable economic and social development of the country, and for ensuring better competitiveness in the regional and global markets. In addition this area is one of the Six Priorities of the Government.¹⁰⁴ Regarding improving **business climate** in Albania, reduction of administrative barriers¹⁰⁵ was also recognized by “*Doing Business 2015*” report of the World Bank which ranked Albania in 68th position, in 2008 (among 189 countries).¹⁰⁶ Tax reform, - as an essential part of the fiscal policy to facilitate doing business in Albania - developed in parallel with e-government and further facilitated the services to businesses, both in terms of regulatory aspects and in the introduction of *online* services such as those addressing procedures required before registration and registration (i.e. publication, notary services, inspection etc.)

The World Economic Forum's 2014-2015 Global Competitiveness Report ranked Albania 97th among 144 countries/economies compared to the 109th place in 2007-2008, showing the improved competitiveness of the Albanian economy (although this ranking slipped from 89th place in 2011-2012). By 2014, the small and medium-sized enterprises (SME) sector had become a very important component of the Albanian business economy, accounting for 81% (EU average: 67%) of employment and generating about 70% (EU average of 58%) of added value.¹⁰⁷ The creative economy, with 56% of the employed being women is seen as a promising economic sector with the potential to contribute to the local, regional and national economy.

Foreign Direct Investments (FDIs) play an important role in the Albanian economy.¹⁰⁸ FDI flows in the country over recent years have been relatively high (equivalent to 8.8% of GDP in 2014, up from 7.7% in 2012), despite the recent disruption and uncertainty in the Euro zone. Albania's private sector development and regulatory framework reforms are expected to contribute to the increase in FDIs as foreign investors become increasingly confident in the business environment over the NSDI-II period and beyond, despite the unfavorable investment climate in global markets at the time of preparing the NSDI-II. Albania ranks fourth in the region in terms of FDIs per capita.

In South-East Europe, FDI flows have been almost reduced to half over recent years, mainly due to a decline in investments from traditional EU investors who have been experiencing economic distress in their countries of origin. Before the onset of the financial and economic crisis, South-East European countries were quite successful in attracting FDIs, which resulted in an increase in FDI flows

¹⁰⁴ As noted, the “*Business and Investment Development Strategy (BIDS) 2014-2020*” was approved by the Government in October 2014, and an IPMG has been set up as one of the pilot sectors.

¹⁰⁵ Reforms to reduce administrative barriers include: (1) establishment of the National Registration Centre in September 2007 as a *one stop shop* operating in Tirana and in 32 offices across the country, in order to radically simplify the business registration procedure from 36 days in early 2007, in just 1 day; and (2) establishment of the National Licensing Centre in June 2009 as a *one stop shop* in order to reduce administrative barriers to business licensing, according to the principle of silent approval. Group I and II licenses are now issued by NLC in only 2-4 days. For other licenses issued by line ministries, the deadline has been reduced to a maximum of 30 days.

¹⁰⁶ See, <http://www.doingbusiness.org/rankings>.

¹⁰⁷ European Commission, “*Enterprise and industry 2014 SBA Fact Sheet – Albania*” (Small Business Act for Europe).

¹⁰⁸ To support this, the National Investment Committee (NIC) was established to enable PPPs to finance strategic investment projects.

from \$2.1 billion in 2002 to \$13.3 billion in 2008.¹⁰⁹ The surge in FDIs to the region, especially after 2006, was driven largely by economic recovery, a better investment climate and the start of accession negotiations with the EU.

Relatively low labor costs, easy access to European markets and the privatization of the remaining State-owned enterprises all boosted FDI flows. This positive trend was reversed in 2009, with FDI inflows falling sharply in all countries of the region. In contrast, Albania was able to maintain a stable trend in FDI over this period and with Serbia, Croatia and Albania being three main recipients of FDIs in the region during 2012.

During the first half of 2015, net foreign direct investments saw a rapid annual growth. For the entire year, expected annual growth is at 6.6%. The increased in FDIs is mainly focused in the energy sector. TAP project, and others in hydropower generation are expected to be key drivers of FDIs in the next years.

In February 2014 was established the Investments Council¹¹⁰, which is another instrument for improving business climate and more opportunities for attracting foreign investments. The Investments Council represents a platform for dialogue bringing together the private sector, donors and the Government of Albania, regarding aspects of investments climate, in order to address challenges with which the private sector is currently being faced. In addition, the Investments Council fosters debate and promotes new ideas for strengthening the investments climate in the country, with the view of generating new employment, fostering economic growth, and bringing more welfare for the Albanian citizens. In addition, this year was also established the National Economic Council (NEC)¹¹¹, whose goal is to ensure institutional cooperation and Public private partnership for the development of economic policies.

In order to move closer to the group of middle income economies, further growth will need to be driven to a large extent by exports. Product diversification and orientation of the economy toward more value-added exports of goods and services will be required to minimize the risk of a growing trade balance. The development of Albania as a key trading partner with EU countries can be seen both as an opportunity for investment, through relocation of industries from these countries, and as a necessity to readjust production activities toward more sophisticated exports in other EU markets.

■ **Challenges.** Despite the abovementioned progress in FDIs, Albania is still ranked low in the region. The main challenges in this sector over the NSDI-II planning period include the need for: (1) further simplification of market entry procedures/business startup procedures; (2) reduced time for issuance of construction permits; (3) increased opportunities of power supply; (4) reduced number of days and simplification of procedures for assets registration; (5) removal of red-tape behavior; (6) better contract delivery; (7) improvement of bankruptcy policies and procedures; (8) improving competitiveness of products and services; (9) development of human resources that foster innovation; (10) strengthening technology capacities and implementing ITC; and (11) devoting greater attention to the implementation

¹⁰⁹ UNCTAD WIR 2013.

¹¹⁰ Part of the Memorandum of Understanding (MoU) between the Government of Albania and European Bank for Reconstruction and Development (EBRD).

¹¹¹ Law no. 57/2014 On the establishment and operation of the National Economic Council

of measures of Central European Free Trade Association (CEFTA) and other agreements of other trade integration agreements signed by Albania, all of which require a high degree of inter-ministerial collaboration.¹¹²

Addressing the challenges in these areas should to be combined with further business consolidation, for creating a stable and structured "backbone" of Albanian business and building a basic frame for a more stable Albanian economy.

■ **The vision.** *"Competitive Albania, with a dynamic and productive industry"*

Along with the National Economic Reform Program (NERP) 2015-2017 and the NERP Action Plan 2014-2020, the *Albania Business and Investments Development Strategy 2014-2020* constitute the main body of documents for the identification and implementation of the national policies for the promotion of business investments for 2014-2020.¹¹³

■ **Strategic objectives**¹¹⁴.

1. Enhancing competitiveness of local businesses and promoting employment, by strengthening institutional capacities and improving business climate, through:

- 1.1 Reducing red tape and procedures for opening a business, by considerably reducing the time required to open a new business, and the time needed to obtain a construction permit;
- 1.2 Improving institutional capacities to provide better services for businesses, and payment of all taxes online;
- 1.3 Development of the infrastructure for supporting businesses through the establishment of a technological business incubator, and new centers for business development;
- 1.4 Improved lending scale through introduction of business support schemes for those businesses led by women, and introduction of new businesses;
- 1.5 Establishment of Grant Fund to support creative businesses, in particular in the domain of Crafts;
- 1.6 Increased number of employees, and generation of new employment in private non-agriculture sector; and

¹¹² CEFTA entered into force on 26 July 2007 for the five initial signatory countries: Albania, Macedonia, Moldova, Montenegro and United Nations Interim Administration Mission in Kosovo; and subsequently for Croatia, Serbia Bosnia and Herzegovina. The agreement highlights the importance of economic development in the region. The main objectives of the agreement are, inter alia, to "... expand trade in goods and services and foster investment by means of fair, stable and predictable rules, eliminate barriers to trade between the Parties, provide appropriate protection of intellectual property rights in accordance with international standards and harmonize provisions on modern trade policy issues such as competition rules and state aid." <http://www.cefta.int/>

¹¹³ Ministry of Economic Development, Trade, Tourism and Entrepreneurship (MEDTTE), *"Business and Investment Development Strategy for the Period 2014-2020"*, February, 2014. The Strategy is in line with: (1) the principles of the SAA and its chapters, with its 91 articles *"Promotion and Investment protection"* and article 93 *"small and medium size enterprises"*, linked also with principles of the Small Business Act/ SBA; and (2) in harmony with the EU industrial policy, which is based on the SEE2020 (integrated, smart, sustainable, and inclusive growth) for the development of human resources and ensuring social cohesion.

¹¹⁴ Objective Indicators, as expressed in goals are part of the Business and Investments Development Strategy for 2014-2020.

- 1.7 Increased participation in regional and European initiatives and programs such as SEECEL (South East European Center for Entrepreneurial Learning), EIF (European Investment Fund), COSME (EU program for the Competitiveness of Enterprises and Small and Medium-sized Enterprises), HORIZON 2020 (the EU Framework Program for Research and Innovation), EDIF (Enterprise Development and Innovation Facility, ENIF (Enterprise Innovation Fund), ENEF (Enterprise Expansion Fund), IPA (Instrument for Pre-Accession Assistance).

2. Improving exports through integration in regional and European markets through:

- 2.1 Annual progressive growth of annual exports volume;
- 2.2 Expanding export sector;
- 2.3 Increasing the share of scale of exports generated from internal manufacturing and other made to order types of industry;
- 2.4 Expanding Competitiveness Fund (based on cost-sharing scheme) that will ensure grant support for companies, with the goal of making them more competitive;
- 2.5 Strengthening legislation and Albanian export credit guarantee fund, providing support to export companies; and
- 2.6 Participation of Albania in the EU program for competitiveness reform.

3. Promoting and development Foreign Direct Investments through:

- 3.1 Improving the legal framework and procedures for supporting investors in the strategic sectors of infrastructure, tourism, energy and agriculture¹¹⁵;
- 3.2 Annual average increase of FDI flows;
- 3.3 Increase of FDIs as share of GDP;
- 3.4 Greater cooperation with investors for the inclusion of local enterprises in the early stages of investment and operation (i.e. the spill-over effect);
- 3.5 Establishment of economic zones and "Technical and Economic Development Zones";
- 3.6 Strengthening institutional capacities of the Agency for Promotion of Investments (AIDA), aiming at the transformation of companies into potential investors; and
- 3.7 Promoting and supporting Public Private Partnerships (PPPs), where the respective legal framework is present, by improving the legal framework and simplifying administrative procedures.

10.3 Expanding scientific research and innovation

■ **Current situation.** Expenditures and investments in **research** in Albania have been scarce, resulting in relatively low levels of innovation and technology, business sophistication, as well as in terms of the framework for the development of industry clusters and technological incubators. Policies in the field of research over the period 2009-2015, were aimed at reforming this important sector for Albania's economy and its development. In July 2014 a Memorandum of Understanding for cooperation between the EU and the Republic of Albania was signed on participation in the Framework Programme "Horizon 2020" - Programme for Research and Innovation. The percentage of successful applications is quite low when compared with other countries in the region. This reiterates the need for more focused attention to encourage applications from Albanian researchers in scientific research community programs.

¹¹⁵ In May 2015 was adopted the Law on Strategic Investments in the Republic of Albania (Law no 55/2015).

Innovation has been and will continue to be a driving force for increasing competitiveness in Albania. “*Technical and Economic Development Zones*” will provide one of the preconditions for a transition from the present-day economic model characterized by use of a low or semi-skilled labor force and manufacture of products with low added value to a more innovation-driven and knowledge-based development model. To ensure a successful transition to innovative development, attention will need to be given to increasing support to Albanian enterprises that are seeking to modernize their technology. This will be achieved by transferring and absorbing (in co-operation with academicians and researchers) innovations currently being applied in other countries or in other local enterprises. Innovation will become a key source of growth and value added, even in traditional, relatively low-technology sectors, such as agriculture, food processing, industry, transport, construction and light industries.

Research. Progress in the field of research in Albania remains inadequate. National research institutions have limited participation in international research programs, and consequently the benefits are scarce. This is mainly due to weak institutional capacities and weaknesses in the research-oriented human resources base. Greater investments in research can also have a positive impact on employment and the retention of national human resources capacities, especially with respect for those in the professional and technical fields.¹¹⁶

■ **Challenges.** The main challenges ahead include: (1) the need to integrate Albanian scientific research within the European Research Area; (2) more active participation of Albanian research activity and entities in all European programs of Research and Development; (3) the need for a greater focus of attention and investment in the level and quality of research and innovation in Albania; (4) an improved legal framework for intellectual property rights; and (5) research initiatives that need to be oriented more toward market demand which implies the need for stronger links with national programs and the international private sector.

■ **The vision.**

“Creating a research and innovation system capable of successfully addressing future challenges in the development of the country such as: increasing the capacity of human resources, energy issues, environmental issues, public health issues, issues of innovation, social cohesion.”

■ **Strategic objectives**

1. Improving quality of research in the public sector through:

- 1.1 Increased number of applications for participation in programs in the European research field;
- 1.2 An increase in the number of successful applications;
- 1.3 Strengthened capacity and a marked improvement in excellence in scientific research through the creation of three centers of excellence, in collaboration with international research centers and with the support of EU programs;

¹¹⁶ This is also linked to the strengthening of higher education, the establishment of Albanian networks of excellence, and the contribution to “brain gain” and “brain circulation” as addressed in the sector for education (Section 11.1).

- 1.4 Increased autonomy and accountability of research institutions by changing the legal framework and through reforms in higher education and scientific research;
- 1.5 An improved research evaluation system in higher education institutions as well as in public and private research institutions, focusing on external evaluations in line with the *"Platform for the Evaluation of Scientific Research in Albania"*;

2. Strengthening innovation and the transfer of knowledge and technologies in the manufacturing sector through:

- 2.1 Greater and more effective cooperation between enterprises with technological capacities and higher public education institutions with the aim of increasing the number of joint projects between public higher education and the private sector;
- 2.2 Increased innovation and technology transfer where the "triple helix" of cooperation among public institutions, academic institutions and private business should prevail, aiming at benefiting investments, through partnerships with research academic institutions;
- 2.3 Modernization of the business sector through the stimulation of companies engaged in innovation and transfer of new technologies through funding from national and international programs;
- 2.4 Improving the legal framework for intellectual property rights in order to promote the transfer of knowledge and technology; and
- 2.5 Increased number of transferred technologies to Albanian enterprises.

3. Improving institutional capacities of the research and innovation system through:

- 3.1 Strengthening structures and the establishment of the National Council for Science and Innovation, as an advisory body to the Government and the Parliament;
- 3.2 The use of common financial resources (match funding) for research and innovation through national and international programs (bilateral and multilateral) of Research and Development, with the goal of increasing funding;
- 3.3 Increased capacity for assessment and research in Albania, using the standard indicators of the Organization for Economic Co-operation and Development.

10.4 Investing in Information Technology and Communications

■ **Current situation.** The ICT sector is of particular importance in Albania, given its special importance on the country's social and economic development, as well as just about all other sector of activity in the country. Some of the more significant achievements over the past several years include: (1) the liberalization of the electronic communications market; (2) increased use of the internet throughout the country; (3) the extension of electronic services across government functions (government-to-government or G2G) and the beginning of the delivery of electronic government-to-citizens services (G2C) and government-to-business (G2B). All of this has transpired within the context of the growing Albanian "Information Society". A number of laws were drafted and approved in accordance with EU standards.¹¹⁷ Currently, the electronic Government to Citizen Services especially in the local governments remains at the access to information levels, which constitutes the first level in the development of e-governance.

The new version of the e-albania.al portal was launched in 2015, offering citizens more electronic services. The Open Government Partnership (OGP) has also been launched (the Government published the National Action Plan 2014-2016) and is to address four commitments dealing with: improved public integrity, effective use of public resources, improved service delivery, and the establishment of safe communities.

A number of institutions were established to implement the Government strategy: (1) **DAETIK** – Department of European Agenda for ICT (established to support the Minister of State for Innovation and Public Administration in the implementation of the Cross Cutting Strategy "*Digital Agenda of Albania 2015-2020*"); **NAEC** – The National Authority for Electronic (responsible for the supervision of the Law no. 9880, date. 25.02.2008 "*On electronic Signatures*"). All Certification Service Providers and Assessment Bodies operating in the Republic of Albania are required to be registered/accredited and audited by NAEC; (3) **ALCIRT** – National Agency for Cyber Security (which sets up, manages and maintains the government online portal that will serve legal persons, the public and private sector, and publishes website addresses with illegal content); and (4) **NAIS** – National Agency for Information Society (which is the main institution in charge of the development of electronic government and modernization (digitalization) of work processes within the public administration. The Decision of the Council of Ministers no. 703, on 29.10.2014 "*On the National Agency for Information Society*" defines the role and duties of the agency.

During 2009-2013 there was some progress in the provision of government-to-business public services. It is significant to note the establishment of the National Licensing Centre, the National Registration Centre, GovNET infrastructure expansion, e-tax services, e-procurement, e-customs, and e-patents. These developments improved the index of e-government readiness. The index for the provision of online services in Albania increased from 0.3913 in 2008 to 0.4488 in 2014.¹¹⁸ However, according to the

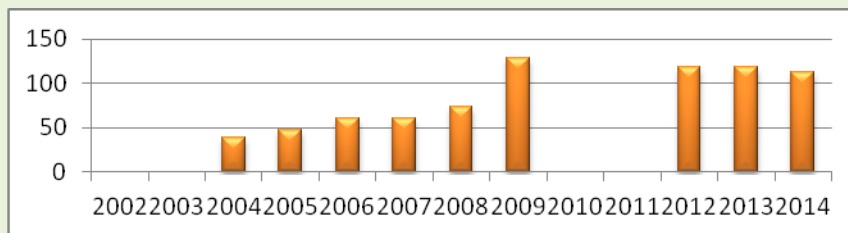
¹¹⁷ Legislation reference: "*On Electronic Communications*", "*On Electronic Signature*", "*On electronic documents*", "*On e-commerce*", "*On Protection of Personal Data*" *Cybercrime Legislation*", "*On state databases*".

¹¹⁸ According to UNPAN reporting.

United Nations Public Administration Network (UNPAN) reports, the situation in Albania as compared with countries in the region remains at low levels, as illustrated in Figure 37. The Electronic Governance Development Index (EGDI)¹¹⁹ for Albania is 0, 5046 (84th place out of 190 countries), versus 0.467 in 2008 (85th place out of 182 countries) as seen in Figure 32.

Based on statistics published by the electronic and Postal Communications Authority for 2014, key data for the ICT sector demonstrate that there has been a substantial increase in the providers of electronic communications services compared to 2012 in several aspects. The increase in the number of mobile networks operators is translated into a significant growth of the number of subscribers in the mobile networks, with an increase from approximately 39 per 100 persons in 2004, to 113 per 100 persons by 2014, a little more than the goal of 110 established in the Millennium Development Goals (Figure 33), but which however speaks of high rates of use of the service.

Figure 33. Number of mobile operator subscribers per 100 inhabitants, 2004-2014



Source: MoPWTT / AKSHI

Statistical data of the Post Communications Authority (AKEP)¹²⁰ reveal that by the end of 2014, mobile phone penetration based on active users was about 120%, while broadband penetration based on fixed and mobile (USB and card

modem) was at 14.3%. Broadband penetration based on the number of households was 56.2%, while fixed telephony penetration reduced to 9%, the lowest level in the region.

The development of the Information Society in Albania, or the implementation of the Digital Agenda are not perceived as a task or duty of any single department or administrative unit in the government, but rather as a common objective shared by all stakeholders: the public sector, academia, NGOs, civil society and private sector organizations. In its path towards EU accession, Albania would benefit from the development of national strategic objectives, in line with the EU strategic priorities and goals. Hence the need arises to draft and take all the necessary measures and funding.

■ **Challenges.** The “*National Cross-Cutting Strategy for the Digital Albania 2014-2020*” was adopted in April 2015. The main challenges going forward are oriented toward the application and implementation of Information and Communication Technologies (ICT) as well as broadband Internet relating to: (1) the development of electronic communications infrastructure; (2) the more efficient electronic delivery of services to achieve optimal conditions for improving the quality of life and economic and social development of the country; (3) strengthening and modernizing education, research and scientific development based on the latest technological innovations; (4) the creation and promotion of a favorable business environment that would promote innovative entrepreneurship and a more competitive economy; and (5) acknowledgement of and response to the fact that the ICT sector is

¹¹⁹ According to UNPAN reporting.

¹²⁰ www.akep.al/statistika.

characterized by very high dynamics of change and innovation, especially with respect to: increasing penetration of broadband Internet for all; increased and improved number of services offered online to citizens and businesses; increased demand and use of on-line services; and the need to continuously adapt the enabling legal and regulatory frameworks to keep up to a converging ICT environment.

■ **The vision.** *“A society based on knowledge and information for sustainable economic and social development; consolidation of digital infrastructure in the entire territory of the Republic of Albania, strictly respecting European principles of free and fair competition, improving the quality of public services and increasing the transparency of government”*

■ **Strategic objectives**

- 1. Improving ICT infrastructure as a pillar for the rapid development of the Albanian Information Society and increasing electronic preparedness through:**
 - 1.1 Increased percentage of the population users of Internet; and
 - 1.2 Improved access to high-speed transmission.
- 2. Further development of e-governance and interactive delivery of public services through internet for citizens and businesses through:**
 - 2.1 Interactive delivery of public services to individuals and businesses;
 - 2.2 An increase in electronic government by obtaining a change in the ranking (growth index of e-government readiness by UNPAN);
 - 2.3 Simplification of administrative procedures and streamlining / simplification of associated processes; and
 - 2.4 Building a citizen-centered model of services by setting a One Stop Shop, combined with improvements in access to services by citizens and increased transparency, primarily through the application of ICT solutions.
- 3. Developing and implementing a national policy for the establishment of National Infrastructure of Spatial Data (NISD) in accordance with the EU requirements,¹²¹ thus addressing internal issues in the field of geo-spatial information through:**
 - 3.1 Introducing a geo-portal and gravimetric network;
 - 3.2 Enabling and certifying of the Albanian Satellite Positioning System (ALBPOS)¹²² and introduction of ALBPOS passive network;
 - 3.3 The building of the leveling network, class I and II, and the obtaining of European certification; and
 - 3.4 The maintenance and updating of networks in line with European standards.

¹²¹ EU Directive 2007/2/EC INSPIRE (Infrastructure for Spatial Information in the European Community, see <http://inspire.ec.europa.eu/index.cfm>).

¹²² Albania's positioning System for the GNSS -Global Navigation Satellite System.

10.5 Ensuring consumer protection and market surveillance

■ **Current situation.** Over the past several years, Albania has implemented a series of horizontal and sector reforms in the ambit of consumer protection. The “*National Cross-cutting Strategy for Consumer Protection and Market Surveillance 2020*” was adopted in September 2015.

Reform policies related to consumer protection and market surveillance undertaken are aimed at providing safer consumer products, and increasing the transparency of commercial practices. In the context of the operation of a safe and competitive market environment, more than 200 acts were adopted in the fields of food safety, aquatic products, veterinary and the phyto-sanitary area.¹²³ A new legislation is in place for consumer protection, trade, safety and general market surveillance of non-food products, leading to adoption of more than 90% of EU standards. A total of 33 subjects were accredited to conduct conformity assessments. Measurement and calibration capacities were notified to the International Database of the Bureau of Weights and Measures.

The Albanian Commission of Consumer Protection established in 2009 has issued decisions about cases related to regulation and transparency of trade practices, which in the majority of the cases are used by the economic operators. Despite the existence of an online system for the registration of consumer complains, more attention is needed on aspects related to consumer complaints.

Progress achieved in the drafting of legal initiatives on safety-related aspects has not always been followed with their effective implementation in practice. Since 2010, there was some improvement in implementation capacity of the National Food Authority (NFA) and the twelve regional laboratories which carry out laboratory tests of samples taken for official food control. However, human resource capacities are limited in the areas of risk assessment, and the monitoring of residues, microbiological criteria and contaminants. There is need for improvement in terms of planning within the inspection system and traceability of food, according to established procedures.

The implementation of the Hazard Analysis and Critical Control Points (HACCP) system¹²⁴ as a pre-requisite for licensing of food business operators is limited.

Livestock-related food security in Albania remains an issue. The Veterinary Directorate in the Ministry of Agriculture, Rural Development and Water Administration (MoARDWA) is responsible for controlling livestock diseases in Albania. When the new Government took office in September 2013, the Ministry started a reform in the veterinary state services, to align it with the *acquis requirements while currently* a comprehensive review of the veterinary state service is underway.

In January 2016, the Council of Ministers issued a DCM for the establishment, organization and operation of the State Inspectorate for Market Surveillance. The establishment of the inspectorate for

^{123 123} Since September 2000, Albania has been a member of the World Trade Organization (WTO) and is obliged to comply with the WTO Sanitary and Phyto-sanitary (SPS) measures. ‘Phyto-’ ... as referring to agricultural goods crossing borders, certificates, and sanitary with regard to pests and pathogens.

¹²⁴ HACCP is a preventive system for food safety, to scientifically analyze microbiological, physical and chemical hazards, in every step of the production, storage and distribution of a food product.

market surveillance of non-food products¹²⁵, foreseen also under the consumer protection and market surveillance strategy will guarantee the citizens that the products introduced in the market are safe, with a direct and positive impact in their confidence in the law enforcement.

In addition, it is important to address the issue of intellectual property rights needs, as a condition of the SAA and EU integration.¹²⁶ To this end, is being drafted the National Strategy on Intellectual Property which addresses challenges for ensuring protection of intellectual property rights. In addition to the need for an effective and aligned legal and regulatory framework, capacities in various government institutions should be developed or strengthened in terms of market inspection and customs administration, in the aspects of enforcing intellectual property rights. Furthermore, it is necessary to have in place modern information systems and databases, to improve intellectual property management (e.g. responding to requests for protection of intellectual property rights), and to strengthen the judicial system (e.g. specialized training for judges).

■ **Challenges.** One of the priorities for the sector is the implementation of the *National Cross-Sector Strategy for Consumer Protection and Market Surveillance 2020*. Future challenges are related to the guaranteeing of safe products for consumers as well as transparent and fair commercial practices through: (1) food control according to the principle from the farm to the table; (2) the strengthening of institutional capacity to NFA, NCDC (National Centre for Drugs Control), the Central Technical Inspectorate, Consumer Protection Commission; and (3) the establishment and effective functioning of the Market Surveillance Inspectorate, supported by an efficient Quality Infrastructure .

■ **The vision.** *“Empowered and safe consumers, and a confident, safe and competitive market, where they can actively participate exercising their rights and their power of well-informed choices”*

■ **Strategic objectives in the field of food safety.**¹²⁷

1. Improving consumer food safety through:

- 1.1 Control of food products in line with the principle “*from-farm-to-table*” through alignment with EU legislation;
- 1.2 Mechanisms for assuring animal health and plant protection;
- 1.3 Risk-based classification of food companies; and
- 1.4 Growing number of official inspections of food products, with the view of reducing lack of conformity and implementing traceability element, and by increasing the number of operators of the food business sector that make use of it.

2. Ensuring consumer protection through prevention and elimination of food risk through:

¹²⁵ DCM NO. 36, of 20.01.2016 “On the establishment, organization and operation of the State Inspectorate of Market Surveillance”.

¹²⁶ Intellectual property rights are also problematic for the sectors of “arts and culture”, and “scientific research and innovation”.

¹²⁷ Indicators for objectives are referred to in the cross-sector strategy for Consumer protection and Market Surveillance, 2015. Also, refer to objectives related to veterinary/food and expected results in Section 12.3 “Agriculture”.

- 1.1 Full implementation national program of waste monitoring, microbiological criteria and contaminants in live animals, food products of animal or non-animal origin, and the waters of bivalve mollusks; and
 - 1.2 Ensuring a growing trend in the number of products included in the monitoring plans and analyzed samples, annually.
- 3. Strengthening the administrative and professional capacities of the National Food Authority (NFA) and its operational structure through:**
- 1.1 HR training in the regional laboratories and border inspection points;
 - 1.2 Unification of testing methodologies for food products;
 - 1.3 Strengthening the Veterinary and Food Safety Institute, as national reference laboratory center, by accomplishing the recognition of the results at European level.
- 4. Protecting animal health and reduction of transmission of animal diseases to humans through:**
- 4.1 Implementation of national programs and tracking and updating livestock farms registries; and
 - 4.2 Harmonization of epidemiological surveillance systems to enable animal traceability.
- 5. Improving Albanian national veterinary service through:**
- 5.1 The establishment of an appropriate structure for the state veterinary service;
 - 5.2 Establishment of an effective national laboratory network for veterinary diagnostic work;
 - 5.3 Full implementation of the animal disease surveillance system, including basing of animal disease control programs to a risk-based approach;
 - 5.4 Strengthened bio-security and related waste management (i.e. animal healthcare waste management; bio-security of the food chain; animal welfare; and human capacities in the animal healthcare waste management systems);
 - 5.5 Establishment of effective systems and controls for animal movement and livestock markets.
- **Strategic objectives in terms of non-food goods safety and quality infrastructure:**
- 6. Strengthening overall security for non-food goods by establishing the Market Surveillance State Inspectorate and through:**
- 5.6 Increased inspection rates of gas in use;
 - 5.7 Reducing levels of non-conformity of market products;
 - 5.8 Ensuring the safety of lifts in use by the citizens; and
 - 5.9 Reducing non-conformity of drugs that are traded in the market.
- 7. Achievement of high targets in the adoption of a range of standards in respect of adoption of the following standards: CEN (European Committee for Standardization)/ CENELEC (European Committee for Electrotechnical Standardization), ETS, as Albanian standards and IEC and ISO standards, and meeting the technical requirements for full membership in the General Department of Standards in CEN & CENELEC.**
- 8. Achieving the recognition by the EU of test reports of the testing laboratories, certification and inspection bodies accredited in Albania.**

9. **Implementation of traceability of measurements at the highest international level.**
10. **Improved levels of consumer protection from inaccurate measurements through** increased number of verifications and inspections of measurement instruments in the market and in use.
11. **Reducing pre-packaged products not in conformity with the rules.**

■ **Strategic objectives in consumer protection aspects not related to safety:**

12. **Strengthening effectiveness of Consumer Protection Commission by** analyzing complaints and reviewing on its own initiative the standard operating contracts with an impact on the collective consumer interests by
 - 12.1 Reducing unfair/dishonest practices based on legal inconsistencies in the areas of customer service delivery through evaluation of market practices before and after measures taken by the Commission; and
 - 12.2 Raising customer awareness
13. **Establishing at least three Counseling Centers that fully meet the criteria as set by the Ministry of Economic Development, Tourism, Trade and Entrepreneurship**

■ **Strategic objectives in the protection of intellectual property rights:**

14. **Developing and implementing strategies and policies compatible with EU legislation and best practices in the area of protection of intellectual property rights through:**
 - 13.1 Development of uniform internal procedures in the enforcement of intellectual property rights, regarding withdrawal, storage and destruction of pirated and counterfeited products; and
 - 13.2 Strengthened legal, administrative and institutional capacity of the Ministry of Economic Development, Tourism, Trade and Entrepreneurship, the Ministry of Internal Affairs, the customs administration, judicial authorities and other relevant institutions regarding and the management and enforcement of intellectual property rights.

10.6 Protecting Competition and Ensuring Control of State Aid

■ **Current situation.** In the field of competition and state aid, Albania's obligations are governed by Articles 40, 70 and 71 of the SAA. The Competition Authority was established in 2004, in line with Law no. 9121, July 28, 2003 "*On Protection of Competition*", and is focused on the promotion and protection of free competition in Albania. The effect of the law was strengthened through penalties imposed on companies for anti-competitive behavior in the market (totaling 1.038 billion Lek in penalties)

In the field of state aid, a comprehensive legal framework was put in place in 2006 and a national system of state aid control is also now in place to carry out supervision and monitoring activities. The legal framework includes Law no. 9374 of April 21, 2005 "*On State Aid*", three regulations for its implementation adopted by the Council of Ministers, and a number of guidelines for certain aspects or categories of state aid adopted by decisions of the State Aid Commission. The State Aid Commission has

worked continuously to increase the number of notifications of state aid schemes by aid providers aimed at promoting employment, including proposals of draft decisions for the decision making process.

■ **Challenges.** The challenge for the overall planned period of NSDI-II, 2015-2020 lays in the need for greater protection of free and efficient market competition in the market. Specifically, more attention needs to be given to: stopping anti-competitive behavior, in the form of prohibited agreements between enterprises of so-called cartels (i.e. abuse of dominant position); (2) more effective control of concentrations, through a concentration control regime geared to preventing those concentrations that limit real competition; (3) greater liberalization required for assessing individual and exclusive rights; (4) the need for more proactive cooperation among policy makers, public authorities and regulatory bodies in order to protect and enhance effective competition in markets where there is state intervention; and (5) greater need to strengthen the administrative capacities of the structures and institutions charged with the control of state aid (the primary focus of which is the need to improve staff capacities within the sector).

■ **The vision.** *“Improving welfare by providing best quality products and services, securing lower prices and more choices for businesses, customers and consumers through the promotion and protection of free and effective competition in the market, and the establishment of an effective and transparent state aid control”*

■ **Strategic objectives in the field of competition:**

1. **Finalization of the alignment of primary and secondary legislation with European law in order to meet the obligations arising from EU integration.**
2. **Strengthening investigative capacities** through investments aimed at optimization of the information infrastructure, and increasing the level of expertise and the number of experts on competition.
3. **Strengthening and promoting competition in Albania through:**
 - 3.1 Study of economic sectors and markets, while conducting analysis about competition levels;
 - 3.2 Identification of legislation, regulations, normative and administrative practices that have bearings on the level of competition in the market; and
 - 3.3 Drafting recommendations for the Government and regulatory entities regarding legislation that might restrict competition in the respective markets.
4. **Improving knowledge of the Judiciary** by providing training to them, for better understanding of the law and best practices of the European Court of Justice (ECJ) in the area of competition law, to the best interest of the public.
5. **Ensuring active cooperation between regulators of specific markets and other public institutions, for a more effective market through increased competition.**
6. **Improving the culture of competition** by strengthening law enforcement and outreach activities, such as roundtables, media publications, highlighting the public interest and the economic benefits that competition brings about not only for end consumers but also for businesses.

■ **Strategic objectives in the area of State Aid:**

7. **Increasing the number of notifications on state aid schemes by aid providers;**
8. **Ensuring approximation of Albanian legislation on state aid control with the EU *Acquis*, through the development of a new legal package on state aid;**
9. **Continuously increasing awareness raising efforts** among the aid providers of state authorities at the central and local level, as well as among businesses on policy control of state aid, alongside with strengthening the rule of law by the courts.
10. **Introducing and implementing a simplified system of monitoring state aid, including *de-minimis* assistance.**
11. **Improving effectiveness of monitoring in light of State Aid approved by the State Aid Commission.**

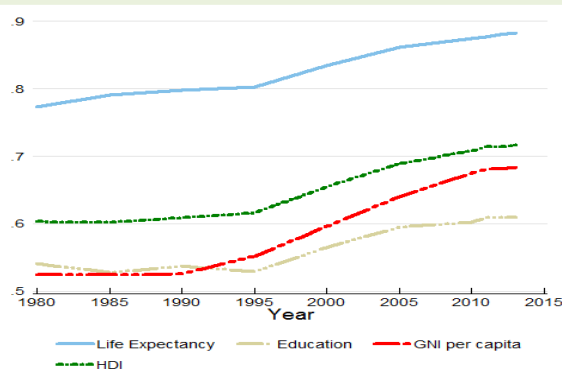
11.0 PILLAR 3: INVESTING IN HUMAN CAPITAL AND SOCIAL COHESION

Albania's most important resources are its people, and consequently society and its culture. It is in these segments of the state that all those values essential to freedom, equality, well-being and the security of individuals and property are embedded. Along with systems for good governance, democracy and the rule of law, the human and social dimensions of Albania lay at the core of economic growth.

As presented in Figure 34, Albania has generally experienced a positive trend in the main components of its Human Development Indicator (HDI) since 1980. In 2013, HDI rating for Albania was 0.716, which according to UNDP standards ranked the country in the category of "high human development". The country scored in the 95 position out of 187 countries and territories (which meant somewhere in the middle). Since 1980, the HDI score for Albania has grown to 18.1% (from 0.603 to 0.716), or representing an average annual increase by approximately 0.52 percent.

For the sake of maintaining sustainable growth of human development, welfare and social cohesion, NSDI-II, 2015-2020 will focus in nine key sectors, as follows. While sectors like education and health account for the highest percentage of human resources of the national budget, other sectors under Pillar 3 lay at the core of human and social development of Albania.

Figure 34. HDI trends in Albania, in the course of 1980-2013



Source: UNDP

- | | |
|------------------------|---------------------|
| ▪ Education | ▪ Social protection |
| ▪ Health | ▪ Social inclusion |
| ▪ Employment | ▪ Gender equality |
| ▪ Social insurance | ▪ Arts and culture |
| ▪ Migration management | ▪ Sports |

11.1 More opportunities, and better quality in education

The education sector covers the pre-university system (primary and high education) and higher education or university system. The sector also includes career development of teachers and the building and maintenance of educational institutions and facilities. This sub-section is organized to first address the mainstream education and the pre-university system in Albania, and then to give an overview of the situation and objectives specifically targeting higher education.

■ Current situation of the education system in general in Albania.

The educational system in Albania as a whole is experiencing a number of significant challenges, at virtually all levels.¹²⁸ First, based on EU quantitative and qualitative indicators, reforms in the **pre-university** education system during 2009-2013 did not generate any substantial performance improvement. While enrolment in pre-school education institutions failed to achieve total enrolment of all children of the 3-5 year age group, there was however an increase from 50% in 2004 to 81% by 2014, as illustrated in Figure 35. Until 2014, enrolment rates were higher for males (86.2% male compared to 75.2% female).¹²⁹ Dropout rates were targeted towards zero (school dropout rates in basic education in 2009 were 0.46%, whereas in 2012 at 0.39%).

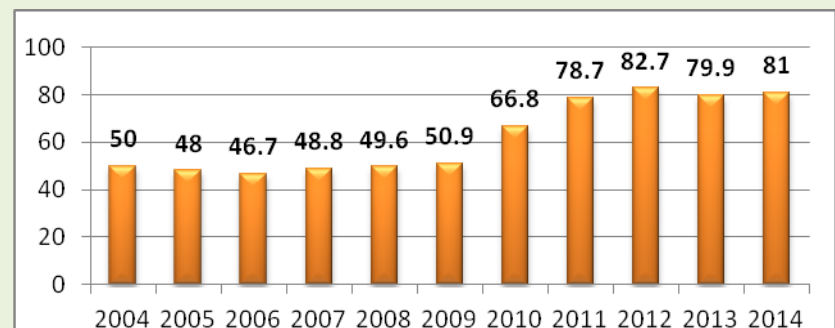
Enrolment rates in **high and secondary education** were also below average, according to EU indicators. Enrollment in high education during 2011-

2012 reached 70.6%. The Ministry aimed at reducing dropout rates in high education to zero; however, dropout rates in basic education in 2009 were 0.46%, and a little less in 2012, at 0.39%. There were efforts made in terms of the reform for the high school and university curricular in 2010, whereas for basic education they mainly transpired during 2013. However, these reforms failed to generate expected improvements in key indicators, unlike the more positive performance evidenced in most EU and OECD countries.

Over the years, the Government of Albania has made efforts to strengthen **teachers' professional development**. Efforts for the implementation of Law no. 69/2012 "On pre-university education system" did not bring about significant results in terms of improving the quality of teaching. This was due primarily to lack of proper attention in determining teachers' training needs, and hence the training programs that were developed did not match the real needs.

Finally, the generally poor state of **physical infrastructure** of school facilities does not help the delivery of quality education at all levels. In the case of children with disabilities, the issue is not simply about ensuring physical access to the schools, but it is also about supplementary support (e.g. financial assistance, social assistance, transportation etc.) for these children and their families (and the necessary cross-linkages to social inclusion programs).

Figure 35. Pre-school enrollment rates (age group from 3-5 years old) 2004-2014



Source: Ministry of Education and Sports/ INSTAT

¹²⁸ Currently there is no sector strategy for the education sector as a whole.

¹²⁹ These levels nonetheless exceeded Albania's MDG-2 target for 2014, which was set at 70%.

To address challenges in the sector, the Pre-University Development Strategy, which was adopted in January 2016 defines the development objectives for pre-university education until 2020.

■ **Challenges.** The main challenges over the 2015-2020 planning period focus on the need to: (1) increase and maintain pre-university education enrolment rates; (2) proactively address inclusion, including through policies designed not only to attract, but also to provide instruments to support and facilitate participation of children from vulnerable and socially excluded groups (e.g. girls, minorities, children with disabilities); (3) improve overall curricula, the quality of education, and professional quality of teachers at all levels; and (4) address deficiencies in educational infrastructure and facilities.

■ **The vision.**

“Creating an education system that has students’ needs and interests at its core; that creates opportunities and conditions conducive for students to build and develop their knowledge, skills and values required by the society; that allows students to develop independently and to contribute to their welfare and that of the society, in a constructive way, and to face life’s challenges”

■ **Strategic objectives in pre-university education:**

1. Improving access and increasing enrollment in pre-university education through:

- 1.1 Increased pre-school enrollment rates (5-6 years old);
- 1.2 Maintaining the ratio between the number of students finishing basic education and those of higher education;
- 1.3 Reducing school drop rates in basic education;
- 1.4 Implementing promoting policies for attracting children from vulnerable groups.

2. Improving "Quality Education for All" service through:

- 2.1 The reform of the pre-university education curricula oriented towards curricula based on competencies and student achievements;
- 2.2 Professional development of teachers and managers;
- 2.3 Provision of psychosocial services in all pre-university educational institutions;
- 2.4 The development of contemporary models of teaching combined with an increase in the use of technology;
- 2.5 Introducing reporting standards and instruments on the quality of service in schools; and
- 2.6 Updating and introduction of infrastructure in new and existing infrastructure of kindergartens and schools, to ensure alignment with European standards, including access for children with disabilities.

3. Improving decision-making relations between central and local levels of education institutions through:

- 3.1 Ensuring more efficient decision-making by the Ministry of Education and Sports regarding the formulation of education policies, assessment and quality reporting;
- 3.2 Greater support for local authorities in the delivery of their obligations and legal functions; and
- 3.3 Improving legislation for supporting decision-making in schools.

4. Improving effectiveness and efficiency of financial resources through:

- 4.1 Higher levels of financial support to education from the central and local government for public education; and
- 4.2 An improved financing scheme based on the number of students, according to the principle “money follows the students” at all decision-making levels.

■ **Current situation in the higher education system in Albania.** Development in the higher education system during the period 2008 – 2013 in Albania aimed to increase access.¹³⁰ The number of students enrolled in higher educational institutions (HEIs) increased 60% from 90,205 in 2007 to 145,028 in 2013-14. Nevertheless, the increase in student enrolment numbers was not matched by the increase in the numbers of academic staff or improvements in the infrastructure of higher education institutions. The total number of lecturers increased 32% to 3,651 by 2013/14, up from a total of 2,785 in 2007. This was about half the rate of the increase in numbers of students. Infrastructure investments in 2013 in public HEIs totaled 1.571 billion Lek.

Despite the introduction of a number of standards over the years, expansion and development of the education sector proceeded in a fragmented manner. It was to be expected that such a large sector like education with its critical role in the development of human resources would warrant a more strategic approach, and one that is linked to other sectorial development needs of the country. Lack of a strategic approach to education contributed to a significant drop in the quality of higher education.

In the best case scenario, monitoring was carried out more as a formality. Findings and recommendations were not acted upon, thus leading to further deterioration in the overall situation. Furthermore, curricula did benefit from external evaluations or accreditations, also seen to contribute to declining quality. Under these prevailing conditions, 44 private and 15 public higher education institutions failed to meet the minimum requirements, as established in the law on higher education. Furthermore, the curricula are not adequately harmonized at the national level.

■ **Challenges.** The main challenges in higher education include the need for: (1) improving quality of education by improving teaching conditions; (2) increase in the number and quality of staff; (3) infrastructure improvement; (4) updating curricula and ensuring qualitative standards, in line with best European practices; (5) ensuring alignment of strategies, curricula and education programs with those of the private sector, in light of labor market needs; (6) expanding post-secondary education, in line with the specific area needs and regional developments; (7) strengthening overall institutional capacities; and (8) increased autonomy and self-governance of higher education institutions.

■ Strategic objectives

1. Improving quality of higher education through:

¹³⁰ “Pre-university education development Strategy”, 2014-2020 was adopted by DCM no.11, of 11.01.2016.

- 1.1 Concerted attention towards improvement in teaching conditions, in all their components (staff, infrastructure, etc.);
 - 1.2 Implementation of high education reform, including the drafting and adoption of a new law and secondary legislation leading to the establishment of new agencies included in the higher education scheme;
 - 1.3 Strengthening human resources capacities and other relevant capacities in the Ministry of Education and Sports;
 - 1.4 Improving quality of higher education institutions through accreditation of public and private higher education institutions, and the study programs; and
 - 1.5 Relevant improvements in the legislation, in line with EU standards.
- 2. Supporting and increasing the number of study programs aimed at meeting labor market demand through:**
- 2.1 Restructuring of all study programs according to the new law and best European practices in the respective fields, as well as European directives for regulated professions and other directives on specific study programs;
 - 2.2 Implementation and adaptation of the Albania Qualification Framework to the European Qualification Framework and EU directives, including the preparation of the sectorial framework; and
 - 2.3 Delivery of qualitative study programs according to the best EU experiences that will lead to the recognition of higher education diplomas earned in Albania, as well as the recognition of EU qualifications to enable the hiring of Albanian specialists in EU countries.
- 3. Ensuring professional education corresponding to the needs of specific fields and developments of the specific regions through:**
- 3.1 Running profiles and differentiation of higher education institutions to better respond to labor market demand, needs for national and regional development, and to the EU integration process;
 - 3.2 Qualitative support to public universities through the Strategic Development Fund, with the goal of delivery of professional study programs;
 - 3.3 Creating conditions and legislation for monitoring employment indicators; and
 - 3.4 Improving cooperation between higher education institutions and manufacturing and service sectors.
- 4. Increasing autonomy and self-governance of higher education institutions through:**
- 4.1 Clear definition and strengthening of HEI legal status, including organizational restructuring and increased institutional efficacy and autonomy;
 - 4.2 Increased accountability, management efficiency and overall capacities of HEI structures to better respond to the public according to the principles of autonomy, accountability and good governance;
 - 4.3 Greater involvement of academic staff and students in the decision-making processes;
 - 4.4 Greater financial autonomy of universities based on student performance and numbers by implementing a new financing formula;
 - 4.5 Increased public funds for higher education by 2020;

- 4.6 The establishment of systems and procedures to provide funding assistance to students, based on their academic performance and social conditions; and
- 4.7 Establishment of Strategy Development Fund (competitive grant), as an instrument for higher education policies, development of university infrastructure, and improved quality of teaching and scientific research.

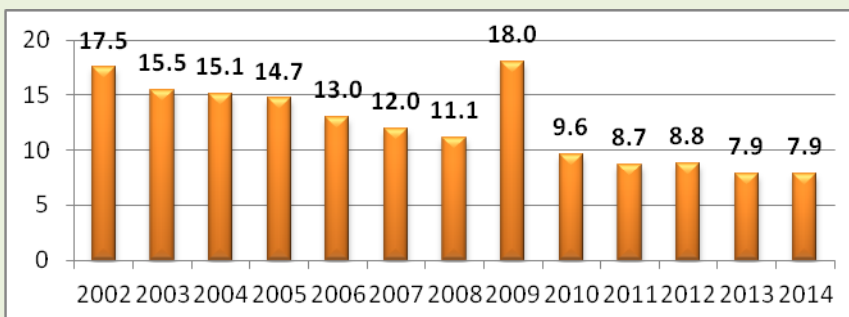
5. Internationalize higher education and increase the contribution of Albanian excellence to the labor market through:

- 5.1 Strengthened international cooperation among higher education institutions and an increased level of participation in EU scientific, research and joint programs;
- 5.2 The establishment of a network of Albanian excellence living abroad in order to increase their contribution through definitive or non-definitive return to Albania (i.e. transforming “Brain Gain” into “Brain Circulation”)
- 5.3 An increase in the mobility of students, lecturers and scientists to exchange “best experiences” among higher educational institutions in Albania and abroad, a greater contribution of Albanian the EU experiences in higher education and scientific research areas;
- 5.4 Reform of the Excellence Fund, to ensure funding not just for students, but also for the state administration;
- 5.5 Growing number of direct applications of Albanian students and lecturers to the best institutions of higher education, funded through a dedicated assistance office to enable their relations with the respective institutions; and
- 5.6 Benefitting from EU programs through ERASMUS +, the educational program of the EU aimed at the modernization of education systems and their adaptation to labor market needs and to an ever-changing world.

11.2 A stronger and more accessible health care system

■ **Current situation.** Albanians are healthy by regional standards, but the country needs to address the changing burdens of disease and rising population health risks.¹³¹ Average life expectancy at birth reached an estimated 77.4 years (by 2014). This relatively high level can be explained by the generally healthy Mediterranean diet of Albanians. A key measure of the health system is the incidence of infant mortality per 1000 live births which dropped from 17.5 in 2002 to 7.9 by 2014, as illustrated in Figure 36, and is below the MDG target of 8.0. d from 17.5 in 2002 to 7.9 by 2014, as illustrated in Figure 42, and below the MDG target of 8.0. However, the estimates of infant mortality in 2012, published by WHO, show a significant difference between

Figure 36. Infant mortality per 1000 live births, 2002-2014



Source: MoH / INSTAT

Albania and other countries in the region: Bosnia and Herzegovina (at 5.8 per 1000 live births), Montenegro (at 5.5 per 1000 live births), Serbia (at 5.7 per 1000 live births) and FYR Macedonia (at 6.5 per 1000 live births).¹³²

In general, non-communicable diseases (NCDs) dominate the burden of disease: heart disease, stroke, lower respiratory infections, and lung cancer are the primary causes of premature death. Eating habits are also changing for the Albanian population. The Global Burden of Disease Profile of 2010 cites dietary habits as the main risk factors in Albania before hypertension and smoking. The Demographic Health Survey of 2009 found the prevalence rate of smoking among Albanian adults to be 38%.¹³³

Another health related challenge is the prevalence of chronic diseases. Non Communicable Diseases require prolonged and costly treatment as well as prophylactic care. The current health care system is simply not equipped to provide for them all.

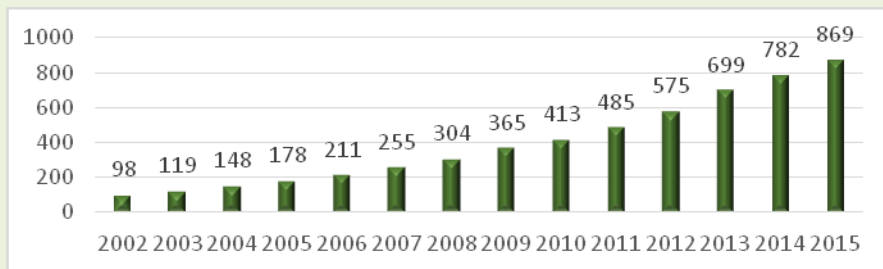
¹³¹ "National Strategy of Health Sector, 2016-2020" is being drafted.

¹³² The World Bank; Report no. 82013.

¹³³ UN Millennium Development Goals indicators

This is especially for the case of the adult HIV prevalence rate, which has been increasing significantly over the past several years, as show in Figure 37, with an estimated 869 cases in 2015.

Figure 37. Adult HIV prevalence rates, 2002-2014



Source: MoH

Source: MDG/ MoH / INSTAT

Hospital care in Albania is mainly public but private outpatient services and pharmacies are widely used and broadly available. There are over 400 primary health care facilities. Hospital expenditure account for approximately 55% of the overall health budget.¹³⁴ In practice patients frequently bypass primary and secondary referral facilities, due to perceived poor quality. Although more than 500 million lekë were spent to build, reconstruct and equip health care centers, they still present serious deficiencies in infrastructure, and in hygienic and sanitary conditions, facilities and equipment. This has forced people to meet their higher level needs for health care services in the polyclinics and hospitals. This has led to reduced efficiency of the system and has put a strain on household budgets. The private provision of primary and outpatient care is widespread, and includes private services offered by dual-practice public providers. Private secondary or tertiary care is limited, and hence approximately 70% of Albanians regularly use the public health system.

By 2013, the **health care contribution system** in Albania covered less than half of the active population. Approximately 1 million Albanians of working age cover their own health care costs, and approximately 60% of household health expenditures are made out-of-pocket at the point of service delivery.¹³⁵ Insurance premiums are not proportionate to the income level, implying that salaried persons at the upper level of the income ladder contributed less in relative terms compared to salaried persons at the lower level of the income ladder. Hence, the insurance scheme is seen as non-progressive and contributing to social injustice.

Satisfaction with the health system. . .

"Albanians are not generally satisfied with the quality and efficiency of public health services. Only 45 percent of them are satisfied—the lowest share among countries in the region . Bosnia and Herzegovina, Serbia, and Montenegro all achieve at least 55 percent satisfaction. The same survey sheds light on possible reasons (apart from quality and efficiency) for the dissatisfaction of Albanians: 39 percent of respondents reported that informal payments are usually needed to obtain services in the public system. This is not only by far the highest share in the region, it is also about twice the share of respondents from the same survey who said they need to make informal payments to access general public services in Albania."

Report No. 82013 World Bank – A Public Finance Review; Part II: Improving the Efficiency and Quality of Public Spending, May 2014.

¹³⁴ HIF data

¹³⁵ <http://data.euro.who.int/hfadbf/>.

Insurance coverage does not seem to significantly decrease out-of-pocket expenses for health.¹³⁶ Out-of-pocket health expenditures are higher among the insured than among the non-insured. While this might reflect the fact that insured people tend to be wealthier, it raises questions on the effectiveness of the current insurance scheme. Average per capita household consumption is approximately 13 percent higher among insured individuals. Under the same perspective, the insured spend twice as much as the uninsured on non-prescription drugs, 80% more on prescribed drugs and almost 70% more on OOP health expenditures in general¹³⁷.

While these numbers should be treated with caution, they clearly raise concerns over the effectiveness of financial protection under the current system. They also suggest that improving the effectiveness of coverage should be prioritized before making substantial public outlays to further increase coverage, particularly among the non-poor. The high rates of spending by insured patients for prescription drugs – even though these should be financed by insurance – underscores the importance.

Reduction in the price of drugs, often higher than those in the EU countries is one of the aspects that requires attention, including the need for expanding the pharmaceutical services in the rural areas. To this end in 2015, the list of reimbursable drugs was expanded to include 56 new drugs, leading the number of drugs in the reimbursed drugs list to 477. The list is expanded for all categories, focusing however mainly on: children, pregnant women, pensioners, cancer patients, and the blind.

The Health Card is yet another step towards modernization of health care system, as part of the health reform, together with e-prescription enables online monitoring of the system. This reform is being applied since 2014, through the health card access for citizens.

Finally, the **Emergency Service** is facing difficulty due to a number of factors: (1) the lack of territorial organization results in delays in emergency responses; (2) the emergency service is poorly equipped and it lacks adequate equipment needed to save lives; and (3) emergency staff is under qualified. These factors have contributed to the otherwise avoidable deaths of thousands of patients. Hospitals generally lack work protocols and standard procedures, with the consequence of increased abuse or misuse of medicines and medical equipment. There is a lack of monitoring systems and standards (accrediting) for health service quality. Health information and health care indicators at the individual and national levels are generally lacking, insufficient, inaccurate or fragmented.

■ **Challenges.** Albania is being faced with considerable challenges for providing adequate and qualitative health care. The Government has proposed a move towards universal health care coverage financed through general revenues, but the sequencing and fiscal implications of this transition need to be carefully considered. The proposed reform includes two main elements: (1) a gradual transition from the current hybrid model of financing public service provision through both payroll insurance premiums

¹³⁶ Reference to the World Bank Report:
<https://openknowledge.worldbank.org/bitstream/handle/10986/20442/820130v2GRAY0COVER0Box385323B00PUBLICO.pdf?sequence=1>.

¹³⁷ Out of Pocket-OOP

and general revenues, to a model financed purely by general revenues; (2) expanding the range and intensity of health coverage for the entire population; and (3) completion and approval of the “*Health Strategy 2016-2020*” within first semester of 2016”. In addition, universal health coverage has multiple dimensions, including the percentage of the population covered by insurance, the proportion of costs covered, and the number of services covered.

In transforming the health care system, there is a need for integration and better coordination with programs dealing with social protection, work place safety, environmental protection, sports policies, territorial planning and regulation policies. With limited budgets, priorities also need to be clear, focusing on major health issues such as drug use, alcohol abuse, smoking, road safety, food safety and malnutrition, new infectious diseases and neglected diseases, strategic management of chemicals, and environmental factors. Hence the need for the establishment of a National Emergency Service that would provide a rapid and professional response to health needs based on equal standards and one which is adaptable to seasonal needs for care in case of illnesses and trauma.

■ **The vision.** *“Qualitative and timely universal health care for all Albanian residents”*

The health care vision in Albania may be translated in the establishment of a modern infrastructure system, with increased safety. Public hospitals will not be only be places where people go to seek medical assistance, but also centers of solidarity and social culture. The health system will be based on correct and scientific protocols and standard procedures, as key elements of transparency, verifiability, accountability, responsibility and hospital service quality. Principles of clinical governance in hospitals will be established, adopting high standards for health care, effective services, transparency and accountability, and giving priority attention to the most vulnerable. Hospital payments will be switched according to costs and DRG (Diagnosis – Related Group). Public and private hospitals will be accredited and subject to periodic re-evaluation.

■ **Strategic objectives**

1. Improving quality of health care by ensuring full access for all Albanian residents based on a stable financial system through:

- 1.1 Establishment of a national and professional health service that meets the needs of the population, in all regions of the country;
- 1.2 Introduction and application of equal standards in all health centers to respond to climate changes;
- 1.3 The targeting of early screening for the 40-65 year age group, for diabetes, Health technology assessment (HTA), colorectal cancer, stress and depression;
- 1.4 Updating the screened citizens register;
- 1.5 Establishment of a National Emergency Service;
- 1.6 Improved health service through progressive expansion of the reimbursable medicaments list; and
- 1.7 The development of financing models for health care at the primary, hospital and tertiary service levels through the compulsory Health Insurance Fund.

2. Increasing the number of health life of the Albanian population by:

- 2.1 Promoting the role of public health and prevention and health promotion programs;
- 2.2 Reducing infant mortality rates;
- 2.3 Reducing maternal mortality rates;
- 2.4 Increased rates of testing and consultation in the HIV/AIDS Testing and Counseling Centers;
- 2.5 Strengthening health care services and cross-sector systems, to better respond to climate changes; and
- 2.6 Raising awareness and improving attitudes to health.

3. Modernization of infrastructure and increased safety and quality of hospital care through:

- 3.1 Reconstruction or rehabilitation of damaged or poorly designed hospital premises/facilities;
- 3.2 Increasing availability of diagnostic equipment in the regional hospitals;
- 3.3 Decentralization of hospital services related to diseases of high incidence in death through such causes as tumors and cardiovascular diseases in the Durrës, Vlorë, and Shkodra hospitals;
- 3.4 Accurate and scientific drafting and implementation of protocols and standard procedures;
- 3.5 Provision of hospital health care through improved financing mechanisms, strengthened autonomy and well developed standards;
- 3.6 Increased capacities and competencies of doctors and nurses through the use of new techniques and diagnostic practices;
- 3.7 Assessment of performance of health care professionals through an updated accrediting system;
- 3.8 Establishment of clinical governance principles aimed at achieving high health care standards, effective services, transparency and accountability;
- 3.9 More efficient administration and funding of hospitals based on individual contracted service packages;
- 3.10 Outsourcing of services for sterilization of surgery rooms throughout the country;
- 3.11 Establishment of public-private partnership models for the more efficient management of time, material and financial resources; and
- 3.12 Establishment and development of community mental health services at the national level.

4. Improved drug quality and safety, in line with the European standards through:

- 4.1 Reduced price of drugs sale in Albania;
- 4.2 Increasing quality control during drug distribution;
- 4.3 Availability of qualitative pharmaceutical services countrywide;
- 4.4 Establishing a tracking system; and
- 4.5 Establishment of the National Drugs and Medical Equipment Agency.

5. Developing an integrated and better coordinated approach to health care through:

- 5.1 Development of cross-sector coordinating mechanisms for major public health issues related to drug use, alcohol abuse, smoking, road safety, food safety and malnutrition, infectious diseases, strategic management of chemicals, child protection reporting and referral of cases, and problems related to domestic violence;
- 5.2 Timely immunization of children according to the national immunization calendar;
- 5.3 A targeted reduction of water-borne epidemics;

- 5.4 Developing coordination mechanisms for persons with disabilities enabling integration of the latter in the social life;
- 5.5 Increased monitoring of environmental agencies; and
- 5.6 Increased number of labs equipped with equipment for the identification of causes of food borne diseases.

6. Enhanced transparency and improved accountability and restitution of public confidence in the health care system through:

- 6.1 The development and implementation of the Strategy for Health 2016-2020;
- 6.2 The establishment of a unique automated health care information system to connect all public and private actors within the overall health system;
- 6.3 The establishment and routine updating of disease registers; and
- 6.4 Periodical implementation of National Health Accounts.

11.3 Increased employment opportunities

■ **Current situation.** Albania's **labor market** has continued its changes and adaptation to the market conditions, however not at the appropriate speed or flexibility. First, the labor market is still dominated by private agricultural activity which accounts for most of the national total employment (43%).¹³⁸ Second, the percentages of the labor force in industry (17.4%) and services (39.4%) are well below those of other countries in South-East Europe and the EU. Third, in terms of **labor participation**, the employment rate for the population aged 15-64 dropped from 55.9% in 2012 to 52.1% by early 2015. Trends in Albanian employment and unemployment over the period 2007 – 2014 are highlighted in the following table.

Private sector employment. Private sector has always been the largest source of jobs and employment in Albania over the past seven years, with over 80% of the work force employed in the sector. Government programs have supported private sector economic growth, which is important for longer term sustainability of this sector and its labor force. Based on employment data, the non-agricultural private sector has been in continuous expansion as the economy shifts to more productive activities in the services and industry sub-sectors, in combination with urbanization processes.

¹³⁸ Source, INSTAT, Labor market survey, 2013

Progress with regard expansion of service-related employment (ICT, restaurants, and hotels etc.), light industry and extracting industries etc. Expanding employment levels in new markets for the private sector will require proactive policies in increasing competitiveness, FDI, a wide range of training, the use of information and communications technologies, the effective use of resources, investments in research and innovation, and a range of other inter-related initiatives set out in the NSDI.

Table 4: Albanian unemployment and employment trends, 2007-2014

Unemployment	2007	2008	2009	2010	2011	2012	2013	2014
Age group 15-29	19.8	24.7	21.9	22.5	21.9	26.0	27.2	32.5
Age group 30-64	10.7	10.0	10.4	10.8	11.1	10.0	13.1	13.3
Age group 15-64	13.5	13.2	13.8	14.2	14.3	13.8	16.4	17.9
Age group 15+	13.4	13.1	13.8	14.0	14.0	13.4	15.9	17.5

Employment according to Sector	2007	2008	2009	2010	2011	2012	2013	2014
Employed (I+II+III)	939,000	901,708	905,088	904,210	925,242	959,227	916,916	925,262
I. Public sector	167,100	166,543	166,430	166,338	165,100	164,400	163,900	163,885
%	17.8%	18.5%	18.4%	18.4%	17.8%	17.1%	17.9%	17.7%
Budgetary	125,200	125,500	125,320	126,500	128,200	128,734	129,212	129,065
%	13.3%	13.92%	13.85%	13.99%	13.86%	13.42%	14.09%	13.95%
Non-budgetary	41,900	41,043	41,110	39,838	36,900	35,666	34,688	34,820
%	4.5%	4.6%	4.5%	4.4%	4.0%	3.7%	3.8%	3.8%
II. Non agricultural private sector	229,900	238,975	237,231	241,836	256,288	268,690	290,763	318,571
%	24.48%	26.5%	26.2%	26.7%	27.7%	28.0%	31.7%	34.4%
III. Agricultural private sector	542,000	496,190	501,427	496,036	503,854	526,137	462,253	442,806
%	57.7%	55.0%	55.4%	54.9%	54.5%	54.9%	50.4%	47.9%

Source: INSTAT, July 2015

Unemployment. The overall unemployment rates for 2015 grew to 17.5%, (figure 38). However, unemployment rates are a lot higher for youth of 15-29 years of age (from 19.5% in 2007 to 34.2% in 2015). Unemployment rates among women in 2014 were a little lower than for men (respectively 15.5% and 19.7%). In Albania's labor market there are

Figure 38. Unemployment rates for Albania, 2007-2015

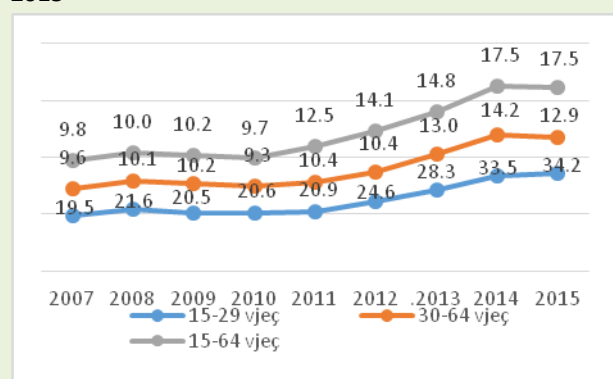


Tabela 5. Shqipëria: nivelet e punësimit dhe papunësisë (2009-13)

Viti	Përqindja e punësimit	Përqindja e papunësisë
2009	53.5%	13.8%
2010	53.5%	14.2%
2011	58.7%	14.3%
2012	56.3%	13.9%
2013	50.2%	16.1%
2014	52.1%	17.9%

Source: Bank of Albania, Monetary policies

important gender distinctions, where employment rates for women are a lot lower than those for men, for all age groups. On average the gap is around 14 percentage points, as the employment rate for women between the ages of 15-64 years stands at 45.1% compared to 59.4% for men (first quarter (Q1) 2015). The employment and unemployment rates over the period 2009-2014 are given in the following table.

Another strong feature of the Albanian labor market is the relatively high proportion of **inactivity**, which rose by 4.9% in 2013, resulting in 1.6 times higher for women than men. This tends to reinforce the stereotype that the place of women and girls is at home, and that they need to tend to the housework.¹³⁹

Vocational Education Training. Educational attainment is a strong determinant of both labor market performance and poverty. In particular, vocational education and training has the potential to positively affect integration in the labor market and income generation. Over the period 2009-2013 Vocational Education and Training (VET) was delivered through a centralized system. The system has not been able to meet local needs due primarily to the separation between education and vocational training (as noted previously) and an inadequate approach to monitoring and evaluation. This led to low participation rates (14.2%) in VET during this period. Adult training in Albania is still in its nascent stage, with only about 1% of adults aged 25-64 years in training programs and professional retraining during 2012 (as compared to 9% in EU countries). In the 2014/15 academic year, about 6,000 students are newly enrolled in vocational schools, a significant 40% increase from 2013/14 levels.

The Albanian VET system is still affected by: (1) limited involvement of social partners – in particular the relations between the vocational education and training (VET) system and industry are weak; (2) most curricula offer little scope for hands on working experience and are not linked to occupational / qualification standards; (3) aspects of entrepreneurship are limitedly, included in VET curricula; (4) a highly centralized and low quality system (more than 60% of the public VET providers are deemed as low or poor performers with low responsiveness to local needs)¹⁴⁰; (5) lack of skilled teachers, teacher training programs (pre-service and in-service) and other instruments of continuous professional development; (6) the persistence of a dichotomy between vocational education and vocational training despite the shift of all VET affairs under MoSWY; (7) vocational training centers are far from being efficient and fulfilling their mission; (8) under-financing, with poor incentives for participation of employers; and (9) as previously noted, there continues to be deficiencies in the vocational education and training infrastructure, facilities, competencies of training staff and curricula.

Informal employment, as part of informal economy is one of the most crucial problems of the Albanian economy and society. It is a concern from a number of perspectives: (1) it directly affects job security due to lack of contracts; (2) it affects social security entitlements; (3) it reduces pay and source of income burdening economic well-being; (4) it puts a fiscal burden on the economy through tax evasion; (5) it impedes market development in fields that rely heavily on family labor such as agriculture¹⁴¹; (6) it increases vulnerability and promotes the exclusion of women and other vulnerable groups such as Roman and Egyptian communities (please, also refer to Box below).

¹³⁹ According to the INSTAT/Labor Force Survey definitions: Non-economically active population comprises all persons who are not classified as employed or unemployed (pupils/students, housekeepers, in a compulsory military service, retired, disabled, discouraged unemployed). See <http://www.INSTAT.gov.al/en/themes/labour-market.aspx>.

¹⁴⁰ MoSWY, GIZ, ETF, Baseline survey of public VET providers in Albania, 2014.

¹⁴¹ Other employment aspects and agriculture labor dynamics are discussed under Section 12.3 of this document.

Informality is present in both the traditional sectors and the more modern and urban sectors outside of agriculture. Persons employed in the informal sector are not covered by the labor legislation, or social insurance, nor do they contribute to the social insurance system. In terms of working conditions and unpaid family labor, informality rates are high. The majority of young women account for unpaid family labor, in particular so in the rural areas.

■ **Challenges.** One of the key challenges for Albania remain high unemployment rates among the youth. Some other challenges for this sector in the context of NSDI-II planning include: (1) the need to reduce unemployment and informal employment rates through better labor market policies; (2) the requirement for more comprehensive packages of services and programs for the expansion of employment services and vocational training to rural areas; (3) the need to re-orient education and vocational training to meet the real needs of the labor market, combining theoretical teaching with practical work; (4) reactivation of the National Labor Council as a key tool in developing policies associated with employment salaries and social benefits; (5) the need to remove barriers to business formation in order to reduce informality; and (6) the need to better link and coordinate employment and training activities with those in research and innovation and other priority sectors.

To address all of these concerns, the Government adopted in November 2014 the “*National cross-sector Strategy on Jobs and Skills, 2014-2020*”, while there is in place an IPMG on employment, skills and social policies.

■ **The vision.** “*Higher vocational skills and better jobs for all men and women*”

■ **Strategic objectives**¹⁴²

1. **Promoting decent employment opportunities through more effective labor market policies, specifically through:**

1.1 Re-organization of labor offices under the new service model, with the goal of increasing annual participation rates of women/ men in active labor market programs;

Vulnerability

There is no universally accepted definition of vulnerability or what may constitute a vulnerable group as these are relative terms that, in this NSDI, depend on context (e.g. social, economic or political vulnerability, location, vulnerability to a range of disasters or climate change, health, vulnerability to corruption, and so on).

For example, in the context of poverty reduction, vulnerable groups are those “... that experience a higher risk of poverty and social exclusion than the general population. Ethnic minorities, migrants, disabled people, the homeless, those struggling with substance abuse, isolated elderly people and children all often face difficulties that can lead to further social exclusion, such as low levels of education and unemployment or underemployment.”

EQAVET, <http://www.eqavet.eu/qc/gns/glossary/v/vulnerable-group.aspx>.

¹⁴² Part of the development objective indicators established in the National Strategy on Employment and Skills, 2014-2020.

- 1.2 Improving legal and institutional frameworks, in line with ratified international standards, aiming at reducing accidents at the workplace, and increasing worker's life expectancy;
- 1.3 An increase in the number of women and men participating in active programs, through greater promotion of participation, and ensuring greater diversity and effectiveness of programs.

2. Ensuring qualitative vocational education and training (VET) for young people and adults through:

- 2.1 Increased number of participants in VET programs through the optimization of the VET providers network;
- 2.2 Increased quality and effectiveness of VET providers through the provision of financial support and the adjustment of the VET inputs and capacities (infrastructure, workshops, laboratories, equipment, curricula, teaching materials, human resources); and
- 2.3 Strengthened links between study and work, and the facilitation of the transition to work through:
 - (i) Increased employment rates of students that complete VET, of which 25% should be girls;
 - (ii) Higher employment rates among participants in short-term VET courses, in particular an increase in the employment rates for women;
 - (iii) Further promoting the VET image.

3. Lowering opportunities for informal employment, and informal employment rates in non-agriculture sectors through:

- 3.1 Removal of barriers for business startup, with the view of reducing informality;
- 3.2 Stronger enforcement of existing legislation and regulations (such as: labor inspections);
- 3.3 Strengthened coordination among those entities involved directly or indirectly in the informal sector (with other sectors such as social protection, social security, agriculture, finance), at the central and local levels;
- 3.4 Strengthening of employment protection legislation, regulation and policies targeted at informal employment (e.g. incentives and discouraging aspects);
- 3.5 Strengthening and enforcing codes and standards in respect of the work environments where there is a high incidence of informal employment (i.e. tackling health and safety issues);
- 3.6 Organization of pro-active training and employment programs focusing on women, girls and other vulnerable groups such as the Roma and Egyptian communities;
- 3.7 Better research, analyses, and information on the informal sector;
- 3.8 Special focus of VET programs to priority segments of the informal labor market (e.g. vulnerable communities, high risk occupations and the like); and
- 3.9 Education and awareness programs targeted to employers and employees alike.

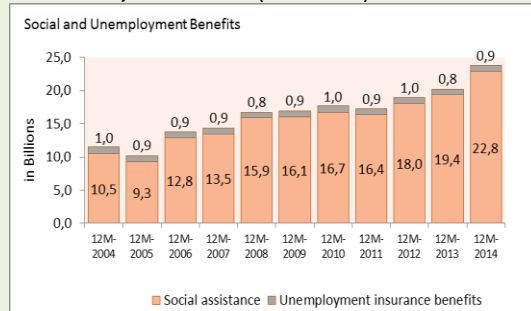
1.4 Social Insurance Fund

■ **Current situation.** Currently, the Albanian pension scheme is considered to be financially not-sustainable. Revenues raised from contributions are not able to meet pension obligations, due primarily to low participation rates in the social insurance scheme (estimated at 55.7% of the labor force) and a corresponding high degree of informality. Benefits from the scheme are currently 41.6% of the average salary, somewhat below average European levels.

Unemployment benefit expenditure (Figure 39) during 2014 were about 2.2% over budget, and were also 2.4 billion Lek or 10% higher than the previous year. Social benefits for 2014 totaled 1.8 billion Lek, 8.8% higher than 2013. While the levels of social benefits have been relatively stable over the past 10 years, there has been a steady increase in unemployment benefits. Expenditures on social and health insurance in 2014 amounted to 138.54 billion Lek, which was 2.7 billion over the amount planned. Figure 40 shows the continuous annual increase in the payments.

Albania currently has a young population. However, long-term projections point to an increasingly ageing population. Based on 2012 statistics, the proportion of the population at retirement age was 14.9% of the total population, and is projected to increase to 25% by 2031 and by 35.0% by 2080.

Figure 39. Unemployment insurance and social assistance, 2004-2014 (billion Lek)

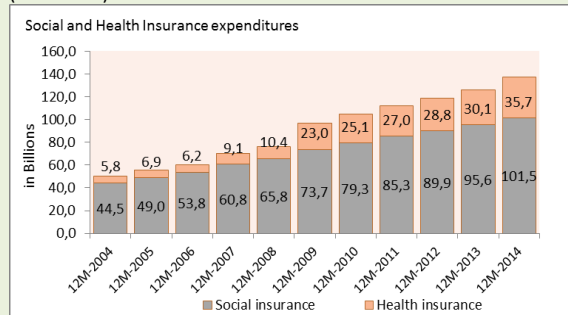


Source: MoSWY/Social Insurance Institute

The low levels of benefits received from contributions paid into the scheme have partially caused an increase in informality and in the false declaration of salaries, upon which pension contributions are calculated. Should this prevailing situation continue, it will likely impose a significant burden on social services in the future, and potentially lead to further deterioration over time. For example, if there is a change, future benefits paid from the system as a percentage of the average salary could well be lower than the current percentage, and this may place increasing pressure on the fiscal deficit.

Should these low participation rates persist, a considerable share of the population will not be able to benefit.

Figure 40. Social and health insurance expenditure, 2004-2014 (billion Lek)



Source: MoSWY/Social insurance Institute

However, fully implemented reforms would encourage participation in the scheme by linking pension measures with paid contributions. In this case, the number of the contributors could increase from the current level of 705 thousand beneficiaries in 2015, to 759,000 by 2018 and 778,000 by 2020. The number of contribution years would also increase from 35 in 2015 to 37 by 2020. This would lead to a drop in the deficit of the scheme from 1.6% of the GDP in 2015 to 1% by 2018 and on.

To address these issues and to achieve long term sustainability of the system, the Government launched a series of pension reforms in early 2014. The reforms were formalized through necessary changes to the law "On Social Insurance in the Republic of Albania", which was adopted in July 2014, with implementation commencing in early 2015.¹⁴³

¹⁴³ As noted in the preceding sub-section the Government has identified "employment, skills and social policies" as one of the four pilots for the sector approach. In December 2015 was adopted the National Social Protection Strategy for 2015-2020 and its Action Plan, and in February 2016 was adopted the policy Paper for Social Inclusion,

The reforms are being spear-headed by an inter-ministerial group with broad participation from social partners and other stakeholders. Decisions on reform were based on extensive public consultation. As part of the reform strategy development, several scenarios were developed incorporating international best practices in pension administration, from which the most suitable was selected, focusing on strengthening the link between individual contributions and the amounts paid for benefits.

The selected scenario, reflecting simplicity, flexibility and transparency, also provides for adjustments to the pension calculation formula based on changing demographics, social, fiscal and other variables. The proposed reforms, once implemented, are expected to lead to a more rapid reduction in the financial deficit of the scheme from an estimated 1.6% of GDP in 2015, to 1.0% by 2018, to 0.4% of GDP by 2030, and eventually to 0% by 2043. The new scheme, once implemented, will guarantee the maintenance of benefits. In the current scheme, the replacement rate would be in excess of 30% by 2032 and would then begin to drop dramatically to a projected 25% by 2039, to 18% by 2050 and to a very low level of 6.2% by 2080.

■ **Challenges.** Main challenges and priorities in pension reform over the 2015-2020 planning period include: (1) the need to strengthen the contributory principle of the pension system and to generate a greater participation rate, thus leading to greater opportunities for higher pensions, assuming longer periods for participation, and an increase in contribution amounts based on higher salaries; (2) the need to improve the financial viability of the scheme and to reduce the deficit; (3) the need to find the ways and means of providing a social pension for those resident citizens without income from an old-age pension; (4) unifying the criteria for pension benefits for both urban and rural areas by combining them into a single scheme; and (5) the need for a greater level of coordination of schemes with other countries in the region and with the EU.

■ **The vision.** *“Ensuring coverage through social security elements of all Albanian citizens, providing adequate benefits, poverty alleviation for the elderly through strengthening the contributory and solidarity nature of the system”*

■ Strategic objectives

1. Increased rates of participation of working age population in the insurance scheme through:

- 1.1 Application of the new formula for the calculation of pensions by removing restrictions on the maximum allowable benefits, combined with linking of pensions to the salary of the last years of work;
- 1.2 Strengthened collection of contributions, through the enforcement of legislation and regulations, and reducing informality rates through better coordination of all implementing agencies; and
- 1.3 Identification of the minimum contributing salary with the official minimum salary and indexation of the maximum contributing salary according to the increase in average salary.

2. Increased financial sustainability of the financial scheme and reduction of deficit by:

- 2.1 Increasing revenues from contributions;

2015-2020 (including: social security, social assistance, policies for groups with special needs: persons with disabilities, Roma, housing). In addition there is in place a Document on Pension Policies.

- 2.2 Growing number of persons that contribute in the system;
 - 2.3 Targeted increase in the number of contribution years in the social insurance schemes from 35 in 2015 to 37 by 2020;
 - 2.4 Targeted gradual increase of retirement age for women by two months annually, to reach 61 by 2020; and
 - 2.5 Implementation of a unified scheme for urban and rural areas alike by 2018.
- 3. Ensuring better coordination of social insurance schemes with those of other countries in the region, and in particular with those of the EU, and warranting comprehensive protection for all migrant population through:**
- 3.1 Enforcement of agreements ratified by Turkey and Belgium;
 - 3.2 Ratification of agreements with Hungary, Luxemburg and Rumania, and their enforcement;
 - 3.3 Finalization of negotiations for agreements with Canada, Czech Republic, Macedonia, and adoption of these agreements by the Council of Ministers and their ratification by the Albanian Parliament; and
 - 3.4 Launching of negotiations for bilateral agreements with Germany, Austria, Spain, and Bulgaria.
- 4. Ensuring adequate pension income for pensioners and the elderly, and maintaining and improving living standards through:**
- 4.1 Establishing the regulatory framework for pension funds in line with the consumer prices growth index; and
 - 4.2 Increasing provision of social pensions for persons over 70 years who have not been able to contribute to the scheme.
- 5. Strengthening planning, implementation and overall administration of the social security system in order to increase safety, efficiency and transparency through:**
- 5.1 The automation of the social security system, the development of verification procedures, assignment, calculation and control of benefit payments;
 - 5.2 Conclusion of the process of digitalization of seniority at work and periods of insurance,
 - 5.3 The creation of personal accounts, increased transparency, and better management of funds; and
 - 5.4 A targeted improvement in service to citizens by reducing the time of pension allocation.

11.5 Managing migration

■ **Current situation.** Migration continues to be a crucial element in Albania's social and economic development. Generally, Albania is still considered a country of origin of economic emigrants, transit and destination country for economic immigrants, asylum-seekers and refugees.

The country is highly dependent on remittances of emigrants. As of 2007, the remittances of emigrants reached the highest level, 953 million Euro to fall in 2013 and reach the lowest amount of 544 million EUR. During 2014, there was a slight increase to 592 million EUR, a phenomenon which shows the

beginning of improvement of the position of Albanian emigrants in labor markets of host countries.¹⁴⁴ While emigration flow of Albanian citizens has shown signs of moderation, the flow of those Albanian citizens requesting asylum in EU member states mostly on economic grounds has increased in 2015 with about 3,5 times compared to 2014 (59,030 cases for the period January – November 2015, against 16,945 in 2014).¹⁴⁵ On the other hand, the refusal rate of the asylum requests is high and so therefore the eventual returns to Albania from EU member states are also high, more than double of 2014 (25,100 in the first 9 months of 2015 against 12,295 which was the figure for the whole 2014).¹⁴⁶

The 2015 has been characterized by high flows of mixed migration movements within the Western Balkans, trying to reach the European Union (EU) Member States. The number rose by 2-3 times compared to 2014, reaching for a total number of 627,527.¹⁴⁷ The largest group entering the Balkans is represented by the Syrians, counting for about 75 per cent of the total flow. The most common migration route through the Western Balkans was via the Former Yugoslav Republic of Macedonia, from Greece, then on to Serbia and Hungary.¹⁴⁸ Albania is not yet “a preferred transit or destination country” of the mixed migration flows in the Western Balkans region; however the risk of a sudden and large influx at the borders of Albania is high. Effective responses to complex migration flows in the Mediterranean (preparedness for massive flows of asylum seekers and refugees), poses institutional as well as legal challenges for the Albanian authorities. The Government of Albania is finalizing a contingency plan for an eventual migration and refugee crisis.

This intensive dynamic of out and in country migration movements, requires a cross cutting approach to migration governance in order to address challenges related to complex migration flows (irregular migration, asylum seekers and refugees, unaccompanied minors, etc.) as well as to enhance the development impact of migration (remittance channeling and human and financial investments). The country lacks a coherent migration governance policy that would guide all programmatic actions in the area of migration. It is therefore important that Albania develops a country policy on migration that shall encompass all issues pertaining to migration governance including emigration of Albanian citizens and return migration, immigration of foreigners and the impact of migration into Albania’s development.

■ **Challenges.** Despite progress in effectively managing migration in Albania, following the implementation of the first National Strategy on Migration (2005-2010) and the Strategy for the Reintegration of Returned Albanian Citizens (2010-2015), several challenges remain unaddressed: (i) *Prevention of irregular migration* from the country, misusing the visa free regime in the EU Schengen area; (ii) *Sustainable return* of Albanians through the provision of reintegration support; (iii) The *development impact of migration* needs to be enhanced through, inter alia, the promotion of human and financial investment of Albanians abroad to the country; (iv) *consolidation of migration management structures and advance immigration policies and their implementation* based on solid evidence and in compliance with international standards, including with respect to ensuring the human rights of all migrants.

¹⁴⁴ Extended Migration Profile for Albania 2012-2014

¹⁴⁵ EUROSTAT data

¹⁴⁶ Ibid

¹⁴⁷ Unofficial data exclusively about the so-called “blue” borders, as deducted from data of the IOM staff in Greece, and Greek authorities (1/1 / 2015-04 / 11/2015).

¹⁴⁸ In august 2015, over 3.000 emigrants have passed every day the border through Greece and FYROM. This figure reached 7,000 in the beginning of September 2015.

■ **The vision.** “Establishing an effective system of migration governance in Albania”

■ **Strategic objectives**

1. **Promoting safe and regular channels for migration in Albania to prevent irregular migration, towards channeling 70% of the out migration from Albania through official bilateral agreements** (existing and new agreements with EU and EU- countries)
 - 1.1 Enhancing effectiveness of implementation of existing labor migration agreements with the countries of destination and increase the number of new agreements in order to ensure ethical recruitment and rights protection;
 - 1.2 Including internship programs in foreign enterprises in the labor migration agreements, as a means to increase the skills and employability of the Albanian labor force;
 - 1.3 Increasing the number of youth exchange agreements with EU countries, including internship programs, in order to increase youth employability;
 - 1.4 Improving legislation in the area of labor migration.
2. **Enhancing the development impact of migration by creating favorable legal and institutional mechanisms** for:
 - 2.1 Improving remittance related services for migrants, in order to channel migrant remittances towards investment in Albania;
 - 2.2 Protecting the rights of Albanian migrants where they live, demanding an equal treatment according to the international standards in the area;
 - 2.3 Mapping, trust-building, mobilizing and organizing Albanian communities abroad, in order to establish cooperation mechanisms with the Albanian communities abroad;
 - 2.4 Attracting Albanians abroad for the purpose of enlarging entrepreneurship initiatives in Albania, for promoting investment, philanthropy, technology transfer and innovation.
3. **Enhancing sustainability of return migration through the support of reintegration of returning migrants**
 - 3.1 Increasing capacities of Migration Counters to provide information and support to various categories of migrants;
 - 3.2 Enhancing actions for the recognition of skills and qualifications (formal and informal) obtained abroad by Albanian citizens and their integration in the labor market.
 - 3.3 Enhancing active labor market measures, including VET training, for returned migrants to facilitate their re-integration.
 - 3.4 Promoting self-employment and entrepreneurship activities among returning migrants in rural areas and the formalization of their activities.
4. **Advancing implementation of immigration policies, in order to ensure the equal treatment of citizens of other countries and their integration in Albania, in compliance with international standards.**
 - 4.1 Advance steps to ensure that the right to seek and gain access to asylum in Albania is fully respected.
 - 4.2 Enhance institutional capacities for addressing increased mixed migration flows to and through Albania;

- 4.3 Revisit the system of immigration detention in order to use detention as last resort, in full respect human rights of migrants.
- 4.4 Assess the situation and the enjoyment of the rights of migrant workers and members of their families living in Albania, in order to undertake measures to foster integration in the social and economic life of various categories of foreigners residing in the country.

5. Consolidation of migration policy, legal framework, management structures and coordination, in order to ensure better response to migration challenges.

- 5.1 Completing the policy framework on migration management by adopting a policy document and action plan on migration governance, as well as necessary legal provisions;
- 5.2 Increasing efficiency of coordination among various migration management structures at the national and local level;
- 5.3 Improving the data collection system and provide for an effective monitoring and evaluation mechanism for migration management; regularly updating the Extended Migration profile.

11.6. Consolidating Social Protection

■ **Current situation.** Social protection ensures that benefits of economic growth reach the poorest and the most marginalized: e.g. the Universal Declaration of Human Rights and the Child Rights Convention are legal instruments that establish social protection as a means to protect the most vulnerable citizens. Furthermore, there is growing evidence from a range of developing countries that social protection programs can effectively increase the nutritional, educational and health status of children and reduce their risks of abuse and exploitation with long term developmental benefits.

In Albania, social protection policies have focused on social assistance, disability benefits for persons with disabilities and some social care/residential services.¹⁴⁹ In terms of actual support, total expenditures on social assistance in Albania at 1.6% of GDP, are comparable to the regional average for Europe and Central Asia (ECA)¹⁵⁰. The three main social protection schemes that have been implemented in Albania: the cash assistance (or alternatively known as Ndihma Ekonomike) program, the disability allowance, and social care services.¹⁵¹

The **cash assistance (Ndihma Ekonomike)** program is the main poverty reduction scheme covered by the social protection strategy. During 2014 approximately 80,000 households were beneficiaries of the social assistance scheme. Expenditures in the social assistance program are relatively well focused on poverty reduction with the poorest quintile (20%) of the population receiving 56% of social assistance expenditures.

However, there is low coverage of poor households (in 2013 only 23% of extreme poor households were covered), the benefits are very low, the targeting is poor and administration is inefficient. NE represents

¹⁴⁹ **Social protection** encompasses “...all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved”. Source: EU, Social Protection Performance Monitor (SPPM), 2015, page 19.

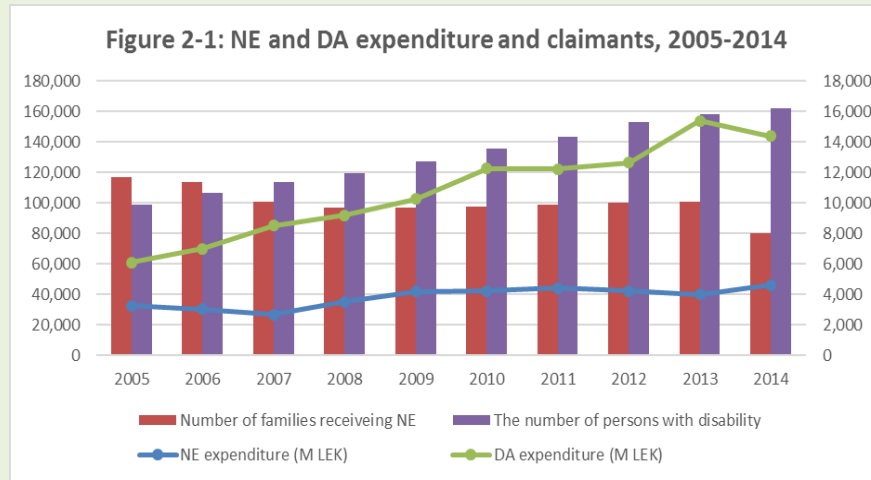
¹⁵⁰ World Bank 2010; Social assistance policy paper

¹⁵¹ In addition, the area of social protection is going to be part of the pilot sector for “employment, skills, and social policies”, as one of four pilots for the sector approach. In December 2015 was adopted the National Social Protection Strategy for 2015-2020 and its Action Plan, while in February 2016 was adopted the Policy Document on Social Inclusion, 2015-2020.

only about 15 percent of post transfer household consumption levels for households *in the lowest quintile*. The current average social assistance payment is about 3,800 Lek/ month and has limited impact on poverty reduction.¹⁵²

Overall, social assistance expenses increased somewhat in nominal terms over the last decade but fell as a percentage of GDP. Likewise the number of families receiving social assistance fell by almost one third (31.6%), with a particular drop in 2013-14 corresponding to the introduction of administrative reforms (see Figure 41).

Figure 39. NE and disability allowance expenditure, 2005-2014



Disability allowance (DA). At present, the main tool used by the Ministry of Social Welfare and Youth (MSWY) to support people with disabilities is the non-means tested disability allowance. Expenditure on the disability payment increased rapidly in recent years and it is now the main component of social assistance spending. This has been driven by annual indexation of the benefit and by expanded coverage. The level of disability payment is much higher than the level of NE. For example, the amount of disability payment to a person with a physical or mental disability is 9,900 lekë per month (compared to an average payment of only 3,800 Lek per household as part of social assistance (NE)).

Overall, expenditure on disability increased significantly in nominal terms over the last decade and, unlike NE, also increased as a percentage of GDP. Likewise the number of persons receiving disability payment increased by almost two-thirds (63.7%) to over 160,000 (Figure 41).

Although the disability allowance scheme is not explicitly poverty-targeted, in practice the poorest quintile of the population receives 39 percent of disability expenditure. However, as is the case in many transition countries, there are serious issues regarding the operation of the scheme. The assessment system is purely medical-based and does not reflect the severity of the disability or functional impairment. A nationally representative study (2011) suggested that 30% of disability allowance recipients either have no functional disability or only a mild disability. In addition, there is anecdotal evidence of levels of fraud and abuse. The Government has agreed to a process of administrative reform of the scheme (again supported by the World Bank) which aims to refocus payments on those with a more serious disability.

¹⁵² See URI/NCSS, *Reforming Economic Aid: from survival to investment in poverty reduction*, UNICEF, 2011.

Social care services. Institutional services are very limited. Most social care services are provided by community services organizations funded on a voluntary basis or by development partners. Services are mainly to be found in larger urban areas (90% are in urban areas), and 75% are in the western and central areas of the country.¹⁵³

■ **Challenges.** The main challenges that need to be addressed in the social protection sector over the 2015-2020 planning period include: (1) the need for improved efficiency of the financial assistance scheme, shifting from a passive to active scheme through social inclusion programs and altering them with employment schemes; (2) the need to create functional and effective social care services based on the principle of diversification, decentralization and deinstitutionalization for better targeting and inclusion of vulnerable groups in social protection programs with a focus on the individual and family; and (3) the need to forge partnerships with NGOs and private providers to compensate for limited government resources at national, regional and local level.

■ **The vision.** *“Building a social protection system to combat social and economic inequalities, while providing for a system with policies and mechanisms for the protection of all vulnerable or excluded individuals, through prevention and social inclusion programs, combined with employment schemes”*

■ Strategic objectives

1. Mitigating and reducing poverty and absolute poverty by:

- 1.1 Improving effectiveness and transparency of the scheme, and better allocation of poor households;
- 1.2 Modernization of the Economic Aid scheme through the implementation of a national electronic registry and unique scoring formula;
- 1.3 Increasing capacities of local, regional and central structures, in areas including management, monitoring and evaluation of the scheme;
- 1.4 Improving auditing of the scheme, in order to reduce cases of fraud;
- 1.5 Transforming the scheme into an active scheme through social re-integration scheme: beneficiaries will be involved in active labor market policies, with the introduction of integrated service packages and employment opportunities.

2. Improving the quality of life of persons with disabilities (PwDs) through bio-psycho-social assessment based on international standards for classification of disability, in combination with *Cash* benefit scheme for integrated services, to ensure their social and economic integration. The specific goals include:

- 2.1 Reform the system for disability assessment: introduction of the new evaluation schemes, according to the “social model” and reducing the rates of disability free beneficiaries;
- 2.2 Enhancing transparency of the scheme through introduction of the e-register: initially in the local governments of the pilot regions that will apply procedures related to disability benefit through this registry;
- 2.3 Introduction of an integrated system of services that combines social care services with *cash payments*: persons with disabilities will be given access to an integrated package of services; and
- 2.4 Introduction and strengthening of an oversight and inspection mechanism for the quality of service delivery at the central and local levels: generation of quarterly reports of the

¹⁵³ UNICEF study on the social care map of services.

performance of the scheme, risk profile assessment and discovery of fraud, for the policy makers.

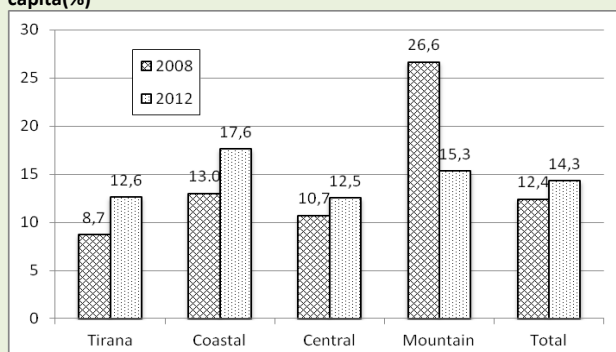
3. Making sure that every child, elderly, and Albanian household enjoys equal access to functional and inclusive social care services, based on the principles of decentralization, de-institutionalization and diversification through:

- 3.1 Introduction of an integrated system of social care services in the LGUs and at the national level;
- 3.2 Review of planning functions and social service delivery functions for different layers of central government, and the implementation of new models;
- 3.3 Establishment of an integrated information system at the regional and national levels, with the view of identifying and referral of needs for social care services;
- 3.4 Introduction and strengthening of monitoring and inspection system of social care services at the central, local and regional levels;
- 3.5 Ensuring professionalism of service providers through establishment of a qualification system, and
- 3.6 Raising awareness and organizing public campaigns, with the view of prevention of social problems, but as well increasing access to social care services.

11.7 Building a more inclusive society

■ **Current situation.** Social inclusion involves measures to enable individuals and groups to access public services so that they can participate to the fullest extent of their abilities in social, economic and political life of the society in which they live. Policies that support inclusion therefore aim to ensure access of all citizens to good quality public services and to access public goods that enhance their well-being.

Figure 42. Poverty indicators according to regions: poverty rates per capita(%)



Source: INSTAT

Social Inclusion . . .

“. . . is defined as a process whereby certain individuals are pushed to the margins of society and prevented from participating fully in society by virtue of their poverty, or lack of basic skills and possibilities to engage in the labour market, or in this policy document is defined as a response to the phenomenon of social exclusion, which occurs when individuals in society suffer from a lack of access to effective public services. Tackling social exclusion involves measures to enable individuals and groups to access public services so that they may participate to the fullest extent of their abilities in social and economic life of the society. Social inclusion policies therefore aim to ensure access of all citizens to good quality public services”.

MSWY, Social Inclusion Policy Document 2015-2020:
Measuring, Monitoring and Reporting for Result-led Policies,
August, 2015, page 128.

Social inclusion policies in Albania are primarily focused on issues of poverty alleviation, welfare and the inclusion of vulnerable groups such as: children, youth, vulnerable minorities (Roma and Egyptian communities), persons with disabilities, the elderly and persons that live in remote and undeveloped areas.

In terms of recent trends in Albania, the level of poverty as a direct expression of social exclusion, increased to 14.3% in 2012, up from 12.5% in 2008¹⁵⁴ (Living Standards Measurement Survey (LSMS) – a survey that is conducted every 4-5 years) and is doubled by a growing gap among regions,¹⁵⁵ with the exception of the mountainous areas, as indicated in Figure 42. The percentage of persons living in extreme poverty has almost doubled in the course of 2008-2012, from 1.2% in 2008 to 2.3% in 2012.

These trends are generally an indication that government policies for reducing poverty and increasing social inclusion and protection of vulnerable groups have not contributed significantly to poverty reduction or to improvements in the welfare of individuals. This was due to a number of factors: lack of budget planning, inadequate institutional coordination, absence of local platforms to support disadvantaged groups, a lack of statistical data on national and local level, and basically inadequate financial resources. Without addressing these issues, policy implementation would be ineffective.¹⁵⁶

■ **Challenges.** The main challenges and priorities that need to be addressed in the area of social inclusion over the 2015-2020 NSDI-II planning period include the need to: (1) tackle the underlying causes that lead to exclusion in the economic, social and political life of every excluded citizen; and (2) the need to prevent discrimination through the promotion of equality, according to treaties on human rights and ensuring the real integration of Albania in the EU. This would require:

- (a) Identification and addressing challenges facing the monitoring and measurement of social inclusion by advancing EU and national indicators which are required to support poverty reduction and the development of effective measures that improve welfare;
- (b) Promote policy coherence, set priorities and assign responsibilities for carrying out the monitoring and measurement of social inclusion; and
- (c) More transparency on the effect of policies pursued and the efforts made by the Government to strengthen policies that have impact on social inclusion.

Introduction of systems that support social inclusion functions of the public administration, so far have been fragmented. Narrow topics were addressed, with no attention to inter-dependencies prevailing

¹⁵⁴ INSTAT, 2013.

¹⁵⁵ Regions: coastal, central, mountainous, and the urban part of Tirana have been divided into districts (in 2002 when the survey started), in groups according to geographical vicinity, and similar of phenomena that were being studied. They are different from administrative divisions: districts and are only used for statistical purposes.

¹⁵⁶ In addition, social inclusion will be covered under the pilot sector of “employment, skills and social policies”, and in the national cross-sector Strategy for *social inclusion and social protection, 2015-2020*”.

among the intensity, causes and types of social inclusion or the use of EU and national indicators for measuring and monitoring social inclusion in different policy areas.

The Document of Social Inclusion Policies (DPPS) for 2015-2020 adopted in 2015 expresses the vision, spread and objectives for monitoring and measuring social inclusion, translating them into priority action plans. In this framework, DPPS will guarantee a system for monitoring and measuring social inclusion in all areas of policies for reducing poverty and improving social protection, employment and support for entrepreneurship, education, health, housing and basic needs, and participating in human rights; and promoting transparency and accountability in the ways social inclusion is measured and used to inform performance of social services.

The use of SAKJ and rules of ABF and VET will bring changes in the culture of policies in fighting poverty and ensuring social inclusion, and will open perspectives for the use of social inclusion indicators in the performance assessment and policy outcomes.

■ **The vision.** *“An inclusive society that enables equal access of all Albanians to qualitative public services, that facilitates and supports their active participation in society, regardless of income level, gender, age, disability, ethnic origin, sexual orientation, place of residence or religious beliefs”*

■ **Strategic objectives**

1. Formulation and implementation of sustainable systems of social inclusion through:

- 3.7 The establishment of a Statistical Indicators and Integrity Group (SIIG) to ensure consistency in the definition and use of indicators, combined with the establishment of a historical baseline of indicators (2010-2015) and the ensuring of compliance with the introduction and transition to EU SILC;
- 3.8 The preparation and publication of a glossary of terms for social inclusion that is circulated to all public bodies, think tanks, non-governmental organizations;
- 3.9 The regular collection and analysis of administrative data on gender, ethnicity and disability; and
- 3.10 The establishment of a Technical Resource Facility (TRF) for social inclusion and poverty analysis purposes.

4. Formulation and implementation of efficient systems of social inclusion governance through:

- 4.1 The establishment of a Thematic Group on Social Inclusion that ensures the coordination and implementation of the SIPD as part of the Employment, Skills and Social Policy (ESSP);
- 4.2 The conducting of an institutional review of measures to improve the technical competencies and organizational governance of social inclusion in Albania; and
- 4.3 The preparation and implementation of the Communication strategy for social inclusion that takes account of central and local government, the private sector, and civil society actors.

5. Fostering policy dialogue through:

- 5.1 Publication of an annual report on Social Inclusion in Albania based on existing and future survey and qualitative data;

- 5.2 Development and implementation of periodic/thematic qualitative surveys of social inclusion in Albania that focus on the intensity, causes and types of social exclusion; and
- 5.3 Establishment of a policy dialogue on social inclusion in Albania, through periodic events and organization of an Annual National Conference on Social Inclusion.

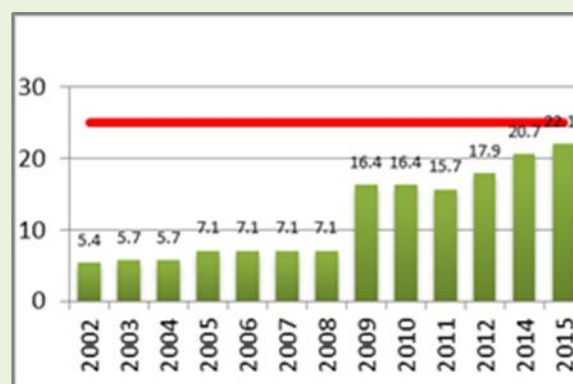
11.8 Ensuring gender equality

■ **Current situation.** The Albanian Government considers women rights, an integral part of human rights, aiming at the elimination of gender discrimination and reduction of domestic violence. The Government seeks to further warranty the transposition of the EU Gender Equality *Acquis* (EU legislation and directives applied within the EU) to ensure gender equality.¹⁵⁷

The adoption in 2008 of the Law "On gender equality in society" brought about a significant innovation in setting a quota of no less than 30% women in all the legislative, executive, judicial bodies and other public institutions. Despite achievements in the rates of participation of women in political decision-making during the parliamentary elections of 2013, representation rates of women at local levels remain low (7.7% mayors). In addition, if we refer to Figure 43 there is a growing trend of the percentage of women representation in the Parliament during 2008-2015, reaching at 22.1% in 2015. In addition, it is worth reiterating that in 2016, the percentage of women Ministers is 42% (8 women out of a total 19). In the area of education, participation rates are high: 53.5% of persons completing high education were girls (2013-14, INSTAT) and 63% of the teachers in high education are also women. (See education data disaggregates, under Section 11.1).

There is now in place a referral mechanism for reporting cases of domestic violence. The mechanism was gradually introduced to 27 municipalities, with the goal of providing expedited and efficient support for cases of domestic violence at the local level. During 2014-2015, an online data collection system was introduced, for monitoring the situation. Ensuring full economic empowerment of women remains a challenge. As part of the 2013 National Human Development Report (NHDI), Albania was ranked 44th out of 149 countries in the Gender Inequality Index (the composite index reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity).

Figure 43. Percentage of seats in the Parliament held by women, 2008-2015



¹⁵⁷ The EU Roadmap for Equality between women & men outlines six priority areas for EU action on gender equality: (1) Equal economic independence for women and men; (2) Reconciliation of private and professional life; (3) Equal representation in decision-making; (4) Eradication of all forms of gender-based violence; (5) Elimination of stereotypes; and (6) Promotion of gender equality in external and development policies. Ref. EC, Consultation paper Roadmap for equality between women and men 2006-2010 and follow-up strategy, Page 1.

In this context was adopted the Action Plan for Supporting Women Entrepreneurs, 2014-2020, while in 2014 was set up the Fund for Women Entrepreneurs. This area remains one of the Government's long-term priorities taking into account the burden of unpaid labor and family responsibilities of women. This situation results in women having few real opportunities to participate in the labor market, to run a business or to have access to loans.

Formulation of the strategic framework on Gender Equality 2020 is one of the serious steps of the Government of Albania towards gender inclusion and empowerment of women. This strategic framework will be the building block for further actions, to expand support of the Government for economic empowerment of women, in particular in the areas of employment and skills, as well as entrepreneurship of women.

■ **Challenges.** The main challenges and priorities over the 2015-2020 planning period include the need to: (1) increase the representation of women in decision making at all levels of government; (2) ensure the greater economic empowerment of women at both the urban and rural levels; (3) ensure that gender mainstreaming is reflected in all policies; (4) reduce domestic violence; and (5) improve mechanisms for promoting gender equality.¹⁵⁸

■ **The vision.** *“A society in which gender equality is respected, valued, taught, supported, encouraged and where equality of opportunity and treatment is a reality for all, regardless of gender, where gender-based violence in any form is not tolerated, but punished, and where the persons affected by it are supported and protected”*

■ Strategic objectives

1. Fostering economic empowerment of women, and promoting their economic independence by:

- 1.1 Applying the special fund for promoting women entrepreneurs for a period of 4 years;
- 1.2 Increasing the number of women that have access to loans from support schemes in the agriculture sector; and
- 1.3 Adoption and implementation of the Strategic Framework on gender equality, 2016-2020.

2. Increased representation of women in policy and public decision-making through:

- 2.1 Meeting of the 30% gender quota for equal representation in all the legislative, executive, judicial bodies and other public institutions;
- 2.2 Annual monitoring of the application of the over 30% quota of participation of women and girls in the higher levels of decision-making in politics and administration, the education system, the justice system, and in all levels of the economy, including the private sector and the civil society; and
- 2.3 Strengthen overall capacities in line ministries and other government institutions in terms of gender-related policy analysis, planning, data management, reporting and monitoring (this

¹⁵⁸ The “National Strategy for Gender Equality 2016-2020”, currently under development, will address the full spectrum of gender issue, policies and strategies for the NSDI-II planning period.

includes the capacities of Department for Social Inclusion and Gender equality at the Ministry of Social Welfare and Youth).

3. Strengthening institutional and legal mechanisms for promoting gender equality and ensure the human rights of all Albanian citizens irrespective of gender through:

- 3.1 The harmonization of Albanian legislation in line with international and EU documents and the alignment with the EU *Acquis* for the integration of a gender perspective and the application of gender budgeting;
- 3.2 Periodic monitoring of implementation of legislation and strategy for gender equality on the basis of reformed statistical instruments and monitoring packages; and
- 3.3 Strengthened capacities to ensure sustainability of gender employees' structures at the central and local level.

4. Reduced gender-based violence and domestic violence through:

- 4.1 Constant awareness raising of the general public through campaigns to make violence socially unacceptable including the contribution of men and boys, media, public education programs and publication of awareness materials;
- 4.2 The expansion and strengthening of the National Referral Mechanisms (NRMs) in all municipalities of the country;
- 4.3 Establishment of national free online counseling for cases of Gender Based Violence (GBV) and Domestic Violence (DV);
- 4.4 Strengthened capacities of public administration (in education, health, police, justice), on issues of gender-based violence and domestic violence; and
- 4.5 Strengthening the role of civil society in advancing gender issues and combating gender-based violence (GBV) and domestic violence.

11.9 Empowering youth

■ **Current situation.** In comparison to other European countries, Albania continues to be a country with average young age, and 30% of its population belongs to 15-29 years old age group, accounting for the bigger group of active labor force in society. Even though young people have continuously been the focus of attention of different Governments, they are still faced with different challenges, such as: their involvement in decision-making processes, and democratic processes, employment, education, health care, and social inclusion etc.

In 2015, the National Youth Action Plan was adopted, focusing on youth oriented platforms, for creating space for development of talents and fostering creativity. In addition, this platform is aimed at improving employment and participation of youth mechanisms in society, volunteering and social commitments.

■ **Challenges.** With respect to the youth of Albania, the main challenges can be summarized as: (1) the need for greater youth economic empowerment through employment, education, health and social protection promotion programs; (2) the need to create public spaces to serve young people; (2) the strengthening of capacities of youth organizations; (4) establishing youth networks, regional councils

and national consulting committees on youth issues; and (5) the need to increase active participation of young people in community and cross-regional programs.

The vision: *“An active and equal youth in all areas of social life, healthy, educated and with a consolidated status in society.”*

Strategic objectives

1. Supporting and integration of youth in the labor market, as employees and entrepreneurs through:

- 1.1 The establishment of the National Youth Service as a budgetary structure under the Ministry responsible for the implementation of youth policies and issues;
- 1.2 The establishment of Regional Youth Centers as direct units of youth services;
- 1.3 The setting up of “Youth Business Incubators” to enhance youth participation through administrative spaces that provide young entrepreneurs with office space and other administrative facilities;
- 1.4 The setting up of the National Youth Corps; and
- 1.5 The collection and provision of information on programs that promote youth employment.

2. Promoting and intensifying youth participation in society, decision-making and welfare by:

- 1.1 Increased awareness raising and strengthened youth capacities and organizations on community programs;
- 1.2 Support provided for youth welfare focusing on the promotion of mental and sexual health, physical activity and healthy living;
- 1.3 Promoting youth participation in representative democracy and civil society at all levels; and
- 1.4 Establishing and promoting youth internship programs.

3. Strengthening VET for youth at all levels, and increasing opportunities for lifelong learning through:

- 3.1 Certification and acknowledgement of non-formal education as a part of lifelong learning;
- 3.2 Awareness raising campaigns on vocational education training oriented toward labor market demands; and
- 3.3 Establishment of career development offices attached to high schools or universities in order to orient young people toward labor market demands.

11.10 More attention to arts and culture

Culture and heritage constitute one of the sectors with the strongest impact on the democratic development of the country and reaffirmation of cultural identity in the region and Europe. The sector aims at enhancing and developing the local cultural industry, as well as protecting, preserving and integrating the transmission of the entirety of cultural heritage values created by the Albanian people

over the centuries. Currently, the *National Strategy for Culture* is being drafted (and it includes cultural heritage art).

It is worth pointing out that main legislation for the development of the sector, and the Law “On arts and culture” adopted in 2010, and the later changes to this Law created the space for self-administration of facilities of arts and culture institutions, which also in turn led to better quality, competition and institutional performance.

Albania has successfully participated in two EU programs, specifically: “*Europe for Citizens*”, with 29 winning organizations and municipalities from Albania (in 3 as leading) and “*Culture 2007 – 2013*” where 9 Albanian projects were winners.

However, challenges remain in: (1) increasing rehabilitation of architectural and panoramic heritage; (2) improving standards and quality of services of the National Archeological Parks (3) improving infrastructure and services of museums for their visitors, (4) improving and growth of culture and tourism products offered in the parks and museums.

■ **Challenges.** The main challenge for the sector is to give more priority to culture products, as part of the country’s social, economic and development program, and promoting Albanian values outside it. With the view of increasing the role and access of the broad public in arts, promoting spiritual values and those of cultural heritage within the Albanian territory, and digitalization of tangible and non-tangible arts and culture assets, it is important to have a more efficient and effective governance for improving cultural products.

■ **The vision.** “*Arts and cultural heritage as a driving force for sustainable social and economic development of the country*”

■ **Strategic objectives**

1. **Improving and expanding cultural markets through legislation to the benefit of creators, artistic and cultural creativity and cultural heritage through:**
 - 1.1 Establishment of a more effective legal framework to protect, develop and promote arts and the cultural heritage;
 - 1.2 Finalization and adoption of the National Strategy on Culture;
 - 1.3 Creating spaces for self-administration, with the view of enhancing transparency, allocation of funds, and increasing competition;
 - 1.4 Harmonization of competences and functions of central institutions, national boards of material cultural heritage system, local institutions and active stakeholder groups in this field; and
 - 1.5 Reducing pirating acts in the case of intellectual property rights (IPR).
2. **Preserving and protecting material and non-material cultural heritage as a national asset for future generations of the Albanian people, by 2020 through:**

- 2.1 Integrated rehabilitation of tangible heritage (historical centers, ensembles, cultural monuments, archaeological parks and zones) and their transformation into open centers for visitors, aiming at increasing rehabilitated spaces;
- 2.2 Improving standards and quality of services at the National Archeological Park and national museums, with the goal of increasing rehabilitation interventions and increasing touristic demand;
- 2.3 Promoting tangible and intangible non-material, cultural heritage through increased number of activities; and
- 2.4 Increased contribution of creative industries.

3. Supporting creativity of Albanian artists and increasing cultural and art activities through:

- 3.1 Achieving annual growth of creative potential, in particular among young artists;
- 3.2 Moving towards annual increase of public funding for arts and culture; and
- 3.3 Digitalization and compilation of catalogues and publications to be filed in the archives of cultural heritage.

4. Promoting and representing cultural values of Albanian arts and heritage (material and spiritual) in important international events and introduce best practices in Albanian stages, with the view of increasing activities by 30% through:

- 4.1 Organization of spiritual/cultural days devoted to the recognition and promotion of respective cultures among the countries of the region and beyond, with the target of an 8% annual increase in the number of activities;
- 4.2 Targeted increase of representation and support of artists and culture and heritage institutions in international activities; and
- 4.3 Increased Albanian presence in cultural community programs and signing of bilateral agreements in the fields of culture and cultural heritage.

5. Formulation and implementation of an educational platform through art and cultural heritage institutions, and pre-university system through:

- 5.1 Formulation of the National Strategy of Education through Arts and specific calendars for every culture and cultural heritage institution;
- 5.2 An increased number of schools and other institutions involved in educational and awareness raising activities; and
- 5.3 A review of the pre-university system curricula in cooperation with the Ministry of Education and Sports.

11.11 Strengthening the role of sports

■ **Current situation.** In Albania, as well as in most countries, sports represent important developmental activities within educational institutions, often as part of the formal curricula (e.g. in terms of physical education). In Albania, however, little formal attention or institutional support is provided in either the pre-university or university levels, or to the formulation of legal, technical and administrative solutions.

Implementation of the Law “On sports”¹⁵⁹ proved problematic, due to the fact that the autonomy and self-management of sports structures were the object of political interference, often in terms of appointments and the management of sports related institutions. This resulted in inefficiencies and tended to weaken institutional capacities.

■ **Challenges.** The main challenges facing the sports sector for 2015-2020 include: (1) the need for increased autonomy and self-administration of national and local sports organizations; (2) the need for increased focus at the educational level for evaluation of sports, as an efficient instrument for strengthening human and community capacities and their furthered development; (3) rehabilitation and construction of sports infrastructure; and (4) the need for restructuring of overall funding of national sports system.

■ **The vision.** *“Albania: where citizens have the right to pursue sports, in accordance with the European Charter of Sports and the recommendations of international sports organizations in the area, and where all citizens have an equal opportunity for participation in sports activities”*

■ Strategic objectives

1. Increased autonomy and self-management of national and local sports organizations through:

- 1.1 The reform of the National Sports Council and its Committees to ensure that they become functional, apolitical and oriented towards inter-institutional partnership;
- 1.2 The clear definition of competencies of sports actors (federation, associations, and clubs) in order to increase autonomy and strengthen their internal democracy;
- 1.3 The drafting of a legal package on sports aimed at privatizing sports clubs, at supporting elite sports, at defining amateur and professional sports, and at taking measures to prevent sports-related violence as a primary objective of all institutions;
- 1.4 The reform of the Sports Services Agency into a National Sports Centre in order to increase the quality of elite sports, and in order to improve training and living conditions in line with international standards;
- 1.5 An increased number of anti-doping tests to 30 tests annually; and
- 1.6 The establishment of a human resource training program for managers, sports doctors, trainers and specialists.

2. Strengthening education through sports to contribute to overall human and community development through:

- 2.1 The inclusion of the evaluation of basic psycho-motor skills in the standard curriculum for children aged 3-6;
- 2.2 The review of physical education programs as part of the core curriculum;
- 2.3 The reorganization of sports inside and outside of the school curriculum through the establishment of the “School and University Sports Federation” as a coordinating institution; and

¹⁵⁹ The law on sports was approved by DCM No.1720 dated 29 October 2008 “on the criteria determining high-level sporting, method of remuneration of athletes who meet these levels and treatment for the benefit of preparatory sports”.

- 2.4 An improvement in the quality of sports related instruction within the pre-university educational system through training, through improved materials and a didactic base for the improved health of students, and through the identification of talents and stimulation of elite sports.

3. Improving sports infrastructure and participation rates of Albanians in sports activities through:

- 3.1 Expanding existing internal and external sports facilities, in line with EU norms;
- 3.2 Establishment of two National Sports centers for up-to-date training of athletes;
- 3.3 Increased representation of Albania in the international arena, for e.g. in Tirana – former sports facility Dinamo, in Korça – former stadium Skënderbeu”); and
- 3.4 Reconstruction and construction of sports facilities in the schools.

4. Introduction of a functional scheme for the national sports system through:

- 4.1 Increased levels of basic and secondary funding for sports through sports lotteries sponsored by the state and other instruments; and
- 4.2 Improvements in sports legislation and its funding.

12.0 GROWTH THROUGH SUSTAINABLE USE OF RESOURCES AND TERRITORIAL DEVELOPMENT

The vision and priorities of the NSDI-II in terms of economic growth, take into consideration the vision of the European Union to ensure the development of a competitive European economy based on a balanced and sustainable use of resources. Greater attention will be given to further the development of the country's infrastructure to provide greater access to the population, in parallel with its further integration into European systems. Particular attention will be paid to the protection of nature, national resources and the sustainable use of the environment. It is also essential that the benefits of economic growth are spread across the country, including underdeveloped regions, aiming at balanced development and strengthened territorial cohesion.

In line with the Government's six key priorities described in **Part II** of this document, specific attention will be given to energy, water, agriculture and certain aspects of land and property. However, these more immediate priorities of the Government must be pursued in the context of the overall scope and associated policy priorities of these sectors as a whole. The sectors associated resources management in Albania are also directly and indirectly linked to other immediate priorities of the Government dealing with increased competitiveness, greater FDI flows and innovation. It is in these contexts that the specific visions, strategic objectives and anticipated results are presented and discussed for the sectors listed below.

Connectivity agenda

- Energy
- Transport infrastructure

Efficient public services

- Water and waste water supply
- Integrated waste management

Sustainable environmental and economic development

- Sustainable environment
- Spatial planning and urban development
- Agriculture and rural development
- Regional development and tourism
- Mines

12.1. The Connectivity Agenda

12.1.1. Energy

■ **Current situation.** As reiterated in **Part II** of NSDI-II, the Government has identified specific elements of power supply system, as one of the six key priorities for the mid-term, regarding addressing issues related to recovery and strengthening of sector finances, with an impact on macro-economic stability of the country. This sub-section refers to the broader objective of the energy sector, as one of the ongoing priorities of national development. Currently work is underway for the formulation of the National Energy Sector Strategy for 2015-2030.

The Government of Albanian considers the energy sector as important for the country's economic, strategic and social development. The primary focus continues to be in the provision of primary energy sources and the building of the necessary infrastructure for the safe supply of energy to clients.

Generation of electricity from renewable energy sources is considered as a potential source, and is dominated by the construction of small **hydropower** plants (HPP). Despite the fact that a number of concessionary contracts for building of small power plants have already been signed, only a small number have been built, accounting for only 8% of the country's energy generation. Despite high expectations of installed capacity, real progress has been very low due to several factors, primary of which is the lack of funding and the financial situation of wholesale suppliers.

With regard to exploitation of **wind power** for generation of electricity there have been efforts made for installation of windmills, but the results is not tangible. This is due to the ongoing economic and financial crisis that has had an adverse impact on the foreign investors involved in the construction of the facilities. Considering the potential of **solar power** as a source for generation of electricity, many local and international investors have expressed an interest in photovoltaic plants.

Albania is rich in **oil and natural gas** deposits, and there are prospects for the exploring new oil and gas accumulations . Given the country's rich petroleum resources, the sector has developed as a result of the introduction of foreign operators, both in terms of increasing crude oil production from existing fields as well as in the intensification of exploration in the exploration blocks. Albania is one of 49 member countries of the Extractive Industries Transparency Initiative (EITI)¹⁶⁰. In line with this initiative, the Government publishes periodical information reports on the extracting activity in oil, gas, minerals, and the contribution of this industry in the state budget, and the utilization of incomes from this industry, with the goal of promoting transparency and preventing corruption, as well as raising awareness of citizens to seek fair use of revenues from the utilization of natural resources of the country.

In 2015 work began for the implementation of TAP project (Trans Adriatic Pipeline Project¹⁶¹), thus paving the road for the implementation of gas supply infrastructure in the country. TAP project will enable transportation of gas from Azerbaijan to re-distribute it further in Europe. TAP project is considered as an excellent opportunity for the diversification of ways for the supply of natural gas. In addition, this project is a driver for building IAP (Ionian Adriatic Pipeline), thus establishing important lines for basic network of gas in the Balkans and in Europe.

The challenge remains the development of capacities in the oil sector. Thus, with regard to oil resources there has been no improvement processing of crude oil, resulting in continued very low production of petroleum by-products in the country. Significantly, almost all crude oil produced in the country is exported, while most oil by-products are imported.

¹⁶⁰ Extractive Industries Transparency Initiative (EITI) is an internationally recognized initiative since 2002, with the initiative of Mr. Tony Blair (at the time Prime Minister of Great Britain). Albania's reporting to EITI is in line with Law no. 10304 "On the mining sector in Albania", and Law on Hydrocarbons no. 7746, of 28.07.1993 (amended).

¹⁶¹ TAP, Trans Adriatic pipeline with connect Albania with main international corridors and networks. In particular, expansion of South gas pipeline, Trans Anatolia Natural Gas Pipeline (TANAP), Trans Adriatic Pipeline (TAP), and connection between Greece – Bulgaria (IGB), and the Trans Caspian pipeline are among the projects included in the list of Projects of Energy Community Interest-PECI.

The efficiency of energy use in Albania has progressed a little since 2009 as a result of a lack of investment for the realization of the First National Action Plan. Compared to the national target, only 3% of energy is saved as a result of efficiency.¹⁶² The National Action Plan on Renewable Sources of Energy covering the period between 2015-2020 was adopted in January 2016.

Reform in the energy sector went a step further with the adoption in April 2015 of the law “On power sector¹⁶³”, as the main law providing for relations in the power sector. The law tries to achieve a comprehensive and deep reform in the power sector, while meeting the responsibilities of Albania as a member of the Energy Community Treaty and an EU candidate member country. The law tries to ensure complete opening of the energy market and safe operation of the latter, which will guarantee power supply of consumers, meeting of obligations related to security of the system, and the development of an effective market operating in full compliance with market economy principles.

■ **Challenges.** The longer term challenges that need to be met in the energy sector apply to: (1) meeting the demands for energy in order to ensure economic and social development; (2) determining and applying best practices to meet demand on the “least cost” principle; (3) achieving short term increases of energy efficiency, in compliance with the country's EU integration obligations; (4) increasing the use RES and maintaining an economically viable approach to consumers; (5) addressing the development of tariffs in order to sustain private/public investment, and ensure customer protection; and (6) meeting the energy needs of vulnerable groups.

■ **The vision** *“An energy system based on market principles, able to meet demand for energy, for sustainable development of the economy, ensuring safety, environmental protection and increased welfare at minimum social cost.”*

The realization of the vision may be stated in terms of a high level goal, which is to ensure the security of supply in the internal market, based on the “least cost & environmental impact” principle, in harmony with EU *Acquis*, including those principles that underpin the NSDI-II. The anticipated outcomes applicable to all of the energy sub-sectors are:

- Security of supply for a sustainable development of energy
- A competitive market for generation & supply, and Regional and European integration of the Albanian Power Sector.
- A consolidated legal and institutional framework based on European standards.
- Integration of the Albanian Gas Sector in the regional and European gas connectivity initiatives based on a comprehensive energy security concept in the frame of the Energy Union.
- Gas, renewables and electricity will be a good combination to fulfill energy demand in the near future.

¹⁶² Energy efficiency monitoring report, GIZ, 2012

¹⁶³ Law no.43/2015, adopted on 30.4.2015.

The Government's Key Priority dealing with energy supply, and addressed by the Delivery Unit, forms part of the broader 2015-2020 strategy for energy. An immediate objective that applies to all of the energy sub-sectors is the final development, approval and implementation of the "*National Energy Sector Strategy, 2015-2030*". Strategic objectives in each of the main sub-sectors are given below.

■ **Strategic objectives in the electrical-energy sub-sector:**

The long-term objectives of the sub-sector include: (1) safe power supply for the clients, in line with state-of-art technical parameters; (2) diversification of sources of power generation; and (3) integration in the regional electricity market.

Main strategic objectives for the short to mid-term include:

- 1. Financial recovery and strengthening of the sector through:**
 - (I) Reduction of power losses in the distribution network;
 - (II) Increased cash collections from sale of electricity
- 2. Installation of interconnection networks with Kosovo and Macedonia, and integration in ENTSO network.**

■ **Strategic objectives for renewable energy and energy efficiency sub-sector by 2020:**

The long-term objectives of the sub-sector include: (1) meeting commitments of Albania in the context of Initiative 20/20/20, with the view of increasing use of renewable resources; (2) improving energy efficiency and reduction of CO₂ carbon emissions; (3) diversification of renewable sources in the country, not just from hydro resources, but as well from wind, sun, biomass and geothermal resources; and (4) management of power supply demand by improving efficiency of use of energy in particular in housing.

Main strategic objectives for the short to medium-term are:

- 3. Increased use of renewable energy,** compared to total final consumption of energy through adoption and implementation of the National Action Plan on Renewable Energy.
- 4. Increased energy efficiency in all sectors of the economy, compared to total final consumption of energy through:**
 - 6.1 adoption of the new legal framework "*for energy efficiency*", in accordance with Directive 2009/28 of the EC and the EU Acquis;
 - 6.2 implementation and monitoring of the First National Energy Efficiency Action Plan (NEEAP-1) for the period 2011-2018, and the second creation of the National Plan of Action for Energy Efficiency (NEEAP-2) for the period 2014-2020; and
 - 6.3 Approval of the legal framework "*Energy Performance of Buildings*" based on Directive 2010/31 / EC.

■ **Strategic objectives for oil sub-sector, by 2020:**

Long-term objectives of the sub-sector include: (1) maximization of public revenues through research and production activities, by enhancing institutional and technical capacities; (2) strengthening the regulatory role of the state; (3) modernization of capacities for processing crude oil, with the goal of securing by-products of higher quality, and lower cost; (4) building the appropriate infrastructure for transportation and distribution of natural gas, and ensuring its integration in the regional gas network.

Main strategic objectives in the short to medium-term include:

5. Increased production and processing capacities, through:

- (I) Increased local production of hydrocarbons;
- (II) Increased capacities for processing of oil in the country by at least 50%.

6. Utilization of Vlora thermal power plan with natural gas.

7. Aligning legal and regulatory framework in the oil sector with the EU *acquis* Communautaire, with the goal of enhancing fair competition and development of the gas sector.

8. Formulation of the Master plan for the gasification of Albania and its regional integration in gas infrastructure to diversify gas sources and supply, with the goal of diversifying sources of gas supply, and **enhancing technical capacities** for the management and improvement of the natural gas market.

9. Development of basic gas infrastructure, through (i) support for the implementation of TAP and IAP projects in: (ii) support for the gasification of the country (including supply with natural gas of main industrial clients).

10. Development of hydrocarbons sectors, with due attention for the environment.

12.1.2. Transport infrastructure

■ **Current situation.** The development and modernization of Albania's transport infrastructure has been and remains one of the top priorities of the Government. The aim has been to create the preconditions for the development of other sectors of the economy, to increase the accessibility of freight and passengers in trade and service delivery, and to significantly contribute to overall economic growth and development of the economy.¹⁶⁴ The development and modernization of Albania's transport infrastructure has been and remains one of the top priorities of the Government. The aim has been to create the preconditions for the development of other sectors of the economy, to increase the accessibility of freight and passengers in trade and service delivery, and to significantly contribute to overall economic growth and development of the economy.

A basic draft of the "*National Sector Strategy for Transport 2016-2020*" is expected to be finalized upon revision of the National Transport Plan. Despite significant investments especially in improving road

¹⁶⁴ Also in the framework of Article 106 and protocol 5 of SAA.

infrastructure, the transport sector has yet to become a significant promoter of economic development in Albania. Timely and adequate funding of annual and mid-term-program investments remains problematic. Further, the quality of transport related public works is still not yet up to EU standards.¹⁶⁵ Below is a summary of each of these key segments of the transport sector (roads, railways, maritime transportation, airline and a combination).¹⁶⁶

Road transportation. Several conventions and agreements have been signed with neighboring countries on international road transport for passengers and goods and regarding mutual recognition of driving licenses with Kosovo, Montenegro, Croatia, Macedonia and Serbia. The transposition of the EU *Acquis* is done in accordance with engagement derived from articles 54, 59, 70 and 106 of the SSA, and the articles 2, 11, 14 and 16 of protocol number 5 of the SAA for transport. The EU legislation on road transport has been developing over many years and currently constitutes a significant number of legal acts (as Directives or Regulations, as well as for case law of the Court of Justice of the European Union). While all such acts are of importance, domestication thereof into a legal order of any country as a rule takes place gradually, according to the national priorities of Albania.

The majority of investment has been directed at road infrastructure and the construction of main road axes (North-South Highway Durrës-Kukës as well as some segments in corridor VIII).¹⁶⁷ The main goal of these investments was ensuring integration in the Balkans and Pan European network transportation systems, while they were not accompanied by projects that would have an impact on the development of regional and local economies potential. There is in place a Strategy for the road toll tax that would ensure optimal use of road tolls in Albania.

Increased capital investments in road infrastructure have resulted in the need for a re-balancing of maintenance expenditures. The benefits derived from roads can be sustained only if road infrastructure capital investments are complemented with adequately funded and well-planned maintenance. The budget allocated for road maintenance is about 25% - 30% of the total budget needed for road infrastructure maintenance.

Limited road safety is a major issue for Albania. The number of accidents resulting in fatalities, serious or light injury has increased significantly over the past 10 years. Fatalities are high compared to European standards and it is the aim to see these reduced by half by 2020 from 2009 levels. This issue has health,

¹⁶⁵ Albania fully supports the inclusion of some key transport segments of the SEETO comprehensive network in the TEN-T Core Network, which will increase national network standards in Albania in order to comply with the EU standards.

¹⁶⁶ This summary analysis is based in large part on the “*Sector Planning Document*” for the transport sector which was developed by the Government in late 2014 (Ref. Ares (2014)3784354 - 13/11/2014).

¹⁶⁷ Albania is also part of the SEETO Comprehensive Network. Regional cooperation in the transport sector, is realized through active participation in SEETO, in order to absorb investments in the infrastructural projects with regional importance. Furthermore, participating in the BSEC (Black Sea Economic Cooperation) intensifies regional cooperation in the transport sector and determines effective ways to use the inter-regional capacities and growth potential of the Black Sea Region countries.

social and safety dimensions, and it is also an issue of public order, as discussed in Section 8.5 of this document.¹⁶⁸

Railway Transportation. The state of rail transport in Albania has been declining for several years. This is reflected in declining rail traffic volumes for both freight and passengers, especially with the closing of the Tirana railway station which had processed about 50% of annual passenger volume. State budget allocations have been far less than what would be required to bring rail transport up to technical standards required by the domestic as well as international market.

The European Transport Policy defines a vision for integrated, upgraded and inter-modal railway transport, a vision which can be applied to Albania to modernize and integrate its own railway system with EU rail corridors. Recent government efforts have focused on drafting legislation that is aligned with the EU as a precondition for comprehensive institutional reform, and the strengthening of administrative capacity. A first step in this direction was the formulation of the *"Rail Code of the Republic of Albania"*, which is foreseen to be finalized in 2016. Subsequent to this, three other implementing legal acts will be prepared and approved on infrastructure management, railway undertaking and the setup of the Railway Security Authority.

Maritime transport. Albania has a considerable coastline, many parts of which are conducive to the construction of port facilities. Ports present very significant economic growth and potential as they can serve as a transport hub for the region. Over the past several years, there has been a significant increase in maritime traffic in the Ionian & Adriatic region, including in Albanian waters. Due to anticipated growing demand for marine transportation, increased traffic volume is expected to continue well into the future, both in terms of the number and the size of ships. The Government has recognized these trends and has invested considerable attention and resources in port infrastructure construction over the past few years.

In Albania there are four maritime ports that process both cargo and passengers and two oil terminals. There is a growing trend in the traffic of goods, which is expected to continue. In this context, given an expected growth in traffic and demand, the Government will continue to invest in marine infrastructure, including greater attention to be given to the need for greater safety, security and protection against environmental hazards.

Air transportation. Civil aviation is characterized by rapid and dynamic development, mainly thanks to policies of the Government, in meeting European Standards for trade liberalization and safety under the common European Agreement of Civil Aviation. An important example of this progress is in the number of passengers flying through "Mother Theresa" airport, which has seen an average growth of approximately 7%. Current efforts are being applied to implement the covering legislation and to achieve further

¹⁶⁸ There are a number of institutions involved in road safety in Albania: the Directorate of Traffic and Road Safety of the Ministry of Transport and Infrastructure; the Albanian Roads Authority (ARA); the General Directorate of Service Road Transport; the General Police Directorate in the Ministry of Interior, and the Red Cross among others. There exist weaknesses in overall coordination among these institutions, in terms of roles and responsibilities, in delivering services, in collaboration in carrying out their common projects, and in funding arrangements. The Secretariat of the Inter-ministerial Road Safety Council (RSC) has been established as part of the road safety system and representative body of stakeholders for improving road safety in Albania.

alignment with the EU *Acquis*, including the adoption of air service operations, air carrier liability, working time for mobile workers in civil aviation and insurance regulations.

It is also noteworthy that Albania, through the Albanian Civil Aviation Authority, is part of the Joint Service Provision Area - (JSPA) Initiative, which aims to enhance the cooperation between competent authorities through the sharing of expertise and human resources and through training activities such as auditing courses and multilateral seminars.

Combined transport. Combined transport in Albania is currently in the form of multimodal transport, which is defined by shifting transport by sea to road and vice versa. This combined transport is applicable for the transport of containers stored at the port of Durres towards Kosovo. Multimodal transport is expected to be developed in the years ahead, as it will include also the transportation of goods by rail, mainly after the rehabilitation of the Tirana–Durres railway line.

The overall objective for developing multimodal transport in Albania, is through gradual development linking Albanian ports with those of neighboring countries especially in the axes: (1) Corridor VIII (to complete construction of the railway line with the Republic of Macedonia and to connect it with the Adriatic Sea and Ionian Sea); (2) Tirana Shkodër – Podgorica; (3) ports Durrës-Vlore, Shëngjin; and (4) Kosovo and beyond.

■ **Challenges.** The overall challenge ahead is to address existing weaknesses in transport by building modern infrastructure according to international and EU standards, by increasing road safety, by increasing system efficiency, by improving and maintaining transport infrastructure according to European standards, by ensuring the protection of environment, and by ensuring compliance and further integration with neighboring countries as well as with the TEN-T Network.

The main challenges associated with **road transport** over the 2015-2020 NSDI-II planning period include the need to: (1) complete construction of the national road network, including strategic arteries;¹⁶⁹ (2) complete the feasibility study for the Adriatic-Ionian Motorway North-South¹⁷⁰ (to facilitate the commencement of works on particular segments), including the full completion of the road Milot-Morine, Arber Road as a branch of Corridor VIII, etc.; (3) harmonize national legislation with the EU *Acquis* for road transport of goods and passengers, (4) reform the intercity passenger road transport network; (4) maintain road transport infrastructure according to EU standards; and (5) apply technical standards including the need to increase road safety.

In the framework of the “*Berlin Process*” and the Connectivity Agenda/Initiative, the Government is committed to improving regional cooperation. The following segments of the Albanian territory are part

¹⁶⁹ Such as corridor VIII (the Tirana - Elbasan, Qukës - Qafë Pllacë, etc.) as well as the Green Corridor the North – South highway (the Tirana Durres part / expansion of the existing two lanes in three lanes for each side, Thumanë-Vora, the Tepelena bypass etc., as well as new investments for upgrading them to EU standards, such as doubling the Milot-Lezha-Shkodra, etc.).

¹⁷⁰ Which is now part of the extension European TEN-T Corridors, also part of the Core Network Corridors for the Western Balkans (based on the SEETO regional development plan) which encompasses the Albanian North-South Road Corridor linking the Montenegro Border with the Greek Border).

of SEETO¹⁷¹ and TEN-T networks¹⁷²: (1) the North–South National Road Corridor, part of the agreed Adriatic–Ionian Corridor, going through Croatia, Montenegro, Albania and Greece; (2) the Durrës–Morinë road segment, part of Nis–Prishtina–Durrës route, connecting the existing Corridor X to Adriatic coast; and (3) Corridor VIII - road that connects the Adriatic to the Black Sea.

Main challenges in the **railroad transport** are related to the need for: (1) reforming the rail system to set up an open market for different investors whether in terms of infrastructure management or cargo operators; (2) strengthening capacities at all levels, thus enabling the administration to effectively respond to interoperating (among various infrastructure managers and entrepreneurs) and interactive (completion of technical standards) requests at the European level; and (3) creating favorable legal and institutional conditions for attracting foreign investments; (iv) improving railroad infrastructure through rehabilitation of existing lines and building new lines to ensure regional interconnection.

In the area of **maritime transport**, the key challenges ahead include: (1) the modernization of port infrastructure through investment; (2) the need to strengthen the Maritime Administration in accordance with EU standards; (3) the need to achieve greater specialization of port functions with a view to increasing their intermodality, particularly with respect to improving rail connectivity; and (4) ensuring better port processing skills combined with an orientation towards an intermodal system: this would have a positive impact on the economic development of the country.

Finally, with respect to **air transport**, the main challenges include: (1) the development and construction of new airport infrastructure in the south of the country; (2) the creation of a more competitive market with liberalized air services; (3) the implementation and unification of international and EU standards for air safety; and (4) a reduction in travel passengers tariffs.

■ **The vision.** *“An efficient transport system, integrated in the region and in the EU network, which promotes economic development and the citizens quality of life”*

The main objective in the field of transports is accelerating the integration of the transport system, the establishment of an integrated market, consisting of transport infrastructure by land, by sea and inland waterways that efficiently supports the demand for transport development. To achieve this objective, the first step is the finalization of Sectorial Strategy for Transport and the Albanian National Transport Plan. This includes the approximation of national legislation with EU legislation, and the harmonization of the rules on safety and standards, environmental preservation and transport services.

■ **Strategic objectives for road transportation by 2020:**

1. **Strengthening cooperation with Kosovo, Macedonia, Greece and Montenegro through land connections**, in order to increase average annual volume of cargo and passengers.
2. **Improving national road network maintenance and performance, with private sector companies**, through the road assets management system and the implementation of the World Bank “Road Safety and Management” Project.

¹⁷¹ Regional South East European Transport Observatory (SEETO)

¹⁷² Trans European Transport Network (TEN-T)

3. **Strengthening coordination, capacities and funding of the various road safety related institutions, which will lead to a drop in the number of road accidents by 2020.**
4. **Expanding the national roads network** through partial crossing routes of the rural network into the national road network (under the administration of the Albanian Road Authority), with the aim of improving performance-based road maintenance.
5. **Developing a central database on passengers, road transport operators and goods, enabling full monitoring of all operators in road transport.**
6. **Ensuring operation of road passenger transport market in line with EU standards.**
7. **Ensuring the establishment and functioning of a single selection mechanism for identifying priority investments** considered for blending IPA II grants with IFI loans in line with the existing transport strategies and plans (applies to all transport modalities).

■ **Strategic objectives for railroad transportation:**

8. **By 2020, the volume of passenger traffic will increase five times, while cargo transportation will double comparatively** (focusing on regional transportation) by building the following railways: Tirana-Durrës, Vorë–Hani-Hotit, Durrës-Elbasan, Rrogozhinë-Vlorë and Elbasan- Pogradec-border with Macedonia.¹⁷³
9. **Formulation of a comprehensive legal framework for rail transport, including a new railway code,** that will foster an open market for operations and interoperability with technical standards aimed at high speed by:
 - 9.1 incorporating the Railway Regulatory Entity within the Competition Authority;
 - 9.2 establishment of railway entrepreneurs on infrastructure; and
 - 9.3 establishment of railway entrepreneurs on operations.
10. **Establishing safety entity for protection of railroad traffic** through: establishment of the Safety Authority; establishment of Railroad Licensing Authority; and establishment of the Unit for Investigation of Incidents and Accidents.

■ **Strategic objectives in the field of maritime transportation:**

11. **Development of maritime transportation in order to achieve EU standards,** by increasing the number of seafarers to align it with the standards of the International Maritime Organization (IMO).¹⁷⁴
12. **Continue the development of ports through investment as per master plans and with an orientation towards the market economy by 2020 through:**

¹⁷³ This would include the extension of TEN-T to the Western Balkans Core Network Definition Railways: Route 2 - Podgorica (Montenegro) – Durres/Tirana (Albania).

¹⁷⁴ Extension of TEN-T to Western Balkans Core Network Definition Sea Ports – Durres.

- 12.1 Increase in the volume of cargos handled in the Albanian ports;
- 12.2 Growing number of ferry passengers;
- 12.3 Rehabilitation of the infrastructure and superstructure of Durrës port authority and portual authorities of Vlora, Saranda and Shëngjin, including tourist ports; and
- 12.4 Increased volume of container processing.

- 13. Development of tourist ports including the construction of their infrastructure and superstructure,** in order to increase the number of tourist vessels that will board in these ports, thus increasing the number of tourists and revenues generated from the marine tourism.

■ **Strategic objectives in the field of air transportation:**

- 14. Harmonization of international transport with national transport, as well as making the latter efficient for public service.** This represents a political challenge: the Republic of Albania will be an integral part of the European aviation system and Tirana International Airport might become an important regional hub for air transport in South East Europe, taking into account the very good geographical position of Albania in this region.
- 15. Ensure that the Albanian air transport market will become competitive,** in full compliance with international standards to ensure direct flights with main European airports in order to increase in the flow of passengers to and from Albania.
- 16. Strengthening regional cooperation in the field of air transport,** through the efficient implementation of legislation and airport projects, aimed at increasing traffic capacity and using the most effective methods of attracting private capital to these services,
- 17. Improving passenger flows** by creating a competitive market, fully aligned with international standards.¹⁷⁵
- 18. Implementing unified standards for security and safety** through the adoption of international documents of Civil Aviation Security, targeting an average 10% annual reduction in shortcomings in enforcing safety standards.
- 19. Strengthening the role of Civil Aviation Authority as the National Supervisory Authority** in civil aviation, through continuous monitoring and analysis of the market and of the costs of civil aviation.

12.2. Efficient public services

12.2.1. Integrated Water Management

Water is vital. Albania is very rich in water resources, including surface and underground water, with highest available water quantities per capita, at 8,700 m³/year. Even though Albania is rich in water resources, use and utilization of these resources has suffered from inappropriate and inefficient water management. The management of the water sector has suffered from fragmented management, with the

¹⁷⁵ This would include the Indicative Extension of TEN-T to Western Balkans Core Network Definition Airports – Tirana (TIA/LATI).

involvement of several water-related institutions, often leading to an overlap of responsibilities. The approach to integrated water management is referred to in Chapter 2. The main pillars of the government's water policy are as follows:

1. Water for people (focusing on water supply and sewerage)
 - 1.1 Water for food (focusing on irrigation and drainage)
 - 1.2 Water for environment (focusing on water resources)
 - 1.3 Water for industry (focusing on energy, economy etc.)

■ Water for people: Improving water supply and sewage service

■ **Current situation.** Water supply and sewerage in Albania (as part of the “water for people” component under the Integrated Water Management priority as discussed in Part II of this document) have seen some improvements over the past several years. There is in place a strategic framework for the sector: “National Strategy for Water and Sanitation 2011-2017” and the Water Master Plan 2011-2025.

Currently, coverage with water supply is available in almost 80% of the urban areas and 50% in the rural areas. Waste water coverage is approximately 80% for the urban areas and 10% for the rural ones. Investments have not generated expected efficiency gains in service levels due to a number of factors: (1) the manner in which the investments have been distributed over the years; (2) high costs of wastewater treatment due to poor operations and maintenance; and (3) sub-optimal quality management of service delivery.

The level of water losses remains high and problematic. Currently, water production capacity in Albania is 270 million m³ and is produced from 316 sources¹⁷⁶. The data shows that only 89 million m³ or 33% of water produced is sold in order to generate revenues from the sector. Consequently, 181 million m³ or 67% of the produced water results in lost revenues.

The main issues with respect to water supply and waste water include: (1) lack of adequate infrastructure; (2) sub-optimal water coverage for both urban and rural areas; (3) inadequate waste water coverage; (4) large number of illegal connections; (5) low service availability at an average of 12 hours per day; (6) low use of metering (flat rates applied widely); (7) non-billed water, and low collection rates; (8) out of eight waste water treatment facilities, only five are operational.

There are prevailing concerns in the overall management of water and waste water services as well: (1) local governments do not exercise their responsibilities as set out in the law; (2) formal Supervisory Councils fail to regularly observe the requirements of the law, including weak enforcement; and (3) the generally weak professional and technical capacities of the water supply companies.

■ **Challenges.** The overall challenge in the sector over the next several years is to meet the demands

¹⁷⁶ 109.8 million M3 /year water is generated from 93 “Free Flow” system sources, and 160.5 million m3 /year, water generated from 223 mechanical system sources.

for water supply and waste water services. Specific challenges include: (1) the need for improving water supply and waste water services, while increasing their access; (2) - the need to improve the efficiency of utilities in urban and rural areas by applying the principle of full cost recovery; (3) more attention to the identification, formalization and differentiation in the tariff structure; (4) a better defined orientation of investment in the infrastructure sector towards the optimal and efficient use of electricity; (4) the need to strengthen overall capacities in the protection of water resources; (5) reducing service delivery costs; and (5) a general restructuring of the sector.

■ **Vision.** *"A reliable nation-wide system for water supply and sanitation services that meet the needs of a developing economy and of the society at large, while also preserving and protecting the environment, the health and the safety of citizens"*

■ **Strategic objectives regarding water for people**

1. Expanding and improving the quality of water supply and waste water services by:

- 1.1 Updating and full implementation of the National Water Supply and Waste Water Sector Strategy, 2011-2020";
- 1.2 Achieving water supply coverage in the urban areas, and coverage of water supply in the rural areas;
- 1.3 Achieving waste water network coverage for the urban and rural areas;
- 1.4 Increasing the number of households connected to the water treatment facility;
- 1.5 Increased water supply coverage countrywide; and
- 1.6 Reducing non-revenue generating water amounts.

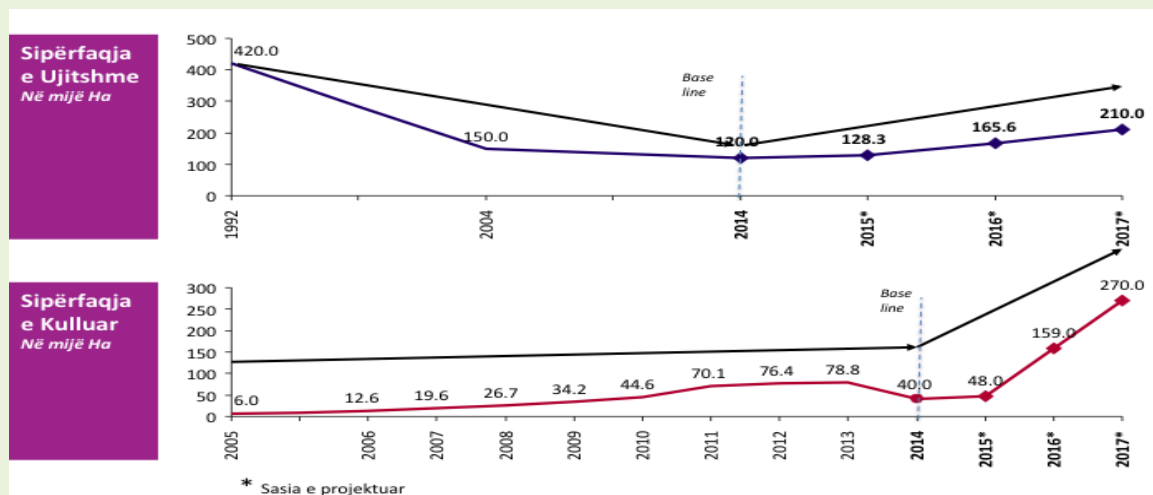
2. Improving the efficiency and effectiveness of water utilities in urban and rural areas through:

- 2.1 Applying full cost recovery principle;
- 2.2 Review and possible adjustment of tariff structure;
- 2.3 Re-organization of water services, in line with new territorial reform; and
- 2.4 Building waste water treatment facilities, in line with the National Water supply and waste Master Plan.

■ **Water for food.** Agriculture is a strategic development sector of the Albanian economy, as discussed in Section 12.3 of this document. Access to irrigation and drainage systems to increase the availability of usable land is a critical prerequisite for its development and is of high significance in the wider, rural development context. Moreover, meeting the requirements of the EU single market is a major challenge that Albania is currently facing on its path to EU integration. Providing access to irrigation and drainage services will dramatically improve the incomes of Albanian farmers, increase the productivity and competitiveness of the sector domestically and internationally and spur economic growth. Figure 44 illustrates the situation of irrigated and drained land during 2005-2015, and expected outcome following implementation of Government priority policies in improving the sector for 2016-2017.

Ensuring access to irrigation and drainage services will sustainably improve farmers revenues, increase productivity and competitiveness of the sector in the country and abroad, and enhance growth.

Figure 44. Historical trends and projections for irrigated and drained land



Source: Ministry of Agriculture, Rural Development, and Water Administration

The agriculture sector is one of the most important water users, particularly for food production. However, this sector is confronted with several issues: (1) water shortages for irrigation during the summer period; (2) risk of floods during heavy rainfall in the winter-spring period; (3) safety concerns over irrigation reservoirs and dams; (4) old and deteriorating infrastructure (interventions in the systems are becoming overly costly); (5) lack of funding and investment in maintenance of irrigation and drainage systems; (6) lack of an operational cost recovery system; and (7) the need to address institutional and user issues.

The Government is committed to radically improving the irrigation and drainage dimensions of water management system performance as well as to improve the productivity and competitiveness of the agriculture sector. Reforms aim at creating better economic and social conditions for Albanian citizens and businesses, especially targeting the rural population involved in farming. The outcomes have started to be tangible in increased land surface with access to irrigation, and a qualitative improvement in the Albanian drainage system. (See Figure 42)

Strategic objectives related to “Water for Food”

2. Strengthened management of water used for food production through:

- 2.1 Increased area of irrigated land, as measured in the number of hectares covered by fully functional irrigation systems;
- 2.2 The qualitative improvement in the functionality of the drainage system, as measured in hectares covered by fully functional drainage systems;
- 2.3 Rehabilitated and modern irrigation, drainage and flood protection infrastructure;
- 2.4 The development and implementation of mechanisms for the sustainable management of irrigation, drainage and flood protection systems (also noted in Section 5.3 on the Government’s priority dealing with irrigation and drainage);

3. Improving performance of water-related authorities and institutions through:

- 3.1 Review and strengthening of the mandate of Local government units;
- 3.2 Strengthening the role of Drainage Boards.

■ **“Water for Environment”**. From a hydrological point of view, the country is divided into six river basins, namely: Drin-Buna, Mat, Ishem-Erzen, Shkumbin, Seman and Vjosa. There are central and local authorities responsible for their management; however, very often they were seen to overlap responsibilities and lack proper management. With the rapid and uncontrolled economic development over the last two decades, and based on data provided by yearly environmental status reports, the quality of the water resources has deteriorated significantly. River gravel extraction and the construction of hydro power plants has placed major pressures on waters and river beds.

The main instrument for managing and protecting water resources is the river basin management plan, a new concept for Albania, introduced by the EU Water Framework Directive. Currently work is underway for drafting River Basin Management Plans.

The Thematic Group on “Water for environment” is responsible for water quality, under the leadership of the Ministry of Agriculture, Rural Development and Water Administration, and in cooperation with the Ministry of Environment, for preparing specific emergency plans for addressing challenges of the sector. Currently is being drafted the Strategy for Water Resources Management, while the challenge remains the basin-based water resources inventory.

Strategic objective related to “Water for environment”

1.0 To ensure the sustainable use of water as an essential component of the natural environment through:

- 1.1 The establishment and maintenance of the electronic national water cadaster;
- 1.2 Protection and proper management of the river basins, through the development and implementation of management plans.
- 1.3 Strengthening of the role, mandate and responsibilities of institutions at local levels;
- 1.4 Linking and coordination of water use with tourism development activities;
- 1.5 The coordination and management of water use in the context of climate change / mitigation related issues; and
- 1.6 The Rehabilitation of damaged river beds.

■ **“Water for industry”**. Water is widely used in the industrial sector, including the energy production sector. Priority areas of this development include the food industry, mining, light industry and electricity production. Nevertheless, the over exploitation of both surface and groundwater, has led to difficulties in ensuring water supply for all users at the required time, in terms of both quantity and quality.

The main challenge for this thematic area relates to ensuring water availability for every industrial process, without compromising quantity for living and ecosystem services.¹⁷⁷ However, the generation and sale of hydro-electric power is one of the main sources of Government revenue, and hence has a

¹⁷⁷ The Thematic Group for water for industry is responsible for water used for hydropower production and industry under the leadership of Ministry of Energy and Industry and the Ministry of Economic Development, Tourism, Trade and Entrepreneurship.

direct impact on fiscal stability. Despite its economic importance, the sound development of water for industry is impeded by a lack of surface and ground water inventories (specifically for water resources potentially to be used for electricity production) and legal gaps in the responsibilities of river basin authorities.¹⁷⁸

Strategic objective related to “Water for Industry” aspect:

1.0 Ensuring sustainable use of water for industrial purposes, in particular power generation through:

- 1.1 Identification and assessment of water resources to be used for power generation; identification of identified potential map; and
- 1.2 A clear definition and distinction of roles, mandates, duties and responsibilities of institutions regarding use of industrial water, in particular in terms of power generation, mining and other forms of processing.

¹⁷⁸ And as noted in Section 12.5 on Environment, one of the challenges stated therein is the more strategic management of water resources. This is also to be addressed by the development of the National Water Sector Program.

12.2.2. Integrated Waste Management

■ **Current situation.** In the course of 2007-2013, Integrated Waste Management was one of the Government's priority areas for regulatory reform. The *"National Cross-cutting Strategy for Waste Management 2010-2025"* and the *"National Plan for Waste Management 2010-2025"* were approved by the government in 2011. However, the priority for waste management was not adequately reflected in Government strategic and budget planning. Consequently, reform priorities in the sector have focused on the legal and regulatory frameworks, where a series of international obligations arising from the SAA and the requirements of the Basel Convention were adopted through amendments to a number of important laws.¹⁷⁹

With regard to final removal of waste, the method currently applied in the country is through *"waste dumps"*. There are 65 such open waste dumps in the country, mainly in the outskirts of the cities and villages, and in many instances by the rivers. They present health risks to the local populations and to the surrounding environment. Except for the sanitary landfill in Sharra (for Tirana), inter-regional landfill in Bushat (for the districts of Shkodra and Lezha), and two local sanitary landfills in Rrëshen and in Bajram Curri, there are no other functional landfills. The regional landfill in Bajkaj (Saranda region) is expected to be operational and work is ongoing to build the landfill of Maliq for the Korça region.

There exist a number of significant concerns with respect to the integrated management of waste. First, there is an absence of a well-organized system for the reduction, collection and transportation of solid waste. Services are oriented mainly in urban areas, with the resulting creation, in rural areas, of open illegal landfills, pollution hotspots and the pollution of territorial space. Second, practices associated with waste separation at source, or the intermediate treatment of waste, are sporadic. These are mainly in the form of pilot projects which are considered to be unsustainable. Hence, recovery levels of recyclable waste at source are extremely low, with only 10% of recycled urban waste generated, and none of it composted. Third, the management of hazardous waste is sub-standard due to inadequate segregation and the absence of any means for processing. Consequently, hazardous waste is for the most part exported to other countries through licensing arrangements with private companies.

Strategic studies identify landfills as the most appropriate medium-term means for final waste disposal. However, with the adoption of new administrative-territorial reforms, it will be necessary to review the policy and planning of integrated waste management at the regional level, in order to achieve economies of scale.

■ **Challenges.** The main challenges for integrated waste management over the 2015-2020 planning period can be summarized in terms of: (1) the need for the further establishment and functioning of

¹⁷⁹ Law no. 10463, dated 22 September 2011 *"On the integrated waste management"*; Law no. 10431, dated 9 June 2011 *"On Environmental Protection"*; Decision no. 798, dated 22 September 2010 *"On the management of hospital waste"*; Decision 175, dated 19 January 2011 *"On approval of the National Plan and Strategy on Waste Management"*; Decision no. 177, dated 6 March 2012 *"On the packaging and packaging of waste"*; and Decision no. 178, dated 6 March 2012 *"On waste incineration"*.

integrated waste management; (2) the promotion of public-private partnerships; (3) the need for financial empowerment of local governments and service cost recovery; and (4) the regionalization of services.

■ **The vision.** *“An efficient and effective integrated waste management system that contributes to the protection and conservation of the environment, the protection of human health and safety, and supports the rational use of natural resources through reuse, reduction, recycling and recovery ”*

■ Strategic objectives

1. Ensuring comprehensive and strategic management for integrated urban solid waste management by:

- 1.1 updating and full implementation of the “National Cross-cutting Strategy for Waste Management 2010-2025” and “National Plan for Waste Management 2010-2025”;
- 1.2 formulation of the Master Plan for integrated urban solid waste management;
- 1.3 conduct of studies and design for the closure and rehabilitation of waste dumps for 15% of the most hazardous sites; and
- 1.4 conduct of studies and the design for the creation of new regional landfills servicing 50% of the national territory.

2. Improving overall waste management performance, by 2020 through:

- 2.1 Increasing amount of waste going to landfills;
- 2.2 Increasing amount of waste going for recycling and compost;¹⁸⁰
- 2.3 The implementation of rehabilitation plans for 9 priority hotspots and the development of plans for the remaining hotspots;
- 2.4 The construction and operation of two landfills;
- 2.5 The rehabilitation of the 5 existing landfills; and
- 2.6 The planning for and construction of at least 1 plant for the treatment of hazardous waste.

3. Improving waste management accountability through:

- 3.1 Establishment of a central/regional Authority for the review and approval of tariffs for removal of waste in landfills;¹⁸¹
- 3.2 Review and improvement of concession services and contracts; and
- 3.3 Strengthening capacities of waste management responsible institutions.

12.3. Sustainable Environmental and Economic Development

¹⁸⁰ In addition to recycling and composting of waste, this could include also re-use, incineration / energy generation as well.

¹⁸¹ The Albania Regulatory Authority for the Water Supply and Wastewater Disposal and Treatment Sector has the legal mandate for establishing tariffs.

12.3.1. Sustainable environment

■ **Current situation.** Environmental protection is a shared responsibility in Albania. The scope of environment as a sector covers issues associated with air quality, climate change, chemicals and waste management, industrial pollution, the natural environment and protected areas, forests and pastures, and water quality. Consequently, the sector has required a strategic, integrated and complex approach, where tackling environmental issues demands serious commitment in terms of both the regulatory/legislative basis as well as in terms of infrastructure investment. The “*National Cross-cutting Strategy for Environment 2014-2020*” is currently under development and is expected, upon implementation, to address the many concerns discussed below.

Air quality. In addressing aspects related to air quality, commitments in 2007¹⁸² until 2012/13¹⁸³ resulted in significant improvements of 30%¹⁸⁴ in the main urban areas. However, the population’s exposure to air pollution continues to be problematic, as measured by an increase in the annual rate of polluted days.¹⁸⁵ The main sector contributing in greenhouse gas emissions is energy (57.29% of the total), followed by transports and agriculture (16.85%), industrial processes (14.67%), change in the use of land and forests (8.88%) and waste (2.31%). Meanwhile, Albania has transformed itself from a “GHG emitter” to a “GHG sink”.

Present per capita emissions in Albania are around 2.8 tons per capita (as compared to EU 27 emissions at 9.9 tons/capita). Emissions per unit of GDP are around 0.6 tons of CO₂ per 1000 USD (as compared to EU 27 emissions of 0.4 kt CO₂ per Euro of GDP). Albania has relatively low per capita emissions, but rather high emissions per unit of GDP due to the low GDP level. Therefore it can be expected that emissions will grow in the future as the economy develops, but at the same time there is large potential for efficiency gains in this process

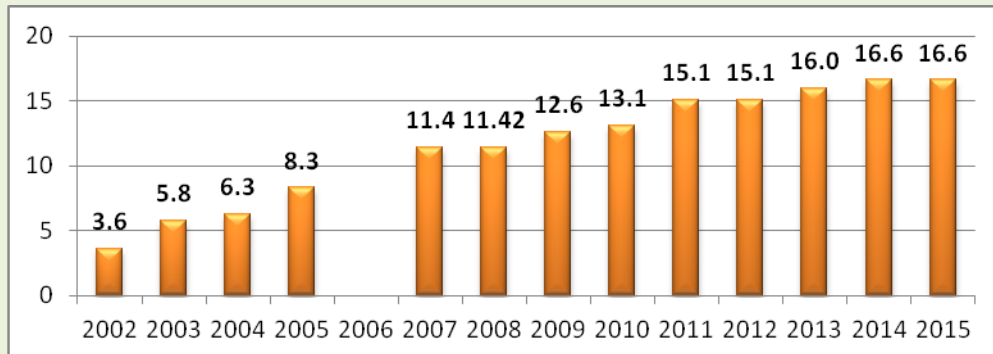
Protected areas. The proportion of the country’s coverage of protected areas increased from 10.4% to 16.6% of the country’s territory by 2015, of which 16.1% is for inland and coastal areas and 0.5% is for the marine area. As seen in Figure 55, the proportion of these protected areas has increased steadily over the past 14 years, and has exceeded the MDG target of 14%.

¹⁸² Comparative year for the National Strategy for Development and Integration, 2007-2013.

¹⁸³ Source: State of the Environment Report for 2012 and 2013 (published by the National Environment Agency) and administrative data provided by the Ministry of Environment.

¹⁸⁴ PM_{2.5} and PM₁₀, SO₂, NO₂, CO, Pb, O₃ and benzene.

¹⁸⁵ According to EU standards, the number of days with pollution levels above the minimum is 35 days per year.

Figure 45. Percentage of protected land and marine areas, 2002-2015

Source: Ministry of Environment, MDG Report 2015

Climate change. Adapting to **climate change** is a significant challenge for Albania. So far, adaptation was taken into account to some extent only in planning for agriculture and forestry. The most urgent adaptation issue is with respect to coastal erosion that is threatening and causing the loss of the most valuable land in coastal zones, including land for residential and tourism use and for protected natural areas.

Forests and pastures. Work has been carried out on 12,000 hectares of degraded forests, resulting in the reduction in the erosion of 200,000 tons of sediments. However, there is a continuing need to increase the efficiency of management associated with 38% of economically sustainable forests and the rehabilitation of 50% of degraded areas.¹⁸⁶

Water quality in Albania is improved by 8%, according to main indicators¹⁸⁷ for pollution and referred to EU standards on water pollution. Out of 73 water quality monitoring stations in coastal areas for 2013, 42% (or 31 stations) received an “excellent quality” categorization; 11% (or 8 stations) with “good quality”; 4% at “sufficient quality” and a fairly significant 42% (or 31 stations) categorized as having “poor quality and in need of immediate action”. The number of stations receiving “excellent quality” decreased from 2012 to 2013, while the number of those falling under the other categories increased compared with 2012. The main factors for this are the increased pollution levels in coastal waters directly and indirectly caused by discharges of urban waste water. According to the EU Progress Report for 2013, the operation of wastewater treatment plants remains problematic.

Chemicals. The legal framework for chemicals is partly in line with EU legislation. In compliance with NPEI (2015-2020), the law on chemicals and 3 bylaws are expected to be adopted in 2015.¹⁸⁸ The control of hazardous chemicals is covered mainly through procedures established by the relevant international Rotterdam, Stockholm and Basel conventions on chemicals.

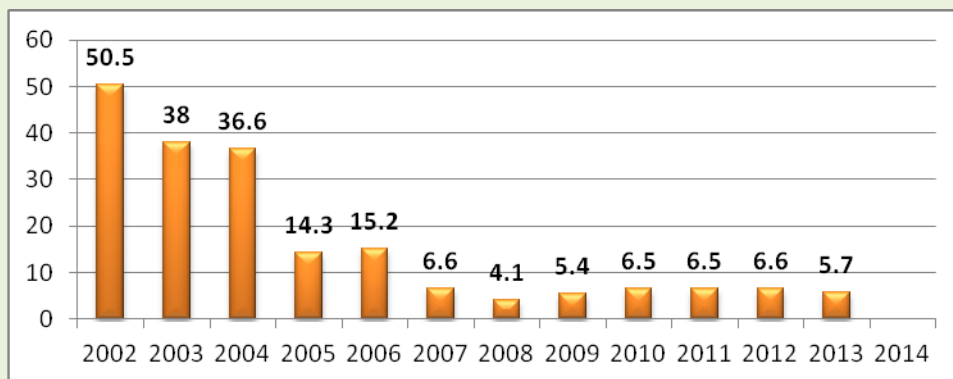
¹⁸⁶ Source: Report II “Environmental Performance Review”, Albania, UNECE, 2012.

¹⁸⁷ The Data refer to the State of the Environment Report 2012 and 2013 (published by the National Environment Agency); BOD5, NH4, P-total.

¹⁸⁸ Issues related to other aspects of waste management are addressed under Section 12.9.

Regarding prevention of **industrial pollution**, different legal measurements were adopted in line with the EU directive on industrial emissions. In addition, it is expected that the Decision of the Council of Ministers will be adopted in 2015, and the Pollutant Release and Transfer Registers (PRTR) by 2017, at which time the BATs will also be prepared. In the area of ozone depletion substances, Albania has marked considerable progress in the recent years, as indicated in Figure 46, going beyond MDG-7 objective related to ensuring a sustainable environment.

Figure 46. Consumption of ozone depleting substances, 2002-2014



Source: Ministry of Environment /MDG Report 2015

■ **Challenges.** The main challenge for Albania is to ensure the conservation and survival of species, habitats and ecosystems of the country, with one of the first priorities being the finalization and approval of the “*National Cross-cutting Strategy for Environment 2015-2020*”. In terms of sub-components of the environment strategy, specific attention is to be given to those areas identified below. In each of these areas, there is a need to expand the awareness and understanding of the need for environmental protection among all sectors of society. Education is seen as an important means to this end, and might be factored into educational curricula as well as training programs in other sectors (e.g. tourism, agriculture, mining etc.)

In the field of **air quality** the main challenges and priorities are: (1) to complete the adoption and implementation of European standards on urban air quality and air emissions; (2) to consolidate the National Monitoring System according to European standards; and (3) to adopt and implement action plans on air quality at the central and local levels.

In the field of **climate change** the need is to: (1) implement identified adaptation measures to the most impacted sectors; (2) reduce the emissions of greenhouse gases and ozone layer depletion substances and to raise public awareness for climate change adaptation; and (3) establish a monitoring system focusing on verification and reporting of Green House Gasses (GHG) in line with EU requirements.

In the field of **chemicals** the priority is to establish a national system of chemicals management in accordance with EU regulations, the Rotterdam Convention and the Global Harmonized System (GHS).

In the field of **industrial pollution and risks** there is a need to strengthen the capacities of the NEA and of the State Inspectorate of Environment and Water. There is also the need to train their staff with regard to the implementation of the relevant legislation related to industrial pollution and risks.

With respect to **nature protection** the main challenges include: (1) the need to establish the Natural 2000 ecological network for Albania and the European Community; (2) the restructuring and organizational empowerment of the protected areas management structures; and (3) the need to ensure more effective implementation of management plans for protected areas and action plans for species and habitats.

In the area of **forest protection** there is the need to: (1) have more effective administration of the forest and pastures fund, in order to ensure sustainable forest management; and (2) establish an information system for the National Forest and Pastures Fund plus integration of this information into the National Cadastral System.

In the field of **water quality**, which refers to the sub-sector of water for environment (see chapter 12.8) the main challenges include: (1) the rational and sustainable use of water resources according to their intended use, ensuring their preservation both quantitatively and qualitatively; (2) the establishment of a national cadaster of water resources; (3) implementation of management plans for river basins to ensure the more efficient and sustainable use of water resources; and (4) the completion of the legal framework, in line with EU Directives.

■ **The vision.** *“For the sustainable social and economic development of the country while protecting natural resources from pollution and degradation, through their integrated management”*

■ Strategic objectives

1. Achieving measurable results in air quality, by 2020 through:

- 1.1 Reducing pollution levels in urban areas; and
- 1.2 Reducing the level of air pollutants based on human health

2. Reaction towards climate changes and the contribution to protect the ozone layer, by 2020 through:

- 2.1 Reducing greenhouse gas emissions, compared to baseline scenario for reduction of CO₂ emissions, by 2030
- 2.2 Reducing the amount of HCFCs (hidroklorofluorokarbon).

3. Intensifying and strengthening nature protection by:

- 3.1 Increased surfaces of protected areas through growth and integrated management of protected areas;
- 3.2 Establishment of "Natura 2000" ecological network; and

3.3 Ensuring conservation status of endangered/threatened species and habitats.

4. Strengthened management and conservation of forestry and pasture resources through:

- 4.1 Reduction of illegal logging in forests, by 2020;
- 4.2 Formulation of management plans for all forestry economies in the country;
- 4.3 Rehabilitation of degraded areas;

5. Strengthened water resources management and preservation through:

- 5.1 Adoption of the National Water Resource Integrated Management Strategy;
- 5.2 Establishment of national cadaster of water resources;
- 5.3 Introducing of a water resource inventory;
- 5.4 Formulation and implementation of water basins management plan;
- 5.5 Meeting water quality levels;
- 5.6 Rehabilitation of damaged river beds; and
- 5.7 Aligning national legislation with EU legislation.

12.3.2. Spatial planning and sustainable urban development

■ **Current situation.** Political and institutional change over the years in Albania has been followed by chaotic development within the territorial areas, including a lack of legal standards regarding design and development. Since September 2013, territorial developments have improved due to the strengthening of law enforcement and rehabilitation measures. The National General Plan initiated by the end of 2013 is leading to the harmonization of sectorial strategies in the interest of economic and social recovery of citizens, and ensuring that planning becomes a common integrated function. In addition, administrative and territorial reform will have a major impact on territorial planning. Municipalities will need to develop their own local planning documents in order to manage their new territories.

The standardization process was improved through new legislation. These include: (1) Decision of the Council of Ministers (DCM) no 704 dated 29 October 2014 *"For the approval of tariffs for services in territory planning, designing, monitoring and testing"*; (2) DCM no. 843 dated 17 December 2014 *"Appendices fees for services in the territory planning, designing, monitoring and testing"*; (3) Law no 80/2014 *"Changes and additions to Law no 9220 "For the public service of burial"*; and (4) DCMs 711 and 712 in support of enforcing the standards on the projection, building and administration of cemeteries. Licensing of activities for evaluation of immovable properties and evaluation, study, design, supervision and assessment were improved in line with DCM no.759 of November 12, 2014, and DCM no.100, of February 4, 2015.

Housing activity has grown significantly over the period 2010 to 2014, increasing from 13,000 requests for permits in 2010¹⁸⁹ to approximately 32,000 requests in 2014.¹⁹⁰ This increase in demand was accompanied by a corresponding increase in investment in social housing, and as a result were built 922 social housing apartments in 8 local government units, accounting for 0.04% of the housing market.

¹⁸⁹ Based on data from the local government units.

¹⁹⁰ Ibid.

Low levels of state budget funding, lack of funds at the local level, and financial restrictions of the National Housing Agency cannot meet the numerous unmet requirements for housing, in particular from the vulnerable groups. Special attention needs to be given to projects that improve housing conditions for Roma and Egyptian populations.¹⁹¹ In December, the Government adopted the National Action Plan for the integration of Roma and Egyptian populations, and including measures for housing for these groups. Currently, the strategic document on housing is being drafted.

Informal constructions in the transition years affected a substantial part of the territory. Legal non-compliance continues to be one of the major challenges and the biggest obstacle to sustainable territorial planning.¹⁹² The pace of drafting spatial plans has not kept pace with chaotic development. The considerable activity in the informal construction of buildings over the years hampers urban, economic, tourist, environmental and social development, and may yet generate other unanticipated consequences. An important aspect of these territory and property issues rests in completing the process of legalization of informal construction. Further, legal development and construction activity is negatively affected due to the absence of firm and comprehensive standards on the design, construction and control of building materials.

■ **Challenges.** In the area of **urban development** the main challenges include: (1) the need for better planning at the regional and national levels in compliance with the new administrative-territorial divisions; (2) the requirement to harmonize construction standards and building materials standards in accordance with those of the EU; (3) the need to improve design and development standards; (4) the need to strengthen overall planning capacities at all levels; (5) the elimination of informal land development and the completion of the legalization process; (6) urban regeneration and social and economic integration of informal buildings; (7) the identification of the process of informal construction and the completion of the legalization process; (8) urban regeneration and social and economic integration of informal buildings; (9) the need over the medium term to achieve sustainable urban development through the application of comprehensive standards on building design and construction; and (10) completing the Municipal Plans for the 61 Municipalities by 2017.¹⁹³

With respect to **housing** the main challenges ahead include: (1) the need to ensure that a larger proportion of the Albanian population has access to affordable housing and do not suffer from housing exclusion due to vulnerability factors; (2) the need to further develop and then implement an integrated social housing policy that prioritizes housing needs of low income and vulnerable groups; (3) the need to provide a policy environment that is conducive to the availability, accessibility and affordability of minimum standard housing solutions to target populations; (4) the creation of a National Registry of Housing; (5) increasing the stock of social housing for the most vulnerable and socially excluded parts of society; (6) improving housing conditions in terms of energy efficiency; and (7) improving housing

¹⁹¹ In 2008 and 2014, 55.4 million lekë had been invested for these groups, benefitting 60 families out of about 800 families planned to 2020.

¹⁹² It should be noted that the strategies associated with property rights also address urban, housing and informal construction issues.

¹⁹³ The process is underway for the first 31 municipalities.

conditions of the Roma and Egyptian communities as well as for other excluded or disadvantaged groups.

■ **The vision.** *“Territorial planning and sustainable development at each level and full integration with each sector through urban regeneration and new models; legalization, development, integration and urbanization of informal areas, unification and adaption of Urban Standards, providing suitable accommodation for low income and vulnerable groups”*

■ **Strategic objectives**

1. Growing attention and overall efficiency of urban development through:

- 1.1 The development and implementation of a National General Territorial Plan by 2020;
- 1.2 The development and implementation of the Integrated Inter-Sectorial Coastal Plan and Integrated Plan for the Tirana-Durrës economic area;
- 1.3 Ensuring that the territory is covered by Local Territorial Plans;
- 1.4 Achieving by 2020 the target of ensuring legalization of self-declared informal buildings; and
- 1.5 The implementation by 2020 of a comprehensive set of standards on projection, building and inspection of building materials.

2. Strengthening development of housing sub-sector through:

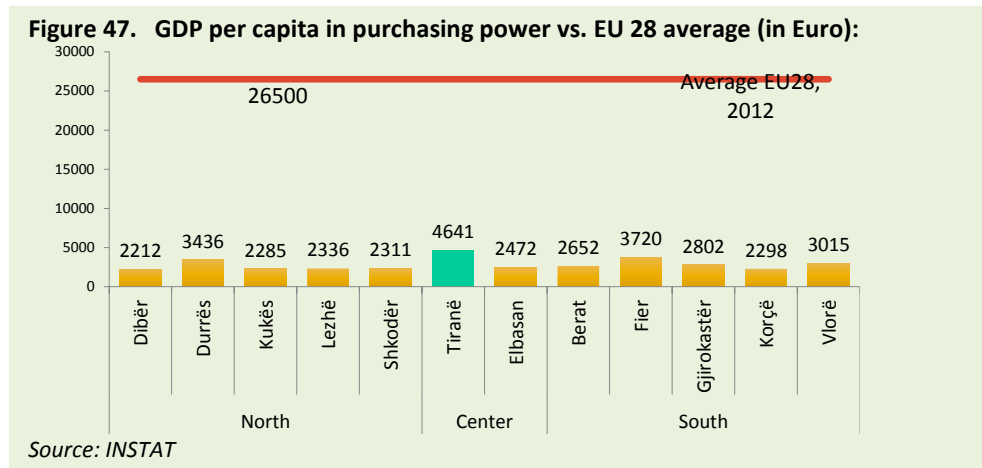
- 2.1 Improving housing conditions, and reducing the needs for housing;
- 2.2 Renewal of buildings and increased energy efficiency for apartments privatized in 1993; and
- 2.3 Measureable improvements of housing conditions for Roma and Egyptian communities;

12.3.3. Regional Development Management Reform

■ **Current situation.** The start of preparations for EU funded programs, aiming at regional development and establishment of Regional Development Fund in 2009 have played a role in promoting balanced and sustainable development of the regions of the country, as illustrated in Table 16, and represent a broad range of GDP per capita.¹⁹⁴ In order to develop integrated and sustainable regions and to adopt EU standards, Albania has adopted legislation governing regional distribution nomenclature based on the European Nomenclature for Territorial Units for Statistics (NUTS) classification. This has resulted in the defining of three statistical NUTS II regions: (1) Durrës and the northern area, (2) Tirana and Elbasan, and (3) the southern area.

¹⁹⁴ There is no specific national strategy for regional development, but regional issues are addressed in a number of other strategies, such as the “National Cross-cutting Strategy for Agriculture and Rural Development 2014-2020”, the “National Cross-cutting Strategy for Decentralization and Local Government 2014-2020”, and other sector /cross-cutting strategies that have regional dimensions.

In different regions there has been no development, due to lack of clear policies and incentives for fostering development. Regions of the country present a very low GDP per capita compared to the levels of EU member countries (28 members countries), as reflected in fig.47.



One of the main concerns in regional development is the inefficient use of infrastructure and services resulting from the depopulation of rural areas and the increasing congestion in urban areas (rural-urban migration). This is felt primarily in imbalances in school services, healthcare centers, roads, water supply, and sanitation, water treatment plants for big and small polluted residential areas, waste management and related services.

Another challenge is related to overall weak capacities of the governing authorities. These include facilities in connection with the management of regional development, current weaknesses in management competencies of staff in the districts, weaknesses in the relationships and coordination among and between the different levels of strategic planning and implementation at the national, regional and local levels, and limited project management capacity within regional administrations.

Presently, the Albanian Government has launched a reform to draft clear long term policies for regional development, with the view of creating competitive regions, and fostering balanced development of the country, while enhancing competitiveness. His reform is focused on a comprehensive strategic, legal and institutional framework on national policies for regional development, and for its approximation with EU cohesion policies, and to prepare for negotiations under Chapter 22 (Transport, Energy, Environment, and Regional Development).

■ **Challenges.** The main challenges that need to be addressed over the 2015-2020 planning period can be summarized as: (1) the need to address the uneven development between regions of the country and within the international context; (2) specifically, to balance development between the regions and within the municipalities, between urban and rural areas, and between coastal and peripheral mountainous areas; (3) address issues associated with migration both within and outside of the country; (4) specifically, address issues of congestion in the more developed areas and depopulation in other areas; (5) the need to address weaknesses in the covering policy framework and in institutional capacities.

■ **The vision.** *“Vibrant and balanced development and cooperation among the regions of the country thus enhancing Albania’s global competitiveness”*

■ **Strategic objectives**

1. **Increasing competition between regions, ensuring that the regions achieve sustainable socio-economic development of their communities** through the use of resources unique to each of them, thus enhancing Albania’s global competitiveness through:
 - 1.1 Ensuring necessary protection for economic development, generation of new employment and delivery of VET, in line with the labor market needs;
 - 1.2 Improving infrastructure linkages within and between regions; and
 - 1.3 Expanding zonal functions and diversification of rural economies.
2. **Enhancing social cohesion and reducing existing sharp inequalities in the use of resources, productivity, social/environmental standards through:**
 - 2.1 Improvements in the standards of public infrastructure and utility networks;
 - 2.2 The ensuring of integrated regional environmental protection; and
 - 2.3 The generation of increased public investments in the less developed regions.
3. **Enhancing management effectiveness through a pragmatic approach to regional development by efficiently using limited managerial resources, through:**
 - 3.1 Capacity building for regional development at all levels of government;
 - 3.2 Establishment of effective and efficient mechanisms for managing regional development;
 - 3.3 Strengthened capacities of Department for Development, Financing and Foreign Aid (DDFFA) as the main institution for the management of the Regional Development Fund;
 - 3.4 Improved inter-ministerial cooperation;
 - 3.5 Improved coordination in the process of strategy development by involving regional actors to ensure that sectorial strategies (vertical coordination) take into account regional specificities and likewise regional strategies and programs that integrate the objectives of sector strategies; and
 - 3.6 Establishment of a monitoring system combined with the implementation of regional strategies at the regional level under the same standards set by the central governance.

12.3.4. Agriculture and Rural Development

■ **Current situation.** Agriculture continues to be one of the most important sectors for the development potential of the country. For further defining directions for the development of the sector in 2014, the Council of Ministers adopted the National cross-sector strategy on agriculture and rural development, 2014-2020”.

As addressed under **Part II** of this document, expanding surface of irrigated and drained land remains one of Six Key Priorities of the Government, and is expected to increase productivity and improve results in agriculture.

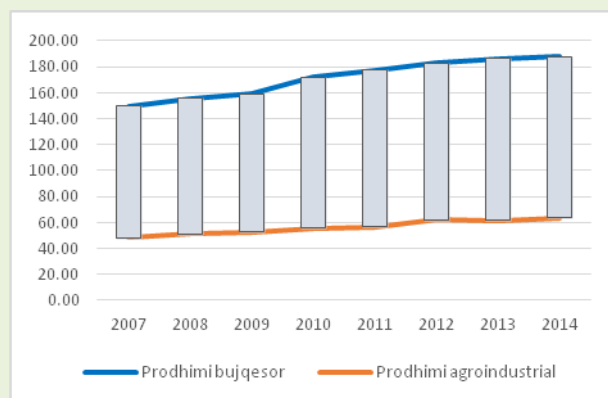
Economic growth in agriculture compared to agro-industry, during 2007-2014, there was a growing trend for the latter. As illustrated in Figure 48, in 2014, the value of agricultural production reached 188.0 billion Lek, with a growth of 21.49% from its levels of 2007, while agro-industry reached 63.36 billion Lek, a growth of 32% from the level of 2007. However, it is important to ensure promotion of investments in the agro-processing area, with the goal of improving production, which has been showing a growing trend for 2012 and 2013.

In the area of management of agricultural land, with reference to INSTAT data, in June 2014, total surface of agricultural land of 696,000 ha accounted for 24% of the overall country's territory. Out of this surface, 561,000 ha or 81% is privately owned and 134,000 ha or 19% is public (owned by the state). However, due to informal constructions, expansion of urban areas and the change of use of land for public investment purposes, the land fund has been reduced, and work is underway for having accurate reflection in the cadastral documentation.

Average farm size grew from 1.14 hectares per farm in 2007 to 1.20 ha/farm in 2012, while the average size of land plots remained unchanged at 0.27 hectares (i.e. small farms, and highly fragmented farms). With reference to INSTAT data, in June 2014, in Albania there were approximately 352,315 farm households, with the average land size in ownership for each farm household at approximately 1.16 ha.

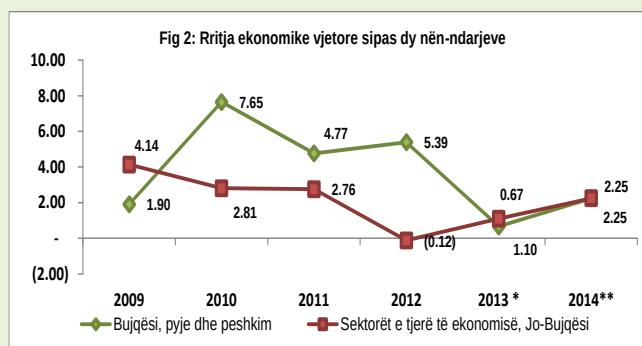
Figure 49 presents real growth of the agricultural sector compared to the non-agricultural sector for 2009-2014, while Figure 50 presents the trend of agricultural exports and imports for 2007-2015.

Figure 48. Agricultural and agroindustrial production, 2007-2014



Source: Ministriy of Agriculture, Rural Development,

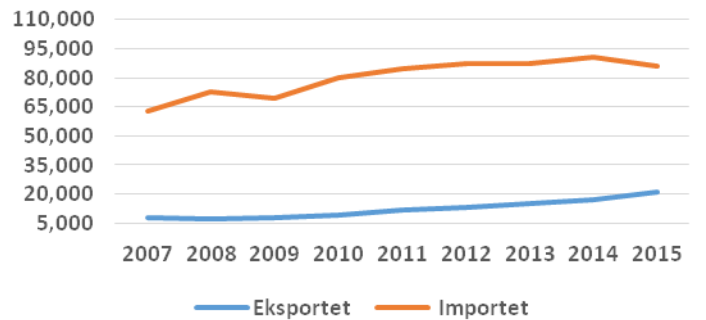
Figure 49. Real growth in agriculture versus non-agriculture sector, 2009-2014



Source: INSTAT

With the goal of ensuring financial support and fostering crediting for agriculture and rural development, the Council of Ministers in 2015 adopted the establishment of the National Guaranty Fund for crediting agriculture and rural development. By the beginning of 2016, the Government adopted the cooperation agreement between the Republic of Albania and the European Bank for Reconstruction and Development, for facilitating agribusiness support.

Figure 50. Agriculture imports and exports 2007-2015



Source: INSTAT

Infrastructure for irrigation, drainage and flood protection provides for the irrigation of approximately 360,000 hectares, ensures 280,000 hectares of drainage, and reduces the risk of river and sea flooding for a potentially-at-risk area of 130,000 hectares. With this supporting infrastructure, approximately 120,000 farmers have full access to irrigation, with about 80,000 other farmers having limited access. More investments need to go to irrigation and drainage infrastructure, as one of the Government's priorities on the aspect of "Water for Agriculture".

Fishing and aquaculture provide significant opportunities for this sector's development in the future.¹⁹⁵ Total current full time employment in the fisheries and aquaculture sector is estimated at 4,215 persons. The employment of women in the fisheries and aquaculture sector is relatively small and is concentrated mainly in auxiliary services, such as fishnet manufacture, inland aquaculture and fish processing.

One of the recent positive developments in Albania is the establishment and maintenance of a national fleet register.¹⁹⁶ However, the economic performance of the marine fleet is poor and of low profitability and has resulted in very low investment and in low levels of activity. In some ports over half of the licensed trawl fleet is inactive with consequent significant under-employment in this sub-sector. To compensate somewhat, increased fish cultivation has reduced the demand for saltwater fish, and is meeting domestic demand of the average consumer as well as demand stemming from seasonal tourism. While the fish processing industry benefitted from investment over the past few years and currently has access to sustainable technology, further investment is needed to achieve higher productivity and production levels.

¹⁹⁵ The Sector Planning document for the fishing sub-sector addresses a broad range of aspects, such as: legal and regulatory framework, inspection and implementation, fleet registry and employment in the sector, fishery infrastructure (ports), resources (marine, coastal, wetlands, and aquaculture), international cooperation and funding.

¹⁹⁶ Recent fleet register data from September 2014 shows there are 553 licensed fishing vessels with 38.5% of these in Durrës, 34.4% in Vlorë, 13.7% in Sarandë and 11.6% in Shëngjin (MoA Fleet Register, 2014). It might also be noted that in Albania the administration of the fishery and aquaculture sub-sector is based on article 9 of the Albanian law "On fishery and aquaculture", Regulation No 1 dated 29 March 2005.

Finally, the Government understands that farmers in EU are becoming increasingly aware of the standards required under the GAPs, whether nationally driven or retailer driven. As this awareness expands, Albanian farmers and the agriculture / fishing industry in Albania will also need to increase their own awareness and understanding of the need to apply these standards in order to become more competitive and gain greater access to EU markets. This will require substantial investments in those agricultural sub-sectors where Albania has a comparative advantage. As these advancements are made, it is expected that the regional disparities will diminish.

■ **Challenges.** In addition to the challenges associated with increasing the availability of irrigated and drained land as discussed in **Part II** of this document, the main medium to longer term challenges in the agriculture sector include the need: (1) to address low levels of agricultural productivity and underdevelopment in the rural regions; (2) for greater attention and support to farmers and agro-business operators to better prepare them to exploit EU integration opportunities or to adopt EU agricultural market policies (especially with respect to the development of quality policy and CMO standards during the approximation process); (3) to accelerate the transformation of agriculture from subsistence and survival by in part addressing the small size and extreme fragmentation of farms; and (4) to address the trade imbalance in the sector by increasing exports of agro-food-products and lessening the dependence on imports.

Additional challenges for the sector include: (1) the need to increase the competitiveness of agriculture, agro-processing and fisheries within the national, regional and global markets; (2) addressing opportunities for optimizing farm size through land consolidation and land market development; (3) the need to enhance the transfer of technology and innovation; (4) further improvements in agricultural infrastructure systems for the management and sustainable use of natural resources and climate change mitigation; (5) the need to both expand and improve basic and recreational services in order to diversify income-generating opportunities in rural areas; (6) the need to establish facilities for the collection, storage, and manufacturing, including the standardization and establishment of regional wholesale markets which offer agricultural products (seeds, fertilizers) and technical assistance; (7) the requirement for harmonization with international and regional legislation, including the implementation of the domestic legal framework; and (8) the need to strengthen capacities for fisheries and aquaculture.

■ **The vision.** *“An efficient, innovative and sustainable agro-food sector, able to cope with competitive pressure in the EU market and productive rural areas that provide economic activities and employment opportunities, social inclusion and quality of life for rural residents”*

■ **Strategic objectives**¹⁹⁷

- 1. Promoting sustainable food production and quality** by developing a competitive and innovative agro-food sector that is able to cope with competitive pressures.

¹⁹⁷ Development Indicator Objectives are defined in the cross-sector strategy for Rural and Agricultural Development in Albania.

2. Meeting EU market standards and requirements, by 2020 through:

- 2.1 Annual increase of agricultural labor productivity, per annual work unit (AWU)/full time employees;
- 2.2 Ensuring that all farms and registered agro-processing operators are in full compliance with EU standards (application of standards for registered agro-processing farms and operator, in line with EU norms);
- 2.3 Increased average farm size and increased average size of commercial farms;¹⁹⁸
- 2.4 Improving organization of chain values through the establishment of producers associations and groups, similar types of cooperation among farmers;
- 2.5 Improving export-imports ratios;
- 2.6 Ensuring the overall sustainable management of natural and agricultural resources through the development of applicable national GAPs that take into account specifics of landscape, soils and climate in Albania.

3. Ensuring sustainable management of natural resources and undertaking climate actions through:

- 3.1 Better management of forests and water, and the application of agricultural production methods in environmental protection and mitigation of climate change;
- 3.2 Increased number of certified organic farms; and
- 3.3 Increased number of farmers beneficiaries from irrigation infrastructure.

4. Balancing territorial development in rural areas by promoting diversification of economic activities, creation of employment, social inclusion and improvement of living conditions by 2020 through:

- 4.1 Generation of new employment in agro-processing activities;
- 4.2 Establishment of new micro enterprises, together with generation of new employment in rural areas through diversification of revenue generating activities;
- 4.3 Establishment of new jobs in non-agriculture activities and other services;
- 4.4 Growing number of farmers, with non-farm revenues;
- 4.5 Promotion of self-employment and entrepreneurial activities among migrants from rural areas, and formalization of their activities.

5. Pursuing development of the sector, and ensuring sustainable management of living resources of marine and internal waters through:

- 5.1 The development of a multi-year plan for sustainable management of living resources of marine waters and internal waters;
- 5.2 The establishment of an effective system of data collection on the fishing fleet, the amount of fishing, landings, biological status of populations in Albanian waters and aquaculture;
- 5.3 The construction of a fishing Port in Durres, with associated wholesale fish markets;
- 5.4 The installation of necessary infrastructure for the repair of fishing vessels in the four ports;
- 5.5 The strengthening of human and infrastructure capacities for the control of fishing and aquaculture activities (e.g. equipment, logistical tools for data communication serving the

¹⁹⁸ Farm size includes rented surfaces for a long-term.

mission of the inspectorate within the structure set up for the monitoring and surveillance of fisheries and aquaculture);

5.6 Greater cooperation with regional and international entities involved in fisheries and aquaculture (participation in activities and the established working groups); and

5.7 The management and protection of fishery resources in line with the EU Common Fishery Policy.

12.3.5. Tourism development

■ **Current situation.** In recent years, tourism has become one of the most important growing sectors of the Albanian economy and is considered by the Ministry of Economic Development, Tourism, Trade and Entrepreneurship as one of the three main engines of national growth (along with FDI and Technical and Economic Development Zones). According to data, the percentage of contribution of tourism in employment saw a slight increase in 2014, while there was a drop in the course of 2010-2013 (Table 6). However, there was a constant increase in the number of tourists during

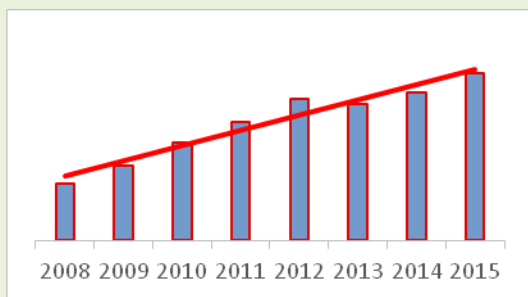
Table 6. Percentage of tourism contribution in employment, 2010 – 2014

	2010	2011	2012	2013	2014
Direct contribution to employment	5.6	5.2	4.9	4.2	5.3
Total contribution to employment	20.1	18.4	17.2	15.2	19.2

Source: WTTC

2008-2015 (Figure 51), and this pace needs to be promoted further through sector development policies.

Figure 51. Number of foreign tourists, 2008 - 2015



Source: WTTC

Albania is increasingly being recommended as a tourist destination by different International Tour Operators and Travel Guide Books. The World Travel and Tourism Council (www.wttc.org) calculates that the direct contribution of tourism to GDP in 2014 totaled 82.3 billion lekë, or 5.9% of GDP.¹⁹⁹ The total contribution was estimated at 291.6 billion Lek or

21% of the GDP.²⁰⁰

The tourism sector has generated economic development, employment and self-employment opportunities. In terms of employment generation, tourism accounted for 5.3%²⁰¹ of total national

¹⁹⁹ Direct contribution consists of total expenditures within a given country for purposes of travel and tourism by residents and non-residents for business and leisure and "individual" expenses of the government for other services such as cultural ones (museums, archaeological sites, etc.) or recreational (e.g. national parks, etc.).

²⁰⁰ The total contribution of Travel & Tourism includes their broader impact (indirect and induced impact) in the economy. "Indirect" contribution includes GDP and jobs supported by: expenditures for investment in travel and tourism; general government spending supporting the travel and tourism activity in various ways, such as expenses incurred on behalf of the "community at large"; domestic purchase of goods and services that are directly connected with tourists.

²⁰¹ This includes employment by hotels, travel agencies, airlines and other transport services for passengers (excluding urban services). It also includes restaurants activities and recreational activities that are directly supported by tourists.

employment in 2014 (see Table 5). Indirectly, tourism accounted for 19.2%²⁰² of employment in 2014. Tourism revenues in 2014 were 1.283 million euro.

Tourism has also become more diversified over the past several years, and is now seen to comprise three main product areas. The first is **coastal** tourism where it has developed as the main product focusing on “*beach & sun*” tourism. The main coastal destinations are Velipoja, Shëngjin, Durrës (Adriatic Sea), Vlorë, Himara, Saranda, Ksamil (Ionian Sea). The “*beach & sun*” product in some regions of Albania, offers advantages in the natural environment, accommodation facilities, culinary and special services.

The second product is **cultural** tourism. While it has not been the main focus, Albania’s resources and history in archaeology, heritage and culture offer considerable potential. This area has been identified as Albania’s main strengths by various visitor surveys and travel trade from foreign markets. Albania offers three World Heritage Sites: the Butrinti archaeological park, Berat and Gjirokastra, followed by an array of historic and cultural attractions and monuments.

The third product is **ecotourism** - natural and rural areas. Albania’s climate, geography and physical variety of territory, represented by a range of mountains, lakes, rivers, and wetlands is accompanied by rich biodiversity of flora and fauna. These are present in a number of national parks and nature reserves within the country. Natural and rural areas in Albania offer possibilities for the development of rural tourism, ecotourism and nature based activities (river rafting, paragliding, mountain biking, fishing, trekking, climbing, hiking, horseback riding, study tours, etc.). Some of these activities are the main motivation for visits by foreign visitors to these locations, and the reason why this sector is seen as one of the main engines of national economic growth.

■ **Challenges.** Despite the generally positive situation, some major challenges need to be addressed by the sector. The broad field of tourism is generally under-developed and it is characterized by a lack of standards, poor quality in terms of tourist services and facilities, unsustainable development of tourism products, and a lack of cooperation and coordination among the players who are or could be an integral part of the industry. Some of the specific challenges include: (1) the need for greater integration of tourism planning and tourism destinations; (2) addressing weaknesses in the range and quality of tourism products; (3) to develop a more favorable legal and institutional environment for attracting domestic and foreign private investors; (4) to take a more comprehensive and strategic approach to tourism development in Albania, to ensure sustainability as well as the generation of income and employment opportunities; and (5) to approve and implement the “*National Cross-cutting Strategy for Tourism 2015-2020*”.

■ **The vision.** “*An attractive, authentic, hospitable and welcoming tourism destination in Europe, based on the sustainable use of natural, cultural and historic resources, easily accessible from international markets*”

²⁰² Total contribution to employment is the number of jobs directly generated by travel and tourism industry’s contribution plus indirect and induced contributions, consisting of: Capital investments from all sectors in the tourist industry; the purchase of domestic products /services directly from various sectors of the tourism industry.

■ Strategic objectives

1. Development of sustainable tourism in the country, to contribute to economic development and employment through:

- 1.1 An increase in overnight stays, for internationals and modest growth of emigrants and ethnic Albanians;
- 1.2 Growth of direct contribution of tourism in GDP; and
- 1.3 Growth of direct contribution of tourism in employment.

2. an integrated tourism model, with cultural, natural and coastal dimensions through:

- 2.1 The development of a "*Branding Albania*" strategy with a unified logo and slogan related to tourism investment;
- 2.2 Approval and implementation of the "*National Strategy for Tourism Development 2015 -2020*";
- 2.3 The development and implementation of a National Plan for Tourism Development, integrated with the General Plan on National Territory; and
- 2.4 Generation of new cultural, natural and coastal tourism products.

12.3.6. A dynamic and sustainable mining sector

■ **Current situation.** Currently, mining production in Albania is carried out entirely by the private sector (the former state mining enterprises are in their final stages of liquidation). Recent years witnessed a significant increase of about 36% in total mineral production. The major contribution to production was from basic minerals (chromium and copper) which are 100% extracted for export purposes.

Significant investments were made in the mining-processing sector, as evidenced by the operation of the ferro-chromium plant in Burrel and the construction of five new enrichment plants. Most of the mining activity, associated processing and related investments were carried out primarily in the poorest regions of the country and this has had a positive impact on generation of new employment. Nonetheless, private companies are not fully active, due to market price fluctuations, a drop in the construction activity, and poor performance of different entities involved in investments, market, expiry of permits, and consumption of reserve.

Despite generally positive performance in the sector, several concerns remain. First, production levels are hampered by delays in securing anticipated investments. This applies to the production of chromium as well as other minerals, although there was a recent positive inflow of investment for chromium. Environmental issues generated from mining activity over the years also need to be addressed, although such issues are continuously being brought to the attention of appropriate authorities, respecting legal regulations and follow up on the ground. Finally, there is a tendency on the part of operators to obtain mining permits only to sell them through the transfer of these rights. In response, the Government enacted legal amendments to regulate the situation and it is currently being monitored.

■ **Challenges.** Priority attention in the future will be given to: (1) the use of minerals in such a way as to ensure their sustainability as a national resource for the development of other branches of the

economy; (2) improvements in the efficiency and effectiveness in the utilization of these natural resources in light of the fact that they are non-renewable; and (3) increased processing aimed at final products in order to generate greater revenues and to reduce reliance on imports.

In general terms, the main challenge ahead lies in the creation of an enabling, dynamic, harmonious and sustainable sector. Specific challenges include the need to: (1) promote domestic and foreign investment; (2) apply new technologies; (3) increase processing of minerals in location; (3) enhance competition, transparency, and professionalism of mining institutions; (4) strengthen capital mining; (5) increase specialization in regional markets, Europe and beyond; (5) position the state as having the inalienable right to the ownership of the resource; (6) ensure that the country's mining policies support EU integration; and (7) re-evaluate mineral resources according to international standards.

■ **The vision.** *“A dynamic, sustainable, growing and harmonious Albanian mining industry that contributes the wealth of the nation and well-being of its people by offering more and better employment opportunities, ensuring environment protection and preservation, and meeting all EU integration standards”*

■ Strategic objectives

1. Improving legal and by-legal framework on Mines, through:

- 1.1 Establishing the terms and rules for changing the surfaces of mining permits; and
- 1.2 Establishing and managing financial guarantees;
- 1.3 Strengthening cross-institutional cooperation regarding procedures for promoting investments in the sector.

2. Promoting investments climate and flow of investments for mining development by:

- 2.1 Opening the depths of Bulqiza mine;
- 2.2 increased exploitation of the other minerals, such as magnesium, combined with an increased level of processing and associated market value;
- 2.3 More effective use of the mineral stocks and tailings that are deposited next to mines and enrichment plants;
- 2.4 Increasing the level of recycling, to reduce the costs of manufacturing; and
- 2.5 Reactivation of mining facilities that were not operational for different reasons (including the mine of Rehova, Prrenjasi, kaolin, magnesite in Gomsiqe etc.).

PART IV: IMPLEMENTATION AND COORDINATION

The implementation of the NSDI-II is a very significant undertaking for Albania, requiring consistent and meaningfully applied political will, the coordination of all state actors internally within the country, and cooperation externally with Albania's development partners. Furthermore, successful implementation depends on the commitment of significant resources, and the cost-effective absorption and management of these resources within state institutions to achieve the expected results, outcomes and impacts. Successful implementation of the NSDI-II depends on sound governance, clearly defined accountabilities, transparency throughout and the ongoing participation of a wide range of institutions within the Government and externally.

This section of the NSDI-II describes: (1) the internal and external coordination mechanisms and associated institutional responsibilities; (2) monitoring and reporting on NSDI-II progress; and (3) other important implementation considerations.

13.0 COORDINATION MECHANISMS

13.1 Overall "Architecture"

The Government is using a combination of internal and external mechanisms at the political and institutional levels for the coordination of the NSDI-II, both in terms of its development and its implementation. In addition, there are in place joint coordination mechanisms in which both the Government and development partners may participate. These coordinating mechanisms have been in place for several years, with slight modifications over time, and have been playing and still play a critical role in advancing Albania's national development and European integration objectives.

13.2 Internal coordination mechanisms

■ **Political policy coordination: the SPC.** At the political level, the NSDI-II as well as the overall IPS process is directed by the Strategic Planning Committee (SPC), the highest level inter-ministerial decision making body chaired by the Prime Minister.²⁰³ The SPC approves the main directions of the NSDI-II, defines and approves the priorities of the Government, defines and approves the framework of medium term budget planning, and ensures the strategic coordination of external assistance with Albania's development partners. In addition, SPC plays the role of the National Investment Committee (NIC) which approves priority investments projects and the National Single Project Pipeline²⁰⁴, which is an

²⁰³ With permanent presence of Deputy Prime Minister, Minister of Finance, Ministers of Finance, EU Integration and Economy (DPM, MoF, MEI, MEDTTE) and occasional presence of other relevant ministers depending on the topic of discussion.

²⁰⁴ Reference to EU terminology: National Single Project Pipeline

instrument for planning medium to long-term priority strategic investments for the country's development.

■ **Institutional policy coordination: the Department of Development, Financing and Foreign Aid (DDFFA).** At the administrative or institutional level, the Department for Development, Financing and Foreign Aid (DDFFA) within the Office of the Prime Minister is responsible for coordination of policies and foreign assistance at senior levels, on one hand related to national development objectives, and on the other EU integration. DDFFA plays the role of the Secretariat of SPC/NIC, and of the Committee for the Development of the Regions, as key structures for the operation of an integrated, coherent and efficient planning and policy-making system. As integral parts of DDFFA there are 4 units that perform key functions related to policy coordination and the central level.

- *Strategic Planning and Development Unit* at DDFFA is responsible for: (i) coordination of national sectorial and cross-sector strategies and programs; (ii) formulation and monitoring of NSDI-II; (iii) ensuring coherence between NSDI-II and other planning instruments such as: MTBP, etc.; (iv) harmonization of national development policy with regional development policies or Fund for the Development of Regions. This Unit is in charge of following and coordinating the process for putting together the National Single Project Pipeline.
- *Finance Programming Unit* at DDFFA is responsible for supervising: (i) strategic budget development, while ensuring harmonization of domestic and external financings; (ii) guided programming of donors, in line with Government priorities; (iii) ensuring harmonization and funding efficiency of donors with the budget; (iv) monitoring foreign aid implementation.
- *Research and Policy Development Unit* at DDFFA is responsible for: (i) development of policy plans and innovative reforms, and a "good governance model" for Albania, while making use of best regional, national and international practices, (ii) guidance and development of strategic research partnerships with academic and research institutions (think-tanks).
- *Unit for Supporting Strategic Business Investments* at DDFFA is in charge of: (i) guiding financing programs for supporting investments with an impact on the economy, (ii) coordination of support programs for private strategic investments, according to strategic sectors (iii) development of favorable concepts and models for promoting and attracting strategic business investments.

■ **Sector coordination: the IPMGs.** The Government in March 2015 adopted the **sector approach** to policy coordination. The EU has defined it as a process in which *"all significant funding for the sector - whether internal or external – supports a single policy and expenditure Programme under government leadership, with common approaches across the sector."* The sector approach and use of IPMGs is expected to strengthen overall government policy coordination, programming and the implementation of EU integration and national development initiatives in priority sectors. This is to be achieved through the development of: (1) **national sector programs** that set out the policy approach, performance measures, budget requirements, funding sources, institutional arrangements and monitoring

processes;²⁰⁵ and (2) **sector support programs** that contain those elements of the national program supported by EU and other development partners with financing instruments, such as Technical Assistance, loans, grants, budget support etc. IPA budget support from the EU will be dependent on the formation and functioning of IPMGs. The sector/IPMG approach will put into practice the NSDI-II principles listed in Section I of this document.

The main institutional mechanism for the sector approach is the **Integrated Policy Management Group** (IPMG). The IPMGs are to lead and coordinate on a continuous and systematic basis, the development, implementation and monitoring of sector reforms in Albania in line with the Government's six key Priorities, the NSDI-II, the MTBP, the EU accession process and Albania's international obligations. The IPMGs will initially be responsible for the development of National Sector Programs and specific sector programs.

The IPMGs will ensure that the SPC and other senior horizontal ministerial committees retain their strategic focus and effectively oversee the implementation of the Government's priorities and overall program. Each IPMG operates on the basis of: (1) an individual Order of the Prime Minister setting out its specific objectives, composition and mandate; and (2) tailored guidelines to suit the particular circumstances of the sector.²⁰⁶ The main principles and work practices are set out in a set of generic guidelines and will be observed across all IPMGs, which are part of an Order of Prime Minister establishing the sector approaches and IPMGs.²⁰⁷ It is important to point out that the IPMG is a supervisory and coordinating body. It does not carry out the actual work required to prepare and implement specific sectorial reforms in the pilot sectors.

The IPMG concept is initially being applied in four pilot aspects: (1) integrated water management; (2) competitiveness and innovation; (3) good governance and public administration; and (4) employment and social sector. By 2017, the projection is for IPMGs to be further expanded and consolidated for all priority sectors of the Government.²⁰⁸ Based on the needs of these pilot groups, IPMGs will be assessed to inform future policies and their implementation, regarding sector approaches and the use of IPMGs.

²⁰⁵ In each sector, sector planning documents are being drafted as part of IPA specific document meant: (1) at assessing the level of willingness regarding sector approach; and (2) planning and order of IPA II priorities.

²⁰⁶ One of the more important features of the system is the setting up of a full-time secretariat, based in the respective lead ministry to serve each IPMG by providing the managerial, coordination and administrative support as well as access to technical assistance to the IPMG and any thematic work groups.

²⁰⁷ See: *"Integrated Policy Management Groups - Draft Operational Guidelines"*, November 17, 2014, prepared under the EU Project Preparation Facility, executed by the Austrian Development Agency.

²⁰⁸ The IPMGs are expected to gradually replace the existing Sector Working Groups (SWGs). During the NSDI-I period 2007-2014, a total of 32 Sector Working Groups (SWG) and sub-groups were established for most of the sectors and sub-sectors in order to improve coordination and monitoring of external assistance. Improvements to this coordinating approach were made in 2009 and 2010 in terms of organization and regular meetings. However, one of the lessons learned was that these structures did not prove particularly effective in terms of broader policy coordination, though they were useful for the exchange of information and coordinating donor inputs to specific sector programs and projects

■ **Coordination of Public Finance Management Reform (PFMR).** The implementation of the PFMR is coordinated by the PFM Reform Steering Committee and chaired by the Minister of Finance. The primary role of this committee is to provide oversight and be responsible for directing and monitoring PFM reform activities. In addition to other duties, the Committee will ensure appropriate feedback to the DDFFA monitoring mechanism and will address any coordination issues arising between stakeholders and facilitate policy dialogue with DDFFA. A supporting Technical Committee is to be set up to catalyze PFM reform activities, and the DDFFA will be a member of this committee.

13.3 External coordination and development partnerships

The Government of Albania enjoys a strong working relationship with its development partners. It is through this partnership that the country has been able to achieve many of its national, sectorial and EU integration objectives over the years. As Albania's economy and society continues to develop, and the country moves closer to its ultimate goal of becoming a member of the EU, the development partnership will become more focused. Fewer external development partners will be active and aid flows will reduce over time. However, this will not diminish the need for strong and effective external coordination.

■ **Donors Technical Secretariat: DTS.** Donors Technical Secretariat is a common initiative of Albania's development partners, to strengthen exchange of information between the development partners and the Government, to enhance aid effectiveness, and to come to the assistance of the Government for taking more national "ownership" in the process of aid coordination. DTS is composed of four multilateral partners: EU Delegation Office, OSCE, World Bank and UNDP²⁰⁹ dhe two bilateral development partners, on annual rotation bases.

Development & Integration Partners Meetings: DIP. The DIP meeting is a technical forum, organized by the DTS, where bilateral and multilateral development partners meet periodically to discuss and take decisions on various donor co-ordination issues. The meetings also constitute a platform for DDFFA officials to discuss topics related to the IPS, the NSDI-II, Government priorities, national and sector strategies, aid coordination and related issues. When the Government attends these meetings, they are co-chaired by the DTS chair and the Director of the DDFFA. Representatives from the Ministry of European Integration and Office of the Prime Minister (OPM) Delivery Unit also participate in the meeting depending on the agenda topics

13.4 Joint coordination mechanisms

■ **Government – Donor Roundtables: GDRT.** The GDRT is co-chaired by the Deputy Prime Minister and the permanent chair of the DTS. The GDRT addresses strategic issues of coordination, monitors major progress in improved aid effectiveness and provides a forum for Government-Donor dialogue on critical

²⁰⁹ EU Delegation office in Tirana, Organization for Security and Cooperation in Europe (OSCE), Tirana World Bank Office (WB) and United National Development Program (UNDP).

issues, such as country strategic framework, EU integration or IPA programming. Annual monitoring reports on NSDI-II performance may also be presented and discussed. While the GDRT has not been active for some time, the Government and its development partners may decide to reactivate it in some form.

■ **DTS Steering Committee.** The technical level of the six DTS agencies (DTS Steering Committee) meets with the DDFFA on monthly basis to discuss operational and strategic issues, including follow-up on issues of aid co-ordination identified by the high level development partner and Government structures. The heads of the seven DTS agencies meet on an ad-hoc basis to offer strategic advice to the Steering Committee and to represent development partners in high-level meetings with the Government.

■ **Development cooperation protocols: Bussan Partnership.** The elements of development cooperation between the Government of Albania and its development partners have been set out in a series of agreements and protocols.²¹⁰ In late 2011, the fourth high level forum on aid effectiveness was held in Bussan, Republic of Korea, during which time the signatories, including Albania, agreed to build on past experiences and to monitor performance in aid effectiveness based on four principles: (1) ownership of development priorities; (2) focus on results; (3) inclusive partnerships; and (4) transparency and accountability to each other. The mutual responsibilities between Albania and its development partners may be summed up as follows:

The Government of Albania will:

- Set the country's development objectives and policies through a broad based and inclusive stakeholder dialogue and consultations.
- Translate the NSDI-II vision and strategic policy priorities into operational sectorial and cross-cutting strategies, programs and action plans expressed in both the MTBP and annual budgets.
- Take the lead in coordinating external assistance among its development partners, civil society and the private sector.
- Coordinate and maintain a harmonized and rationalized schedule for all development partners' joint missions.
- Adopt a participatory approach in contributing to development partners' own country strategies, partnership frameworks and similar documents, including joint assessments of progress to achieve aid and development effectiveness.
- Ensure a smooth transition in development partners' engagement at the county level.
- Harmonize the definition of sectors for the NSDI-II and the MTBP in order to improve consistency and transparency on annual budgetary allocations, thus enabling development partners to align their support to the national budget process.

²¹⁰ Albania was a signatory to the initial *Paris Declaration on Aid Effectiveness* in 2005 (www.oecd.org/dataoecd/11/41/34428351.pdf); as well as subsequent High Level Forums on Aid Effectiveness that were convened by OECD, in Paris (2005), in Accra (2008), in Bussan (2011) and in Mexico City (2014).

- Develop harmonized indicators that will be used to monitor and report on annual progress of established and agreed targets.
- Coordinate an annual government – development partner forum to review annual progress of NSDI-II implementation, and to foster ongoing dialogue.
- Coordinate the regular DIP meetings between the Government and development partners.

Albania's development partners will:

- Align their various country policies, strategies and assistance programs to the NSDI-II, the MTBP and other relevant strategies, laws and regulations of the Government.
- Align their support to Albania through use of the Government's national systems in budgeting, procurement, reporting, accounting, auditing and monitoring and evaluation. Annual assessments will be done to monitor progress of development partners' use of national systems.
- Ensure that their support is integrated within the MTBP framework and use the sector approach and the IPMGs in planning, budgeting and implementation of programs.
- Work closely with the Ministry of Finance to ensure that development partner support is integrated into the MTBP to provide reliable indicative commitments of aid over a multi -year period (3 years).
- Work closely with the DDFFA in the Office of the Prime Minister to ensure effective ongoing coordination and harmonization of development assistance.
- Seek to improve the predictability of aid flows and absorption of aid funding.
- Commit to update information of External Aid Management Information System (EAMIS²¹¹)
- Commit to update information of External Aid Management Information System (EAMIS²¹²) to warranty timely information, and transparency in the implementation of programs/projects.

14.0 MONITORING AND REPORTING

■ **Annual reporting.** Strategic Planning and Development Unit (at DDFFA) will establish the monitoring system for sector and cross-sector strategies, by standardizing and coordinating the process, and by proving assistance to the Ministries in monitoring the indicators of the strategies. IPSIS (Information System for Integrated Planning System) is part of this system.

The Unit will be in charge of drafting the progress reports on the performance of NSDI-II. The reports will: (1) progress with regard to strategy implementation; (2) use other available statistical information, to analyze long-term trends, and compare Albania to other countries in the region; and (3) selectively identify issues of critical importance in the process of meeting long-term development and integration national objectives.

²¹¹ External Assistance Management Information System (EAMIS).

²¹² External Assistance Management Information System (EAMIS).

The annual reports may not address progress in all of the sectors and sub-sectors, but may rather focus on only those areas that warrant special attention, either in terms of significant achievement or in terms of similar significant issues, such as major policy shifts, serious implementation issues, or other factors. The reports will be produced in a timely manner, so that government institutions and development partners might take the appropriate action. The drafting of the annual reports may be combined with an annual government - development partner conference or round-table meeting.

■ **National indicators.** Implementation of NSDI-II will be and monitored through three sets of national monitoring indicators (Annex 2). The first group of indicators are strategic development indicators that focus on specific aspects regarding development and EU integration. The second group includes main economic development and macro-economic sustainability indicators. While the third group includes main sector indicators that are integral part of sector strategies. These indicators measure outcomes or products, and are generally available on annual bases.

It is important to note that annual progress reports: will **not** present a full-fledged strategy, as this is the purpose of the NSDI-II document; will **not** outline a forward-looking framework, as this is spelled out in the MTBP and is the responsibility of the Ministry of Finance; and will **not** substitute the Ministry Annual Reports which are to be produced by individual line ministries and other government institutions.

■ **Monitoring the progress of regulatory reform.** Regulatory reform in Albania has been and will continue to be a very high priority of the Government for EU integration, for the national development policies and strategies contained in the NSDI-II and sectorial/cross-cutting strategies, and for the achievement of the Government's six key priorities. Formulation, review and implementation of laws and regulations comprise the most significant institutional challenge for ministries and agencies of the Government.

The Government, development partners and other organizations run annual routine and periodic activities of monitoring and evaluation, and will continue to cover this aspect, and report about it. Still the need remains for the integration of these aspects, in order to ensure better quality and levels of policy-making and legislation, and to draft better policies.

15.0 IMPLEMENTATION RELATED RISKS

15.1 Main risks and mitigation measures

The Government faces a number of risks in implementing the NSDI-II and delays in achieving its vision for national development and EU integration. Most of these risks are internal and at the micro or sector levels (e.g. social, market, environment, health, credit etc.), and are addressed in the sectoral strategies. However, there are several risks at the central planning, policy and coordination level, and of a cross-cutting nature that could have negative impacts government-wide. Table 7 below indicates high level risks that the Government is faced with in the implementation of NSDI-II. For each risk area, an estimation of the likelihood is given (High-H, Medium-M, Low-L), the potential level of impact (H, M, L),

and the mitigation measures that may be taken by the Government. In most cases, the application of the 'principle of sustainability' will go a long way in mitigating these risks.

Table 7. Main risks in the implementation of NSDI-II and mitigation measures

Main risk during implementation	Likelihood	Impact	Mitigation measures
Severe absorptive capacity constraints within the public administration and civil service could result in significant delays, low quality NSDI-II implementation, and poor returns on development funding investments.*	H	H	A more determined and strategic approach to capacity assessments, regulatory impact assessments, and increased investments in capacity development at all levels. Stronger monitoring and reporting on NSDI-II implementation, with a focus on capacity issues. Broaden recruitment and promotion base for a sustainable capacity within public administration, by introducing performance based promotion on clear criteria (which would increase women access to management positions), ensuring that capacity building is equally distributed to both men and women in all spheres.
2. Limited policy and implementation coordination could lead to misallocation of resources, increased internal competition for resources, duplication, delayed and ineffective decision-making, loss of overall Government strategic focus.	H	M	Greater level of political will and commitment to the IPS, the NSDI-II and supporting systems and capacities necessary for coordination, with special attention to strengthening the related HR capacities, as also noted above.
3. Resource constraints. There is a risk that the resources available both in terms of funds and human resources are not sufficient, particularly with respect to the design and implementation of major reforms *	M	M	Greater focus on the affordability of new investments and ensure that existing and new investments are sustainable (e.g. through carrying out regulatory impact assessments, capacity assessments, sound planning, etc.). New investments to be supported only when basic requirements for adequate management are in place.
4. Corruption. In its many forms within the public administration and the civil service could hamper the implementation of all reforms, including those to the administration and civil service. *	H	M	Determined and more forceful implementation of the national strategy on anti-corruption, the greater enforcement of the laws on anti-corruption.
5. Poor performance of the civil service could equally hamper implementation, due to limited scope for remuneration, performance appraisal and promotional opportunities, training and development, etc. *	M	M	More attention and more focus in the implementation of Public Administration Reform Strategy
6. Politicization of the civil service could impede the implementation of the NSDI-II through excessive turnover of staff (especially at the senior levels); and in the case of the media and civil society, politicization could impede the overall	M	M	More determination in implementation and higher focus on the Law on Civil Service, reforms of electoral law, and media reforms

Main risk during implementation	Likelihood	Impact	Mitigation measures
development of democracy. *			
7. Lack of political will to move forward with certain key reforms, such as in land management and property rights, could delay or dampen economic development *	L	L	More detailed study and a clearer understanding of risks and formulation of appropriate risk management strategies
8. Overly optimistic forecasts on GDP and Government revenue could adversely affect economic growth, and worsen the debt and deficit situations.	L	L	Constant monitoring and reporting on macroeconomic and fiscal indicators, and rapid adjustments to monetary and fiscal policy to maintain GDP/debt and fiscal deficit targets.

* This risk is identified in and extracted from the Indicative Strategy Paper 2014-2020

15.2 Note on Capacity Development

The vast majority of the strategic objectives detailed in this NSDI-II deal with capacity development of one form or another, and capacity constraints are seen as one of the major risks to successful implementation of the NSDI-II. It is well recognized by the Government, the EU, development partners and many other stakeholders that Albania still struggles with capacity related issues. These issues are long-standing and not new: inadequate policy and implementation coordination, severe limits in absorptive capacities, numerous constraints in the public administration and the civil service, and so on. The effects are predictable: sub-optimal performance, significant delays in disbursements, bottle-necks, delays in decision-making, and a sense of overall frustration at the political and bureaucratic levels, as well as with Albania's development partners. This is not a question of lack of financial resources, since the financial resources are there - it is that they are simply not deployed and absorbed cost-effectively.

■ A more strategic approach regarding development of capacities

The cost-effective implementation of the NSDI-II, as well as all sector, cross-cutting sector and other strategies and plans, depend on the application of a more comprehensive and strategic approach to

capacity development. This depends on the understanding and acceptance of some basic capacity development concepts.²¹³

- **State capacities** in Albania, as elsewhere, must be understood as an integral part of the broader realm of national capacities, including those of civil society and the private sector. It should be understood as the ability of state to manage the business of the executive, judiciary and the legislature towards national and human development ends and, in the case of Albania, towards EU integration.
- **System-wide linkages.** The inter-linkages between three levels of capacity must be taken into account: the systems or enabling environment level, the institutional level and the individual human level.
- **Multidimensional** nature of capacities at each level. For example, at the individual level within the civil service, it is not enough to simply develop technical skills, but rather to consider as well a broader set of inter-related hard and soft capabilities (e.g. attitudes, ethics, values, etc.) linked to the objectives of the specific institution, governed by proper regulations and processes, and supported by good systems of performance and measurement.
- **Building on the current base.** Capacities to be developed must to the maximum extent possible build on the *current base*, that nothing should be torn down or removed if it works and/or can add value to new capacity solutions.
- **Capacity development as change.** It is often a process of complex change, often requiring considerable time, especially in cases of Albania's many reform initiatives. Identifying drivers of change and managing change, risks and expectations need to be important considerations in design and implementation.

■ Better use of methodology and instruments

Albanian ministries and institutions already have at their disposal a range of methodologies, management tools, and techniques to tackle capacity development more strategically and in such a way as to develop sustainable results, including especially the focus on understanding and strengthening absorptive capacities. Well established methodologies exist in the ICT and engineering domains (e.g. pre-feasibility and feasibility studies, requirements analyses, etc.). However, such essential management tools are not being used consistently, or effectively, due in large part to staff constraints (either not enough staff, or not adequately trained staff, or both). Hence, it is a matter of a better application and enforcement of government policy in using such tools. Two such tools are discussed below.

²¹³ The quote and following text are for the most part extracted directly from a recent UNDP report prepared in collaboration with the Ministry of European Integration: "*National Human Development Report: Capacity Development and Integration with the European Union*", Albania, 2010, http://hdr.undp.org/sites/default/files/albania_nhdr_2010.pdf.

▪ **Regulatory Impact Assessment (RIA).** Albania had developed a policy for regulatory impact assessment. This is an important part of the law or regulatory drafting process and it is in compliance with the EU's 'better regulation approach'. The policy calls for the development of an *Explanatory Memorandum* as an important part of the law drafting process²¹⁴ and is required to be produced by any ministry or government institution seeking a new law or regulation. The memorandum would contain:

- a justification in terms of the law or regulation's relationship to Albania's national development and EU integration policy objectives;
- an assessment of possible benefits, economic costs and level of effectiveness;
- any issues that may relate to enforcement;
- assurance of conformity with existing laws and harmonization with EU legislation;
- assurance of stakeholder consultation and participation in the drafting process; and
- Identification of institutions and/or bodies responsible for enforcement.

Significantly, a full *Budgetary Assessment* would form a critical part of the memorandum and justification for the proposed law or regulation. The assessment would contain: (1) estimates of the total amount of annual expenses for implementation; (2) an analysis of budgetary expenses for the first three years of implementation; and (3) an identification where public funds were used; and (4) an indication of budgetary allocation. Existing procedures require the ministry or institution to submit the draft law or regulation together with the Explanatory Memorandum and Budgetary Assessment for comment to the Ministry of Justice (for legal considerations), the Ministry of Finance (for budgetary considerations), the Ministry of Integration (for EU accession considerations), and the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (for any significant economic considerations).

".. . The experience of the Member States has shown the importance of regulatory impact assessments. They have proven key to determining whether the economy and businesses are ready to face the far-reaching challenges in national legislation."

From an address made by the EU Delegation to Albania at an international conference in the Framework of SME13, 30 May 2014

▪ **Capacity assessment** is a management tool or methodology that can be applied to any envisaged reform or development initiative, in addition to new laws or regulations. In fact, a capacity assessment may be seen as a variant of a RIA, or vice versa. An initial opportunity and standard first step in capacity development is to carry out a *capacity assessment*. Such an assessment could be carried out at a macro-level (e.g. assessing the capacities of the public administration as a whole), at an institutional or organizational level (e.g. the capacities of a ministry to achieve its objectives or results), or at a program and/or project level (e.g. the capacities required at all levels to develop and implement a specific program of the Government). Such assessments could also form part of a program plan, or be carried out in a number of variant ways: feasibility assessments, functional reviews, and so on. The important thing is that such assessments be carried out such that informed management decisions can be made on the implementation and ongoing sustainability of development initiatives.

²¹⁴ Law no. 9000, January 30, 2003, DCM no.584, August 28, 2003.

15.3 Financial considerations

For the NSDI-II planning period, growth dynamics are seen to evolve according to one or a combination of the three scenarios that are set out in the Macro-framework and NERP 2015-2017: namely, Optimistic, Baseline and Pessimistic Scenarios.

In order to preserve the simplicity of the framework and compatibility with the fiscal prudence principles of PFM, it would appear that only the Baseline and Pessimistic Scenarios might be applied for forward financial planning purposes as reflected in the NSDI-II²¹⁵. GDP real growth rates in the Baseline Scenario can be averaged out across the planning period, although of course these growth rates may change due to changing national, regional and global growth dynamics.

However, in light of the best available macro-economic analyses, it might be seen that the level of the Baseline Scenario in average mode for the NSDI-II may be lower than the Macro-framework and NERP 2015-2017 actual levels.

The explanation may lie in the foreseen risks that have been accounted for in order to increase the NSDI's resilience in the case of external shocks, namely:

- Based on recent PFM and Fiscal reviews, the consequences of optimistic forecasts and budgeting in Albania have generated substantial arrears for public contracts with unavailable funding. The problem is addressed in the PFM strategy. Measures to address this issue will require time²¹⁶ and caution about annual and multi-annual processes of budgeting.
- The impact of new policies in the real sector may be incorrectly calibrated in view of faulty assumptions on elasticity/responsiveness of the sector in the short/medium term to new policy measures. This might be particularly important for activities that have a special importance for actual levels of operation of the Albanian economy such as construction for example.
- The external risks for Euro area from Greek exit appear to be unlikely to materialize on the basis of most recent developments. However, should such an event occur, the implications for Albania are considered to be low in terms of direct exposure to Greece's economy, but may remain high should the Euro-zone as a whole move into a new economic recessionary period.

²¹⁵ The Optimistic Scenario might be applied as a potential desired surplus or policy contingency in order to absorb new policy initiatives of the Government or to speed up the process of NSDI implementation.

²¹⁶ Fiscal Rule, obligation to maintain the ceiling of next year at t-1 as the basis of 1st ceiling at t, multiyear commitment in the treasury system planned to be implemented during 2015 are not yet there.

ANNEX 1. LIST OF STRATEGIC DOCUMENTS

1.1 List of strategic documents during formulation of NSDI 2015-2020

#	Sector strategies ²¹⁷	Responsible institution	Approval
1	National cross-cutting Strategy on Rural and Agricultural Development in Albania, 2014-2020	Ministry of Agriculture, Rural Development and Water Administration	DCM ²¹⁸ No.709, of 29.10.2014
2	The Revised Document of Defense Strategy 2013-2020	Ministry of Defense	DCM No. 269, of 3.4.2013
3	Business and Investment Development Strategy (BIDS) 2014-2020	Ministry of Economy, Tourism, Trade and Entrepreneurship	DCM no.635, of 1.10.2014
4	National cross-cutting Strategy for Consumer Protection and Market Surveillance 2015-2020		DCM nr. Nr. 753, dated 16.9.2015
5	Albanian Public Finance Management Strategy, 2014-2020	Ministry of Finance	DCM 908, dt.17.12.2014
6	Justice Sector National Strategy 2010-2014 ²¹⁹	Ministry of Justice	DCM Nr.519, dated 20.07.2011.
7	National Cross-cutting Strategy for the Reform on Property Rights 2012-2020		DCM No.405, dated: 27.06.2012,
8	National Sector Strategy for Water Supply and Wastewater 2011-2017	Ministry of Transport and Infrastructure	DCM Nr.643, dated 14.09.2011
9	National Cross-Cutting Strategy on Waste Management, 2010-2025 (including National Waste Management Plan, 2010-2025)	Ministry of Environment	DCM 175 dated 19.1.2011
10	Sector Strategy for Pre-University Education 2015-2020	Ministry of Education and Sports	DCM 11, dated 11.1.2016
11	Strategy for Science, Technology and Innovation 2009-2015		DCM 863, dated 29.7.2009
12	National Cross-Cutting Strategy on Integrated Border Management and its Action Plan, 2014-2020	Ministry of Foreign Affairs	DCM No.119, dated 05-03-2014.
13	Cross-Cutting Strategy on Combating Organized Crime, Trafficking, and Terrorism 2014-2020 (Incl. fight against child trafficking, fight against money laundering, and against drug trafficking. Annex of this document is the fight against human trafficking and action plan)		DCM No.663, dated 17-07-2013 Revised document is adopted by DCM No. 814, dated 26.11.2014 'On an amendment to DCM No. 663'

²¹⁷ Strategies up to no. 21 are part of the list of strategies established by Order no 93 of the Prime Minister, of 07.08.2012.

²¹⁸ DCM

²¹⁹ The revised Justice Sector strategy is currently under review, under the lead of the ad hoc Parliamentary Committee.

#	Sector strategies ²¹⁷	Responsible institution	Approval
14	National Sector Strategy of Public Order 2015-2020 (Incl. State Police)		DCM No.702, dated 26-08-2015
15	National Cross-cutting Strategy for Jobs and Skills 2014-2020	Ministry of Social Welfare and Youth	DCM No. 818, dated 26.11.2014
16	National cross-sector Strategy on Gender Equality, 2011-2015 ²²⁰		DCM Nr.573, dated 16.06.2011
17	National Sector Strategy of Social Protection 2016-2020		DCM Nr. 1071, dated 23.12.2015
18	National Cross-Sector Strategy on Decentralization and Local Governance, 2015-2020	Minister of State for Local Affairs	DCM No.691, dated 29.8.2015
19	National Cross-cutting Strategy for Anticorruption and its Action Plan 2015-2020		DCM No.247, dated 20.03.2015
20	National Cross-Cutting Strategy for the Digital Albania 2015-2020	Minister of State for Innovation and Public Administration	DCM Nr.284, dated 01.04.2015
21	National Cross-cutting Strategy for Public Administration Reform 2015-2020		DCM Nr.319, dated 15.4.2015
#	Strategic documents	Responsible institution	Approval
22	National Plan on EU Integration (NPEI) 2015-2020	Ministry of European Integration	DCM Nr.74, dated 27.01.2016
23	Action Plan for the Implementation of SEE2020 Strategy 'Jobs and Prosperity in a European Prospective' (2014-2020)	Ministry of Economic Development, Tourism, Trade and Entrepreneurship	DCM Nr.611, dated 17.9.2014
24	National Economic Reform Programme 2015-2017 (NERP) for Albania		DCM Nr.71, dated 28.1.2015
25	National Security Strategy	Ministry of Foreign Affairs	Law 103/2014, dated: 31.07.2014
26	Military Strategy of Republic of Albania	Ministry of Defense	Law 72/2015, dated: 09.07.2015
27	Strategy for prevention and payment of Arrears and its Action Plan 2014-2016	Ministry of Finance	DCM No.50, dated: 05.02.2014, Amended by DCM, No.331, dated 28.05.2014
28	Public Debt Management Strategy, 2015-2017		DCM No.191, dated 4.3.2015
29	Roadmap for Drafting Policy and Measures for Enabling Environment for Civil Society	Council of Ministers	DCM No.459, dated 27.05.2015
30	Youth National Action Plan, 2014-2020	Ministry of Social Welfare and Youth	DCM No.383, dated 6.5.2015
31	Program for promotion of employment of persons with disabilities		DCM, No.248, dated 30.04.2014
32	National Action Plan on Energy Efficiency, 2011-2018	Ministry of Energy and Industry	DCM, No.619, dated 07.09.2011

²²⁰ Strategic Document on gender equality, 2016-2020 is currently being drafted by the Ministry of Social Welfare and Youth.

#	Sector strategies ²¹⁷	Responsible institution	Approval
33	Mining Sector Strategy 2010-2025		DCM No. 479, dated 29.6.2011
34	Master plan for Water Supply and Wastewater	Ministry of Transport and Infrastructure	DCM NO.643, dated 14.09.2011
35	Air Quality Strategy	Ministry of Environment	DCM, No.594, dated 10.09.2014
36	National Plan for Broadband Development	Minister of State for Innovation and Public Administration	DCM, No.468, dated 30.05.2013
37	Program of official statistics for 2012-2016	INSTAT	Decision .3/2013 of the Assembly of the Republic of Albania

ANNEX 2. HIGH LEVEL DEVELOPMENT INDICATORS AND SECTOR INDICATORS

Table: Indicators in the framework of integration commitments, for which there is agreement with the EU²²¹

Indicators under integrating commitments, a signatory to the EU	Sectors	Indicators	Baseline comparative value		Goal 2017	Goal 2020	Responsible institution
	Anticorruption	Fight against corruption	2012	29.9	42.23	51.33	MSHCV
	Rule of law	Judiciary reform	2012	43.94	46.43	55.71	MoJ
	Good governance	Governance and Public Administration Reform	2012	53.23	60.19	63.19	MSHIAP; MD; MOEDTTE
	Good governance	Composite indicator as an average of eight indicators	2012	44.9	57.43	64.33	MD; MSGCV; MOEDTTE; MSHIAP
	Fundamental rights	Freedom of press, freedom of media	2012	41.72	30.5	28.25	MSHMP
	Statistics	Statistics compatibility with European standards	2012	10-16%	20-30%	70-80%	INSTAT
	Competitiveness	Competitiveness and Innovation 'Doing Business' and 'distance from the border'	2012	59.46	66.42	67.54	MOEDTTE
	Employment	Overall unemployment (15-64 age group) rate in % ;rural / urban	2012	55.9% females: 45%, males: 55%	54.5%	60%	MoSWY
	Transports	Logistics Performance Indicator	2012	2.43	2.99	3.21	MTI
	Local Government	Territorial cooperation	2012	n/a	26	30	MEI; MSHCV

²²¹ Part of the monitoring framework under EU Indicative Strategy Paper for Albania, 2014-2020"

Table: High macroeconomic and development level economy indicators

Economic development and Macroeconomic High-level indicators	Sectors	Indicators	Baseline comparison		Goal 2017	Goal 2020	Responsible institution
	European integration	GDP / capital compared to the average of 28 countries in the EU	2013	28%	30%	35%	MF
	Decentralization	Contribution of local government revenues in GDP (%)	2014	1.1%	2.4%	3.9%	MF; MCV
	Decentralization	Indicator of local borrowing level	2013	0.04%	0.2%	0.5%	MF; MSHCV
	Public finances	Economic growth (real) rates	2015	2.6	3.9	4.3	MoF
	Public finance	Level of public debt (as % of GDP)	2015	72.60%	68%	Below 60%	MoF
	Public finances	Total revenues level (as % of GDP)	2015	26.80%	27.30%	27.30%	MoF
	Public finances	Deficit level (as % of GDP)	2015	-4.00%	-1.40%	0.40%	MoF
	Energy	Increased collection of liabilities from sale of electricity	2014	91.90%	92%	93%	MEI
	Foreign Direct Investments (FDIs)	Increased contribution of FDIs to GDP (% of GDP)	2014	7%	8.30%	9%	MZHETS
	Competitiveness	Exports rates to GDP	2013	18.10%	19%	20%	MZHETS
	Rural development and agriculture	Export import rates in agriculture	2013	1 (:) 5.7	1 (:) 4	1 (:) 3	MARDWA
	Rural development and agriculture	Increased farm size (in ha)	2012	1.2	2	2.5	MARDWA
	Rural development and agriculture	Real economic growth rates in agriculture (%)	2013	6.20%	5%	5%	MARDWA
	Tourism	Increase of contribution rates of tourism in GDP	2013	4.80%	5.50%	6.10%	MZHETS
	Energy	% imported energy versus total energy	2013	71%	68%	65%	MEI

Table: Sector indicators

Sectorial Indicators Related to Good Governance and Competitiveness	Sectors	Indicators	Responsible institution	Reference document for the indicator
	Public finance	Budget transparency index developed by International Budgetary Partnership based on budget information;	MoF	Public Finance Management Strategy, 2014-2020
	Public finance	Credibility of Budgeting (deviation in% of actual costs and revenues)	MoF	Public Finance Management Strategy, 2014-2020
	Public finance	Public revenues trend as % of GDP;	MoF	Public Finance Management Strategy, 2014-2020
	Competitiveness	New businesses established annually (by gender)	MoEDTTE	Business development and investments Strategy, 2014-2020
	Decentralization	Local government budget in relation to GDP	MoLI	Cross-sector Decentralization and Local Governance Strategy, 2015-2020
	Competitiveness	FDIs as percentage of GDP	MoEDTTE; MF	Public Finance Management Strategy, 2014-2020
	Competitiveness	Number of International and European standards adopted as Albanian Standards	MOEDTTE-DPS	Cross sector Consumer Protection and Market Surveillance Strategy, 2020
	Energy	Energy dependency (% of imports)	MEI	National Action Plan on Renewable Energy Resources, 2015-2020
	Public Administration	Number of services provided to citizens	MIAP	Cross –sector strategy of public administration reform, 2015-2020
	Public order	Increased public confidence in the police	MoI	Public Order Strategy, 2015-2020& action plan
	Public administration	Number of recruitment claims in civil service accepted by courts	MSHIAP	Cross –sector strategy of public administration reform, 2015-2020
	Competitiveness	Competiveness Indicator (score)	MOEDTTE	Business and investments development Strategy, 2014-2020
	Anti-corruption	Anti- corruption indicator, according to IT ranking	MSHCV	Cross-sector anti-corruption Strategy, 2015-2017

Sectorial indicators related to social policies and to the sustainability of resources	Sectors	Indicators	Responsible institution	Reference document for the indicator
	Youth	Youth Unemployment (15-24 age group) (by gender)	MoSWY	National Strategy on Employment and Skills, 2014-2020 & Action Plan
	Vocational education	VET participation (by gender)	MoES	National Strategy on Employment and Skills, 2014-2020 & Action Plan
	Social protection	Percentage of population in extreme poverty eligible for NE (by gender)	MoSWY	Social protection National Strategy, 2015-2020 and Action Plan
	Water and waste water	% of population that has access to water supply in urban and rural areas	MoTI	Water Supply and Waste Water Strategy, 2014-2017
	Employment	Employment levels for VET graduates	MoSWY	National Strategy on Employment and Skills, 2014-2020 & Action Plan
	Employment	No of enterprises run by women as % of total	MOEDTTE	Business and investments development strategy, 2014-2020
	Employment	Gender gap in employment	MoSWY	National Strategy on Employment and Skills, 2014-2020 & Action Plan
	Rural development & agriculture	Indicator of agricultural land area with rehabilitated and improved infrastructure compared to total	MOARDWA	Cross- sector Strategy on rural and agricultural development, 2014-2020
	Rural development & agriculture	Real economic growth rate in agriculture, %	MOARDWA	Cross- sector Strategy on rural and agricultural development, 2014-2020
	Rural development and agriculture	Indicator of utilized agriculture land	MOARDWA	Cross- sector Strategy on rural and agricultural development, 2014-2020
	Water and waste water	Access to water treatment	MTI	Water supply and Waste Water Strategy, 2014-2017
	Energy	Indicator of renewable energy consumption	MEI-AKBN	National Action Plan on Renewable energy Resources, 2015-2020

ANNEX 3. LINKING SDGs WITH KEY NSDI COMPONENTS

(According to sections and chapters under NSDI)

NSDI II	Part III: Development and Integration of Strategies	SDG
7.0	Overarching goal: achieving EU accession	n/a (mainly EU-related)
8.0	Foundations: Good Governance, Democracy & the Rule of Law	
8.1	An open Judiciary system, with equal access for all	SDG 16
8.2	Strengthening legislative and electoral processes	SDG 16+5 (ref.gender equ)
8.3	Integrated Border Management	SDG 16
8.4	Fight against organized crime, terrorism, and trafficking	SDG 16
8.5	Strengthening public order	SDG 3 + 16
8.6	Strengthening human rights	Combination (1 + 10 + 16...)
8.7	Public Administration and Civil Service Reform	SDG 16
8.8	Transparency and fight against corruption	SDG 16
8.9	Decentralization and Local Governance reform	partially SDG 11 + 17
8.10	Empowering official statistics	SDG 17
8.11	Growing importance of foreign policy	SDG 10
8.12	Stronger Defense	n/a (mainly NATO-related)
8.13	Civil Society	SDG 17
9.0	Pillar 1: Growth through macro-economic and fiscal stability	
9.1	Strengthening financial system and monetary policy	SDG 8 + 10 +17
9.2	Strengthening public finances for fiscal stability	partially SDG 10
10.0	Pillar 2: Growth through competitiveness	
10.1	Securing and protecting property rights	SDG 1
10.2	Promoting business and FDI's	SDG 8
10.3	Expanding scientific research and innovation	SDG 9 +17
10.4	Investing in ICT	SDG 9
10.5	Ensuring consumer protection and market surveillance	SDG 2 + 12
10.6	Protection of competition and ensuring state aid control	
11.0	Pillar 3: Investing in Human Capital and Social Cohesion	
11.1	More opportunities and more quality in education	SDG 4
11.2	A stronger and more accessible health care system	SDG 3
11.3	Increased employment opportunities	SDG 8
11.4	Strengthened social insurance	Partially SDG 1
11.5	Consolidating social protection	SDG 1 + 10
11.6	Building a more inclusive society	SDG 8 + 10
11.7	Empowering youth	SDG 4 + 8
11.8	Ensuring gender equality	SDG 5
11.9	Managing migration	SDG 10
11.10	More attention to arts and culture	SDG 4 + 11
11.11	Strengthening the role of sports	Partially SDG 3
12.0	Pillar 4: Growth through Sustainable Use of Resources and Territorial Development	
12.1	Energy/Services (Utilities)	SDG 7
12.2	Transport infrastructure	SDG 9
12.3	Agriculture and rural development	SDG 2
12.4	Regional development	Partially SDG 11 + 17

12.5	Sustainable environment	SDG 13 + 14 + 15
12.6	Mining sector	SDG 12
12.7	Tourism development	SDG 8 + 11 + 12
12.8	Water supply and waste water	SDG 6
12.9	Integrated water management	SDG 11 + 12 + 17 (PPP)
12.10	Spatial planning and urban development	SDG 11