

COMMISSION DECISION

C(2009)5911 of 31/07/2009

on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Albania

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14 (2) (a) thereof,

Whereas:

Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of Multi-annual Indicative Planning Documents established for the country in close consultation with the national authorities. On 29 September 2008 the Commission adopted the MIDP 2008–2010 for Albania².

In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy, resulting from a regular analysis of the situation in the country, on which preparation for further integration into the European Union must concentrate.

Albania is listed in Annex II to Regulation (EC) No 1085/2006.

On 18 February 2008, the Council adopted the European Partnership with Albania³.

This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006.

¹ OJ L 210, 31.7.2006, p. 82

² C(2008)5352 of 29/09/2008

³ 2008/210/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC (OJ L 80, 19.3.2008, p.1-17)

HAS DECIDED AS FOLLOWS:

Sole Article

The Multi-annual Indicative Planning Document (MIPD) for the years 2009-2011 for Albania attached to the present Decision is hereby adopted.

Done at Brussels,

For the Commission

Member of the Commission

EN

Instrument for Pre-Accession Assistance (IPA)

**Multi-annual Indicative Planning Document
(MIPD)**

2009-2011

Albania

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Executive Summary

As a potential candidate country, Albania benefits from the first two components of IPA, including Component I for Transition Assistance and Institution Building and Component II for Cross-Border Cooperation. The indicative allocations to Albania under the Multi-annual Indicative Financial Framework (MIFF) for 2009-2011 amount to EUR 269.4 million. Assistance will be in line with the recommendations of the 2008 Enlargement Strategy and Progress Report, the European Partnership priorities and will address the requirements under the SAA.

In the area of democracy and rule of law, the capacity of the Albanian institutions remains to a large extent limited, in particular as regards the judiciary, the implementation of public administration reform and the fight against corruption and organised crime. In addition, the implementation of the SAA, which has started after the final ratification on 1 April 2009, will require strong administrative capacities in almost all *acquis* related areas to meet the requirements identified in the SAA. Structural reforms are not yet fully implemented and more efforts are still needed in the economic area to improve the business environment.

Therefore, EC assistance to Albania in the forthcoming three year period, will address key issues such as public administration reform and rule of law enforcement, in particular as regards good governance and anti-corruption measures. This emphasis is reflected in a further increase of funds allocated to the area of political requirements. Strengthening administrative capacity with a view to the implementation of the SAA is given a high priority, to support the Albanian authorities in fulfilling the requirements of the SAA. There is a need to further support structural reforms in the country and to invest in related infrastructure, in particular in the area of regional development and *acquis* related infrastructure.

IPA support under the **Transition Assistance and Institution Building** Component will amount to EUR 269.4 million and should assist Albania in the following main areas:

Political requirements: IPA will support the implementation of the public administration reform, strengthen the capacity of key institutions and therefore contribute to develop good governance. In this context, IPA shall also strengthen European integration structures, contribute to establishing financial control and help to prepare the decentralised management of EU funds. IPA intends to support the judicial and police reform, support anti-corruption measures and strengthen the political system in order to carry out elections and census according to EU standards. IPA will also support the development of the media sector, including the digitalisation of broadcasting, promote the social and economic inclusion of minorities and vulnerable groups and promote civil society dialogue. Funding for these areas will range between 30% and 35% of the total allocation foreseen for component I.

Socio-economic requirements: IPA will assist the Albanian authorities in improving public finances, implementing structural reforms and developing the functioning of the labour market through increased flexibility and better links with the education system. IPA intends to assist improvement in access to essential services and economic markets and protection of cultural heritage. Funding for these areas will range between 20% and 25% of the total allocation foreseen for component I.

Ability to assume the obligations of membership: IPA will support Albania's approximation to EU standards in the areas of internal market, sectoral policies and justice, freedom and security. IPA can help to reinforce the structures necessary for implementation of the SAA

and *acquis*. Particular attention should be devoted to the areas of agriculture and rural development, regional development, environment, consumer protection, transport and energy. Funding for these areas will range between 40% and 50% of the total allocation foreseen for component I. This could also include major municipal infrastructure projects as a possible medium-term response to the financial crisis by helping to soften the general slowdown of economic growth and to maintain economic stability, growth and jobs. Supporting programmes are foreseen to allow Albania to participate in Community agencies and institutions, as well as in Community programmes. Access should be also provided to the Project Preparation and Technical Assistance Facility. IPA support for **Cross-Border Cooperation** will amount to EUR 31.5 million and will address cross-border activities between Albania and EU Member States as well as with adjacent candidate countries and potential candidates, complementing the above sub-components.

Indicative financial allocation per component for the period 2009-2011 (in million EUR)				
	2009	2010	2011	2009-2011
<i>Transition Assistance and Institution Building</i>	70.9	82.7	84.3	237.9
<i>Cross-Border Cooperation</i>	10.3	10.5	10.7	31.5
Total	81.2	93.2	95.0	269.4

1. SECTION 1 – ASSESSMENT OF PAST AND ONGOING ASSISTANCE

1.1. Introduction

The present MIPD builds on results of projects implemented under the CARDS national and regional programmes, as well as on the findings of international organisations and other donors. It takes into account the various country-related assessments performed by the European Commission, in particular the 2008 Progress Report. It is based on the 2008 Enlargement Strategy Paper and the European Partnership adopted in February 2008. It also addresses the requirements under the SAA.

1.2. Overview of past and on-going assistance and of lessons learned

1.2.1. Overview of past and ongoing EC assistance

Over the period 1991-2008, Community assistance to Albania has totalled about EUR 1.4 billion. About EUR 635 million was delivered through the Phare programme from 1991 to 2000.

Between 2001 and 2006, Albania benefited from around EUR 330 million of CARDS assistance. CARDS assistance targeted four broad reform priorities: justice and home affairs (about 40% of the funding), administrative capacity building (about 20%), economic and social development (about 35%) and democratic stabilisation (about 5%). Under CARDS, the management of EC projects was transferred to the European Commission Delegation in Tirana. The European Commission EC Delegation works in close cooperation with the Albanian Ministry of European Integration. The implementation of EC assistance programmes has improved and sustained efforts have been undertaken to reduce the existing backlog.

Support provided through CARDS 2006, IPA 2007 and IPA 2008 is currently being implemented and there is a pipeline of projects in the areas of good governance and institution building, rule of law, civil society, education, employment, European standards, regional development, transport, environment, agriculture, rural development, SMEs, statistics, state aid, consumer protection and taxation.

The IPA 2007 national programme addresses police reform, decentralised management of the assistance, penitentiary infrastructure, SME development, statistics, water supply and sewerage systems and taxation, with an allocation of EUR 49.2 million.

The Tempus programme has provided considerable support for the modernisation and the reform of the higher education system in Albania. Since 1992, Tempus has funded over 90 cooperation projects with EU higher education institutions in the areas of curriculum development, university management and structural reform.

A Framework Agreement between the European Community and Albania on participation in Community Programmes was ratified in May 2005. The Albanian financial contribution ('entry ticket') required to cover the expenses of its participation in the programmes is partly paid through EC funds. During 2007, Albania signed a Memorandum of Understanding for participation on the VII Framework Programme for Research and Development.

Albania also benefited from regional activities under CARDS, which supported actions of common interest for the Western Balkan region in the fields of infrastructure, institution building and cross-border cooperation in conjunction with Interreg activities. Under IPA, regional activities are covered by the Multi-beneficiary programme as regards public administration reform, justice and home affairs, civil society, youth, research, infrastructure, internal market and nuclear safety.

In past years, Albania was also a priority country for the European Initiative for Democracy and Human Rights (EIDHR), and benefited from the EU LIFE Third-Countries programme, as well as from the 6th Framework Programme for Research and Development.

The last macro-financial assistance provided to Albania in 2005-2006 (total EUR 25 million, with a grant component of EUR 16 million and a loan component of EUR 9 million) was conditional on improving public finance management with more secure financial circuits, measures to improve the functioning of the public administration and the fight against corruption, and progress in financial sector reform. Progress in these areas allowed the full disbursement of the assistance.

EC assistance to Albania (1991-2007) in million Euro	
IPA	131.7
CARDS	330
Phare	635
Macro-financial assistance	150
ECHO	142
EIDHR	5
Total	1393.7

1.2.2. Overview of past and ongoing multilateral and bilateral assistance

In order to increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and the Member States shall ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non-EU donors. At local level, a consultation mechanism during the different phases of the assistance cycle was established in 2007. It provides for an early consultation on draft IPA planning (MIPDs) and programming documents with Member State embassies, local offices of IFIs, UN entities and non-EU donors.

At central level, coordination meetings with IFIs as well as with EU and non-EU donors are organised on a regular basis. They focus primarily on strategic orientations and the regional dimension of IPA planning and programming. Additionally, coordination between the Commission and Member States takes place on a regular basis in the context of the IPA Committee. Meetings with the embassies of Member States and the local branches of the IFIs on the MIPD 2009-2011 were organised in December 2008.

Since November 2005, the Government of Albania is involved in the process of donor coordination through the Integrated Planning System (IPS), which aims at ensuring that core policy and financial processes function in a coherent, efficient and integrated manner.

Assistance to this mechanism was foreseen under IPA 2007. The Albanian Government also expects to improve donor coordination and align international assistance with national priorities through the Department of Strategy and Donor Coordination (DSDC) under their Council of Ministers. The Minister of European Integration has been appointed as National IPA Co-ordinator.

The Delegation of the European Commission, in its role as head of the Donor Technical Secretariat (DTS), has facilitated coordination, hosting project data from all donors since 2003. This leading role is rotated between the European Commission, OSCE, World Bank and the UNDP. Until April 2008 this role was undertaken by the World Bank. For the moment, the European Commission is again leading the DTS. The Commission organised a Donor Coordination Conference in October 2008 where the Commission and Member States, together with the IFIs and non-EU donors, agreed to an active and affirmative approach concerning the need for enhanced donor coordination. It was agreed that the Multi-Annual Indicative Planning Documents could become a strategic instrument for donor coordination and that the consultation on the 2009-2011 MIPDs will be used as a key tool to determine areas of common interest and possibilities for sector coordination and division of labour.

Beside EC assistance, several other donors are active in key areas. Support for public administration reform is mainly provided by Austria, Germany, the Netherlands, Sweden and the United States. In the sector of rule of law and security, assistance is provided by France, Italy, Sweden, the Council of Europe, the Organisation for Security and Co-operation in Europe (OSCE), and Norway. Civil society and media are supported by Austria, Germany, Italy, the Netherlands and the United Nations Development Programme (UNDP). France, Greece, the Netherlands, Norway, Spain, Sweden, Switzerland, the UK and the OSCE are active in the protection of human rights and minorities. Economic development is promoted by Austria, France, Italy, Spain and the UK. Education, employment and health are supported by Austria, the Czech Republic, France, Italy and the United Nations. Assistance regarding European Standards (including food safety, energy, agriculture, and environment) is provided by Austria, Germany, the Czech Republic, Italy, Japan and USAID. Investments in infrastructure projects (including roads, railway, waterways and air transport) are mainly provided by Austria, the Czech Republic, Germany, Italy and Switzerland.

Albania was selected in January 2007 as a pilot for the UN "delivering as one" reforms, which is financially supported (amongst others) by the EC.

1.2.3. Lessons learned

The interim evaluations (Phare 1999-2002) and the ex-post evaluation (Phare 1999-2001) of EC pre-accession assistance have identified some lessons that can be drawn for future assistance. The findings from an interim evaluation of CARDS indicate that overall performance of the evaluated assistance is mixed. There have been delays in implementation. A need for further involvement of the authorities in programming and implementation phases has been identified. With regard to CARDS assistance, the key concerns are impact and sustainability of projects due to uneven capacity of the various Albanian administrations - partly the result of a high turn over of staff. Based on the evaluations carried out during 2008, the overall performance in Albania is rated as "moderately satisfactory". Experience with the implementation of IPA assistance as well as other DG ELARG evaluation reports - specifically, the evaluation report for public administration reform - suggest that IPA assistance needs to consider the following lessons learned:

Local ownership is essential for the effective targeting of assistance and achieving expected results. Significant efforts have been undertaken to involve Albania's institutions in the planning and programming process for EC assistance. The Ministry for European Integration (MEI) benefited from substantial institution and capacity-building support. The introduction of the function of Senior Programme Officers (SPO) within the European Integration units in line ministries and the leading role of the MEI in the programming process should provide the framework for the identification of the assistance needs.

The **absorption capacity** of the authorities needs to be ensured. This depends on project maturity, adequate staffing in the relevant institutions, the mobilisation of civil society and a political consensus on key reform activities.

Timely planning of future assistance is essential to address key areas. Past experience with delays in the implementation of CARDS and IPA assistance has shown the need to ensure that projects do not become obsolete because of late implementation.

The **link between EC assistance and sectoral strategies and action plans** of the Albanian institutions needs to be ensured. The aim is to design assistance in relation to Albanian strategic plans, which should address the requirements of the EU integration process.

The preparations for the **Decentralised Implementation System (DIS) need to be based on previous experience with decentralised management** under Phare. The Albanian authorities decided in 2007 to stop working with the previous decentralised set-up under Phare, for the Local Community Development Programme, and instead started preparations for the full decentralisation of the EU funds. The capacities previously developed in the Programme Management Units under Phare need to be integrated into the new set-up of DIS structures in Albania. IPA 2007 is supporting the introduction of DIS.

2. SECTION 2 – PRE-ACCESSION ASSISTANCE STRATEGY FOR THE PERIOD 2009-2011

2.1. Introduction

The general objective of IPA is to progressively align the standards and policies of the beneficiary countries with the standards and policies of the European Union, with a view to future membership. The present MIPD 2009-2011 is based on the previous MIPD 2008-2010.

As a potential candidate country, Albania benefits from Components I and II of IPA. IPA assistance will remain centrally managed by the European Commission in Tirana until Albania receives accreditation for decentralised management of EC funds.

2.2. Strategic objectives and choices for IPA assistance during the period 2009-2011

2.2.1. Strategic objectives for IPA assistance during the period 2009-2011

The strategic objective of pre-accession assistance to Albania is to support the country in moving towards membership of the European Union. The objectives identified in the MIPD 2009-2011 respond to the European Partnership priorities, the 2008 Progress Report and the SAA requirements. Assistance will support the implementation of Albania's 2007 National Strategy for Development and Integration, the 2007-2012 National Plan for the Approximation of the Legislation and the SAA, as well as other relevant strategies in areas related to the EU integration process.

Continuity is ensured between the MIPD 2008-2010 and the MIPD 2009-2011, as developments in the country do not justify a radical change. In line with the 2008 Enlargement Strategy, continued focus is put on support for projects in the context of the political criteria. More emphasis will be laid on the protection of cultural heritage, which is in line with demands from the European Parliament and the so called "Ljubljana Process"⁴ initiated by the Council of Europe. This will fall under socio-economic requirement, as the approach is not only to renovate or improve certain cultural valuable sites, but to combine it with overall socio-economic improvement of the area with a view to tourism, infrastructure and SME development. Furthermore, activities will be introduced, which could help to soften the effects of the financial crisis. This could include for example major infrastructure projects (as foreseen under IPA 2009 – EUR 23 million for municipal water and sewerage infrastructure).

Focusing on institution building and meeting the political criteria

While Albania has made progress in a number of areas, including as regards political requirements, further action is necessary to ensure the proper functioning of the judicial system, to reform the public administration and to fight corruption and organised crime. Further efforts are also needed to improve the respect of human rights and the protection of minorities and vulnerable groups. The strengthening of civil society and its involvement in policy-making remain objectives to be accomplished, with an estimated funding of around 2% of the total allocation for Component I under the MIPD 2009-2011.

Addressing the economic criteria

As regards the socio-economic situation, Albania has broadly achieved macroeconomic stability, with strong growth (between 2004-2007 more than 5% GDP) and controlled inflation. However, factors impeding further economic development need to be addressed e.g. poor infrastructure in particular in the energy sector and legal certainty on property ownership and rule of law enforcement. Social services as well as education and labour market systems will also have to be improved. EC assistance should complement support provided by other donors in these areas. Regional development related infrastructure might be considered under this heading.

Supporting the ability to assume the obligations of membership

Albania made some progress in aligning its legislation and policies with the *acquis*. Challenges remain, for example in the areas of environment, energy, transport, intellectual property rights and justice, freedom and security. While the main focus of EC assistance continues to be institution-building, there is also a considerable need for infrastructure projects to help Albania meet *acquis* requirements and to help to mitigate the effects of the financial crisis. Continued efforts remain necessary to increase the capacity and effectiveness of its executive and legislative bodies. IPA support for the establishment and capacity building of agencies and institutions required for the implementation and enforcement of the sectoral policies and for the preparation for the IPA components III, IV and V will be ensured.

Promoting cross-border cooperation

⁴ The "Ljubljana Process" aims at ensuring public and private funding for a significant number of the 26 "Consolidated Projects" among the 186 monuments on the Priority Intervention List, selected by national authorities because of the quality of the rehabilitation process carried out so far, their symbolic, historical and cultural value, and the economic potential of the projects.

Regional cooperation is an important element for European integration. Therefore, intensified cross-border cooperation between Albania and its neighbours is an important element of IPA assistance. Cross-border cooperation is needed to improve local economic development and to foster contacts between people in bordering areas, involving municipalities and civil society.

Addressing the requirements of the Stabilisation and Association Agreement

When Albania signed a Stabilisation and Association Agreement with the EU on 12 June 2006, the country entered a new phase of mutual commitments in a wide range of political, trade and economic issues. After the SAA came into force on 1 April 2009 a key challenge for Albania over the next three years will be to ensure compliance with the SAA requirements. These cover areas like intellectual, industrial and commercial property rights, public procurement, electronic communications and networks, competition and data protection *inter alia*.

Ensuring the continuity of EC assistance from previous CARDS/IPA programmes

IPA needs to ensure continuity of EC assistance with the previous CARDS programme. In view of the accumulation of institution building projects from CARDS 2005 and 2006, a considerable part of 2007 funds were allocated to *acquis*-related infrastructure projects. IPA 2008 has again mainly focused on capacity and institution building. For the period 2009-2011, follow-up of CARDS/IPA projects needs to be ensured as necessary.

Integrating cross-cutting issues

For the implementation of assistance in the areas of institution-building and cross-border cooperation, a number of cross-cutting issues need to be taken into account. These are mainly (1) participation of civil society; (2) environmental impact assessment; (3) non-discrimination (4) equality between men and women; (5) impact on minorities and vulnerable groups; (6) fight against corruption and good governance.

2.2.2. Strategic choices for IPA assistance during the period 2009-2011

Strategic choices have been identified based on lessons learned, considering absorption capacity of the administration, and including project management capacity and project readiness. Strategic choices are coherent with strategic documents and national legislation. Particular efforts are made to ensure consistency and complementarity with other donors in the area of investments.

Support for transition assistance and institution building – Component I

Support for transition assistance and institution building under IPA Component I will be provided to meet political and economic criteria and to improve the ability to assume the obligations of membership.

Political criteria: Particular attention will be paid to assisting Albania in addressing fundamental issues such as good governance and rule of law. IPA support should primarily contribute to improving the political system so as to ensure better functioning of the executive, legislative and the judiciary, a more effective fight against corruption and organised crime, strengthened public administration, financial control and better involvement of civil society in the political process. The preparation for decentralised management of EC assistance requires also intensive support.

Economic criteria: To ensure complementarities with other donors, EC support in the area of economic development will concentrate on economic, fiscal and trade policies and the banking system, structural reforms to support regional development (including cultural heritage activities), social policies, education and employment and SME development.

Ability to assume the obligations of membership: The priority areas for support will be progressive alignment with the *acquis* in the areas of internal market, agriculture and rural development, food safety, veterinary and phytosanitary policy, environment, energy, transport, integrated border management, visa and migration, fight against organised crime with a focus on obligations under the SAA. Support will be provided for the establishment and capacity building of agencies and institutions required for the implementation and enforcement of sectoral policies.

Supporting programmes: Supporting programmes are foreseen to allow Albania to participate in Community agencies and institutions, as well as in Community programmes. Access should be also provided to the Project Preparation and Technical Assistance Facility.

Promoting Cross-Border Cooperation – Component II

Support for cross-border cooperation programmes will be provided to improve economic development, to enhance people-to-people contacts and to develop the natural and cultural resources of border areas.

Assistance will focus on cross-border cooperation with the neighbouring countries Montenegro, the former Yugoslav Republic of Macedonia, and Greece. In 2010, CBC support is envisaged for the first time for the border region between Albania and Kosovo. Furthermore, the participation of Albania in the ERDF transnational programmes "South–East Europe" and "Mediterranean" as well as in the Adriatic Cross-Border Cooperation programme will be covered.

2.3. Multi-annual planning by component

The indicative budget allocation for the period 2009-2011 foresees EUR 269.4 million for Transition Assistance and Institution Building and EUR 30.4 million for Cross-Border Cooperation. The table below gives an overview over the yearly allocation.

Indicative financial allocation per component for the period 2009-2011 (in million Euro)				
	2009	2010	2011	2009-2011
<i>Transition Assistance and Institution Building</i>	70.9	82.7	84.3	237.9
<i>Cross-Border Cooperation</i>	10.3	10.5	10.7	31.5
Total	81.2	93.2	95.0	269.4

2.3.1. Component I – Transition assistance and institution building

Based on the assessment in the 2008 Progress Report, taking into account the revised European Partnership as adopted by the Council in 2008 and depending on project readiness and the outcomes of ongoing programmes in Albania, the following objectives, choices and expected results have been identified. Results and indicators will be further developed in more detail in the framework of the annual programmes.

Given the complexity of the needs to be addressed and the absorption capacity of the recipient institutions, not all objectives and results can be expected to be fully achieved within the 2009-2011 timeframe. Nevertheless, as many of the identified objectives and choices are also short-term priorities of the European Partnership or directly linked to the requirements of the SAA, it is expected that Albania will have made considerable progress in the areas as described below within this timeframe.

2.3.1.1. Political Criteria

Objectives and choices:

- *Government and political system:* Support for the political system, in order to improve the electoral system and regulatory functions of the parliament and support a population census.
- *Public Administration:* Support for the implementation of the current reform of the public administration, including eGovernment; strengthening of the capacities of local governments; strengthening of European Integration structures and prepare for Decentralised Implementation System (DIS); support for the customs service.
- *Financial Control:* Support for the establishment of internal audit functions and inspection services to combat fraud; strengthening of the Supreme Audit Institute. Support for establishing institutions and structures for decentralised management of EC funds.
- *Judicial System:* Support for the reform of the judicial system; support for judiciary infrastructure and penitentiary facilities.
- *Police:* Assist the police in operating in an efficient and sustainable way, capable of fulfilling its role in the enforcement of the rule of law.
- *Anti-Corruption Policy:* Capacity building for establishing legislation to fight corruption; strengthened capacity to investigate and prosecute corruption and enforce legislation.
- *Media:* Support the media sector in developing an independent, high-quality public service broadcasting system, including the digitalisation of broadcasting, and a regulatory environment in line with European standards.
- *Minorities and vulnerable groups:* Support for minorities and vulnerable groups (including Roma, women, children, handicapped and mentally ill), develop sound data on minorities and develop policies to overcome their vulnerable and economic fragile situation and to protect them against discrimination.
- *Civil Society:* Support for civil society in order to create a genuine partnership between authorities and civil society in the democratic stabilisation and the economic and social development of the country.

Expected results and indicators:

- *Government and political system:* electoral system improved; regulatory functions of the parliament established; preparations of the census started according to European standards.

- *Public administration:* public administration reform advanced; professional career development criteria introduced to ensure transparent procedures on recruitment, appraisal, promotion, conduct and dismissal of civil servants; European integration structures strengthened and progress made towards accreditation for DIS; capacity of local governments improved; customs administration capacities improved internal control mechanisms introduced.
- *Financial Control:* internal audit functions, inspection services and the Supreme Audit Institute strengthened; institutions for decentralised implementation of EC funds established and structures created.
- *Judicial system:* Improved functioning and administrative capacity of judicial institutions, in order to better fight organised crime; reduction in number of pending cases before the courts and strengthened prosecution system; better judicial infrastructure and penitentiary facilities in place; introduction of case management system and improved witness protection mechanisms.
- *Police:* progressive police reform and improved management capacity of the Albanian state police; creation of manual of procedures for criminal police officers.
- *Anti-Corruption Policy:* Implementation of sound financial management; development and enhanced implementation of effective, coordinated national anti-corruption policies and strategies.
- *Media:* Effective, transparent and predictable regulatory framework for the media in place; improved performance of the Broadcasting Authority.
- *Minorities and vulnerable groups:* Policies against social exclusion developed and implementation started; financial and human resources capacity of bodies dealing with vulnerable groups strengthened and training provided to improve quality of services; community-based services developed and therefore living conditions improved; level of children at work decreased; national strategy for Roma implemented and Roma birth registration increased.
- *Civil Society:* Dialogue between authorities and civil society initiated and communication improved; independence and integrity of civil society organisations strengthened to fulfil a "watchdog" function; transparent mechanisms for disbursement of local funds for civil society organisations developed.

2.3.1.2. Economic Criteria

Objectives and choices:

- *Economic and fiscal policies:* Improve coordination of economic and fiscal policies to assist in the stabilisation of the macro-economic environment, to streamline public expenditures, to improve the business climate and to reduce unemployment. Improve corporate governance to support sustainable growth in Albania.
- *Trade Policy:* To develop its institutional framework to formulate, adopt and implement trade related legislation and other commitments, as to respond to the obligations under the IA/SAA, CEFTA, WTO membership or other bilateral Free Trade Agreements.

- *Financial services:* Strengthen the regulatory framework for financial supervision; capacity building for the Financial Supervision Authority and Bank of Albania.
- *SME development:* Support the implementation of the European Charter for Small and Medium-sized Enterprises and related action plans to promote SMEs, including those in rural areas.
- *Regional development:* Support for regional development activities, notably regarding strategic sector planning, as well as investments in necessary infrastructure, focusing on less-developed areas of Albania. Including measures to protect cultural heritage.
- *Social policies:* Improve social welfare services including administrative structures in health protection and combat social exclusion;
- *Education:* Reform education and vocational and educational training (VET) system and research policy to create better links between the education system, research needs and the labour market; improve teacher training and education infrastructure; promote better involvement in Tempus programme and use of Seventh EC research framework programme.
- *Employment and labour market:* Develop labour market measures to combat unemployment, in particular long-term, youth unemployment and promote women's participation in the labour market.

Expected results and indicators:

- *Economic and fiscal policies:* capacity of the Ministry of Finance and the Ministry of Economy and other relevant bodies strengthened; cooperation between relevant bodies and government institutions enhanced; reporting of these institutions improved.
- *Trade policy:* institutional and legal framework established to formulate, regulate and negotiate trade policy to respond to the obligations under the SAA and Interim Agreement, bilateral Free Trade Agreements, CEFTA and WTO.
- *Financial services:* regulatory framework for financial supervision developed; capacity of the Financial Supervision Authority and Bank of Albania strengthened.
- *SME development:* Management training delivery system in place; investment climate and the business environment improved; European Charter for Small and Medium-sized Enterprises continued to be implemented; progress in strengthening the technological capacity of SME and support for innovation; improved technology co-operation and the development of inter-firm clusters; higher quality services for SMEs
- *Regional development:* Infrastructure investments supported. Living conditions in less-developed areas of Albania improved. Cultural heritage sites protected and surrounding areas developed.
- *Social policies:* Capacity of bodies offering social services strengthened and service delivery improved; implementation of the National Health System Strategy started.
- *Education:* VET further modernised; institutional set-up of universities strengthened; academic information network created; new modular curricular developed; interaction

between universities and the private sector strengthened; awareness on Tempus programme raised and more applications for participation received. A better national research capacity and absorption of FP7 projects.

- *Employment and labour market:* EU requirements on labour and minimum social standards gradually introduced; employment rate among youths and participation of women in the labour market increased.

2.3.1.3. Ability to assume the obligations of membership

Objectives and choices:

- *Standardisation, metrology and accreditation:* Support capacity building of institutions in the area of standardisation, metrology and accreditation and establish a legal framework.
- *Market surveillance, consumer protection and health:* Support the national market surveillance strategy; strengthen institutions and administrative structures in the field of consumer protection and health promotion, disease prevention and control, and health information.
- *Taxation:* Support the approximation of rules and procedures to EU standards and provide capacity building to the Tax authority.
- *Competition:* Strengthen the administrative capacity of the competition authority and state aid authority and provide training to prepare for implementing obligations under the SAA.
- *Public procurement:* Strengthen the administrative capacity at all levels, in particular in the Public Procurement Agency, relevant departments in line ministries responsible for certain areas of public procurement and other institutions dealing with public procurement. Help create and strengthen an independent review body.
- *Intellectual property rights:* Strengthen the administrative, judicial and enforcement capacity for the protection of intellectual, industrial and commercial property rights to fulfil the obligations of the SAA.
- *Food safety, veterinary and phytosanitary:* Strengthen food safety related control systems; support laboratory capacities; adopt veterinary and phytosanitary legislation; improve animal disease eradication and identification of animals and registration of their movements.
- *Agriculture and rural development:* Assistance with the aim of supporting the alignment to the agricultural *acquis*, to increase economic growth by developing agriculture and rural development sector and institution and capacity building with the aim to prepare the sector to absorb pre-accession funds as well as support to increase the competitiveness of agriculture and agro-food chain; improve availability of statistics.
- *Environment:* Strengthen administrative capacity; support the implementation of the environmental legislation in line with the *acquis*; address environmental hot spots; improve water and sanitation infrastructure in municipalities on a large scale as a possible measure to soften effects of the financial crisis.

- *Transport*: Address the alignment of the transport sector with the *acquis* and implement the commitments made in the framework of regional transport initiatives for completion of the first and second transitional phase under the ECAA (European Common Aviation Area), SEETO (South East European Transport Observatory) and ISIS initiative (South Eastern Europe Functional Airspace Blocks Approach); support the implementation of the national transport strategy including railways, when applicable implement the envisaged Treaty establishing a Transport Community in South East Europe.
- *Energy*: Support the implementation of the national energy strategy, in line with the obligations following from the Energy Community Treaty.
- *Information Society*: Strengthen expertise and capacity of the Authority of Electronic and Postal Communications regarding the implementation of the regulatory framework; strengthen the capacity of the National Council on Radio and Television.
- *Statistics*: Strengthen the capacity of institutions providing statistical data, in particular regarding statistics of national accounts and labour market. as well as information on rural areas, agricultural statistics and price statistics.
- *Visa, border control, asylum and migration*: Align visa policy with EU lists and establish efficient procedures for the issuing of visas; implement the integrated border management (IBM) strategy; align asylum and migration policies with the *acquis*.
- *Money laundering, drugs and fight against organised crime*: Strengthen law enforcement agencies and their capabilities to fight against money laundering, drugs organised crime, terrorism, corruption and trafficking.
- *Data protection*: Improve data protection and strengthen administrative capacities.

Expected results and indicators:

- *Standardisation, metrology and accreditation*: Legal framework in line with EU standards; institutional capacity and professional expertise of the quality infrastructure institutions strengthened.
- *Market surveillance, consumer protection and health*: National market surveillance strategy developed and gradually implemented; institutions and administrative structures in the field of consumer protection and health promotion, disease prevention and control, and health information strengthened.
- *Taxation*: Rules and procedures established in line with EU standards, capacity building to the Albanian tax administration improved.
- *Competition*: Administrative capacity of the Competition authority strengthened, including through the organisation of trainings to improve expertise of the competition authority.
- *Public procurement*: Capacity of Public Procurement Agency, relevant departments in line ministries responsible for certain areas of public procurement and other institutions at all levels dealing with public procurement reinforced. Establishment of a new independent review body. Proper implementation of public procurement procedures with reduced number of controversial cases. Sufficient level of transparency, non-discrimination, equal treatment and effective review procedures.

- *Intellectual property rights*: Enforcement agencies and legal environment strengthened.
- *Food safety, veterinary and phytosanitary*: Administrative capacities strengthened in particular as regards control systems; system of identification of bovines, pigs, sheep and goats and registration of their movements improved; programme on animal disease eradication gradually implemented.
- *Agriculture and rural development*: higher contribution from the agriculture and rural development sector to economic growth; strategy on food production and rural development revised and consistent with pre-accession assistance provisions; preparations for the implementation of the strategy started; the administrative structures, responsible for the harmonised implementation of agricultural policy and rural development measures are established and become operational; advisory and extension services for farmers supported; improved sector analysis and strengthened civil society organisations in the area of agriculture and rural development; increased access for farmers to credits. Statistical data improved, in particular agricultural census, farm register, land cadastre, agriculture statistics and price statistics.
- *Environment*: National Environment Strategy as much as possible implemented; financing schemes for infrastructure in place and environment management standards developed; regional, agricultural and rural development strategies to consider the aspects of environmental protection; public awareness concerning environment increased; environmental hot spots addressed. Waste water system improved and more households connected.
- *Transport*: Transport infrastructure improved in line with SEETO priorities; road safety conditions improved; railway network improved; the ECAA agreement applied; aviation legislation implemented with reinforced administrative capacity and deficiencies in the area of civil aviation addressed, relevant provisions of the single European sky *acquis* implemented (cf. ISIS initiative); maritime safety conditions improved.
- *Energy*: Significant progress in implementing the reform of the energy sector in line with the obligations of the Energy Community Treaty; comprehensive energy strategy adopted and implemented; overall improvement of the situation of the electricity sector – substantial decrease in frequency and duration of power cuts.
- *Information Society*: increased competitiveness of the electronic communications market; strong and independent regulatory authority established enforcing legislation; legislative gaps aligned to the EU regulatory framework.
- *Statistics*: Office for Statistics strengthened and quality of statistical data improved, in particular as regards agriculture and population censuses, macro-economic statistics, business statistics, agricultural and price statistics. Agricultural census having been carried out and land cadastre improved.
- *Visa, border control, asylum and migration*: Centralised IT network for administration of visa established; integrated border management strategy and action plan implemented; legislation on asylum and migration and related action plans implemented; improved combat against trafficking of human beings.
- *Money laundering, drugs and fight against organised crime*: Capacity and resources of the different institutions/units involved in the fight against money-laundering strengthened;;

anti-drug strategy implemented; training and equipment of police officers involved in fight against organised crime provided; trafficking in drugs, arms and cars reduced; use of intelligence information and special investigative means enhanced; witness protection improved.

- *Data protection:* Independent supervisory bodies established to efficiently monitor and guarantee the enforcement of legislation and personal data protection

2.3.1.4. Support programmes

Albania shall receive assistance to participate in Community programmes, complementary to IPA in several fields, through co-financing the entry-tickets and accompanying measures such as institutional capacity-building and training of participants. Assistance is also available for participating in Community Agencies where appropriate.

The expected results are that the administrative and institutional capacity for the participation in a number of community programmes is achieved and Albania participates in these programmes.

(5) Indicative financial allocation for the period 2009-2011

Area of intervention	Percentage range of total allocation	Indicative allocation in million Euro
1. Political criteria (including civil society)	30-35%	81 – 94
2. Economic criteria	20-25%	54 – 67
3. Ability to assume the obligations of membership	40-50%	108-135

2.3.2. Component II – Cross Border Co-operation

(1) Current programmes under IPA Component II for Cross Border Cooperation

Montenegro – Albania

The cross-border programme for Montenegro-Albania 2007-2009 was adopted by Commission Decision in December 2007. The overall objective of the programme is to promote cooperation between people, communities and institutions, aiming at the sustainable development, stability and prosperity of the bordering areas.

Former Yugoslav Republic of Macedonia – Albania

The cross-border programme for the former Yugoslav Republic of Macedonia – Albania 2007-2009 was adopted by Commission Decision in December 2007. The overall objective of the programme is to promote sustainable development in the cross-border area.

Kosovo⁵ - Albania

Since the conditions to support joint cross-border programmes between Albania and Kosovo have been not met in the past, IPA 2007 and IPA 2008 funds were allocated to Albania to

⁵ Kosovo under UNSCR 1244/99

finance a unilateral border development programme for the Albanian region of Kukes, bordering Kosovo.

Greece – Albania

The cross-border programme for Greece-Albania 2007-2013 was jointly developed by the Albanian and Greek authorities. The Financing Proposal for the first year 2007 was adopted by Commission Decision in March 2008. An amendment to the 2007 programme and the 2008 programme were adopted in December 2008. The overall objective of the programme is to increase the living standards by promoting sustainable local development in the border area.

Adriatic IPA Cross-Border Programme

Albania is part of the IPA Adriatic cross-border cooperation programme together with Italy, Slovenia, Greece, Croatia, Bosnia and Herzegovina, Montenegro and Serbia. The Financing Decision for the period 2007-2009 was adopted by Commission Decision in March 2008. The global objective of the programme is to strengthen sustainable development of the Adriatic region.

ERDF South East Europe

Albania is participating in the ERDF transnational programme South-East Europe under the European Territorial Co-operation objective of the Structural Funds 2007-2013. The objectives of the participation of Albania in this programme are to support its participation in joint transnational co-operation activities with partners from EU Member States and to familiarise the country with territorial co-operation programmes under EU Structural Funds.

(2) Priorities of Cross-Border Programmes

Montenegro – Albania

The cross-border programme for Montenegro-Albania has as main priority the promotion of regional cohesion and competitiveness through integrated economic, environmental and social development.

Former Yugoslav Republic of Macedonia – Albania

The main priority of the cross-border programme between the former Yugoslav Republic of Macedonia and Albania aims at fostering cross-border economic, environmental and social development.

Border development in the Albanian region of Kukes

The border development programme in the region of Kukes aims at socio-economic development through its environmental, tourism and cultural potential and it supports initiatives of local stakeholders and civil society.

Greece – Albania

The cross-border programme Greece – Albania defines two main priorities. The first priority aims at enhancing economic development through measures with view to entrepreneurship, sustainable tourism, people-to-people actions and the improvement of border accessibility

through small scale infrastructures. The second priority aims at promotion and development of the environmental, natural and cultural resources.

Adriatic IPA Cross-Border Programme

The Adriatic IPA cross-border programme identifies the priorities in the area of economic, social and institutional cooperation, natural and cultural resources, and accessibility and networks.

ERDF South East Europe

The ERDF "South-East Europe" programme aims at establishing and developing transnational cooperation in the areas of innovation, environment, accessibility and sustainable urban development.

Technical Assistance for implementation of CBC programmes:

All CBC programmes also include a priority axis to provide technical assistance for an efficient management and information flow for the programme. Technical assistance will be provided through programme administration, monitoring and evaluation, programme information and publicity.

(3) Indicative financial allocation (in million Euro)

	2009	2010	2011	2009-2011
CBC FYROM – Albania	0.85	0.85	0.85	2.55
CBC Montenegro – Albania	0.85	0.85	0.85	2.55
CBC Kosovo - Albania	0.86*	0.86**	0.86**	2.58
CBC Greece – Albania	1.63	1.66	1.69	4.98
CBC Adriatic	5.89	6.01	6.13	18.03
ERDF South-East Europe and MED	0.20	0.26	0.36	0.82
Total	10.28	10.49	10.70	31.51

* As pre-conditions are not met for a CBC between Kosovo and Albania in 2009, parts of the foreseen budget will be re-allocated to Component I and the CBC ERDF South-East Europe and MED.

** To be decided later.

ANNEX 1 INDICATIVE ALLOCATIONS FOR MAIN AREAS OF INTERVENTION FOR THE PERIOD 2009-2011

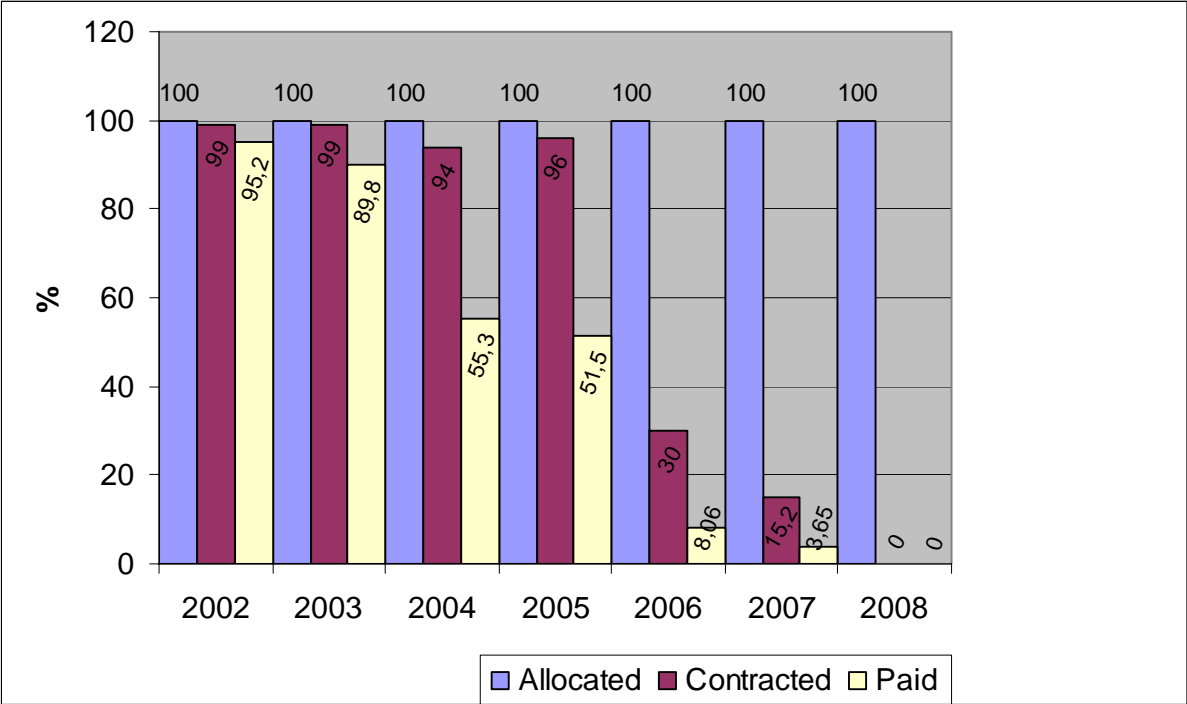
Component I (Transition Assistance and Institution Building)	
<i>Political criteria (including Civil Society)</i>	30 % - 35 %
<i>Economic criteria</i>	20 % - 25 %
<i>Ability to assume the obligations of membership</i>	40 % - 50 %
Component II (Cross-Border Co-operation)	
<i>CBC with Montenegro</i>	8.1%
<i>CBC with former Yugoslav Republic of Macedonia</i>	8.1%
<i>CBC Kosovo - Albania</i>	8.2%*
<i>CBC with Greece</i>	15.80%
<i>CBC Adriatic</i>	57.2%
<i>Participation in ERDF South East Europe and MED</i>	2.6%

* As pre-conditions are not met for a CBC between Kosovo and Albania in 2009, parts of the foreseen budget will be re-allocated to Component I and the CBC ERDF South-East Europe and MED.

ANNEX 2 OVERVIEW OF EC ASSISTANCE under CARDS and IPA 2002-2008 (in million Euro)

	2002-2008
Political Criteria	
Public administration	28.3
Justice and Home Affairs	127.3
Civil society and media	9.3
Economic criteria	
Education / Employment	24.25
SME development	4.8
Ability to assume the obligations of membership	
Infrastructure	73.0
Trade	13.5
Agriculture and Fisheries	12.7
Investment climate	10.4
Environment	25.3
Statistics	6.85
Customs and Taxation	16.0
Community Programmes	2.5
Nuclear Safety	0.5
Total allocations	354.7

ANNEX 3 CONTRACTING AND DISBURSEMENT RATES OF ONGOING PROGRAMMES



ANNEX 4 CROSS-CUTTING ISSUES

The major cross cutting issues to be tackled in Albania are:

- ***Civil Society*** will be supported by IPA and the EIDHR. Civil Society is understood including employer's organisations, trade unions, associations of local self-governments, and non-governmental organisations.
- ***Environmental consideration*** will be duly reflected in all IPA financed activities in coherence with the European Principles for the Environment. In particular, environmental impact assessments are required for any projects likely to have a significant impact on the environment (as per the EC EIA Directive).
- ***Equal opportunities and non-discrimination*** will be respected as regarding gender at the programming and implementation stage, particularly in relation to socio-economic support programmes.
- ***Minority and vulnerable groups' concerns*** will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development.
- ***Good governance and fight against corruption***: Specific action instruments for the good governance, with particular attention to fight against corruption, will be incorporated on a horizontal basis.

ANNEX 5 LIST OF ABBREVIATIONS

CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
DIS	Decentralised Implementation System
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECAA	European Common Aviation Area
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
IBM	Integrated Border Management
IFI	International Financial Institutions
IA	Interim Agreement
IPS	Integrated Planning System
IPA	Instrument of Pre-accession Assistance
JLS	Justice, Liberty and Security
MEI	Ministry for European Integration
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
NGO	Non-Governmental Organisation
OSCE	Organisation for Security and Cooperation in Europe
PHARE	Poland and Hungary: Aid for Restructuring of the Economies
SAA	Stabilisation and Association Agreement
SME	Small and Medium-sized Enterprises
SPO	Senior Programming Officer
TAIEX	Technical Assistance and Information Exchange Instrument
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VET	Vocational Education and Training
WB	World Bank
WTO	World Trade Organisation