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COMMISSION DECISION

of

on a Multi-annual Indicative Planning Document (MIPD) 2008-2010 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:

- (1) 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 by country in close consultation with the national authorities. The Commission adopted on 31 May 2007 the MIDP 2007–2009 for Albania².
- (2) 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.
- (3) Albania is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 18 February 2008 the European Partnership with Albania³.
- (5) 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(2007)2245 of 31/05/2007

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 2008-2010 for Albania attached to the present Decision is hereby adopted.

Done at Brussels,

For the Commission

Member of the Commission

ANNEX

**Instrument for Pre-accession Assistance (IPA)
Multi-annual Indicative Planning Document (MIPD)
for Albania 2008 - 2010**

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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

EC - European Commission

ECAA - European Common Aviation Area

EIDHR - European Initiative for Democracy and Human Rights

EU - European Union

GDP - Cross Domestic Product

IBM - Integrated Border Management Strategy

IFI - International Financial Institutions

IA - Interim Agreement

IPS - Integrated Planning System

IPA - Instrument of Pre-accession Assistance

MEI - Ministry for European Integration

MIFF - Multi-annual Indicative Financial Framework

MIPD - Multi-annual Indicative Planning Document

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

UNDP - United Nations Development Programme

USAID - United States Agency for International Development

VET - Vocational Education and Training

WTO - World Trade Organisation

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 2008-2010 amount to EUR 245.1 million. Assistance will be in line with the recommendations of the 2007 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 limited, in particular as regards the judiciary, the implementation of the public administration reform and the fight against corruption and organised crime. In addition, the implementation of the SAA which is expected to start in 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 in the economic area more efforts are needed to improve the business environment.

Therefore, the 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 an increase of funds allocated to the area of political requirements. Strengthening the administrative capacity in view of 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 214.7 million and should assist Albania in the following main areas:

Political requirements: IPA can 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 preparing 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 can also support the development of the media sector, promote the social and economic inclusion of minorities and vulnerable groups and promote civil society dialogue. Funding to these areas will range between 30% and 35% of the total allocation foreseen for component I.

Socio-economic requirements: IPA can assist the Albanian authorities to improve public finances, to implement structural reforms and to develop the functioning of the labour market through increased flexibility and better link with the education system. IPA intends to assist the SME sector and trade policies and to improve the social welfare services. Funding to these areas will range between 20% and 25% of the total allocation foreseen for component I.

Ability to assume the obligations of membership: IPA can support Albania's approximation to EU standards in the areas of internal market, sectoral policies and justice, freedom and security. IPA can help reinforcing the structures necessary for the SAA and *acquis* implementation. Particular attention should be devoted to the areas of agriculture and rural

development, regional development, environment, transport and energy. Funding to these areas will range between 40% and 50% of the total allocation foreseen for component I.

IPA support for **Cross-Border Co-operation** will amount to EUR 30.4 million and will address cross-border activities between Albania and EU Member States as well as with adjacent Candidate and potential Candidate Countries, complementing the above sub-components.

Indicative financial allocation per component for the period 2008-2010 (in million EUR)				
	2008	2009	2010	2008-2010
<i>Transition Assistance and Institution Building</i>	61.1	70.9	82.7	214.7
<i>Cross-Border Cooperation</i>	9.6	10.3	10.5	30.4
Total	70.7	81.2	93.2	245.1

1. SECTION 1 – ASSESSMENT OF PAST AND ON GOING 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 2007 Progress Report. It is based on the 2007 Enlargement Strategy Paper and the European Partnership adopted in February 2008. It will address the requirements under the SAA.

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

1.2.1. Overview of past and on-going EU assistance

Over the period 1991-2007, Community assistance to Albania has totalled about EUR 1.3 billion. About EUR 635 million were 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 has been transferred to the EC Delegation in Tirana. The EC Delegation works in close cooperation with the Albanian Ministry of European Integration. The implementation of EC assistance programmes has improved, but sustained efforts remain necessary to reduce the existing backlog (estimated at around EUR 50-60 million).

The support provided through CARDS 2005/2006 and IPA 2007 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 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 to 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 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 will be partly paid through the CARDS budget. During 2007 Albania signed a Memorandum of Understanding for participation on the VII Framework Programme for Research and Development.

Albania also benefited from the 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 the 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 to 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	61
CARDS	330
Phare	635
Macro-financial assistance	150
ECHO	142
EIDHR	5
Total	1323

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 the draft IPA planning (MIPDs) and programming documents with Member States 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 regional dimension of IPA planning and programming. Additionally, the 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 2008-2010 were organised in February 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 is 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 the 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 of all donors since 2003. For the last two years this role was undertaken by the World Bank. As from 1st April 2008 the EC will be again leading the DTS.

Beside the EC assistance, several other donors are active in key areas of assistance. Support to the public administration reform is mainly provided by Austria, Germany, Netherlands, Sweden, and the United States. In the sector of rule of law and security, assistance is provided by France, Italy, Sweden, Council of Europe, Organisation for Security and Co-operation in Europe (OSCE), and Norway. Civil society and media are supported by Austria, Germany, Italy, Netherlands, and the United Nations Development Programme (UNDP). France, Greece, Netherlands, Norway, Spain, Sweden, Switzerland, UK, and the OSCE are active in the protection of human rights and minorities. Economic development is promoted by Austria, France, Italy, Spain, and UK. Education, employment and health are supported by Austria, the Czech Republic, France, Italy, and the United Nations. Assistance to 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.

1.2.3. Lessons learned

The interim evaluations (Phare 1999-2002) and the ex-post evaluation (Phare 1999-2001) of EU pre-accession assistance have identified some lessons that can be drawn for future assistance. Experiences with the implementation of CARDS and IPA assistance as well as recent DG ELARG evaluation reports - more 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 the 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 and the mobilisation of the civil society and a political consensus on key reform activities.

Timely planning of future assistance is essential to address key areas. Given the delays in the implementation of CARDS and IPA assistance, it needs to be ensured 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 the Albania strategic plans, which should address the requirements of the EU integration process.

The preparations for the **Decentralised Implementation System 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 in the new set-up of DIS structures in Albania.

2. SECTION 2 – PRE-ACCESSION ASSISTANCE STRATEGY FOR THE PERIOD 2008-2010

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 in view to future membership. The present MIPD 2008-2010 is based on the previous MIPD 2007-2009.

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

2.2. Strategic objectives and choices for IPA assistance over the period 2008-2010

2.2.1. Strategic objectives for IPA assistance over the period 2008-2010

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 2008-2010 respond to the European Partnership priorities, the 2007 Progress Report and the SAA/Interim Agreement 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 2007-2009 and the MIPD 2008-2010, as the developments in the country do not justify a radical change. However, in line with the 2007 Enlargement Strategy, the latter puts more emphasis on support the political criteria.

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 2008-2010.

Addressing the economic criteria

As regards the socio-economic situation, Albania has broadly achieved macroeconomic stability, with strong growth (5% GDP) and controlled inflation. However, factors impeding further economic development should be addressed e.g. poor infrastructure including 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 the 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 to the *acquis* obligations. Challenges remain, for example in the areas of energy, transport, intellectual property rights and justice, freedom and security. While the main focus of EU assistance continues to be institution building, there is also a considerable need for infrastructure projects to help Albania meet the *acquis* requirements. Continued efforts remain necessary to increase the capacity and effectiveness of its executive and legislative bodies.

Promoting cross-border cooperation

Regional cooperation is one important element for European Integration. Therefore, intensified cross-border cooperation between Albania and its neighbours is one 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. Besides the progressive liberalisation of trade provided for in the Interim Agreement, a key challenge for Albania over the next three years is to ensure compliance with the imminent SAA requirements. This covers areas like intellectual, industrial and commercial property rights, public procurement, electronic communications and networks, competition and data protection, among others.

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 past CARDS 2005 and 2006, a considerable part of 2007 funds were allocated to *acquis* related infrastructure projects. For the period 2008-2010, follow-up of CARDS/IPA projects needs to be ensured as necessary.

Integrating cross-cutting issues

For the implementation of assistance in the area 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 over the period 2008-2010

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 transition assistance and institution building – Component I

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

Political criteria: Particular attention will be paid to assist Albania in addressing fundamental issues such as good governance and rule of law. IPA support should primarily contribute to improve the political system for a better functioning of the executive, legislative and the judiciary, to a more effective fight against corruption and organised crime, to strengthen the public administration and to better involve civil society in the political process. The preparation for decentralised management of EU 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, financial control and the banking system, structural reforms to support regional development, 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 to 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 the border areas.

Assistance will focus on cross-border cooperation with the neighbouring countries Montenegro, the former Yugoslav Republic of Macedonia, and Greece. Until the status of Kosovo is clarified, unilateral border development support will be provided to the region of Albanian region of Kukes bordering Kosovo. Furthermore, the participation of Albania in the ERDF South East Europe and in the Adriatic Cross-Border Cooperation programme will be covered.

2.3. Multi-annual planning by component

The indicative budget allocation for the period 2008-2010 foresees EUR 214.7 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 2008-2010 (in million Euro)				
	2008	2009	2010	2008-2010
<i>Transition Assistance and Institution Building</i>	61.1	70.9	82.7	214.7
<i>Cross-Border Cooperation</i>	9.6	10.3	10.5	30.4
Total	70.7	81.2	93.2	245.1

2.3.1. Component I – Transition assistance and institution building

Based on the assessment of the Progress Report 2007, taking into account the revised European Partnership as adopted by the Council in 2008 and depending on project readiness and 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 2008-2010 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.

(1) Political Criteria

Objectives and choices:

- *Government and political system:* Support to the political system in order to improve the electoral system and regulatory functions of the parliament; support to civil registry, address system and census of the population.
- *Public Administration:* Support the implementation of the current reform of the public administration; strengthen capacities of local governments; strengthening of European Integration structures and prepare for Decentralised Implementation System (DIS); support to customs services.
- *Financial Control:* Support the establishment of internal audit functions and inspection services to combat fraud; strengthen the Supreme Audit Institute. Support to establish the institutions and structures for decentralised management of EU funds.
- *Judicial System:* Support to the reform of the judicial system; support to judiciary infrastructure and to penitentiary facilities.

- *Police*: Assist the police to operate 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; strengthen capacity to investigate and prosecute corruption and enforce legislation.
- *Media*: Support the media sector to develop an independent, high quality public service broadcasting system and a regulatory environment in line with European standards.
- *Minorities and vulnerable groups*: Support to 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 to 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*: Definitive lists of voters established and therefore electoral system improved; regulatory functions of the parliament established; address and civil registry accomplished allowing the issuing of reliable ID cards; 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 towards the accreditation for DIS made; 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 EU funds established and structures created.
- *Judicial system*: Institutions in justice sector better functioning and administrative capacity improved to fight organised crime; number of pending cases before courts reduced and the prosecution strengthened; better infrastructure of judicial system and penitentiary facilities in place; case management system introduced; witness protection mechanisms improved.
- *Police*: Police reform progressively advanced and management capacity of the Albanian state police improved; manual of procedures for criminal police officers established.
- *Anti-Corruption Policy*: Sound financial management implemented; enhancing the implementation of anti-corruption policies and strategies.
- *Media*: Effective, transparent and predictable regulatory framework for the media in place; performance of the Broadcasting Authority improved.

- *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) 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*: institutional and legal framework to formulate, regulate and negotiate trade policy established to respond to the obligations under the SAA and Interim Agreement, bilateral Free Trade Agreements, CEFTA and WTO.
- *Financial services*: Strengthen the regulatory framework for financial supervision; capacity building of 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 to regional development activities, notably to strategic sector planning, as well as investments in necessary infrastructure, focusing on less developed areas of Albania.
- *Social policies*: Improve the social welfare services including administrative structures in health protection and combat social exclusion;
- *Education*: Reform education and vocational and educational training (VET) system; create a link between the education system and the labour market; improve teacher training and education infrastructure; promote better involvement in Tempus programme.
- *Employment and labour market*: Labour market measures developed 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 the respective institutions improved.

- *Trade policy*: institutional and legal framework to formulate, regulate and negotiate trade policy established 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*: Institutional framework for entrepreneurship and SME development established; management training delivery system in place; investment climate and the business environment improved; European Charter for Small and Medium-sized Enterprises implemented; company registration system modernised.
- *Regional development*: Infrastructure investments supported. Living conditions in less developed areas of Albania improved.
- *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.
- *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.

(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 the obligations under the SAA.
- *Public procurement*: Strengthen the administrative capacity of the Public Procurement Agency, public procurement entities in line ministries and other institutions dealing with public procurement.
- *Intellectual property rights*: Strengthen the administrative 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 to support 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.
- *Transport*: Address the alignment of the transport sector with the acquis and implement the commitments made in the framework of regional transport initiatives ECAA (European Common Aviation Area), SEETO (South East European Transport Observatory) and SEE-FABA (South Eastern Europe Functional Airspace Blocks Approach); support the implementation of the national transport strategy including railways, when applicable implement the foreseen 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 Telecommunications Regulatory Entity; strengthen the capacity of the National Council on Radio and Television.
- *Statistics*: Strengthen the capacity of institutions providing statistical data.
- *Visa, border control, asylum and migration*: Align visa policy with EU lists and establish efficient procedures for the issuing of visa; implement the integrated border management (IBM) strategy; align asylum and migration policies with the EU 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, public procurement entities in line ministries and other institutions dealing with public procurement reinforced. Smooth implementation of public procurement procedures, with reduced number of controversial cases and complaints.
- *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; reinforced capacity of the national structures responsible for implementing rural development policies; 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 rural census, farm register, land cadastre, agriculture statistics and price statistics.
- *Environment*: National Environment Strategy implemented; financing schemes for infrastructure in place and environment management standards developed; regional, agricultural and rural development strategies to include an environment protection component; 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 and deficiencies in the area of civil aviation addressed, relevant provisions of the single European sky acquis implemented (cf. SEE-FABA 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 rural census, farm register, land cadastre, agricultural statistics and price statistics.
- *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; combat against trafficking of human beings improved.
- *Money laundering, drugs and fight against organised crime*: Capacity and resources of financial intelligence units 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

(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 to 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 2008-2010

Area of intervention	Percentage range of total allocation	Indicative allocation in million Euro
1. Political criteria (including civil society)	30-35%	64 – 75
2. Economic criteria	20-25%	43 – 54
3. Ability to assume the obligations of membership	40-50%	86 – 107

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 jointly developed by Ministry of European Integration in Albania and the Secretariat for European Integration in Montenegro through the Joint Programming Committee. The Financing Proposal for the first year 2007 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 jointly developed by the Ministry of Local Self Government in the former Yugoslav Republic of Macedonia and the Ministry of European Integration in Albania. The Financing Proposal for the first year 2007 was adopted by Commission Decision in December 2007. The overall objective of the programme is to promote sustainable development in the cross-border area.

Border development in the Albanian region of Kukes

The conditions to support joint cross-border programmes between Albania and Kosovo are currently not met. For IPA 2007, funds were allocated to Albania to finance a unilateral border development programme for the Albanian region of Kukes, bordering Kosovo. This programme was adopted by Commission Decision in December 2007. The overall objective of the programme is to support the economic and social development of the region. For IPA 2008, funds will be reallocated from Component II to Component I to continue with a unilateral border development programme for Kukes.

Greece – Albania

The cross-border programme for Greece-Albania 2007-2009 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. The overall objective of the programme is to increase the standards of living of the population 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 Financing Proposal for the first year 2007 was adopted by Commission Decision in December 2007. 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 the EU Structural Funds.

(2) Priorities and expected results

Montenegro – Albania

The cross-border programme for Montenegro-Albania 2007-2009 has as main priority the promotion of regional cohesion and competitiveness through integrated economic, environmental and social development. The different measures of the main priority with their respective expected results are:

- (1) Economic development with an emphasis on tourism: tourism activities jointly managed; quality of services enhanced; competitiveness of the tourism sector increased; business to business networks established; joint marketing of products.
- (2) Environment protection and promotion: joint management of protected areas; increased awareness of the population on the environment; enhanced cooperation between environmental protection organisations.
- (3) Enhancing social cohesion through people-to-people actions: networks between local stakeholders established; flow of information and communication improved; cultural exchange enhanced.

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. This priority comprises three different measures with related expected results:

- (1) Economic development with an emphasis on tourism: small infrastructures developed; tourism activities extended and alternative types of tourism developed; know-how on tourism transferred; traditional food and agro-products, as well as handcrafts promoted and protected; trans-boundary business cooperation established.
- (2) Sustainable development with an emphasis on protection, promotion and management of natural resources and ecosystems: joint environmental policies

established; civil society involved in policy making; sustainable management of natural resources guaranteed.

- (3) Social cohesion and cultural exchange through people-to-people and institution-to-institution actions: activities between schools, universities and research centres undertaken; value of historical and cultural heritage increased; social integration of marginalised groups increased; joint research and educational activities encouraged.

Border development in the Albanian region of Kukes

The border development programme in the region of Kukes defines two main priorities. The first priority aims at socio-economic development through its environmental, tourism and cultural potential. The second priority aims at enabling initiatives of local stakeholders and civil society. Expected results are: level of SME contribution to regional growth increased; level of unemployment reduced; business practices improved; increased revenues from tourism-related activities; protection of the environment enhanced; civil society strengthened.

Greece – Albania

The cross-border programme Greece – Albania defines two main priorities. The first priority aims at enhancing economic development through four measures and expected results:

- (1) Entrepreneurship: exchange of information and coordination of activities between professional associations; research activities and studies conducted; cross-border databases and business partner search facilities established.
- (2) Sustainable tourism: joint tourism territorial planning in place; joint marketing initiatives created; standards for services developed; thematic tourism clusters and routes established; eco-tourism networks created.
- (3) People-to-people action: cooperation between educational institutions established; networks for cultural exchange created; health services improved; use of new information and communication technologies enhanced.
- (4) Small scale infrastructure: border stations upgraded; safety procedures improved; customs procedures better coordinated; studies to facilitate and accelerate border checks and explore potentials for public transport conducted.

The second priority aims at promotion and development of the environmental, natural and cultural resources through two measures and respected results:

- (1) Promote and protect environmental resources: environmental impact assessment implemented; trainings conducted; eco-tourism, organic farming and renewable energy promoted; water resource management developed;
- (2) Promote and protect natural and cultural heritage: cultural monuments and sites upgraded and promoted; local architecture and traditions promoted.

Adriatic IPA Cross-Border Programme

The Adriatic IPA cross-border programme identifies the following priorities and expected results:

- (1) Economic, Social and Institutional Cooperation: joint research activities developed and improved; networks between entrepreneurial, academic, training and research sectors established; competitiveness and innovative capacity strengthened; knowledge of the Adriatic area developed.
- (2) Natural and Cultural Resources and Risk Prevention: joint management and risk prevention of the sea and coastal environment in place; renewable energy strengthened; management of natural and cultural resources improved; quality of tourist destinations improved.
- (3) Accessibility and Networks: port and airport systems developed and services connected; sustainable transport services promoted; communication and information networks developed and access secured.

ERDF South East Europe

The ERDF South-East Europe programme aims at establishing and developing transnational cooperation in the areas of

- (1) Innovation: scientific and technological networks created, in particular on education, research and SMEs; access to scientific knowledge and transfer of technology established.
- (2) Environment: water management in place, energy efficiency improved, risk prevention for fire, droughts and floods established; maritime security promoted; natural heritage protection enhanced.
- (3) Accessibility: quality of transport and telecommunication services improved; investments in trans-European networks attracted; access to networks established; interoperability of national and regional systems enhanced; information and communication technologies promoted.
- (4) Sustainable urban development: urban networks established and urban-rural links improved; strategies developed; cultural heritage preserved and promoted; strategic integration of development zones on a transnational basis.

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)

	2008	2009	2010	2008-2010
CBC FYROM – Albania	0.75	0.85	0.85	2.45
CBC Montenegro – Albania	0.75	0.85	0.85	2.45
Border development in Kukes region⁴	1.01	0.86	0.86	2.73
CBC Greece – Albania	1.49	1.63	1.66	4.78
CBC Adriatic	5.39	5.89	6.01	17.29
ERDF South-East Europe	0.20	0.20	0.25	0.65
Total	9.59	10.28	10.48	30.35

⁴ For 2008, funds will be allocated to IPA Component I.

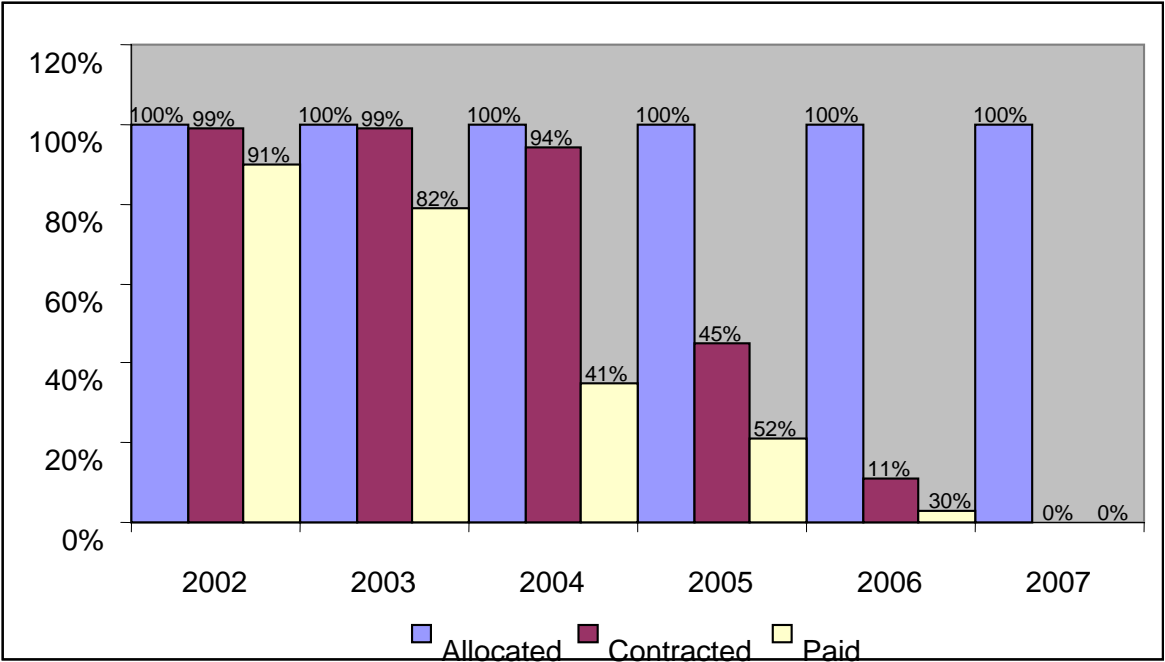
ANNEX 1 INDICATIVE ALLOCATION FOR THE PERIOD 2008-2010

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 %
<i>CBC with former Yugoslav Republic of Macedonia</i>	8 %
<i>Border development with Kukes</i>	9 %
<i>CBC with Greece</i>	16 %
<i>CBC Adriatic</i>	57 %
<i>Participation in ERDF South East Europe</i>	2 %

ANNEX 2 OVERVIEW OF EU ASSISTANCE under CARDS and IPA 2002-2007 (in million Euro)

	2002-2007
Political Criteria	
Public administration	18.3
Justice and Home Affairs	119.8
Civil society and media	9.3
Economic criteria	
Education / Employment	17.25
SME development	3.8
Ability to assume the obligations of membership	
Infrastructure	59.4
Trade	13.5
Agriculture	3.0
Investment climate	5.1
Environment	23.3
Statistics	6.85
Customs and Taxation	12.5
Community Programmes	1.2
Nuclear Safety	0.5
Total allocations	293.7

ANNEX 3 CONTRACTING AND DISBURSEMENT RATES OF ON-GOING 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 EU 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.