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UNITED STATES SEED ACT ASSISTANCE STRATEGY UPDATE

FOR ALBANIA



1994-1996

Submitted by American Embassy Tirana
Approved June 20, 1994

UNITED STATES SEED ACT

ASSISTANCE STRATEGY

for

ALBANIA: UPDATE

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ASSISTANCE STRATEGY FOR ALBANIA: UPDATE
1994 - 1996

I. STATUS OF REFORMS

A. Progress and Significant Developments over the Past Year

Since the popular election of a new, democratic government in March 1992, Albania has been moving decisively to implement a comprehensive package of reforms. The first priority of the new President and his government was to halt further economic deterioration (real GDP had fallen by more than 50 percent since 1989) and start on the path toward a market economy, conscientiously adopting the "shock therapy" approach.¹

With assistance from the U.S. Department of the Treasury and the IMF, Albania's structural adjustment program included price and exchange system liberalization, fiscal discipline, monetary constraint and a firm incomes policy to control wages. With enactment of an enabling legal and regulatory framework for privatization, vigorous private sector activity and foreign investment also got underway. The commitment to financial sector reform was firm; the two-tier banking system was restructured with the establishment of the National Commercial Bank in January 1993 and the Rural Commercial Bank in October 1993. An informal banking system has developed, primarily as a source of short-term lending for micro, small and medium enterprise development. Remittances from abroad (at least \$200 million in 1993) continued to be an important source of private income for investments and as the capital for this new informal source of credit.

The results of the economic reforms have indeed been impressive. In 1993 the fiscal deficit was only 16 percent of GDP. Tight control of public expenditures (including significant reduction of subsidies) resulted in a very stable exchange rate (100 lek:\$1.00 for about 20 months). Inflation, which in 1991 and early 1992 was spiralling to 250 percent annually, was reduced to only 30 percent in 1993. Output bottomed out in mid-1992, and real GDP grew by an estimated 11 percent in 1993 - the highest growth rate in Europe. The main source of growth was the private agricultural sector, followed by the private construction and transportation sectors. Incentives to agricultural production (land privatization/distribution, liberalization of most agricultural prices, increased availability of inputs and advances in mechanization) resulted in a 14 percent growth in total

¹ President Berisha strongly endorses this approach: "The faster you go, the sooner you get better/there." (Berisha-Dine meeting, May 6, 1994)

agricultural output. As expressed by the IMF, the Albanian economy was "overperforming" for the second year in a row.²

B. Constraints and Lack of Progress in Implementing Reforms

Problem areas related to economic structural adjustment included a continuing high rate of unemployment (probably more than 30 percent), difficulty in tackling the privatization of large state-owned enterprises, and hesitancy in addressing an overhaul of the banking sector. Efforts to reschedule Albania's debt arrears also continued, though progress was slow.

Although about 92 percent of agricultural land and about 50 percent of small and medium enterprises had been privatized by the end of 1993, further progress with privatization of larger enterprises stalled over questions related to restitution and compensation to former owners and, more generally, over what privatization strategy should best be pursued. Options under consideration included auctions, transfer of ownership to employees and the introduction of a voucher system, which would be used to compensate those on social assistance and former political prisoners.

The Bank of Albania made considerable progress in assuming the functions of a central bank since its establishment in April 1992. Development of a commercial banking system, however, has been problematic. Constraints tied to the three Albanian commercial banks (the National Commercial Bank, the Savings Bank and the Rural Commercial Bank) include lack of experience with modern banking techniques (accounting, risk assessment for sound lending, and portfolio management), lack of recognized legal standards for accounting and auditing, poor reporting by bank branches to their headquarters, a slow and inadequate payments system, and lack of legal protection for collateral and enforcement of claims. Foreign entry may be the most viable and feasible solution, though transparent entry conditions would be necessary. Only two foreign banks (both joint ventures) had begun operations by late 1993.

There were several constraints in implementing a range of legal reforms. The lack of legal history and a concomitant lack of precedence posed several problems as typified by the recently-enacted Press Law. In this specific case, Albania seems to have simply adopted a German state press law pretty much intact. Germany has, however, a long judicial history which, in essence, modifies the actual language and practice of the law. Albania has no past history except that most recently in force under a draconian communist system. Consequently, even though the actual

² IMF briefing on Albania's economic performance in 1993 (Tirana, 3/10/94). See Tirana 000670 of 3/15/94, as well as IMF's Albania - Recent Economic Developments (3/11/94).

statutory language is similar, in practice the results are quite different. Unlike the German state, Albania is under heavy international pressure to abolish or otherwise revise what are perceived as severe limitations on the freedom of the press.

Legal and legislative experience is also lacking. In a rush to create a new legal framework, legislation is too frequently lifted from other legal systems and grafted into place. As a result, laws are passed without any consideration of the reasons why they were enacted in the first place and whether or not they are practicable for Albania. The root of the problem is a lack of legal training, especially in comparative legal analysis.

Additional constraints included a judiciary which is not yet independent and functional as a necessary counterweight to the executive/legislative branch; a lack of coordination among ministries in drafting legislation (i.e., which ministry is responsible for drafting a particular law or regulation); and a lack of physical resources. Examples in the latter case include little or no office equipment and no central and district repositories for legal reference books.

C. Assessment of Reform Opportunities and Challenges Ahead

It is too facile to expect the full range of reforms to be identified, analyzed, accepted and implemented overnight. One of the most gratifying aspects of implementing the USAID program in Albania is, therefore, the opportunity to address challenges and continue the reform process. The political climate and commitment of the Albanian Government remain positive, and, barring exogenous factors, there is no reason to expect a reversal.

Of almost equal importance to implementing specific reforms is engaging our Albanian counterparts and colleagues in the process itself. As demonstrated by the impressive performance to date, Albanians are willing and eager to learn, take chances and make decisions. It is this sustained climate for reform and change that presents USAID with a great opportunity to have a significant impact on Albania's successful transition to a market economy and true democratic governance.

Challenges include addressing:

- rule of law issues, especially finalizing a constitution with provision for an independent judiciary and rationalizing the proliferation of laws and regulations;
- issues related to private banking, banker training and the credit needs of entrepreneurs, concurrently laying the groundwork for an effective Albanian-American Enterprise Fund;

- the balance between strong economic performance and attention to the needs of disadvantaged segments of Albanian society (the unemployed, homeless, landless, women, etc.);
- sensitivity in the Albanian Government to free access to information and ideas in the print and broadcast media;
- the privatization of medium and larger state enterprises, an effort which has not moved forward as quickly as expected;
- the nurturing of fragile Albanian non-government organizations in how to function effectively as public advocates on a full range of social issues (e.g., minorities' rights, environmental conservation and protection, etc.); and
- emerging issues related to public administration: completing unfinished housing units and meeting the pressing need and demand for new housing capacity; migration from rural to urban areas; decentralization of some responsibilities to local governments; and increasing the efficiency of public services delivery. In addition, non-existent and/or ill-conceived and executed land management policies are minimizing the positive role which land use can have in promoting private investment.

These challenges are both multifaceted and complex in their interrelationships. To the extent that they are reflected in the constraints discussed above, they can - and will - be eased, if not removed, through the continued implementation of current activities, as well as the design and implementation of several new projects and activities. Examples include: (a) advisory support in privatization and agribusiness development (especially under the Support for Agricultural Restructuring in Albania (SARA) project); (b) support for financial sector reform through an expanded Department of Treasury program and new small and micro enterprise development assistance; (c) continued rule of law and commercial law advisory assistance; (d) initiation of the Democracy Network under the guidance of the Democracy Commission; and (e) expanded advisory support under the on-going housing/urban development program to address housing and municipal services privatization and improved land use and infrastructure management.

II. PROGRAM ASSESSMENT: ACHIEVEMENTS AGAINST OBJECTIVES

In general, program achievements over the past year have been significant and substantive, largely due to several major factors: (a) the basic trust and close, very collaborative working relationship which has been built up and nurtured between the U.S. Mission (Embassy, USAID, USIS and Peace Corps) and the Government of Albania; (b) the outstanding quality of the USAID-funded long- and short-term advisors who have been working with Albanian counterparts; (c) the effectiveness of the SEED portfolio as an

efficient mechanism for providing assistance; and (d) as stated earlier, the commitment to reform by both the Albanian government and the Albanian population, which appears strong and firm. Efforts also continued to assure coordination and collaboration with other donors, including, most importantly, the World Bank, the IMF and the EU Phare program.

○ Promoting Agricultural Development

In collaboration with the World Bank and EU Phare program, U.S.-sourced urea (20,000 MT) and diammonium phosphate (DAP, 10,000 MT) fertilizers were provided as a critical input to 1992-93 agricultural production. The fertilizer was marketed through public auction (urea in April-May 1992 and DAP in March-September 1993) to an emerging group of private Albanian dealers who then sold the fertilizer on a retail basis. The auction and wholesaling mechanism was designed and implemented through the International Fertilizer Development Center (IFDC) with such success that agricultural production increased by an estimated 14 percent in 1993 over 1992 production. In order to assist Albania in becoming fertilizer-sufficient over the longer term, the IFDC also continued to work closely with two Albanian factory complexes on implementing production efficiencies, developing marketing plans and introducing pricing reforms. The IFDC supported the founding of the Albanian fertilizer/agricultural inputs dealers' association and helped members to access world fertilizer markets. The dealers imported and retailed about 4,800 MT in Spring 1994.

The Land Tenure Center (LTC) of the University of Wisconsin prepared a Land Market Action Plan to guide development of a private property registration system. The Action Plan is now being implemented with assistance from USAID-LTC, EU Phare, World Bank, and the British Government in land policy, land surveying and mapping, and organization of district cadastral offices. The LTC prepared a draft Immovable Property Registration Act which is now pending passage and will be a major piece of enabling legislation for land privatization and development of a real estate market in Albania.

A total of 105 volunteers placed by Volunteers in Overseas Cooperative Assistance (VOCA) completed short-term assignments in, for example, the Ministry of Agriculture (on research, extension and agricultural information and statistics), the Agricultural University of Tirana, with private farmers' associations and in the Rural Commercial and Savings Banks.

Land O'Lakes initiated a dairy improvement campaign, recruiting and training a technical staff of ten field agents and training approximately 3,900 women dairy producers in how to increase the quality and quantity of milk as a source of family income and better health.

○ Developing a Market-Oriented Economy

A complement of long- and short-term Department of Treasury advisors had major input on the full range of economic reforms, including price liberalization, currency convertibility, preparation of a national budget, design of a tax structure, design of a treasury system, and development of a commercial banking structure.

Through the Department of Commerce's Commercial Law Development Program (CLDP), a resident trade policy advisor assisted staff of the Ministry of Industry and Trade in reviewing, negotiating and implementing the multiple international economic and trade agreements to which Albania is now a signatory. Since his arrival in December 1993, the advisor has been focussing on Albania's application for GATT accession. CLDP also presented two workshops, one on negotiating joint venture agreements and the other on government ethics. More than 100 Albanians, primarily in the public sector, attended these training programs.

There were several dimensions of support for privatization. A team of lawyers, accountants and privatization specialists from KPMG Peat Marwick continued to work with the Ministry of Mineral and Energy Resources and Albchrome on the privatization of the chromium industry. Negotiations with potential investors were complicated and protracted, however, leading to a recent decision to reevaluate the Albanian Government's commitment to this effort. A long-term investment and privatization advisor and a team of short-term advisors under a contract with Deloitte Touche/Development Alternatives, Inc. assisted the Ministry of Industry and Trade in developing a strategy to privatize its foreign trading companies, developing a policy and credit framework to encourage small and medium enterprise development and strengthening its export trade promotion function. A long-term advisor was placed in the Ministry of Construction in September 1993 to assist the Government in implementing a \$15 million World Bank housing sector credit for the completion and privatization of 4,900 housing units. Short-term housing policy advisors also drafted condominium legislation and set the stage for its implementation. The International Executive Service Corps (IESC) also fielded 35 volunteer (and mostly retired) executives on short-term assignments to solve specific problems related to business operations, management, modalities of banking and privatization of municipal services.

The Organization for Rehabilitation through Training (ORT) completed its second year of job skills training for family members of ex-political prisoners. Short courses were offered to about 1,000 (and 5,500 since the start of the program in January 1992) students in computer skills, secretarial skills, English, clothing design and manufacture, auto mechanics, cosmetology, travel and tourism, and hotel operations. New centers were also opened in Durres and Vlora. This highly visible program has been so successful that plans are underway to open at least two more

centers in Shkodra and Korca, to extend USAID support through January 1997 and to work now on institutionalization in the Ministry of Labor to guarantee its sustainability.

Faculty from the University of Nebraska's School of Management trained more than 1,000 Albanians in a series of mini-courses in market economics, management and agribusiness which were presented in Tirana, Korca, Shkodra and Vlora. Course materials in Albanian were given to each participant.

With SEED funding, Peace Corps initiated a Small Business Development program, and 14 Peace Corps Volunteers arrived in April 1993 to begin 2-year assignments to seven Regional Business Agencies.

○ Fostering Democratic Institutions

The National Democratic Institute placed a field representative in Tirana to implement its program of civic education and parliamentary outreach, primarily through the Society for Democratic Culture, an Albanian NGO established initially for monitoring elections in 1991 and 1992.

Through the Special Task Force on the Development of Parliamentary Institutions in Eastern Europe (the Frost Task Force), library materials, computers, a digital clock to time debates, and training were provided to the deputies in the People's Assembly and its staff.

A resident advisor in rule of law from the American Bar Association's Central and Eastern European Law Initiative (ABA/CEELI) assisted the Ministry of Justice, the People's Assembly and the Law Faculty of the University of Tirana in drafting and reviewing legislation and a new constitution. Short-term advisors provided judicial training to the Tirana District Court and helped the General Prosecutor's Office.

Through support from the International Media Fund, a consortium of independent newspapers received a printing press, newsprint and training. Desktop publishing and communications equipment were also provided to start a student newspaper at the University of Tirana.

USIA's multiple programs continued successfully. Under its Rule of Law program, a U.S. Assistant Attorney worked with the Ministry of Justice for six months on administrative law, criminal law reform and government ethics. Ten Albanian judges completed a 4-week study program in the U.S. which focused on the functioning of an independent legal system. In addition, 12 U.S. Fulbright professors worked in Albanian universities; 15 Albanian university professors were trained in the U.S.; English language teaching, rule of law and management training materials were provided; and

nine books were translated from English to Albanian (with five more ready for publication shortly).

○ Improving the Quality of Life

Approximately \$2.6 million of processed commodities (powdered milk, wheat flour, beans and vegetable oil) were shipped to the Albanian Red Cross for distribution to 170,000 people (primarily mothers and children) who were assessed as nutritionally at-risk. The beneficiaries were in major cities and the economically depressed northeast region. The distribution program was completed in early 1994, and the Albanian Government has not renewed its appeal for food donations.

In response to urgent requests from the Ministry of Health, Project HOPE provided two shipments of medicines and medical supplies valued at more than \$2 million. The shipments were distributed immediately upon arrival to hospitals throughout the country. Training was also provided in the storage and use of the supplies.

III. UPDATE OF STRATEGY AND PLAN

The U.S. Assistance Strategy for Albania for 1993-1995, approved on July 30, 1993, outlined four priority objectives:

- promoting agricultural development;
- developing a market economy;
- fostering democratic institutions; and
- social sector restructuring with a focus on improving the quality of life and, if necessary, the provision of humanitarian assistance.

These broad objectives remain valid and will continue to be the focus of U.S. assistance to Albania in the near term (3-5 years). In the context of social sector restructuring, outreach to the Albanian NGO community will be possible through the newly established Democracy Network. In addition, if there is regional conflict with a likely influx of large numbers of political and economic refugees, this community will have a capacity and capability to respond.

Within these objectives a continuing effort is made to consolidate activities and/or refine and redirect them in order to focus the portfolio and assure maximum impact on the target beneficiaries. It is premature to develop a phase-out plan for the portfolio, though individual activities and projects will be phased out as circumstances warrant and/or workplans are accomplished and intended impact is realized.

A. Promoting Agricultural Development

Albania's economic growth continues to be led by the agricultural sector. Agricultural production increased by an estimated 13-14 percent in both 1992 and 1993. Virtually all agricultural land (est. 92 percent) is now in the hands of private farmers and is being intensively cultivated. Farmers still face a number of problems in the agricultural sector which must be resolved if production increases are to continue: reliable access to quality fertilizer and seeds, new technologies, better market access for their products and a viable land market in order to consolidate the small parcels which dominate Albanian agriculture. Farmers also need improved policies to promote markets and encourage sound environmental practices. As these problems are overcome, agricultural growth should continue to lead the economy for the next several years.

With the recovery of the agricultural sector, FY 1994 is likely to be the last year for the foreseeable future that food aid will be provided, although future concessional sales are likely. Responsibilities for agribusiness and data collection are being consolidated into the Support for Agricultural Restructuring in Albania (SARA) project.

Specific Objectives:

- train and advise a policy unit within the Ministry of Agriculture and Food (MOAF) to identify priority sector constraints and policy issues, carry out policy and economic analyses and provide the GOA with well-defined strategies;
- provide support to the Fier nitrogen fertilizer factory to make it commercially viable, then privatized; provide guidance to the GOA in permanently closing the Lac phosphate fertilizer factory.
- in collaboration with the private sector, the MOAF and the Agricultural University of Tirana, establish an Agribusiness Development Center to support privatization and development of agribusinesses;
- in coordination with other donors, implement a pilot property registration system in three districts of Albania; based on that experience, implement the system nationwide;
- design and implement an environmental/forestry project to (a) address problems of deforestation, erosion and overgrazing, (b) identify and protect environmentally sensitive areas and (c) design and implement a public awareness campaign focused on environmental issues;

- strengthen the Agricultural University of Tirana by providing assistance with curriculum development in agricultural economics, upgrading library and laboratory facilities and providing training to faculty;
- provide instruction in improved dairy production techniques and milk handling to 6,000 women producers;
- support the development of a nationwide farmer coalition;
- in collaboration with other donors, support the revamping of two agricultural high schools; expand training of vocational agricultural teachers to an additional twenty; and
- develop MOAF capability to plan and carry out periodic crop surveys and implement a market information system.

B. Developing a Market Economy

Recent structural reforms in the public sector include tax reforms, a strengthening of budgetary management, a reduction in budgetary subsidies, the imposition of budget constraints on public enterprises, and the establishment of a modern central bank. Structural measures to promote private sector development have included land reform, the privatization of many small- and medium-sized enterprises, exchange and trade liberalization, and the enactment of a relatively liberal foreign investment law. As a result of these changes, real GDP grew by an estimated 11 percent in 1993. The U.S. Government has been an active participant in developing these reforms.

U.S. support to macroeconomic policy reform in the public sector, privatization, trade and investment promotion and training will continue. Support for privatization will be shifted from the Ministry of Industry and Trade to the National Agency for Privatization (NAP). Support to small and micro enterprises will be directed to the recently established Small and Medium Enterprise (SME) Foundation.

Specific Objectives:

- in coordination and collaboration with the IMF, support financial sector reform, which may include, but not be limited to, advisory support to the Ministry of Finance, the central bank and potential private banking institutions;
- provide job skills training to 7,500 young people (with preference to family members of former political prisoners) in small business management, computers, English, secretarial skills, auto mechanics, tourism and hotel management, cosmetology, etc. Also implement a phase-out plan with the

Ministry of Labor to assure program sustainability after January 1997;

- assist in institutional development of the SME Foundation and provide assistance to branches of the Savings Bank in implementing a small and micro enterprise credit program;
- provide policy guidance to the National Agency for Privatization (NAP) on privatization of state-owned enterprises;
- provide assistance to the Ministry of Industry and Trade on trade policy and investment laws and regulations, as well as negotiating and implementing international trade agreements, especially GATT;
- in collaboration with the EBRD, proceed vigorously with privatization of Albchrome by the end of FY 1994 or terminate further assistance;
- in collaboration with the World Bank, support the completion and privatization of 4,900 unfinished housing units;
- provide assistance to central and local government in land use planning and privatization of municipal services, especially solid waste management (garbage collection, street-cleaning, recycling, etc.);
- support the operation of an Albanian-American Enterprise Fund; and
- train future senior managers by introducing and institutionalizing an MBA degree program in the Faculty of Economics and Business of the University of Tirana.

C. Fostering Democratic Institutions

The basic concepts underpinning democracy - popular representation and participation in government, diversity in ideas and sources of information, the rule of law and respect for human rights, and civilian control of the military - have been introduced in Albania, but support for their interpretation, institutionalization and practice are very much needed. A current draft of a new constitution emphasizes human rights and an independent judiciary. After fifty years of centralized governance, Albania is just beginning to develop the institutions of more independent regional and local government. The Government of Albania is also stressing and developing civilian control and professionalism of its military.

The following objectives indicate those priority areas in which the USG should be able to make a qualitative difference for the better, barring exogenous factors. To a significant extent, achievements and impact will also depend on Albania's continued progress in developing and strengthening its fledgling free market economy.

Specific Objectives as presented in the Democracy Strategy for Albania:

○ **Popular Representation and Participation in Government**

- strengthen the capability of the Albanian Parliament (the People's Assembly) to function effectively and efficiently as the representative body of Albanian society, including assistance to better define its role and responsibilities.
- work directly with citizens and citizen groups to strengthen their ability to be active, effective participants in the political process.
- support national, regional/district and local efforts to "take the government to the people" by decentralizing government decision-making, including interface with the Minister of Local Administration (without ministerial staff) and advisory services to district and municipal offices.
- support the efforts of U.S. and Albanian non-governmental organizations/private voluntary organizations (NGO/PVOs) in specific dimensions of public advocacy, e.g., assistance to the socially and economically disadvantaged (who should benefit from social safety net projects and activities), gender issues, environmental protection and conservation, improved access to better quality public services (especially health and education), etc.

○ **Access to Information and Ideas**

- support university-level education in the social sciences (particularly law, economics, business, political science, public administration, sociology/social work and journalism) to expose a new generation of leaders in education, business, the media and public service to modern social science concepts.
- support the teaching of English and the translation of educational materials into Albanian as a means of increasing Albanians' access to new information and ideas. Teaching and dissemination of materials will be accomplished through continuing support to TOEFL Peace Corps Volunteers.
- assist the broadcast media, which reach large segments of

the Albanian population, in becoming more independent in their editorial policies and programming.

- assist the broadcast media in developing and presenting public affairs programming.

○ **Rule of Law and Respect for Human Rights**

- continue assistance in legal and judicial reform, concurrently addressing such political issues as taxation, land privatization and restitution, housing, etc.
- assist in defining the role(s), responsibilities and functioning of the central government, especially in the administration of justice and protection of human rights (the court system, the prison system, the criminal code, legal education, administrative law, family law, citizenship, etc.).
- implement a "women in development" (WID) strategy (now being finalized) which seeks to improve women's access to, and benefits from, the productive sectors of the market economy, employment opportunities, skills training, etc.
- within the context of Albania's male-dominated society, support the efforts of the Albanian and U.S. NGO/PVO community to address and satisfactorily resolve issues related to women's rights (property, inheritance, family planning, etc.). This would be undertaken also within the framework of the WID strategy.

○ **Civilian/Military Relations**

- continue assistance to institutionalize civilian control of the Albanian military by providing technical advisory support and training, including civil disaster preparedness, reform of the military justice system, personnel reform, etc. This will be coordinated through the MLT training programs, IMET and the Marshall Center, and other training opportunities.

Oversight in implementing this democracy strategy will be provided by the U.S. Mission's Democracy Commission. The "Democracy Strategy for Albania: Priority Concerns Regarding the Democratic Transition" is attached as Annex C.

D. **Social Sector Restructuring: Improving the Quality of Life**

Albania is, and for the near future will remain, the poorest country in Europe. Prices for food, basic social services and

public utilities, which were previously controlled or subsidized, now approach or have reached world market prices. In general, salaries have not kept pace. Remittances from abroad (an estimated 15 percent of the labor force is out of Albania) provide critically important relief, but not all Albanians are lucky enough to have a supplemental source of income. In addition, official unemployment in Albania is 18 percent, although it may in fact exceed 30 percent. It is also documented that Albanian women are discriminated against and disadvantaged.

Despite these problems, conditions for most Albanians are improving. For the moment, the food situation in Albania has stabilized. Unless this changes, distributions of emergency food aid will be completed this year and no further food assistance will be requested. Additional emergency supplies of medicines and medical equipment are not envisioned, although this is subject to change if the situation warrants. Efforts will be focused on groups which have not significantly benefited from improvements in the economy.

Specific Objectives:

- in coordination and collaboration with the World Bank and other donors, support implementation of the Ministry of Health's health sector strategy, especially in the area of training in hospital administration and finance for at least 100 Albanian hospital managers and officials;
- establish a partnership between one or more Albanian hospitals and a U.S. hospital or medical center, which would emphasize health care management and have a clinical focus on emergency medical services and women's health;
- implement a Women in Development strategy for Albania to address such issues as the legal status of women, women's health, access to financial services and credit, etc. within the context and framework of the complete program portfolio of projects and activities; and
- support the efforts of U.S. and Albanian NGO/PVOs to design and implement activities directed to improving the quality of life of specific beneficiary groups (e.g., the blind and sight-impaired, street children, etc.).

E. Most Critical Activities for FY 1995

- **Property Registration:** Implementation of the property registration system to provide secure tenure and open up a real estate market is critically important. It will allow Albanian farmers to consolidate small parcels and provide legal access to

land for industry and other sectors of the economy. Implementation of the system has started in three districts and will be expanded on a nationwide basis in about 18 months.

- **Privatization of the Domestic Fertilizer Industry:** If sufficient quantities of natural gas can be supplied from reserves in southern Albania, the Fier nitrogen fertilizer factory will be commercially and technically viable and should be privatized. With the programming of a final increment of funding, IFDC will advise on physical and environmental upgrading and privatization.

- **Support to Agricultural Restructuring in Albania (SARA) Implementation:** The second-year workplan will be implemented, and there should be initial measurements of project impact, especially the effects of policy reforms, agribusiness development, curriculum development and physical improvements at the Agricultural University, rationalization of agricultural research, etc. (Note: The Land Tenure Center's work on property registration is a discrete component of the SARA project. Given its high priority, however, this effort is given specific mention above.)

- **Financial Sector Reform:** The U.S. Department of Treasury program will be expanded to include the assignment of up to three long-term advisors: a budget advisor in the Ministry of Finance (to complete his services in early 1995); a banking reform advisor in the Ministry of Finance to work on privatization plans for the banking system and individual banks; and a second banking reform advisor to focus on bank licensing. Short-term advisors on tax policy and administration and other specialized areas of financial sector reform will also be provided.

- **Albanian-American Enterprise Fund (AAEF):** Although recognizing that its establishment depends on a number of factors beyond USAID's direct control, priority should be given to getting the AAEF up and running as quickly as possible. The AAEF will not only provide needed investment capital in the form of credit and equity for medium and larger enterprises, but also support program efforts in privatization, agribusiness, small and medium enterprise development and reinforce the market economy in general.

- **Forestry/Environmental Conservation and Protection:** Erosion and deforestation may well compromise continued increases in agricultural production as well as the survival of environmentally sensitive areas. Providing farmers with opportunities to realize economic advantages by growing trees for fruit and fuelwood in marginal areas while protecting their land from further degradation, as well as safeguarding environmentally sensitive areas and developing public awareness is increasingly important.

- **Small and Micro Enterprise Development:** With sectors such as mining, energy and manufacturing either stagnant or in decline,

small and micro enterprises are playing an essential role in Albania's economic recovery. USAID support, in collaboration with Peace Corps, will help assure their continued development.

- **Privatization:** Virtually all farm land has been privatized, as have most small retail shops and housing. Attention is now shifting to privatization of medium and large enterprises, which is key to making them competitive, both in Albania and abroad. To assist in this process USAID will provide privatization assistance to the National Agency for Privatization (policy and strategy advice), the Ministry of Construction (housing and municipal services) and the Ministry of Agriculture and Food (the fertilizer industry (see above) and agribusiness). These efforts will complement the Albanian-American Enterprise Fund and support the climate for continuing, vigorous small and micro enterprise development. Advisory support for the privatization of Albchrome should also be completed.

- **Job Skills Training:** Short-term skills training programs with open enrollment (though preference for family members of former political prisoners) will be expanded to the cities of Korca and Shkodra. At the same time, the Albanian Ministry of Labor will increasingly take responsibility for the programs as U.S. assistance is phased out.

Clearances:

Ambassador(draft)
DCM:DSmith(draft)
USIS:CCaples(draft)

Drafters:DBlane/SHaynes
File:UPDATE(7/25/94)

STAFF PLAN

ACTUAL AND PROPOSED STAFFING: FY 1995-1997

COUNTRY: <u>ALBANIA</u>	FY 1995	FY 1996	FY 1997
USDH	6	6	6
USPSC			
Program Funded	0	0	0
OE Funded	1	1	1
(Local Hire)	(1)	(1)	(1)
(US-hire)	(0)	(0)	(0)
FSN			
Program Funded	0	0	0
OE Funded	12	13	13
TOTAL	19	20	20

U.S. Direct-Hire Staff:

- AID Representative
- Agricultural Development Officer
- Project Development Officer
- Regional Program Economist
- Executive Officer
- Program Officer (arriving in FY 1995)

U.S. Personal Services Contractor:

- Administrative Manager

Albanian Staff (PSCs):

- Program Assistant
- Agricultural Assistant
- Administrative Assistant
- PDO Assistant
- Economic Assistant
- Secretary (2)
- Custodian
- Driver (4)
- Program Assistant (in FY 1996)

**DEMOCRACY STRATEGY FOR ALBANIA: PRIORITY CONCERNS
REGARDING THE DEMOCRATIC TRANSITION**

REF: STATE 048829 (C)

I. DEMOCRACY OVERVIEW

Albania is indeed a new democracy, and its history, even predating forty-eight years of communism and five hundred years in the Ottoman Empire, has been characterized by the subjugation of its people. The most basic concepts underpinning democracy - popular representation and participation in governance, diversity in ideas and sources of information, the rule of law and respect for human rights, and civilian control of the military - have been introduced in Albania, but support for their interpretation, institutionalization and practice are very much needed.

Albania has virtually no previous experience with democratic institutions and the rule of law and is trying to build a representative government, a system of checks and balances and a standard of ethics from the ground up. A current draft of a new constitution emphasizes human rights and an independent judiciary. The Government of Albania (GOA) is seeking professional training on Western models for its public order officials and police and is reforming the prison system. After fifty years of centralized governance, Albania is just beginning to develop the institutions of more independent regional and local government. The GOA is also stressing and developing civilian control and professionalism of its military.

II. OBJECTIVES

The goal of U.S. assistance policy in Albania is to support the historic political and economic transformation which is now underway. This transformation seeks to restructure the economy and political institutions based on the principles of a free market and a democratic system of governance. Albania's commitment to implement the full range of economic and social reforms, however, requires the political will and public consensus to sustain a healthy democratic climate and political system. By fostering democratic institutions, in the most encompassing and inclusive use/definition of this term, U.S. assistance will seek the greatest impact on the Albanian population. Attention will also be given to working closely with the G-24 donors to assure the complementarity of all democracy-related programs and activities.

The following objectives indicate those priority areas in which the USG should be able to make a qualitative difference for the better, barring exogenous factors. To a significant extent, achievements

and impact will also depend on Albania's continued progress in developing and strengthening its fledgling free market economy.

A. Popular Representation and Participation in Government

U.S. assistance will:

- strengthen the capability of the Albanian Parliament (the People's Assembly) to function effectively and efficiently as the representative body of Albanian society, including assistance to better define its role and responsibilities.
- work directly with citizens and citizen groups to strengthen their ability to be active, effective participants in the political process.
- support national, regional/district and local efforts to "take the government to the people" by decentralizing government decision-making, including interface with the Minister of Local Administration (without ministerial staff) and advisory services to district and municipal offices.
- support the efforts of U.S. and Albanian non-governmental organizations/private voluntary organizations (NGO/PVOs) in specific dimensions of public advocacy, e.g., assistance to the socially and economically disadvantaged (who should benefit from social safety net projects and activities), gender issues, environmental protection and conservation, improved access to better quality public services (especially health and education), etc.

B. Access to Information and Ideas

U.S. assistance will:

- support university-level education in the social sciences (particularly law, economics, business, political science, public administration, sociology/social work and journalism) to expose a new generation of leaders in education, business, the media and public service to modern social science concepts.
- support the teaching of English and the translation of educational materials into Albanian as a means of increasing Albanians' access to new information and ideas. Teaching and dissemination of materials will be accomplished through continuing support to TOEFL Peace Corps Volunteers.
- assist the broadcast media, which reach large segments of the Albanian population, in becoming more independent in their editorial policies and programming.

- assist the broadcast media in developing and presenting public affairs programming.

C. Rule of Law and Respect for Human Rights

U.S. assistance will:

- continue assistance in legal and judicial reform, concurrently addressing such political issues as taxation, land privatization and restitution, housing, etc.
- assist in defining the role(s), responsibilities and functioning of the central government, especially in the administration of justice and protection of human rights (the court system, the prison system, the criminal code, legal education, administrative law, family law, citizenship, etc.).
- implement a "women in development" (WID) strategy (now being finalized) which seeks to improve women's access to, and benefits from, the productive sectors of the market economy, employment opportunities, skills training, etc.
- within the context of Albania's male-dominated society, support the efforts of the Albanian and U.S. NGO/PVO community to address and satisfactorily resolve issues related to women's rights (property, inheritance, family planning, etc.). This would be undertaken also within the framework of the WID strategy.

D. Civilian/Military Relations

U.S. assistance will:

- continue assistance to institutionalize civilian control of the Albanian military by providing technical advisory support and training, including civil disaster preparedness, reform of the military justice system, personnel reform, etc. This will be coordinated through the MLT training programs, IMET and the Marshall Center, and other training opportunities.

III. PROGRAMS

The U.S. Mission will seek to achieve the above objectives by drawing on the funding resources available under the authority of the Support for East European Democracy (SEED) Act in FY 1994 and subsequent fiscal years. In addition to funding from on-going SEED projects, funding will also be provided through (a) the new USAID-managed "Democracy Network" component of the redesigned NGO

Development project (\$1,750,000) and (b) the new USIS-managed "Democracy Grants" program (\$150,000). Funding for activities in support of strengthening civilian/military relations (Objective D) will be programmed through the Defense Attache Office of the U.S. Mission.

Specific results-oriented indicators are now incorporated in annual program plans which are prepared by the SEED project grantees. Draft plans are submitted to the U.S. Mission through the AID Representative. Comments and/or approval of the plans are provided to the USAID/W Project Officer prior to negotiation and award of the grants.

Oversight in implementation of this strategy will be provided by the U.S. Mission's Democracy Commission. The views and opinions of the U.S. and Albanian PVO/NGO community will be frequently solicited by the Commission and will provide feedback on the effectiveness of specific interventions and support, as well as an important "reality check." The primary mechanism, already in place for this purpose, is the monthly "Talking Shop on Democracy" meeting. The meeting is open to everyone who is interested in talking shop, though participants regularly attending to date are primarily those U.S. advisors and their Albanian colleagues and counterparts who are working on USAID and USIS democracy-related activities. Representatives from the EU and CSCE Offices in Tirana are also invited, and efforts will continue to encourage the participation of the Albanian NGO community.

IV. EVALUATION

The Democracy Commission will meet regularly and will conduct on a semi-annual basis (or more frequently if circumstances warrant) conduct an informal evaluation of progress and impact on beneficiary institutions and groups. Constraints to progress and specific implementation problems will be highlighted, and suggestions for resolution will be sought and implemented. This will also provide an opportunity to identify new areas for focus and emphasis. The participation of State, USAID and USIA colleagues from Washington would be welcomed and very helpful.

Almost all of the U.S. Mission's current programs have been quite successful. The exception is assistance to the print and broadcast media, which has had limited success. The recently-enacted press law creates serious potential for abuse of the authority of the government to regulate publication of information and materials which are judged to reflect adversely on the government. This does not encourage journalistic involvement in the pursuit and production of news coverage in the Western sense. Efforts to support private radio broadcasting have also met significant setbacks. The U.S. Mission intends to redouble its efforts in these areas.

Drafter:USAID:DBlane(DEMONSTRAT.3/27/94)

Clearances:

Ambassador(draft)

DCM:DSmith(draft), USIS:CCaples(draft)

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SUBJECT: REVIEW OF ALBANIA ASSISTANCE STRATEGY UPDATE:
1994-1996

REF: ALBANIA ASSISTANCE STRATEGY UPDATE: 1994-1996

1. SUMMARY: ON JUNE 2, 1994 DAA CARLOS PASCUAL CHAIRED THE REVIEW COMMITTEE FOR THE ALBANIA ASSISTANCE STRATEGY UPDATE: 1994 - 1996. USAID REP TO ALBANIA DIANNE BLANE PRESENTED THE STRATEGY. ALSO IN ATTENDANCE WERE STATE COORDINATOR FOR EAST EUROPEAN ASSISTANCE, RALPH JOHNSON, AND REPRESENTATIVES FROM USIA, COMMERCE, TREASURY, PEACE CORPS, LABOR, STATE AND USAID. THE REVIEW CONFIRMED THE OVERALL DIRECTION OF THE ASSISTANCE PROGRAM, WITH ITS MAJOR OBJECTIVES IN AGRICULTURAL DEVELOPMENT, DEVELOPING A MARKET ECONOMY, FOSTERING DEMOCRATIC INSTITUTIONS, AND IMPROVING THE QUALITY OF LIFE. SPECIFIC OUTCOMES OF THE MEETING ARE SUMMARIZED BELOW.

2. AGRICULTURE:

2A. AGRICULTURE EMPLOYS OVER HALF THE POPULATION AND GENERATES OVER HALF OF ALBANIA'S GDP. THE STRATEGY'S THRUST OF AGRICULTURAL DEVELOPMENT AS THE CENTERPIECE OF

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THE ASSISTANCE PROGRAM WAS CONFIRMED.

2B. FERTILIZER SUB-SECTOR: DEVELOPING STRONG AGRICULTURAL INPUTS MARKETS IS IMPORTANT TO CONTINUED AGRICULTURAL GROWTH IN ALBANIA. WHILE USG ASSISTANCE TO DATE HAS FOCUSED ON DEVELOPMENT OF PRIVATE DISTRIBUTION SYSTEMS FOR FERTILIZER, THE DOMESTIC PRODUCTION OF FERTILIZER IS ALSO IMPORTANT. A PROPOSAL TO PROVIDE CAPITAL EQUIPMENT AND TECHNICAL ASSISTANCE TO THE FIER NITROGEN FERTILIZER FACTORY WILL BE REVIEWED FROM THE AGRICULTURAL, PRIVATIZATION, ENERGY, AND ENVIRONMENTAL PERSPECTIVES AT A SEPARATE MEETING PLANNED FOR MID-JULY.

2C. FORESTRY: IT WAS AGREED THAT THE ENVIRONMENTAL/FORESTRY PROJECT CURRENTLY UNDER DESIGN IS SUPPORTIVE OF THE AGRICULTURAL DEVELOPMENT OBJECTIVE, AND THE PROJECT CONCEPT WAS THUS ENDORSED. THE PROJECT'S PURPOSE IS TO ADDRESS PROBLEMS OF DEFORESTATION, EROSION AND OVERGRAZING, AND WILL INVOLVE WORKING WITH FARMERS AND PRIVATE TREE NURSERIES, AS WELL AS UNDERTAKING POLICY DIALOGUE WITH THE GOA'S FORESTRY DIRECTORATE.

3. DEVELOPING A MARKET ECONOMY:

3A. WHILE THE GOA HAS MADE SIGNIFICANT PROGRESS IN ECONOMIC REFORM, A NUMBER OF SERIOUS CHALLENGES REMAIN. TREASURY POINTED OUT THAT PRIVATE SECTOR DEVELOPMENT IS STILL HINDERED BY GOA POSTPONEMENT OF DEADLINES FOR RESTITUTION CLAIMS, HIGH FISCAL IMBALANCES, HIGH INFLATION, AND THE SLOW PACE OF FINANCIAL SECTOR REFORM AND LARGE-SCALE PRIVATIZATION. USAID WILL CONTINUE TO MONITOR PROGRESS IN THE GOA'S ECONOMIC REFORM PROGRAM IN THE CONTEXT OF OUR ECONOMIC RESTRUCTURING ASSISTANCE ACTIVITIES.

3B. ENTERPRISE PRIVATIZATION: THE STRATEGY ENVISIONS PROVIDING LIMITED CONTINUATION OF ASSISTANCE FOR THE PRIVATIZATION OF ALBCHROME, ALBANIA'S LARGEST INDUSTRIAL CONCERN, AND PLACEMENT OF A RESIDENT POLICY ADVISOR AT THE NATIONAL AGENCY FOR PRIVATIZATION (NAP). DUE TO THE MANY DELAYS IN THE ALBCHROME PRIVATIZATION NEGOTIATIONS, IT WAS AGREED THAT SPECIFIC BENCHMARKS WILL BE ESTABLISHED BY ENI/ER AND OAR/TIRANA TO ENSURE THAT USG ASSISTANCE IS PRODUCING RESULTS. THESE BENCHMARKS SHOULD BE REVIEWED WITH APPROPRIATE GOVERNMENT COUNTERPARTS. TO THE EXTENT BENCHMARKS ARE NOT MET, ASSISTANCE WILL BE PUT ON HOLD, OR POSSIBLY TERMINATED. BASED ON THE ALBCHROME EXPERIENCE, THE REVIEW COMMITTEE NOTED USG CONCERN ABOUT THE POLITICAL WILL OF THE GOA TO USE POLICY ADVICE IN THE PRIVATIZATION AREA. SPECIFIC BENCHMARKS WILL THEREFORE ALSO BE

DEVELOPED BY ENI/ER AND OAR/TIRANA FOR THE RESIDENT ADVISOR TO THE NAP.

3C. FINANCIAL SECTOR: THE STRATEGY NOTES THAT FINANCIAL SECTOR RESTRUCTURING IS ONE OF THE MAJOR CHALLENGES FACING THE GOA AT PRESENT, AND PROPOSES DEEPENING USG ASSISTANCE IN THIS AREA, PRIMARILY THROUGH THE TREASURY DEPARTMENT PROGRAM. THIS APPROACH WAS ENDORSED. THE RESIDENT BUDGET ADVISOR IN THE MINISTRY OF FINANCE WILL BE MAINTAINED BY TREASURY, WITH TWO ADDITIONAL LONG-TERM ADVISORS TO BE PROVIDED TO SUPPORT FINANCIAL SECTOR REFORM INCLUDING THE DEVELOPMENT OF PRIVATE BANKS. SHORT-TERM ASSISTANCE THROUGH THE FINANCIAL SERVICES VOLUNTEER CORPS, AND POSSIBLY A NEW USAID BANK TRAINING ACTIVITY WILL ALSO BE DEVELOPED FOR ALBANIA. ENI/ER, TREASURY AND OAR/TIRANA NEED TO ENGAGE THE GOA IN ESTABLISHING BENCHMARKS FOR PROGRESS IN FINANCIAL SECTOR RESTRUCTURING. THE BENCHMARKS WILL CONSTITUTE AN AGENDA FOR POLICY DIALOGUE.

3D. LEGAL FRAMEWORK: SUPPORT FOR COMMERCIAL LAW THROUGH THE AMERICAN BAR ASSOCIATION'S CENTRAL AND EAST EUROPEAN LAW INITIATIVE, IDLI, AND THE DEPARTMENT OF COMMERCE'S COMMERCIAL LAW DEVELOPMENT PROGRAM HAS BEEN PROVIDED IN RESPONSE TO TARGETS OF OPPORTUNITY, WITHOUT AN OVERALL STRATEGIC FRAMEWORK. SINCE MANY ASPECTS OF ALBANIA'S COMMERCIAL ENVIRONMENT, FROM CONTRACTS TO BANKRUPTCY TO BANKING LAWS, ALL NEED HELP, IT IS IMPORTANT TO ESTABLISH PRIORITIES TO GUIDE ASSISTANCE EFFORTS AND ENSURE THAT OUR AID IS TARGETED AND CONCENTRATED TO PRODUCE RESULTS. ENI/ER WILL SEND A TEAM TO ALBANIA BY EARLY FALL TO WORK WITH USAID/TIRANA AND THE GOA TO DEVELOP PRIORITIES AND AN ACTION PLAN FOR USG COMMERCIAL LAW ASSISTANCE. THIS ACTION PLAN SHOULD BE DEVELOPED TO COMPLEMENT ASSISTANCE TO FINANCIAL SECTOR REFORM. A WASHINGTON REVIEW OF THE ACTION PLAN WILL SUBSEQUENTLY BE SCHEDULED.

4. FOSTERING DEMOCRATIC INSTITUTIONS:

4A. STATE OUTLINED THE MAJOR DEMOCRATIC DEVELOPMENT CHALLENGES FACING ALBANIA AS SHORTCOMINGS IN FREEDOM OF THE PRINT AND BROADCAST MEDIA (AND PRIVATIZATION OF THE MEDIA) AND SHORTCOMINGS IN POLICE PRACTICES AND CIVIL ORDER REGULATIONS (E.G. FREEDOM OF ASSOCIATION AND TREATMENT OF MINORITIES). THE REVIEW COMMITTEE AGREED THAT THE STRATEGY ADEQUATELY ADDRESSES THESE AREAS.

4B. ETHNIC ISSUES: INTER-ETHNIC RELATIONS WITHIN ALBANIA IS NOT CONSIDERED BY THE STATE DEPARTMENT TO BE A MAJOR HUMAN RIGHTS CONCERN. THE MORE PRESSING ISSUE HAS BEEN MANAGING RELATIONS WITH SERBIA, FYROM, AND GREECE, WHERE

LARGE ETHNIC ALBANIAN POPULATIONS ARE RESIDENT. REGARDING THE NEED FOR USG ASSISTANCE TO ADDRESS ETHNIC ISSUES, THE STATE COORDINATOR NOTED THAT ETHNIC ISSUES ARE ALSO BEING ADDRESSED THROUGH CSCE CHANNELS. THE DAA SUGGESTED THAT THE DEMOCRACY COMMISSION AT POST MIGHT ALSO BE AN APPROPRIATE CHANNEL FOR SUPPORTING NGO'S CONCERNED WITH INTER-ETHNIC ISSUES.

4C. REFUGEE PREPAREDNESS: IF TENSIONS IN KOSOVO BETWEEN SERBS AND ETHNIC ALBANIANS DEVOLVE INTO OPEN CONFLICT, SIGNIFICANT REFUGEE FLOWS INTO ALBANIA (AND FYROM) ARE NEARLY CERTAIN. AID REP BLANE EXPLAINED THAT THE DEFENSE ATTACHE IN EMBASSY/TIRANA, AS WELL AS REPRESENTATIVES FROM THE RED CROSS AND UNHCR, PARTICIPATE IN A DISASTER PREPAREDNESS COMMITTEE CHAIRED BY THE GOA MINISTRY OF DEFENSE. THE AID REP WILL CHECK WITH THE ALBANIAN NGO FORUM REGARDING ITS EVALUATION OF THE ALBANIAN NGO COMMUNITY'S CAPACITY TO RESPOND TO A REFUGEE EMERGENCY. THE AID REP AND ENI/HR/EHR WILL COORDINATE WITH OFDA TO SEE WHETHER SEED RESOURCES ARE NEEDED IN THIS AREA.

4D. FOCUS OF DEMOCRACY ACTIVITIES: THE WIDE RANGE OF DEMOCRACY ACTIVITIES BEING PROPOSED FOR CONTINUED FUNDING RAISED CONCERNS OVER THE POTENTIAL FOR USG ASSISTANCE IN THIS AREA TO PRODUCE RESULTS. WHILE THERE WAS AGREEMENT THAT WORK IN JUDICIAL STRENGTHENING AND MEDIA DEVELOPMENT SHOULD CONTINUE TO BE PRIORITIES FOR USG ASSISTANCE EFFORTS, SOME OTHER ACTIVITIES WERE QUESTIONED. REGARDING PARLIAMENTARY STRENGTHENING ACTIVITIES, THE AID REP NOTED THAT WITH IRI AND NDI RESIDENT REPRESENTATIVES ON THE GROUND, PROSPECTS FOR EFFECTIVENESS ARE GOOD. SHE NOTED, HOWEVER, THAT IT IS MUCH MORE DIFFICULT TO MEASURE EFFECTIVENESS IN THE DEMOCRACY AREA THAN IN OTHER PARTS OF THE ASSISTANCE PORTFOLIO. WHEN QUESTIONED ON THE RELATIVE PRIORITY OF DE-CENTRALIZATION/LOCAL GOVERNMENT ASSISTANCE, THE AID REP EXPLAINED THAT RATHER THAN CONSTITUTING A FREE-STANDING OBJECTIVE, LOCAL GOVERNMENT WORK IS CLOSELY TIED TO HOUSING AND MUNICIPAL SERVICES ASSISTANCE, HIGHLIGHTED IN THE STRATEGY AS ONE OF THE OAR'S HIGHEST PRIORITIES. SEED FUNDING OF USIA ENGLISH TEACHING, BOOKS FOR DEMOCRACY, AND EDUCATIONAL REFORM PROGRAMS WAS ALSO QUESTIONED. THE AID REP AND USIA EXPLAINED THAT DUE TO ITS EXTREME ISOLATION IN THE PAST, ALBANIA NEEDS MORE HELP IN IMPROVING ACCESS TO WESTERN IDEAS AND INFORMATION. USIA FURTHER NOTED THAT ALBANIANS HAVE BEEN PARTICULARLY RECEPTIVE TO USIA PROGRAMS RELATIVE TO OTHER COUNTRIES IN CEE. IT WAS AGREED THAT ENI/DG WOULD WORK WITH OAR/EMBASSY TO ASSESS THE HIGHEST STRATEGIC PRIORITIES FOR USG DEMOCRACY ASSISTANCE, TAKING INTO ACCOUNT WHERE OTHER DONOR ASSISTANCE IS AVAILABLE AND WHERE A DEEPENING OF

ASSISTANCE EFFORTS MIGHT BE NEEDED. ENI/DG PLANS THIS ASSESSMENT TRIP IN SEPTEMBER, 1994.

5. SOCIAL SECTOR ASSISTANCE: THE REVIEW COMMITTEE CONCURRED WITH THE STRATEGY'S APPROACH TO SOCIAL SECTOR RESTRUCTURING, WHICH INCLUDES HEALTH, NGO STRENGTHENING, JOB SKILLS TRAINING, AND SMALL BUSINESS DEVELOPMENT PROGRAMS. EXTERNAL ASSISTANCE PROVIDED BY THE USG, THE WORLD BANK, AND OTHER DONORS, IF CAREFULLY FOCUSED AND TARGETED, CAN PROVIDE A SIGNIFICANT NETWORK TO SUPPORT GOA SOCIAL SECTOR TRANSITION EFFORTS.

6. RATHER THAN SPEND ADDITIONAL TIME EDITING THE COUNTRY STRATEGY TO INCORPORATE THE ABOVE COMMENTS, THIS CABLE WILL BE ADDED AS A PREFACE TO THE COUNTRY STRATEGY WHEN IT IS REPRODUCED. ANY NECESSARY CHANGES IN THE BUDGET, HOWEVER, SHOULD BE MADE PRIOR TO REPRODUCING THE STRATEGY.

7. THIS CABLE HAS BEEN CLEARED IN DRAFT BY USAID/ENI TECHNICAL OFFICES (GREENBERG, SNELL, BURNS, SHAPIRO, NAVIN, HYMAN, KARNS, GIDDINGS, CLELAND, FRENCH, TUMAVICK, AND MORGAN), STATE/EUR/EE (MALLY AND BENTON), TREASURY (ALTHEIM AND WEDEMAN), USIA (PORTNOY), LABOR (ARANGO), OMB (SANDY) AND COMMERCE (TOOHEY).

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