

**USAID/ALBANIA
REVISED STRATEGIC PLAN**

FY 2001 – 2004

**USAID/ALBANIA
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This draft strategic plan for Albania was assembled by USAID/Albania. This Strategic Plan is a “pre-decisional” USAID document and does not reflect results of USAID budgetary review. Additional information on the attached can be obtained from Clinton Doggett, E&E/PCS.

TABLE OF CONTENTS

LIST OF ACRONYMS	4
PART 1. INTRODUCTION AND SUMMARY	6
1. INTRODUCTION	6
2. USAID ASSISTANCE OVERVIEW.....	6
3. EXPECTED RESULTS	7
4. CRITICAL ASSUMPTIONS AND FORECAST.....	7
PART 2. STRATEGIC OVERVIEW	9
1. INTRODUCTION	9
2. THE ECONOMIC SITUATION	9
3. THE POLITICAL SITUATION	11
4. THE HEALTH SITUATION	13
PART 3. PROPOSED REVISED STRATEGIC PLAN	16
STRATEGIC OBJECTIVE 1.3: GROWTH IN NUMBER OF SELF-SUSTAINING PRIVATE ENTERPRISES	16
1. PROBLEM ANALYSIS.....	16
2. STRATEGY: THE RESULTS FRAMEWORK.....	17
A. <i>Transitional Hypothesis (Causal Linkages):</i>	17
B. <i>Critical Assumptions:</i>	18
C. <i>Principal Intermediate Results:</i>	19
3. PROGRESS TO DATE.....	20
4. PROGRAM APPROACHES	22
<i>IR # 1. Private sector agricultural production increased.</i>	22
<i>IR # 2. Small and medium enterprises developed.</i>	23
<i>IR # 3. Legal and Regulatory Framework Supports Private Sector Growth.</i>	24
<i>IR # 4. Financial sector responsiveness to private sector credit needs increased.</i>	24
5. COMMITMENT AND CAPACITY OF DEVELOPMENT PARTNERS	25
6. SUSTAINABILITY	26
7. ACTIVITIES NOT SUPPORTED	27
STRATEGIC OBJECTIVE 2.1: INCREASED INVOLVEMENT OF CIVIL SOCIETY IN ECONOMIC AND POLITICAL DECISION-MAKING	28
1. PROBLEM ANALYSIS.....	28
2. STRATEGY: THE RESULTS FRAMEWORK.....	30
A. <i>Transitional Hypothesis (Causal Linkages):</i>	31
B. <i>Critical Assumptions:</i>	32
C. <i>Principal Intermediate Results:</i>	32
3. PROGRESS TO DATE.....	33
4. PROGRAM APPROACHES	35
<i>IR # 1. Increased Citizen Participation in Public Discussion on Key Governance Issues.</i>	35
<i>IR # 2. Increased Citizen Confidence in the Accuracy of News and Information.</i>	36
<i>IR # 3. Increased Independence of Local Administrations from Central Government.</i>	36
<i>IR # 4. Representative Government Institutions Strengthened</i>	37
5. COMMITMENT AND CAPACITY OF DEVELOPMENT PARTNERS	37
6. SUSTAINABILITY	38
7. ACTIVITIES NOT SUPPORTED	39
STRATEGIC OBJECTIVE 2.2: LEGAL SYSTEMS THAT BETTER SUPPORT DEMOCRATIC PROCESSES AND MARKET REFORMS	40

1. PROBLEM ANALYSIS.....	40
2. STRATEGY: THE RESULTS FRAMEWORK.....	41
A. <i>Transitional Hypothesis (Causal Linkages):</i>	41
B. <i>Critical Assumptions:</i>	42
C. <i>Principal Intermediate Results:</i>	43
3. PROGRESS TO DATE.....	43
4. PROGRAM APPROACHES.....	45
<i>IR # 1. Competency of Legal Professionals Improved</i>	45
<i>IR # 2. More Effective and Fair Legal Sector Institutions</i>	46
<i>IR # 3. Increased Citizen Confidence in the Legal System</i>	47
5. COMMITMENT AND CAPACITY OF DEVELOPMENT PARTNERS.....	47
6. SUSTAINABILITY.....	48
7. ACTIVITIES NOT SUPPORTED.....	49
STRATEGIC OBJECTIVE 3.2: IMPROVED SELECTED PRIMARY HEALTH CARE (PHC) SERVICES IN TARGETED SITES.....	50
1. PROBLEM ANALYSIS.....	50
2. STRATEGY: THE RESULTS FRAMEWORK.....	51
A. <i>Transition Hypothesis (Causal Linkages):</i>	52
B. <i>Critical Assumptions:</i>	53
C. <i>Principal Intermediate Results:</i>	53
3. PROGRESS TO DATE.....	54
4. PROGRAM APPROACHES.....	55
<i>IR # 1. Health Resources More Efficiently Used</i>	55
<i>IR # 2. Quality of PHC Services Improved</i>	56
<i>IR # 3. Community Participation Increased</i>	57
5. COMMITMENT AND CAPACITY OF DEVELOPMENT PARTNERS.....	58
6. SUSTAINABILITY.....	59
7. ACTIVITIES NOT SUPPORTED.....	59
STRATEGIC OBJECTIVE 4.1:SPECIAL INITIATIVES.....	60
1. OVERVIEW.....	60
2. PROGRESS TO DATE.....	60
3. PROGRAM APPROACHES.....	61
STRATEGIC OBJECTIVE 4.2:CROSS-CUTTING PROGRAMS.....	62
1. OVERVIEW.....	62
2. PROGRESS TO DATE.....	62
3. PROGRAM APPROACHES.....	63
PART 4. RESOURCE REQUIREMENTS.....	64
1. OVERVIEW.....	64
2. FINANCIAL PLAN: PRIMARY SO-TARGETED ACTIVITIES.....	64
3. FINANCIAL PLAN: SPECIAL INITIATIVES AND CROSS-CUTTING ACTIVITIES.....	65
4. STAFFING REQUIREMENTS.....	66
5. ATTACHMENTS.....	67
<i>Attachment 1. Budget Table by SO</i>	67
<i>Attachment 2. Gender Mainstreaming</i>	68
<i>Attachment 3. Environmental Analysis</i>	70
<i>Attachment 4. Albania and the Stability Pact</i>	73
<i>Attachment 5. Performance Data Table</i>	75

LIST OF ACRONYMS

AAEF	Albanian American Enterprise Fund
ABA/CEELI	American Bar Association/Central & East European Law Initiative
ACDI/VOCA	Agr. Coop. Devlp., Intl./Volunteers in Overseas Coop. Assistance
ACER	Albanian Center for Economic Research
AFADA	Albania Fertilizer and Agribusiness Dealers Association
APFDP	Albania Private Forestry Development Project
BBC	British Broadcast Corporation
BOA	Bank of Albania
CDIE	Center for Development Information and Evaluation
CEC	Central Elections' Commission
CEE	Central Eastern Europe
CoE	Council of Europe
CSRP	Collaborative Support Research Project
DOJ	Department of Justice
EBRD	European Bank of Reconstruction and Development
EU	European Union
EU PHARE	EU, Poland and Hungary AID for Reconst. of the Economy
FEFAD	Fund for Enterprise Finance and Development
FSN	Foreign Service National
FSVC	Financial Services Volunteer Corps
GOA	Government of Albania
GDP	Gross Domestic Product
GTZ	Agency for German Technical Cooperation
IFC	International Financial Corporation
IFDC	International Fertilizer Development Center
IFES	International Foundation for Election System
IMF	International Monetary Fund
HL/RTP	Home Leave and Return to Post
ICASS	International Cooperative Administrative Support Services
ICITAP	International Criminal Investigative Training Asst. Program
ICNL	International Center for Not-for-Profit Law
IMF	International Monetary Fund
IMR	infant mortality rate
INSTAT	Institute of Statistics
IR	Intermediate Result
IRI	International Republican Institute
IRIS	Institutional Reform and the Informal Sector
KESH	Albanian Electrical Corporation
MBA	Masters in Business Administration
MMR	Maternal Mortality Rate
MOH	Ministry of Health
MPP	Mission Performance Plan
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute

NGO	Non-Governmental organization
NRM	Natural Resources Management
OE	Operating Expense
OPDAT	Office of Overseas Prosecutorial Devlp. Asst. and Training
ORT	ORT International, Inc.
OSCE	Organization for Security and Cooperation in Europe
PAP/A	Public Administration Project/Albania
PMP	Performance Monitoring Plan
PVO	Private Voluntary Organization
RFA	Request For Application
RTGS	Real-time Gross Settlements
SDC	Society for Democratic Culture
SDP	Service Delivery Point
SEED	Support for East European Democracy
SO	Strategic Objective
UAB	unaccompanied air baggage
UNDP	United Nations Development Program
UNFPA	United Nations Family Planning Agency
USAID	United States Agency for International Development
USD	United States dollar
USIA	United States Information Agency
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization

PART 1. INTRODUCTION AND SUMMARY

1. Introduction

During the FY 2002 R4 presentation, USAID/Albania proposed and the E&E Bureau agreed that a revised Strategic Plan would be submitted to extend the existing Strategic Plan for FY1998-2002 by two years. The Strategic Plan revision reflected a desire on the part of USAID/Albania to simplify the structure of its program and revise the performance indicators. The Mission also wanted to ensure that the USAID program reflect realities in Albania, particularly given the major events since May 1998. Careful consideration has been made of the resources available, particularly Mission management resources given the constraints placed on the number of USAID personnel who can physically work at this post due to security considerations. The adjustments to the Strategic Framework have also taken into consideration specific results and the evolution of, as well as the linkages among, the programs managed by USAID/Albania. Many of these adjustments were foreseen in the R4 and based on consultations with program and technical staff in the E&E Bureau.

The current Strategic Plan includes nine Strategic Objectives and 107 performance indicators. The revised Plan has six Strategic Objectives and 49 performance indicators. The revision better reflects the priorities of the Government of Albania as it struggles to strengthen its democracy, enhance rule of law and continue economic growth. It ultimately strives to become an integrated partner in the development and stability of the Balkans region.

2. USAID Assistance Overview

The revised strategy reflects the Mission's desire to better balance resources, newly defined areas of opportunity (maximizing comparative advantage), US political interests, and a better understanding of Albania's developmental needs and transitional capacity. The revision is designed to enhance the impact of the "Support for East European Democracy" (SEED) Act, from which funding for USAID/Albania derives; the overall goals of USAID are the promotion of a stable democracy and free market economy, led by a vibrant private sector.

This revised plan links with the *United States Strategic Plan for International Affairs* (September 1997) and the E&E Bureau's goals that address these interests. The US assistance program in Albania addresses four of these national interests: (1) *economic prosperity* pursued through the goal of "self-sustainable growth of private enterprise"; (2) *democracy* through "citizen participation in economic and political decision-making increased", and support of "legal systems that better support democratic processes and market reform"; (3) *humanitarian response* by "improved selected primary health care services in targeted sites", and supporting several cross-cutting activities that address specific humanitarian issues (hunger, nutrition, training and emergency assistance); and, (4) *national security* by supporting country-specific and regional activities that help ensure that local and regional instabilities do not threaten the security and well-being of the US or its allies.

The revised Strategic Plan is closely linked with *the U.S. Embassy of Tirana's Mission Performance Plan, 2000-2002*. USAID and the Embassy jointly support programs intended to strengthen regional stability through the mitigation of poverty and disorder, assisted by building democratic political institutions, strengthening health services, and providing necessary humanitarian assistance.

3. Expected Results

In summary, the adjustments in the Strategic Plan Revision include a folding down of the three Economic Growth Strategic Objectives into a single Strategic Objective focused on the growth of private enterprise, and a reduction in the number of SOs in the Democracy and Governance areas from three to two that would address civil society and legal institution reform, respectively. There is a clearer alignment of activities under a single SO in the health area, which is strongly focused on primary health care. Several activities have been moved to the *Cross-cutting* and *Special Initiatives* SOs to better reflect their logical association to the strategy.

In the broadest sense, these changes are designed to support the development of Albanian institutions, assist Albania's transition to a market-oriented democracy and, in turn, contribute to stability in a volatile region. While modest, there are also mutual trade and investment gains to be had as Albania develops. Finally, a stable, prosperous Albania will be in a good position to help with US efforts to combat terrorism, arms proliferation, narcotics, trafficking in women and children, and international organized crime.

4. Critical Assumptions and Forecast

There are several critical assumptions on which the success of the overall program depends.

Political Stability: The Government will possess enough consensus and control that the Albanian people will be willing to invest time and money in their own futures and to take a long-term view to economic growth. Equally important is that the Government's goals, priorities and policies will become more transparent, predictable, and credible. And, finally, elections will remain free and open.

U.S. Interest in the Balkan Region: U.S. interest in the Balkan Region is anticipated to remain high and the resources critical to the implementation of the Mission's activities will be available.

Public Order: Albania will continue to work on improving its legal system so it can enforce laws, resolve disputes, and protect rights, without which the country will continue to suffer low levels of investment, high levels of emigration and frequent and unpredictable changes in leadership.

Predicting the future for Albania has been difficult since its emancipation from communism, and it remains so due to regional stability issues and internal political tension. Albania is a

transitioning economy and a developing country, and USAID's experience over the past eight years has clearly shown that a longer than originally predicted time horizon will be needed before a phase-down could be considered. Institutional infrastructure is either very weak or non-existent. Free and fair elections, financial reform, judicial system reform and poverty reduction, are all important challenges that lie ahead. USAID, in collaboration with other international donors, is attempting to tackle these issues head on. The strategy revision is designed to measure progress in several of these critical areas. Our progress over the next four years will serve as the basis for longer-term strategies.

PART 2. STRATEGIC OVERVIEW

1. Introduction

Albania began the transition to a democratic, open-market society later than most other nations in the region. Its communist regime from 1947 to 1991 was more isolationist and authoritarian than most, making this transition especially difficult. The country made substantial progress between 1992 and 1996 until widespread civil disorders led to the collapse of the Government and international intervention in early 1997. The catalyst of the civil disorders in 1997 was the collapse of a number of fraudulent pyramid savings institutions, during which many Albanians lost their life savings. The result was widespread civil unrest, extensive material destruction, and the fall of the Government. In 1998, there was an abortive coup attempt. In early 1999, when the economy and the Government had stabilized, 465,000 Kosovar refugees sought shelter in Albania during the NATO military action, straining the infrastructure and social institutions. The Albanian people demonstrated a remarkable resiliency to hardships imposed by the influx of refugees.

Albania, with a population of about 3.4 million, has a small but growing economy that is simultaneously making the transition to a free market while recovering from civil insurrection in 1997. The Government of Albania has reversed the negative economic trends that originated from the crisis of 1997-1998, and the country has enjoyed significant growth and macroeconomic stability. The economy remains largely agricultural, with agriculture accounting for 53 percent of the GDP, and industry and services contributing 25 and 22 percent, respectively. Albania is completing the transition from a centralized planned economy to a free market. The State's role in the economy is shrinking as this process continues. The Government has privatized nearly all of its small and medium-sized enterprises, and plans to sell significant strategic assets over the next three years.

Albania has been an exemplary partner in regional initiatives, including the Stability Pact, created after the Kosovo crisis to achieve peace and prosperity and reinforce democracy and human rights in the Balkans. Albania continues to work closely with international financial institutions and has reached agreement with the IMF on needed facilities. It achieved WTO membership in 2000. Albania has signaled its interest in regional economic integration by signing bilateral agreements with Macedonia, Greece, Italy, Croatia, and Montenegro.

2. The Economic Situation

The IMF, in its review of its three-year Poverty Reduction and Growth Facility (PRGF), commended Albanian authorities for pursuing macroeconomic policies in line with the program and achieving substantial economic growth (7.3% GDP growth in 1999 and 7.5% estimated through the first three quarters of 2000); holding inflation close to zero; and maintaining a comfortable level of foreign reserves. This growth is predicted to continue in the 7-8 percent range through 2003. The fiscal deficit for 1999 was 11.5 percent of GDP, compared with 12.4

percent in 1997. IMF cited the Government's cautious fiscal and monetary policies, improvements in tax collection, the struggle against fraud, and progress in privatization as actions that led to the overall favorable assessment. The informal or "grey" economy accounts for as much as 60% of economic activity, which makes one cautious about official estimates or statistics. It is also estimated that as much as 25% of income is in the form of remittances from Albanians working abroad.

Customs collections were up 28% in the first quarter of 2000 compared to the same period in 1999. Taxes from small business were 30% above target, attributable to better registration of small companies, but tax evasion is reported to be very high. The National Commercial Bank, with about 7.4% of total banking sector assets was privatized for \$ 8 million, as were four small and medium-sized enterprises: a brewery, distillery, dairy, and pharmaceutical company. The Government sold an 85% stake in the state mobile telephone company for \$85.6 million.

To maintain the favorable momentum, the IMF recommended close monitoring of revenue collection and strengthening of the public sector. It also called for a stronger commitment to financial sector reform, with privatization of the Savings Bank as the highest priority, along with improvements in the legal framework to encourage investment in the private sector. Attracting long-term foreign capital will require vigorous pursuit of enterprise privatization, improving Albania's management culture and strengthening the legal environment. The IMF also encouraged the Government to address immediate social problems of public health, education and childcare.

Continued deep and pervasive corruption retards direct foreign as well as domestic investment. In a July 2000 meeting of the South Eastern Europe Investment Compact, the Albanian representative reported that a major priority of the economic program was to improve the security of the investment environment and law enforcement. He also identified extended privatization and financial sector reform as Government priorities.

In 1999 agricultural output was 53% of GDP, making Albania the sole European country in which agriculture produces more than half the country's output. Real sector growth was officially estimated at 5% for 1999, however, the sector continued to languish, only gradually recovering from the inefficiency of the communist period and the disruption of land redistribution. The agricultural trade balance for 1999, instead of improving, worsened. The domestic consumer market is dominated by inexpensive imported goods. Agricultural exports have been on a downward trend, affected by a reduced harvest of fruits, vegetables and cereals. In 2000, however, exports increased by 12% from the previous years due to a drought experienced through the growing season of 2000. Albania began exporting vegetables and fruits to the EU for the first time in ten years, finally meeting EU quality regulations and now has an export quota for the EU. Further development of the agriculture regions are impeded by the lack of management skills required to organize larger scale, labor intensive agribusinesses and by continuing land ownership issues that retard consolidation into economically efficient farms.

Bank lending continues to be constrained, despite the lifting of credit limits and the abolition of minimum rates on some deposits. The reasons are numerous. Credit risks and lack of transparency of businesses make the private banks cautious about lending. Even if the banks were willing to lend, businesses are unaccustomed to using banks for credit. The Savings Bank

is prohibited from lending because of a history of bad loans. The inefficient and often corrupt legal system impedes the resolution of disputes, and title to property is still often unclear. The result is that private banks have only lent out about 30% of their deposit base to private sector borrowers. The significant increase in deposits, however, indicates greater confidence in the banking system, important in light of the pyramid scheme debacle in 1997.

Poor infrastructure is a major constraint to growth. Funding has been made available by donors to improve the road system, with financing from the EU, the World Bank and the European Investment Bank. This will open up three important international road routes in Albania (Durrës-Kukës, and East-West Corridor VIII). Other internal roads are also being improved. Upgrading Durrës harbor is receiving donor attention, including a loan from the World Bank and assistance from USTDA.

The electric power system is crippled. The country is dependent upon hydroelectricity, and a prolonged drought and reduced water catchment capacity due to silting are immediate causes of blackouts affecting most of the country. The operational efficiency is also dismal as a result of the poor condition of the physical assets, numerous illegal connections, and poor commercial discipline by KESH, the state-owned electricity company.

3. The Political Situation

In the last few years Albania has made substantial progress deepening its democracy and strengthening its governance. Following the cessation of the NATO action in Kosovo, Albania became an active participant in the Stability Pact. In conjunction with the emphasis on reducing corruption in the region, Albania has revised and republished its anticorruption plan, which sets forth a variety of measures to improve governance and the rule of law in Albania.

In its *Nations in Transit 2000* Freedom House noted major accomplishments in Albanian legal reform. In an open and transparent process Albania drafted and adopted by national referendum in late 1998 its first post-communist Constitution. The Constitution secures and elaborates a wide range of freedoms and democratic institutions, and international experts have commented on it favorably. Albania has also recently passed significant legislation in taxes and customs, the judicial system, privatization, the press, money-laundering, and administrative procedure. This legislation provides increased protection and freedom for Albanian citizens and allows the further development of a market economy.

During the Kosovo crisis, NGOs sprung up to channel donor assistance and provide critical services to refugees and to their local hosts. From a baseline of near zero in 1991, there are now approximately 600 NGOs registered in Albania, double the number estimated in USAID/Albania's FY 1998-2002 Strategic Plan. During the past year, NGOs provided key inputs to proposed legislation and engaged in voter education in support of the local government elections. Many of the stronger NGOs are also engaged in advocacy and civic education activities, as well as support to youth and women's organizations. Nonetheless little has been done to strengthen the sector's capacity to serve a broader constituency. While there is more activity beyond the Tirana-Durrës Corridor, rural areas have few active NGOs. Even the

stronger NGOs are still donor dependent. The weak civil society is the result of cultural antipathy to volunteerism held over from the communist era. Its growth also impeded by the constricted Albanian economy and Government delay in passing a new NGO law to improve the operating environment for civil society organizations.

Few precedents or vehicles yet exist for citizen engagement in the decision-making processes of Government. Cynicism and distrust towards the Government is high, and therefore citizen participation levels are low. Democratic institutions, including civil society and local governments, still lack the capacity to participate fully in democratic processes.

Both the local and international Friends of Albania groups have identified a reduction in corruption as a prerequisite for the future political and economic development of the country. Transparency International's 1999 "Corruption Perceptions Index" ranks Albania near the worst performers (with a low score of 2.3 out of a possible 10). Corruption permeates Albanian society and has been identified as a critical concern by most citizens.¹ In April, the Government published a revised anti-corruption plan that requires more transparency in business documentation, stronger management of revenue collection, and the involvement of the public through hotlines and other procedures. Within the customs service, this campaign has already generated positive results: 1,050 customs officers will be subject to new performance reviews and other innovations. This and other reforms have already resulted in a 28% increase in customs revenues.

Security in Albania has improved markedly. The Ministry of Public Order has aggressively collected military weapons that were stolen in 1997. An incentive scheme funded by the UN Development Program, the establishment of special police units dedicated to arms collection, and a women's public information campaign titled, "A weapon less, a life more", have helped to yield larger hauls of arms. Some 500,000 firearms, however, are still in the hands of individuals. Aggressive police action rounded up dozens of armed gangs threatening the main roads between July 1999 and January 2000. More than 950 policemen were fired for corruption in 2000, suggesting further that the Government is taking corruption issues seriously.² High-profile murders still continue, however, and armed conflicts in the northwestern part of the country are still fairly common.

Recently, the Government of Albania renewed efforts to decentralize fiscal and administrative authority to the local municipal level. This devolution is mandated in the Constitution, and the Government commitment was manifested in the signing of the Council of Europe's "Charter of Local Self-Government." The most tangible and promising step the GOA has taken towards decentralization was the promulgation in January 2000 of the "National Strategy for Decentralization and Local Autonomy." This strategy defines the long-term vision of local government in Albania and lays forth a concrete reform implementation timeline.

Albania's transition to democracy still has far to go. Albanians continue to have little faith in Government. This attitude has been exacerbated by Government services that are interrupted or non-existent and by high-ranking Government officials who readily leave the country as soon as

¹ World Bank Survey 1998.

² The Economist Intelligence Unit Limited 2000 (July 2000).

they can obtain a visa. Although a semblance of normalcy has returned to the country's political life,³ Albanian politics remains highly polarized and, to some degree, violent. Although Freedom House ratings for civil liberties in Albania declined in 1998-99, reflecting civil unrest and corruption, its political rights rankings held steady and the overall freedom score remained at "partially free."

A major constraint exists due to the polarization between the leading Government coalition party, the Socialist Party (SP), and the opposition Democratic Party (DP), which boycotted Parliament following the murder of one of its Deputies in 1998. Donors devoted considerable effort throughout 1999 to resolving this impasse, and the DP returned to Parliament in July 1999, in large part due to the persistent efforts of the American Embassy.

The October 2000 local elections aroused political controversy, including threats from the main opposition party to boycott them, but the elections were successful nonetheless. Declared "mostly" free and fair by international observers despite some problems, the first round marked significant progress towards meeting international standards. The Socialist Party consolidated its Parliamentary victory of 1997 by winning a large majority of mayoral and local council elections. Due to purported irregularities, the Democratic Party (DP) boycotted the second round. Since the elections, DP has held daily rallies in Tirana. Their mostly peaceful nature is a sign of the increasing control and restraint of the state, a good omen for increasing stability.

One of the most contentious issues between the two parties has been the composition of the Central Election Commission (CEC)⁴. Two of its members are nominated by the President, three by the High Judicial Council (HJC), and two by the Parliament. Because the head of the HJC is also appointed by the president, the political opposition claims that most members of the CEC are chosen by the SP.

The international community (OSCE, the Council of Europe, USAID, and UNDP) played a major role in helping the October 2000 elections proceed. However, problems with the process for voter registration give warning that concerted efforts by the international community will again be necessary to help prepare for the national election scheduled for June 2001. In particular, the performance of the CEC will require substantial improvement.

4. The Health Situation

Albania faces problems in the health sector similar to other countries in the region. Its health care system needs to be restructured in order to improve the allocation of resources for primary care and provide satisfactory care for its citizens. The capacity of the health delivery and public health systems was severely strained by the chaos in 1997 and the influx of Kosovar refugees in 1999. On the positive side, the refugee presence, which put specific strains on the health care system, stimulated international attention to the need for rehabilitating the primary care and hospital infrastructures.

³ Freedom in the World 1999-2000: Albania (<http://www.freedomhouse.org>).

⁴ The Economist Intelligence Unit Limited 2000 (July 2000).

Although real GDP is estimated to be about 50 percent higher in 1999 than in 1992, public funding for social programs has failed to keep pace. Overall Government spending on health as a percent of GDP fell consistently from 1992 until 1999. Albania's health expenditure reached an estimated low of only 1.73 percent of GDP in 1998. In the period 1997 to 2000, the Government contribution for the public health system as a percent of its total expenditure has fallen from 83 percent to 62 percent. Accounting for inflation, the health budget in real terms actually shrank.

The problems Albania confronts in provisions of health care can be put in context when compared to Bulgaria, a country that suffered similar political and economic upheaval in the mid nineties. In 1998, Albania's infant mortality was 20.5 per 1000 live births compared to 14.4 for Bulgaria. Maternal mortality rate in Albania in 1998 was 21.6 per 100,000 live births compared to 18.7 for Bulgaria in 1997. It should be noted that Bulgaria has a significantly higher income and spends a much higher percent of GDP on health than Albania.

The contribution of foreign donors, primarily earmarked for capital improvements, and the contributions of employers and employees to the Health Insurance Fund, about 75 percent of which is spent on outpatient pharmaceuticals, account for most of the increase in total health expenditure. In 2000, foreign donors account for 16 percent of health expenditures, while health insurance's share was 21 percent.

Compared to other countries in the region, the population of Albania is young and growing, which contributes to a low crude death rate. The end of pro-natalist policies of the communist regime, has produced a decrease in the birth rate. Significant outward migration has also contributed to a decrease in the rate of population growth. At the same time, the population is moving rapidly from the countryside to the cities. Tirana, for example, has reportedly more than doubled its population over the last five years.

Until recently, mortality and morbidity of Albanian children and adults were not affected by lifestyle factors and personal behaviors to the same extent as in other CEE countries. However, increased trauma from traffic accidents and violent crime, increased use of tobacco, alcohol, and other drugs, and a diet with higher fat content are likely to change this. The most common causes of death in Albania are cardiovascular and respiratory diseases, cancer, and trauma. The number of cigarettes consumed per person increased from 822 in 1990 to 963 in 1997. Other common diseases include gastrointestinal and infectious diseases.

Viral hepatitis and tuberculosis are now the most important communicable diseases. As of March 2000, Albania confirmed 48 cases of full-blown HIV/AIDS. The absence of information on the number testing positive for HIV suggests that the confirmed cases may represent only the "tip of the iceberg."

In 1995 the Albanian Health Insurance Institute (HII) began operations as an autonomous public organization. Its responsibility is to pay the primary care doctors and reimburse for subsidized outpatient drugs. Drug reimbursement accounts for about 75 percent of total expenditure.

The Ministry of Health, with the assistance of the World Health Organization, has drafted its *Health System Strategy: 2000-2010 for Albania*, which has been sent to the Parliament for final

approval. A conference in June 2000 brought the donors together to discuss the strategy and the coordination of donor assistance to address its goals.

The MOH strategy identifies a number of actions that must be taken quickly if the health status of Albanians is not to worsen. These focus on the health of young people and reproductive health, environmental problems, and key services in public health, primary health care and hospital care. The strategy identifies measures to deepen health care reform and focuses on management decentralization and the reform of health services production.

PART 3. PROPOSED REVISED STRATEGIC PLAN

STRATEGIC OBJECTIVE 1.3: GROWTH IN NUMBER OF SELF-SUSTAINING PRIVATE ENTERPRISES.

1. Problem Analysis

Albania is a low-income economy, largely dependent on consumer imports and limited domestic production. In 1999, agriculture accounted for 53% of GDP, and 71% of employment. Most Albanian farms are worked by families and land ownership is also by family. Population movement is having a significant impact on Albania's economy and social structure. Many young people with employable skills are emigrating to other European or to North America countries. Rural to urban migration produced a substantial shift in the population distribution within the country. Remittances continue to shield the country from becoming a depressed economy. Economic growth is estimated to be about 8%. Agriculture growth is about 5%.

From an economy that had no private businesses in 1991, Albania experienced a boom in the formation of private businesses. There were 56,300 private enterprises at year-end 1999, with more than 6,000 formed that year alone. While the private sector grew phenomenally over the last nine years, it is still an economy in which the vast numbers of businesses are sole proprietorships, many of which sell services.

There are many impediments to achieving the full potential of agriculture sector development. Constraints include fragmented and very small family farms, deteriorated irrigation systems, undependable and limited electric energy, high costs of inputs, disorganized and inefficient system of production and distribution, lack and inefficient use of agrarian credit, inadequate road access, and difficulty in enforcing quality and sanitary standards.

Commercial production is gradually providing sufficient agricultural products of suitable quality to serve domestic markets. Imports from neighboring large volume producers continue to challenge small domestic producers in cost and quality. The trade imbalance is likely to remain for the short-term, although several Albanian agriculture products have export potential. Realization of this potential depends on decreasing unit costs and improvements in quality and dependability.

Although the extensive amount of high-rise residential and commercial construction underway, particularly in Tirana, gives the impression of a growing economy, that is deceptive. The real estate boom is being driven by remittances and, it is believed by some, serves as a sink for income from illegal activities. Although construction provides short-term employment benefits and generates backward linkages to other sectors of the economy, the failure of people to invest their resources in productive activities reveals a lack of confidence in the future of the economy and a high assessment of risk. It bodes poorly for the future, as productive capacity is not being expanded. The consequence of housing construction on failing urban infrastructure further undermines the shaky foundation for economic growth.

Only 10% of the total labor force of just over 1 million in 1999, as reported in official statistics, was employed in the non-agricultural private sector. This number actually declined over the past 3 years, reflecting the decline in total employment. The overall official unemployment rate grew from 14.9% in 1997 to 18.4% at the end of 1999, indicating that while the working age population grew, opportunities for employment declined. Unofficially unemployment is reported to be in excess of 35%. Many families survive at a subsistence level.

Albania currently has 12 private sector banks that handle remittances and foreign exchange transactions and do limited lending. The growth in private bank lending is severely handicapped by a lack of bankable large business borrowers, not by a lack of capital. In third quarter 2000, private banks had only loaned out about 33% of the aggregate deposit base. Banks largely serve as fiscal agents for their foreign ownership or customers. Mortgage lending, whether for real estate purchases or other credit needs (for farm or business inputs, for example) is in its infancy in Albania. The low-income level in Albania generally leaves the population with few savings for investment. A lack of confidence diverts limited savings away from the financial sector.

2. Strategy: The Results Framework

A. Transitional Hypothesis (Causal Linkages):

During the Revised Strategic Plan period, USAID will continue to assist in the development of more efficient production technology, improved marketing of farm output and increased production of better quality agricultural products. At the same time, it will continue to stimulate agricultural land market reforms that will create landholdings that can be more efficiently managed. It will also support continued formation and growth of all types of small and medium enterprises. The emphasis will be on value-added activities, particularly more advanced agribusiness activities, in which Albania may have a competitive advantage and export potential. It will also continue to support the creation of a more efficient banking system. Equally important will be the creation of more bankable lending opportunities.

To focus better its activities, USAID will develop a simpler, more logical and cohesive Strategic Framework to support market reform and economic growth. The 1998-2002 Plan had three Strategic Objectives in this assistance area:

- Strategic Objective 1.3: Accelerated Development and Growth of Private Enterprise;
- Strategic Objective 1.4: A More Competitive and Market-Responsive Private Financial Sector; and
- Strategic Objective 1.6: Increased Environmental Management Capacity to Promote Sustained Economic Growth.

USAID proposes to combine all activities into a single Strategic Objective that would have the following title:

- Strategic Objective 1.3: Growth in Number of Self-Sustaining Private Enterprises.

The logic for this restructuring into a single Strategic Objective is as follows:

- a) The previous SOs 1.3 and 1.4 tended to isolate private enterprise development activities from private banking sector development. All activities in these two areas now will converge on a similar result, which is the deepening of private enterprise in terms of production, investment, employment, and sales. This approach will focus on all types of enterprises, whether they are agricultural, commercial or industrial. An integral objective is to assist these enterprises to achieve self-sustaining financing. Combining these two activities into a single SO will heighten the focus on this crucial result.
- b) With successful completion of the non-strategic privatization activities, the new focus is directing financial sector improvements to the sustainable growth of private enterprise. Those activities will include the implementation of the collateral law registry, continued and improved bank supervision and other financial sector support. This should improve internal operations in private banks and increase lending to private enterprises.
- c) The Mission does not have the management resources to effectively address “environmental management capacity” on a broad scale. Two activities remain under former Strategic Objective 1.6. The Integrated Pest Management activity directly supports the new Strategic Objective 1.3, included as a mechanism to extend new technologies to farming enterprises. The Watershed Assessment Project moved to SO 4.1 supports this SO by developing comprehensive approaches to drainage basin management.
- d) The term “accelerated” describing the original SO will be specifically replaced by the term “sustainable” to reflect a more long-term development rather than a transitional one, which more closely reflects economic requirements in Albania. The program will focus more on economic growth, namely enterprise creation and employment generation, and the ability to acquire bank financing.

This Strategic Objective links with the Bureau’s SAA#1, Economic Structuring and Growth, and the MPP goal of Broad-based Economic Growth.

B. Critical Assumptions:

In addition to the critical assumptions stated in Part 1, achieving this objective will require the following to hold.

1. The macro economy will continue to be stable. The Government of Albania has taken responsible steps to stabilize the economy since the collapse of 1997. It received high marks from IMF for controlling inflation and creating a relatively stable macroeconomic environment. This has allowed the private sector to emerge and for donors to provide support at all levels. Obvious macroeconomic challenges remain, including negative balance of trade, budget deficit and the need to be less reliant on remittances and donor assistance.

2. Other donor assistance will continue. The critical role that continued donor support plays in removing the constraints and challenges that Albania faces cannot be underestimated. Road development and improvements, deepwater port development, restoration of the agricultural infrastructure (irrigation, market outlets, transportation) and energy sector reforms will require enormous amounts of technical assistance, training, and financing; much more than one donor could undertake alone.

C. Principal Intermediate Results:

IR#1 Private Sector Agriculture Production Increased. Agricultural production and processing will continue to increase in Albania. More of an emphasis will be on development of agricultural products of sufficient quality and quantity to effectively compete in Balkan and other European countries. Rural land market transactions leading to larger scale production units will become increasingly important as export markets set the standards for production. Financing for agriculture processing and export development will be provided through combinations of trade credit, bank loans and selected guarantees.

IR#2 Small and Medium Enterprises Developed. USAID will continue to support market rate credit programs for micro sized firms and increase availability of financing for a wide variety of small sized firms. While agricultural business development remains an emphasis, diversification of business development is necessary to enable businesses serving other sectors to realize their potential and to become substantial contributors to economic growth. Business related technical assistance and training will continue to develop business planning, management and marketing.

IR #3 Legal and Regulatory Framework Supports Private Sector Growth. Micro and small-scale businesses will attain fundamental understanding of a free market economy and the laws and regulations affecting business formation and operation. Business organizations and agriculture associations will understand the value of a commercial code and the protection that the law provides. Land titling and registration systems will be in place to support land market transactions and to provide legitimacy to real property collateral. The movable property registration system will further the use of collateral for securing business credits. And businesses will understand and use contracts and other business arrangements, thus enabling production businesses to expand marketing and financing transactions.

IR#4 Financial Sector Responsive to Private Sector Credit Needs. There will be increased activity in the relatively high risk and costly small and medium sized business credit market. The banking sector will be strengthened to gain sufficient liquidity to become a major partner in financing business development. The National Savings Bank will be privatized, improving market discipline in the financial sector. This bank has about 90 percent of depositor savings and a countrywide network of branches and fiscal agencies. The Bank of Albania will be strengthened to restore depositor confidence in the banking system. Businesses will be able to transfer funds on a real-time basis throughout the banking system. This is a critical element in the integration of agricultural businesses, mostly rural, into the banking system and creating the potential for export derived financial transactions.

3. Progress to Date

Agricultural Processing, Production and Export. The challenges facing the agriculture sector are to effectively compete in the domestic market and to develop products to penetrate foreign markets. Various agriculture products, including botanicals, medicinal and fruits and vegetables, and olive oil were exported but with limited success. These products could not fully comply with exacting EU standards. Consequently export promotion and assistance were directed to improvements in quality and quantity.

USAID supported formation or modernization of 60 milk-processing plants that provide a full range of agricultural extension training to over 8,000 producers and improved market access for over 30,000 producers, the majority of whom are women. This activity imported milk collection and cooling equipment and helped processing plants to acquire pasteurization and dairy manufacturing equipment. These producers pressured the Government through their associations to reduce duties on such imports and transfer taxation to end-uses.

The support of agricultural trade association development demonstrated results in improving industry clusters. Based on a survey of the meat industry, the trade association strategically tackled constraints from tariff reduction for inputs to packaging and marketing. Five meat processors doubled their sales of meat products in the first three years of activities. In 1999-2000, five companies introduced 34 new products into the market and increased employment by 26%. Other agribusiness activities focused on the establishment of private nurseries, livestock production, willow and botanical products. One activity supported the formation or renovation of 34 enterprises with total sales in 1999 of \$500,000 while creating 200 full-time and 700 part-time jobs.

Rural Land Ownership and Agricultural Associations. The land titling activity supported by USAID and EU PHARE registered over 1.3 million land parcels in the Immovable Property Registration System (IPRS). Agricultural land transfers increased from 4,663 in 1999 to 9,417 in 2000. Urban property transactions, for which this is a much more active market, are projected to reach nearly 24,000 in 2000. By year-end 2002, USAID's support of the development of the land registry system will be wrapped up. This activity is sufficiently institutionalized so that immovable property registration will continue.

Support to small and medium agricultural enterprise was organized through agricultural associations. An association of 150 private dealers in fertilizer and other farm inputs is now fully self-sustaining with 100% of its revenues generated from domestic sources. This effort is a major engine of change and the successful model was recently extended to more than a dozen other associations of dairy producers, livestock producers, flour millers, meat processors, edible oil producers, poultry producers, fisheries, horticulturists, grape growers, bean growers, private nursery owners, willow producers and processors, and agricultural mechanization dealers. An influential National Federation of Agriculture Trade Associations (KASH), was formed by 13 agribusiness associations. KASH is a major lobbying force in shaping Government agriculture policies.

Agricultural trade associations are progressing, critical agribusiness clients are growing and agro-enterprises are becoming stronger users of credit. USAID-supported companies and association members are profitably expanding and diversifying businesses. These associations are important advocates of policy reform.

Business and Technical Skills Improved. USAID helped private entrepreneurs develop business and technical skills. These activities ranged from the University of Tirana MBA program to business planning for micro enterprises to business management support for agribusinesses. The Association Management Center assists agricultural associations and enterprises. Business and economics training were advanced through the upgrading of undergraduate curricula and by supporting Business Assistance Centers (BACs) at four universities throughout Albania. These developed skilled students in economics and market research. The US Embassy supported the creation of an American Chamber of Commerce, which will marshal support for some of these activities.

Given the rudimentary understanding of business practices, training programs introduced notions of positive cash flow, break-even analysis and debt structuring to existing but marginal businesses and to startup businesses. Other programs introduced notions of hygiene, sanitation, refrigeration, quality control and controlled storage. These were provided as subsistence farmers and dairy herd producers and small distributors and merchants who took on the challenge of migration into a monetary economy.

Increased Capacity to Perform Commercial Transactions. Programs had to develop very basic approaches to the introduction and integration of business transactions within the nascent private sector. Micro entrepreneurs lacked basic understanding of market dynamics and financial business interactions. Programs established one-on-one relationships with entrepreneurs to enable the transfer of skills and knowledge involving commercial relationships.

Collateral Law Applies to Business Credits. USAID supported the development of a computerized real property registry controlled by the Ministry of Finance. It is located on Government premises to which all banks have access. The Albanian Law for Securing Charges (based on Article 9 of the Uniform Commercial Code of the U.S.) allows the pledging of movable property as collateral for loans by the banks. Mortgages are provided by banks based on immovable property pledged as collateral.

Laws and Regulations Governing Private Sector Registration Improved. Given the abiding mistrust of Government, business registration procedures needed to be simplified and non-punitive. Programs assisted startup businesses to become registered and other businesses operating in the informal sector to understand the advantages and disadvantages of registration. As demands for banking sector credit increased, USAID programs continued to press for registration simplification.

Financial Sector Assistance. The brokering of bank finance is a critical activity that links development of private small and medium enterprises with strengthening of the banking sector. One activity enabled dairy product processors to borrow from a private bank through a gradually reducing loan guarantee arrangement. Another guaranteed and assisted in \$2.2 million in private

bank lending to agribusinesses. The activity assisted clients in designing sound investment proposals and preparing solid business plans. The clients of this activity also received \$2 million in supplier credit.

Non-bank finance was extended by various activities to and through agricultural associations to dairy producers and to small and medium enterprises of all types. One activity made available more than \$4 million in revolving funds for agricultural association members. In 1 year the USAID micro-lending program, financed 1400 clients with an average \$1,000 per loan. The program has a 97 percent repayment rate. This activity demonstrated the high receptivity for borrowing by individual business people, business solidarity groups and livestock producer groups. The activity opened branch offices in four cities outside Tirana, and plans to open in two others. In a related vein, with USAID support savings and credit associations were developed to capture savings for small businesses, small producers and the general public.

USAID has a leading role in establishing a sounder, better regulated banking system through the banking supervision program. The best indicator of this improvement is the 64% increase in deposits, reflecting greater public confidence. USAID assisted in strengthening the Bank of Albania's Supervision Department, which completed one cycle of on-site audits, to regulate and monitor the banking system. USAID provided assistance to design the RTGS, which provides a clearing and settlement system for the banking sector that facilitates the use of locally generated checks, credit cards and debit cards and foreign exchange clearing.

4. Program Approaches

The elements of a functioning economy will be realized during the period covered by this strategy. Business development, business financing, agriculture development and commercial legal and regulatory systems will come together to enable Albania to escalate its transition from a consumer society with major trade deficits to a balanced economy with an effective export production sector.

The strategy draws on the experience of the well-appreciated and effective USAID program. Initiatives will be designed to enhance USAID comparative advantages while complementing the work of other donors. These initiatives will use the institutions and businesses assisted by USAID as a foundation for additional activities.

IR # 1. Private sector agricultural production increased.

Albania offers further opportunities for agricultural and agribusiness development, first by supplying in the domestic market, and then, in high-value crops directed towards export markets. These activities include continuation of support of agro-processing of such products as fruits and vegetables, greenhouse vegetables, olive oil, dairy (cheese), poultry and eggs. Other high-value crops with considerable potential include organic vegetables, grapes, berries, chestnuts, willow and medicinal herbs. Spices and fish farming will also be assisted. Agricultural and agribusiness development will create rural employment and will encourage consolidation of agricultural landholdings into more productive plots.

Historically, USAID has emphasized agricultural production and processing for domestic markets. Distribution and wholesale functions will be added. The absence of large production and processing units limits market penetration. USAID will investigate the feasibility of joining to other donors to establish centralized marketing facilities that will facilitate access by small-scale producers to wholesalers and distributors. Wholesale marketing will encourage Albanian producers to establish brand identities, commit to quality standards and dependable production.

USAID will continue to develop Albanian agricultural and agribusiness export potential. Additional support will include: introduction of quality production standards; market entry strategies; pricing and feasibility analyses; and a range of other technical assistance and export financing.

Technical assistance will be provided in such areas as plant location, design and layout; processing equipment installation; cooling and freezing equipment installation; storage facilities; packaging and transport technologies. Support will be designed to upgrade fresh and processed fruits and vegetables for the domestic market, but with the ultimate goal of achieving agricultural products and agribusiness exports to the EU and other regions.

USAID will continue to support the privatization of land and the Government's efforts to institutionalize the registration system. This will benefit other SOs involved in urban management and local finance. USAID will develop strategies for stimulating land consolidation for higher production yields and lower costs.

USAID will continue to strengthen agriculture associations, which facilitate policy reform, improve information flows and transfer technology through training programs and private sector extension services. Associations will continue to be one of the best and most realistic approaches to providing effective and sustainable support services for agricultural and agribusiness enterprises.

IR # 2. Small and medium enterprises developed.

Micro, small and medium enterprises graduated from USAID programs will be able to plan, execute and account for business operations, obtain financing from private commercial lenders or through a solidarity borrowing arrangement generated by a commercial lender. They will be cognizant of marketing information and trends and will have the capability to expand operations, given good market conditions. They will be licensed, tax-paying operations. Assisted businesses will be in all sectors, but certain activities will focus on the development of new and existing agricultural and agribusiness enterprises.

USAID will continue support to the Association Management Center to provide business training to its associations and members. Business Assistance Centers will focus research and information networking on development of value-added production enterprises through technology transfer, business skill assistance and market information. Additional courses will be

in accounting, finance, personnel management, supply chain management, export marketing and other technical operational skills, such as efficient plant management, managing work flows, equipment selection and maintenance.

An introduction to economics and business planning will be funded to instill sound market economic instruction for high school students throughout Albania. USAID will support training and technical assistance for business and financial planning. Educational contractors, agricultural associations and micro and small enterprise development programs will be used to support this effort.

USAID will build Albanian human resource and organizational capacity to continue technical assistance services and promote market. The program will expand the provision of private sector agricultural extension services (provided through private agribusinesses) and technology transfer centers to increase business income by providing access to improved technology.

IR # 3. Legal and Regulatory Framework Supports Private Sector Growth.

USAID will reinforce acceptance of the rule of law as the convention for interactions among businesses and between businesses and customers. USAID will support public information and communication efforts to acquaint business associations and business people about applicable laws. USAID will promote public understanding of laws that protect and serve the private sector through training aimed at introducing entrepreneurs, attorneys, law schools and judges of business principles and codes.

Businesses will be trained to effectively apply laws and regulations to day-to-day transactions. Businesses will also be assisted to seek remedy from the judiciary for business transactions that violate the principle and practice of laws. USAID will continue implementation of the movable property collateral system. Assistance will include: support for the collateral registry, which is expected to initiate operations in late 2000; assistance to the Albanian Government to modify the collateral legislation, outreach activities to increase use of the system and to promote sustainability. USAID will continue to support the installation of this system. Training, assistance and legal advice will be continued to streamline and simplify registration and regulation.

IR # 4. Financial sector responsiveness to private sector credit needs increased.

USAID will develop bank-lending capacity for small and medium businesses. A series of activities will be supported to increase the availability of private banking credits for new enterprises. Selected enterprises will be assisted to obtain direct private bank financing. USAID will continue guidance, mentoring, business strategy advice, business skills and the introduction of new technologies. Activities are designed to extensively assist in the preparation of bankable business plans and loan applications.

Growth of micro, small and medium enterprises operating in all sectors will be supported by non-bank credit assistance to prepare feasible loan applications. USAID will use existing

channels for extending credit through solidarity groups, agricultural groups and direct lending and use guarantee funds to provide credit to slightly riskier borrowers. USAID will be emphasizing graduation of those micro businesses into small enterprises.

An additional round of on-site audits by the Supervision Department of the Bank of Albania (BOA) will be undertaken during the next year. This supervisory work will continue in the future. The Supervision Department will be helped to develop the ability to make interpretive analyses of banking data. The BOA supervisory staff responsibilities will extend to the Savings and Credit Associations (SCAs). Training provided to enable the BOA to fully assume supervisory responsibilities will be required. USAID will continue to support the real-time gross settlements system (RTGS) with appropriate training as the installation moves forward.

5. Commitment and Capacity of Development Partners

There is a large variety of foreign donor assistance in this sector.

- The EU supports development of certain agricultural export efforts. The World Bank and GTZ support development of rural production collection points and producer cooperatives. The GTZ designed three agricultural marketing projects. The World Bank supports an irrigation monitoring program and a forestry development program.
- The GTZ analyzed actions required for expansion of agricultural and light industrial exports (and re-exports). Its collaboration is vital to develop an export development program.
- Land market development is supported by the EU PHARE, which provided 45% of total financing required for land registration. USAID provides technical skills and training. The World Bank also support this.
- The Japanese Government provides grants through agricultural associations for agro-machinery and agro-processing equipment.
- The Eastern European Partnership offered business training in dairy development. The UNDP collaborated with the USAID-financed dairy development program to improve micro-enterprise opportunities for rural women by providing business management staff training.
- FAO used the USAID-supported agricultural extension network to disseminate information and determine interest in a poultry project. It used the same network to establish a distribution system for small, mechanized farming machinery. CRS and Soros Foundation/AEDP provided dairy processors with processing equipment as loans, which were repaid by the distribution of milk to school children. SNV, financed by NOVIB and IFAD, collaborated with USAID-supported dairy program to adapt its dairy training program to conditions in northeastern Albania.

- The IMF has the lead in fiscal and macroeconomic reform and the World Bank coordinates donor financial sector assistance. An IMF advisor advises the central bank Governor on monetary policy.
- The GTZ financed FEFAD, a project-turned-bank that is serving medium-sized entrepreneurs. GTZ financed technical assistance for National Commercial Bank privatization.
- The World Bank is providing a loan to the Albanian Government to support part of the costs of operation of the collateral registry. The GTZ researched requirements for a bankruptcy law and has developed the text of the proposed law.
- The World Bank funded the BESA program, which finances small entrepreneurs needing loans in the \$2,000 to \$10,000 ranges. An Italian NGO is considering a \$500,000 guarantee fund to a USAID-financed activity for agriculture. The Irish League of Credit Unions developed pilot credit unions. GTZ provided training to dairy association credit committees on how to properly evaluate a loan application. The Albanian Development Fund aided dairy activity participants to access loans granted by ADF.
- The implementation of the real-time gross settlements system is committed to by the World Bank. A private settlement and clearing system may be put in place by the private banking sector. Some private banks are considering implementation of a credit information bureau to safeguard lending programs. The World Bank is financing a restructuring and privatization strategy for the Savings Bank.
- The Ministry of Finance, Ministry of Public Economy and Privatization, Ministry of Agriculture and the Ministry of Economic Cooperation and Trade remain strong collaborators despite time pressures caused by other donors and visiting delegations. The Bank of Albania effectively applies USAID assistance. KASH and other agriculture associations continue to grow in membership and advocacy.

6. Sustainability

The entire program under this SO is designed to assist private enterprise to achieve sustainability through selected inputs of training and technologies. Support for economic policies and reform of the legal and regulatory environments are designed to reinforce sustainability. The idea that these activities are “graduated” to become borrowers from the private banking system, whether they are agricultural enterprises, agribusinesses or small or medium sized commercial enterprises or service enterprises, is the culmination of this concept.

The core components in the banking sector, such as banking supervision and the operation of the collateral registry will be institutionalized and sustainable. Sustainability will also be measured by the number of USAID-assisted micro-, small- and medium-sized businesses that achieve a positive cash flow.

7. Activities Not Supported

Several activities were reviewed by the Mission and were not accepted as possible approaches at this juncture:

1. Use of land registry and watershed assessment data as a basis for future land use planning activities by the Government of Albania.
2. Further involvement at the commune level in the devolution of forestry resources and assistance with their management. The World Bank will assume these important environmental responsibilities.

STRATEGIC OBJECTIVE 2.1: INCREASED INVOLVEMENT OF CIVIL SOCIETY IN ECONOMIC AND POLITICAL DECISION-MAKING

1. Problem Analysis

Since multi-party elections first brought democracy to Albania in 1992, the country has struggled to consolidate the basic institutions necessary for a democratic state. Unfortunately, citizen participation in governance remains low. Few vehicles exist for citizen engagement in the oversight process, policy determination, or decision-making at any level of Government. Cynicism and distrust towards the public sector at all levels are high, to a large extent because of widespread corruption.

There is little tradition of citizen involvement in governance to build on in Albania, but recently, NGOs, in cooperation with local authorities, have begun to play an increasing role. They have helped draft regional economic strategies, prioritize local development needs, raise environmental consciousness, improve schools, and provide health services and leisure facilities. Nonetheless, there are still major constraints to the independence and sustainability of NGOs. The constricted economy and aversion to volunteerism enforced by a harsh communist rule are perhaps most significant. The donors have tended to support a relatively few “select” NGOs. Extended delay by the Government to pass a new NGO law also severely impedes the development of the NGO sector.

Estimates range from as few as 400 to as many as 800 NGOs existing in Albania today. The stronger NGOs are Tirana-based, many with branches throughout Albania. During the Kosovo crisis, these NGOs used their networks to call on hundreds of volunteers to help assist the 465,000 refugees. Little has been done to consolidate and strengthen the gains made by these organizations, and most NGOs remain donor driven and dependent. Freedom House reports that over the last few years, human rights groups, including at least 81 women’s rights NGOs, and NGOs representing economic interests, youth, culture, education, sports, social welfare, environmental protection, and other sectors are active throughout Albanian society. Many of these NGOs participated actively in the drafting and review of the Constitution adopted in 1998. About one-quarter of its provisions were modified as a result of NGO recommendations, including a provision for the creation of an ombudsman.

The media operate with essentially total freedom, but lack the professionalism and ideological independence to make them credible. In September 1998 the Albanian Parliament passed the “Law on Private and Public Broadcast Media”, which provides the basis for the regulation of the industry. Sensationalism and publication of gossip or slander characterizes much of the media coverage within the country, and few journalists seem to have a sense of journalistic responsibility. News coverage in the print sector is dominated by political party bias. Indeed, party newspapers rely on party funds to supplement newsstand income. Due to distrust of the media and economic hardships within the country, newspaper sales have dropped significantly since 1998. Electronic media outlets are less dominated by political agendas. Of 30 private television stations, only one is profitable, according to a 1998 assessment of the television industry. Critical to the implementation of media regulations is the development of a licensing system that is congruent with established international standards. Albania has been deluged with

“pirate” broadcasting facilities, none of which were licensed until the end of 2000, when local and national licenses were issued by the National Council of Radio and Television.

In 1998 USAID and Soros supported a national survey in which more than 50% of firms and almost 50% of private citizens admitted to paying bribes to public officials. More than 50% of customs inspectors said they purchased their positions, and the justice sector was seen as the most corrupt. In summer 1998 the Government approved an anti-corruption plan. Despite a strong start, many planned reforms are lagging, and citizens continue to believe the Government is extensively corrupt. According to some international observers, corruption could become an explosive and potentially destabilizing issue. Recently, the Government began to review and revise its anti-corruption strategy, which is a focus of Albania’s efforts under the Stability Pact’s Democracy Table.

Although politics is dominated by the ruling Socialist Party (SP) and the opposition Democratic Party (DP), there are about 35 registered political parties that reflect a wide variety of constituents. The Constitution guarantees the rights of Albanian citizens to organize for any “lawful” purpose, though the criminal code makes it a crime to form an “anti-constitutional party or association.” In a survey conducted in 1997, 26% of those responding indicated that they belonged to a party. Parliament is the chief rule-making institution, although most of the drafting of legislation is done by ministries. Publication and distribution of laws and regulations has been slow, and education about the purposes and processes of the Parliament needs to be more widespread.

The “Law on Functions and Organization of Local Governments” created the first local governments in Albania in 1992, but it gave them political autonomy without substantial administrative and fiscal authority. The new Constitution establishes local government units as juridical bodies that possess a number of autonomous powers, including the power to tax, issue local rules, engage in contracts, and hold local referenda. Furthermore, these provisions are consistent with the Government’s stated commitment to adhere to the European Charter of Local Self-Government. In February 1999, the Government established the National Committee for Local Government Decentralization, which is charged with developing a strategic plan for decentralization. The implementation of this plan should help create closer links between citizens and the political structures that govern them.

The roles and responsibilities of local government are not, however, adequately defined. Municipal governments are unable to earn revenue by selling or renting public property located within their municipalities. Local officials often choose not to act at all rather than risk acting outside of their authorities due to confusion over roles and responsibilities between central Government authority and municipal authority. Similarly, the municipally controlled portion of the budgets is so small that local authorities are unable to respond to more than the most minimal of needs.

In October 2000, Albania held local government elections in 385 jurisdictions throughout the country. Despite some problems, OSCE declared that the overall election process showed “marked progress”. Voting and counting procedures were carried out in a calm and orderly manner in most areas. After the first round, a large majority of the mayoral contests were won by the SP. The Democratic Party withdrew from the second round due to alleged voting

irregularities. OSCE identified the poor performance of the Central Election Commission as having marred the elections, particularly its failure to resolve inaccuracies in the voter lists or to set a deadline for candidate withdrawal in between the two election rounds. This suggests areas for donor assistance before the national election scheduled for June 2001. It will be particularly important to have better communications between local, regional and national levels of Government.

2. Strategy: The Results Framework

USAID's strategy during the Revised Plan period will be to continue to support civil society organizations, the media, municipalities, and other representative political bodies. To focus its efforts better, USAID/Albania will reduce the number of "management units" under a simpler, more streamlined, and cohesive Strategic Framework. Two previous Strategic Objectives:

- Strategic Objective 2.1: Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making;
- Strategic Objective 2.3: More Effective, Responsible and Accountable Local Government.

will be combined into a single Strategic Objective:

- Strategic Objective 2.1: Increased Involvement of Civil Society in Economic and Political Decision-making

The logic for this restructuring is as follows:

- a) Substantial progress has been made in achieving USAID's previous objectives, including the promulgation of the new Constitution, improved elections, and the establishment of institutions and legal frameworks for democratic and market reforms. The revised Strategic Plan will better articulate a program focused on consolidating those gains.
- b) Decentralization has become a pivotal element of the democracy and governance portfolio. To achieve it, policy dialogue and reform are taking place at the Government level through a process that involves considerable NGO participation. At the same time, citizens and civil society organizations are engaged with local authorities to help define and implement the decentralized governance processes. This increased collaboration between civil society programs and the basic element of the local government program can be more logically structured if the two are conceptualized and implemented as components of the same Strategic Objective.

This Strategic Objective links with the E&E Bureau's SAA II, "Democratic Transition: Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes."

A. Transitional Hypothesis (Causal Linkages):

The revised civil society Strategic Objective affirms and continues to build on citizen participation as the cornerstone of a healthy, functioning democracy in Albania. Thus, SO 2.1 emphasizes strengthening and deepening Albania's progress on increasing citizen participation in economic and political decision-making processes. Such participation enables citizens to accomplish shared objectives, share information, and represent common interests to the Government. It helps ensure that their interests, including those of women, the poor, and minorities, are included in the decision-making processes of Albania's public institutions. The strategy also stresses helping civil society organizations and the media to actively monitor Government performance and demand accountability at both the central and local levels. The primary causal linkages can be summarized as follows:

- If citizens better understand the value of participatory processes, and see the results of community action, they will be encouraged toward greater participation in economic and political decision-making.
- If communities and civil society organizations receive training and technical assistance on financial and organizational management, and civil society organizations and local governments learn how to represent constituent interests, this will strengthen civil society so that citizens are better connected to political and economic decision-making.
- If media outlets are financially secure and better managed, they will be able to “delink” themselves from political partisanship.
- If journalists are trained to international standards of reporting, this will improve the objectivity of news and information so that citizens can make better political and economic decisions.
- If municipal governments are strengthened, they will be able to provide the services their citizens require. This will strengthen citizens' interests in participating in local governance and decision-making.
- If representative institutions, such as Parliament and political parties, are strengthened and processes such as elections are improved, then citizens' interests will be better represented during political and economic decision-making.

By the end of the revised strategic planning period, USAID expects there to be visible progress in the reform process. The NGO sector should be able to sustain itself organizationally and should be stronger financially, if not self-sufficient. Parliament, political parties, and local governments should have broadened citizen involvement. Civil society monitoring of anti-corruption activities should have led to reduced corruption throughout society. The four intermediate results represent necessary conditions to accomplish the SO. The key IRs support the Mission's SOs covering economic growth, health, and rule of law. Albania's ultimate attainment of a society where citizens freely and confidently participate in political and economic decision-making and constitute an active and aware civil society is critical to continued economic growth, protection of human rights, and stability as a democratic country.

B. Critical Assumptions:

1. Political will to implement reforms will prevail: The Results Framework assumes that political will exists to implement the key laws, regulations, and processes that serve as the foundation for an active and vibrant democratic system. The legal framework is in place – the Constitution and the laws are on the books, for the most part – and serve as a signal to the rest of the world that Albania is serious about joining the family of democracies. However, the Government, the business sector, and citizens must support efforts to implement them.
2. Political polarization will be moderated: The Results Framework assumes that political polarization will continue to be moderated, and space for positive political competition opens up. Recent successful reforms of the legal system are a signal that the Government is open to such reform.
3. The economy will continue to recover: While the economic situation remains vulnerable, the Government will continue to take responsible action to maintain the low inflation rate and to create a stable macroeconomic environment. In the last part of 2000, the Government of Albania entered into a Growth and Poverty Reduction Program agreement with the IMF and has agreed to achieve certain macroeconomic and policy targets. Additionally, the Government of Albania introduced a Medium Term Expenditure Framework to guide the budgeting process and is preparing a Growth and Poverty Reduction Strategy Paper. Each of these will have implications for citizens, communities, NGOs, local governments and other participants in civil society.
4. Continued stability: After the civil unrest of 1997 and 1998, and the Kosovo crisis of 1999, Albania's legal system is on the way towards recovery. The Results Framework assumes there will not be any further shocks to Albania's system that will impede the development and transition progress. The possibility for regional instability (related to Montenegro or Kosovo, for example), or set-backs along the road towards the consolidation of democracy within Albania are always present.
5. Other donor assistance: USAID has designed its activities in consultation with and based in part on the activities of other donors. Of particular importance, the World Bank's Country Assistance Strategy for FY 2000 – 2002 contains several key activities that are linked to USAID's efforts. The Bank's programs are focused both directly and indirectly on building Government and public institutions, working through civil society, and delivering community-based services and policy reforms in order to engage citizens in the development process. Additional donors with important democracy programs include DANIDA, GTZ, Council of Europe, European Union, Soros, VNG, OSCE, and the United Nations.

C. Principal Intermediate Results:

IR# 1. Increased Citizen Participation in Public Discussions on Key Governance Issues.

The interest of citizens to participate in community decision-making processes will be strengthened. Similarly, the capacity of civil society organizations to advocate for their

constituent members, build relationships with citizens and organizations at the community level, will be increased and they will be more viable financially and institutionally.

IR# 2. Increased Citizen Confidence in the Accuracy of News and Information. Media outlets will be more professional and less dependent on political interests. Increased number of journalists will meet international standards of reporting.

IR# 3. Increased Independence of Local Administrations from Central Government. This new IR replaces the previous SO 2.3. Local governments will be better prepared to assume new responsibilities planned in the “National Strategy for Decentralization and Local Autonomy” and authorized in the Law on Organization and Functioning of Local Governments, which took effect in August of 2000. Municipal officials will better understand how to budget, manage, plan, implement and report on policies, programs and services. Laws on fiscal decentralization will be in place to provide the legal basis for local governments to improve services.

IR# 4. Representative Government Institutions Strengthened. This new IR consolidates a number of previous IRs (2.1.1, 2.1.2, and 2.1.5). The independence of the Central Election Commission and its ability to perform its functions will be strengthened. Emerging political party leaders will be more competent and engaged in political process. Public participation in the parliamentary process will be increased.

3. Progress to Date

Citizen Participation in Public Discussions on Key Governance Issues. In 1999, USAID began an effort to involve citizens in community decision-making. Initially focused on 60 rural villages, this “Civic Forum” program provides Albanian citizens as individuals or members of community groups with information about the democratic process, as well as with advocacy skills necessary to engage in that process. As a result, citizens and community groups have initiated their priority actions.

From June 1995 to December 2000, the Democracy Network Program supported around 60 Albanian NGOs with grants totaling about \$1 million. A far larger number of NGOs received a wide range of technical assistance and training designed to strengthen their capacity to participate in public policy processes. Not only have the numbers of NGOs influencing policy formation and implementation grown more rapidly than anticipated, but the policy advocacy role of NGOs has resulted in the development of an NGO Law Joint Working Group and a Policy Advocacy Network. A large number of NGOs were mobilized in 1998 as a result of the debate surrounding the Constitution. While Albanian NGOs proved their ability to deliver needed development and emergency relief services during the Kosovo crisis and to be capable partners with line ministries in the design and implementation of programs, little has been done to increase their capacity to deliver much needed services to their own population. The Government has delayed passing legislation that would permit NGOs to continue to deliver critically needed social services.

Increased Citizen Confidence in the Accuracy of News and Information. The legal and regulatory framework for media improved with the passage of the October 1998 law on broadcast media, a major success of the USAID program. In 1999, USAID focused on building the capacity of media outlets and journalists. It has sponsored a training visit to the United States for commissioners of the National Council on Radio and Television. As a result, they realized that media is not a tool of the politicians, but a business. In 1999, USAID initiated a new course to train students of the Journalism faculty at the University of Tirana on radio reporting and the use of modern editing equipment. The “Heroes of Albania” media program was a huge success, with its focus on recognizing the altruistic efforts of ordinary Albanians. Nineteen episodes were broadcast. During the October 2000 elections, the media was used to educate and mobilize voters for the first time. One of USAID’s most successful media efforts was the production of the 2000 political debates, which were aired on private television stations. The format was imitated by national Albanian TV.

Increased Independence of Local Administrations from Central Government. USAID has provided support to local government since 1992, initially as a component of a Housing Sector Assistance Project. More recently, USAID and other donors have been assisting the Government in the decentralization process. USAID worked with nine pilot cities in the Public Administration Project in Albania (PAPA) to develop local capacity and increase citizen participation. By 1999, the partner cities had made significant gains in budget planning and management as a result of the technical training. Two cities formed economic development committees and began to hold regular public hearings, town hall meetings, and open press conferences. During the Kosovo crisis, some municipalities provided shelter and social services to large numbers of refugees. While this was the first time they provided such services, the events further underlined the need to expand the management capacity to deliver services.

With assistance from USAID, the National Committee of Decentralization, chaired by the Deputy Prime Minister, and its subsidiary Task Force on Decentralization, produced a detailed National Decentralization Strategy, which was approved by the Council of Ministers in January 2000. Parliament passed the Law on Organization and Functioning of Local Governments in July of 2000 and is now reviewing a law on the transfer of property from central to local governments.

Representative Government Institutions Strengthened. Through its implementation partners, USAID began to work with political parties in 1991. Initially, it worked with political leaders to draft inclusive election laws and helped establish local NGOs capable of monitoring elections and involving citizens on a variety of public issues. Their programs educate citizens about their rights and responsibilities and facilitate dialogue between elected officials and their constituents. In 1999, USAID launched the Political Leadership Development Program to train emerging political leaders in organizational and campaign skills, as well as methods to build constituent relationships.

Public perception of the integrity of political processes plays a critical role in the health of a democratic system. Elections, by their very nature, are a visible democratic process that requires full citizen participation and, therefore, must be credible and transparent. USAID’s assistance was essential to the success of the October 2000 local elections. Working on the election law,

voter registration lists, voter education, candidate debates, get-out-the-vote campaigns, the operations of the Central Election Commission, and election monitoring, USAID and other donors helped bring about marked progress in the overall election process, despite some minor problems in the second round.

USAID has supported the Albanian Parliament in order to facilitate political dialogue between deeply polarized political actors. This has included involving civil society organizations in parliamentary processes, educating students, and training parliamentary staff. NGOs were able to engage members of Parliament in dialogue for the first time through this program. Additionally, a public information office was opened and three professional staff was added in Parliament. There is still much to be done to develop better skills in administration; partisan dominance of issues within the legislative branch, and a continuing reluctance of members of Parliament to cede administrative duties to professional staff, continue to impede progress.

4. Program Approaches

USAID will focus its assistance during the planning period on the four areas represented by the key IRs. A central emphasis will be strengthening the capacity and sustainability of the Albanian institutions with which USAID works, such that they can continue their work after USAID assistance ceases. Illustrative program approaches are presented below:

IR # 1. Increased Citizen Participation in Public Discussion on Key Governance Issues.

USAID will continue activities that actively engage citizens in the democratic system of governance. To raise the political awareness of citizens and promote active participation in the political process, a network of up to 150 community groups in villages around Tirana and Durrës will be established. Each group will serve as a forum where participants can discuss democratic principles and issues openly and freely. The groups will progress through a series of monthly discussions, from basic democratic principles to issues concerning municipal services. The groups will be encouraged to become active in solving community problems in order to demonstrate the benefits of civic action. Projects could include rehabilitation of parks, schools, or campaigning for increased transparency about the municipal budget process. These activities will be linked to both IR 2.1.3 and to SO 4.1 to increase their impact on communities with overlapping program coverage.

USAID will undertake a leadership and management training program to help municipal and communal officials fulfill their new roles as local government leaders. Training topics could include outreach, negotiation skills, finance, and facilitation skills and will be coordinated with the training offered by the local government activity. Additionally, USAID will strengthen the NGO sector through a series of tailored training programs in management, organizational development, and conflict management. This will include an education program for NGOs, Government and business leaders about the upcoming NGO law, and the administration of a small grants program to respond to social service needs within Albania. A new initiative to develop the leadership, communication, and organizational skills for women's NGOs will begin

in 2001. Assistance will include leadership, outreach, and organizational skills, as well as strengthening of the network of active women's NGOs.

A foundation of support and experience in conflict management will also be a focus of the USAID program under the citizen participation IR. It is anticipated that conflict management courses will be introduced into appropriate university education programs. Albanian professors will be involved in developing the conflict management curriculum and in the training program for the training of trainers. Furthermore, USAID will establish a locally staffed and managed conflict management center in Tirana. This center will help ensure that the NGO strengthening, training and service programs are appropriate to Albania, and will build on local initiatives already underway. Center staff will be trained in outreach and financial planning, and in training of trainer's methodologies, with the objective of making the center self-sufficient and self-sustaining long after the grant concludes.

The activities under this IR will be linked to IR 2.1.3, *Increased Independence of Local Administrations*, and to SO 2.2.

IR # 2. Increased Citizen Confidence in the Accuracy of News and Information.

USAID will endeavor to provide strategies and technical assistance for media outlets so they can achieve economic viability, especially to enable print media to eliminate the need for political patronage. New publications, not linked to any political force, have a better chance of succeeding with this task than efforts to reform existing print media. Because electronic media is generally regarded by Albanians as a better source of information than print, USAID's assistance will include a focus on TV stations. Baseline information will be provided through a survey of the Albanian media market to define the best means to improve programming and opportunities for economic viability. The USAID program will train journalists to follow recognized and professional reporting standards in order to provide citizens with more objective and useful information. This activity will be linked to IR 2.1.4, particularly the voter registration and a get-out-the-vote campaign in anticipation of the 2001 election, and to IR 2.1.3, in order to highlight improvements being made in the urban environments of selected cities. Other activities will include continued assistance in the development of the media licensing system, a code of ethics for journalists and building the capacity of select media associations.

IR # 3. Increased Independence of Local Administrations from Central Government

USAID will continue to assist the decentralization process already underway in Albania by providing critical technical assistance for the Government's implementation of the decentralization strategy. This activity is linked to SO 2.2 and to SO 3.0, particularly health-related community activities. This top-down approach will be complemented by building the capacity of local government units. Capacity building will focus on developing a phased training methodology that targets tailored technical assistance to municipal staff on critical topics, and is expected to reach as many as 65 municipalities and communes. This will include making use of local trainers and facilitating mentoring relationships between graduated and non-graduated municipal staff to maximize outreach and impact. Additionally, USAID expects to assist

national associations of local leaders to become stronger and more representative organizations. Citizen participation in municipal processes will be encouraged through town hall meetings and other activities that encourage Government-citizen interface, establishing business improvement districts, facilitating the formation of task forces and action committees to address specific citizen concerns, and making small grants available for community development projects. Other activities may include study tours for small groups of mayors and other urban professionals, as well as incentive grants for information technology equipment.

IR # 4. Representative Government Institutions Strengthened

USAID will continue to focus on elections, Parliament, and political parties in order to increase active citizen interactions with their political representatives and citizen participation overall. USAID and its partners will focus on promulgating the new election law, building the capacity of the Central Election Commission (CEC), and improving the voter registration process. The CEC's performance during the October 2000 municipal elections indicated areas where further assistance will be necessary in order to get ready for the June 2001 national elections. A particular focus of this activity will be to increase the perception of the CEC as an independent agency and will include capacity building efforts such as training for commissions on election timelines and responsibilities. Problems with the voter registration process during the 2000 elections will be corrected beginning with an audit of the registration database. Recommendations will be made for donor-coordinated assistance to the CEC. This election activity is linked to IR 2.1.2 media efforts, including public service announcements, promoting debates between the political candidates, voter education and other "get-out-the-vote" efforts.

USAID will also continue to support efforts to increase citizen participation in the parliamentary processes. This will include training permanent staff at the Parliament in the new rules of the procedures of the Assembly and the district offices of the Parliamentarians on constituency relations. Additionally, this activity will provide a channel for the participation of citizens through issues briefings in which citizens and NGOs can provide input to the Council of Ministers on proposed legislation. Information on relevant parliamentary actions will be made available to NGOs through seminars, on proposed draft laws, and by continuing to distribute the parliamentary calendar.

USAID's support to political parties will continue to provide training to emerging political party leaders to strengthen their organizational skills, compete effectively in elections, and serve constituent interests. Possible activities include a newsletter written by graduates of the training program and seminars on ethics and media relations.

5. Commitment and Capacity of Development Partners

Under SO 2.1, USAID will work with a variety of development partners, ranging from donor institutions to Government ministries and agencies, to local and grassroots organizations.

- Citizen Participation: Primary Albanian Government partners include the Ministry of Justice, Parliament, and municipal and other local officials. Local partners include the Albanian NGO Forum, the Albanian Civil Society Development Foundation, the Society for Democratic Change, Institute for Development Research and Alternatives, various political parties, NGO leaders, women's organizations, Albanian universities, community groups, and media outlets. Principal donor partners include the World Bank, VNG (Dutch) and Danida.
- Demand for News and Information: Primary Albanian Government partners include various ministries (including the Ministry of Culture), Commissioners of the National Council on Radio and Television, and the University of Tirana School of Journalism. Other organizations include the Albanian Media Institute, Monitoring Committee for the Administration of the Journalism Code of Ethics, Electronic Broadcast Association, the Macedonian Press Center, advertising firms, the Bank of Albania, Albanian Institute of Statistics, the Harry Fultz School, and a number of Albanian NGOs. USAID's donor partners are the U.S. Department of State's Public Affairs Office, Soros, the World Bank, and Danida. Other international partners include BBC, the FCC, NPR, WHDH-TV (Boston), the University of Missouri, Society of Broadcast Engineers, and the National Association of Broadcasters.
- Increased Independence of Local Administrations: Primary Albanian Government partners include Municipal governments, various line ministries (particularly the ministries of Local Government, Finance, Labor and Social Welfare, and Justice), the National Committee for Decentralization, and the Mayor of Tirana. Additionally, partner associations include the Albanian Association of Municipalities, perhaps the Association of Communes, the Group of Experts for Decentralization, and other local-level and civil society associations. USAID will continue to coordinate this effort with the Council of Europe, the World Bank, UNOPS, SIGMA, OSCE, GTZ, VNG, and IOM.
- Representative Government Strengthened: Albanian Government partners will include the Parliament, Central Election Commission, various ministries (in particular the Ministry of Local Government), Council of Ministers, civil registries, Local Government Election Commissions, Judicial High Court, and the National Council for Radio and Television. Local partners include the Society for Democratic Culture, the Institute for Contemporary Studies, Albanian Center for Parliamentary and Democratic Practices, election-monitoring volunteers from local civil society organizations, media outlets, and political parties. Donor partners include the UNDP, OSCE, the Council of Europe, and the European Community.

6. Sustainability

USAID expects that, by the end of the strategy period, Albania will have made continued progress toward increased development of a citizen society activity involved in economic and political decision-making. Positive impact in achieving the SO can, however, contribute to Albania's progress towards democracy only in so far as corruption and crime are reduced as major roadblocks towards Albania's progress. It is unlikely that Albanians will ever realize the full advantages of a democratic system, if their system of governance and justice remain corrupt.

However, a targeted democracy and governance program, with a broad anti-corruption focus, will have a significant impact by building the foundation for a more participatory and democratic society. There is, in fact, a good chance that the participatory experience will prove to be the most enduring impact of USAID/Albania's SO 2.1 and SO 2.2 Strategic Objectives.

7. Activities Not Supported

During the Strategic Planning and Review process a number of possible program and activities ideas were conceived and then rejected. The most significant of these was to continue the municipal services activities previously supported by USAID. They provided visible demonstrations of the interest of municipal governments in participatory practices and in delivering services to meet citizen needs. It was suggested that more of these activities, particularly water services, would assist in achieving the revised Strategic Plan. However, it is more appropriate for USAID to coordinate efforts with the World Bank, the European Union, the Council of Europe and other bilateral donors working in this sector.

STRATEGIC OBJECTIVE 2.2: LEGAL SYSTEMS THAT BETTER SUPPORT DEMOCRATIC PROCESSES AND MARKET REFORMS

1. Problem Analysis

The judiciary is generally considered to be the component of a legal system most vital to supporting democratic processes and market reforms, having the mandates of upholding civil liberties, acting as a third power vis-a-vis the executive and legislative branches, and enforcing property rights. The Albanian Constitution, which was reviewed and commented on by the OSCE prior to its ratification in 1998, establishes a parliamentary republic and explicitly states that the system of government in Albania is based on the separation and balancing of legislative, executive and judicial powers. The Law on the Organization of the Judicial Power, adopted in December 1998, affirms that the judicial power is exercised only by the courts, and that, in the exercise of their functions, judges are independent and subject only to the Constitution and the laws. The Constitution states that any limitation on the fundamental human rights that it enumerates may not exceed the limits provided for in the European Convention on Human Rights. Albania's judiciary consists of a Constitutional Court, a High Court, six courts of appeals, and twenty-nine courts of first instance. The Constitutional Court interprets the Constitution; the High Court and lower courts hear both civil and criminal matters.

Many courthouses have been largely rebuilt since the civil unrest of 1997, but the judiciary remains weak. Judges are widely perceived as corrupt. Court proceedings are subject to delays, and sometimes multiple rounds of appeals prior to their final disposition. Although courthouses have been rebuilt, conditions in them are basic, at best. It has been estimated that no more than one in three court decisions is enforced.

While weaknesses of the judiciary are of special concern, similar problems exist in other institutions supporting the legal system. A lack of competent professionals plagues the prosecutors, police and law faculty. Prosecutors and police are viewed as corrupt. The prompt and impartial investigation and prosecution of crimes are also impeded by, among other things, the absence of cooperation between prosecutors and police. Human rights abuses by police against detainees are reported. The curricula at the two Albanian law schools – at Tirana and Shkodra - do not reflect current democratic, free market or commercial law standards. These law schools suffer from inadequate teaching staff, lack of teaching materials and an abundance of corruption. Many advocates, particularly outside of Tirana, are not familiar with the law and engage in bribery and delaying tactics to obtain results favorable to their clients. The National Chamber of Advocates had not been active for a time, but recently they elected the new President and steering committee and agreed to meet annually. Reflecting the legacy of Albania's isolation and its current population exodus, executive branch ministries are thinly staffed, corrupt, and inefficient. The executive branch drafts most proposed legislation, which is then reviewed by the Assembly's Commission on Constitutional Issues and Laws.

The absence of judicial competency to handle commercial cases impartially and in accordance with market requirements has deterred the business community from taking their disputes to the courts. Overall, Albanians need to become more informed about new laws and their legal rights,

and then press the legal system to uphold civil liberties and property rights. Similarly, the efficient and impartial operation of the judicial sector is a condition for the orderly resolution and maintenance of the ground rules for political participation and competition for power.

2. Strategy: The Results Framework

During the Revised Plan period USAID will continue to provide support to both public and private legal institutions, law faculties, and civil society organizations and business associations. To rationalize its efforts better, USAID/Albania will incorporate all major justice-related activities into this Strategic Objective, which will now include the commercial law training and the customs support activities previously covered by the Economic Growth SO. Although the Corruption Reduction program is focused on civil society, it will be included under SO 2.2 because of its direct link with the legal system; it is also linked in some measure to all other SOs.

The logic for these changes is as follows:

- a) The commercial law activities will better complement other USAID legal reform activities, particularly building capacity of legal education institutions to teach intellectual property law, mergers and acquisitions, and other commercial law subjects. Additionally, workshops and roundtables for judges and other court officials will be linked to USAID implementing partner activities to improve both private and public legal institutions.
- b) USAID's support to the Albanian Customs Office fits extremely well into this SO, particularly because focused efforts are required to build the capacity of the Customs to enforce laws and because Customs plays a key role in anti-corruption.

This Strategic Objective links with the E&E Bureau's SAA II, "Democratic Transition: Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes," and to Objective 2.2 "Legal systems that better support democratic processes and market reforms."

A. Transitional Hypothesis (Causal Linkages):

USAID's revised legal reform Strategic Objective affirms and continues to build on Albania's need for more competent legal professionals and for citizens to have increased access to justice. Recognizing the substantial progress that Albania has made in enacting a new Constitution and in establishing institutions and legal frameworks for democratic and market reforms, SO 2.2 includes an emphasis on strengthening and deepening Albania's progress to date by furthering the development of more effective legal institutions. The SO emphasizes participation of citizens, necessary both for strengthening public sector legal institutions, and supporting the application and implementation of democratic and market oriented legal rights and standards.

It is hypothesized that:

- If legal professionals receive training and education on a par with international standards, this will expand the supply of competent legal services and meet the demand of expanding democratic processes and market reforms.
- If the capacity of both public and private legal institutions is improved, this will expand the supply of effective, fair, and efficient justice to meet the demand of expanding democratic processes and market reforms.
- If citizens know their rights and have legal recourse to and confidence in their legal system, the legal system itself will grow and adapt to better support democratic processes and market reforms.

By the end of the strategic planning period, USAID/Albania expects there to be visible progress in the Government reform process. Key institutions will be at a higher state of development, and the reform process will be continuing and sustainable. Intermediate results represent three key interdependent prongs of the framework, all of which are necessary conditions for accomplishment of the SO. All three key IR's have direct links to the other mission SOs covering economic growth and health, and to SO 2.1 and its intermediate results. Albania's ultimate attainment of a society more firmly grounded in the Rule of Law is critical to continued economic growth, the protection of human rights, and stability as a democratic country.

B. Critical Assumptions:

1. Sufficient political will exists to carry forward the reform agenda: The Results Framework for S.O. 2.2 assumes that political will exists to improve the legal system, including the implementation of framework laws and regulations. Recent successful reforms of the legal system, particularly the new Constitution and the passage of many new laws are a signal of the Government's openness to reform. However, the Ministry of Justice and other executive branch personnel must support increased independence of the judiciary. The judicial and executive branches must implement effective measures to reduce corruption among the judiciary, prosecutors, police and others charged with the interpretation and administration of law. Government stakeholders must be willing to abide by decisions of the judiciary, even when those decisions are opposed to vested interests.
2. Advocates are interested in increased competency and reduced corruption: The advocates have not, as a class, provided strong evidence to date of their willingness to improve their competency. They are reluctant to trust a system in which results in the courts are based on the merits of their cases alone, or to take efforts to limit the unauthorized practice of law. The absence of a serious commitment by practicing advocates to improve their knowledge and ethical behavior will hinder the attainment of the SO.
3. Other donor assistance will continue: USAID has designed its activities in consultation with, and based in part on, the activities of other donors. Of particular importance, in spring 2000 the World Bank approved a \$9.0 million Legal and Judicial Reform Project (with additional matching funds provided by the Danish government) and a separate \$8.5 million Public

Administration Reform Project. USAID's impact will clearly depend on this effort. Additionally, the Council of Europe, the OSCE, and Soros are providing assistance to the Albanian legal system.

4. Continued Stability: After the civil unrest of 1997, and the Kosovo crisis of 1999, Albania's legal system is well on the way towards recovery. USAID's SO 2.2 assumes that there will not be any further shocks to Albania's system that will seriously undermine efforts to consolidate democracy within Albania.

C. Principal Intermediate Results:

IR # 1. Competency of Legal Professionals Improved. The ability of actors in the legal system to apply Albanian law and international legal norms will be strengthened. Indigenous training institutions in the legal system will be improved.

IR # 2. More Effective and Fair Legal Sector Institutions. Public sector legal institutions, such as the judiciary, the prosecutor's office and the executive branch, will be better able to satisfy their statutory roles by acting in an efficient, transparent and fair manner. The independence of the judiciary will be strengthened. The skills, management, and professionalism of the court administration system will be more effective.

IR # 3. Increased Citizen Confidence in the Legal System. Citizens will have more confidence that the legal system is effective, efficient, and fair. Individuals will have more information regarding the costs of corruption and of citizen rights, benefits and obligations, and will be more willing to advocate efficiently for reforms to reduce and prevent corruption.

3. Progress to Date

Competency of legal professionals increased: USAID began assisting Albania's legal system in 1992. Advisors have worked closely with the Ministry of Justice, Magistrates School, High Court Chief Justice and others to develop a long-range judicial reform agenda and strengthen professionalism within the judicial system. A significant contribution has been in planning and curriculum development for the Magistrates School, which inaugurated its first semester of classes in October 1997 and graduated its first class in 2000. Admission to the Magistrates School is by competitive examination among graduates of the state law faculties. The Magistrates School provides a pre-service curriculum for candidates for judgeships and prosecutors. USAID-financed advisors teach specialized courses at the school.

Under SO 1.3 of USAID's previous strategy, advisors assisted the school in carrying out its judicial continuing legal education mandate by providing training in commercial law subjects to sitting judges with more than five years experience. An indicator of the success is a 100% retention rate of judges throughout the course of the training schedule. Commercial law training has included numerous courses on contracts, property rights, bankruptcy and business transactions. To support operations and increase efficiency of the courts, USAID has also

provided training in basic administration and computer skills to judges, court secretaries and court administrators.

Effective and Fair Legal Sector Institutions: With assistance from USAID and other international donors, Albania has recently adopted a democratic Constitution and various new laws and regulations governing the organization and operation of the judiciary. Albania has also enacted, with assistance from the international community, civil and criminal procedure codes, an administrative procedural code and other legislation that governs court processes and provides a basis for protecting democratic and economic rights. The OSCE and Council of Europe review and comment on Albania's draft legislation to ensure that it satisfies European standards. Recent Albanian laws include a freedom of information act and a law governing an ombudsman ("People's Advocate"), whose function is provided for in the Constitution.

With assistance from USAID, the National Judicial Conference (NJC) held its first meeting in December 1999 and its second in December of 2000. The NJC plays a key role in the independence of the judiciary, and consists of all of the judges of Albania. As set forth in Article 147 of the Constitution, it elects nine judges of the fifteen-member High Council of Justice for five-year terms. The other members of the High Council of Justice are the President of Albania, the Chairman of the High Court, the Minister of Justice and three members elected by the Assembly. The High Council of Justice is nominated by the President from judges of the first instance courts and courts of appeals. They are responsible for the transfer of judges and for judicial discipline. USAID's development partner assisted the NJC in publishing the text of civil and criminal procedure codes.

USAID has further strengthened public sector legal institutions in Albania by sponsoring meetings for the district court chief judges to discuss their needs and concerns in improving legal systems. Likewise, through assistance provided by USAID, the judiciary has begun to focus on the importance of judicial ethics. This has included sponsoring a conference in the summer of 2000 on judicial ethics and the compilation of ethics codes that may provide the basis for the judiciary's adoption of a code of ethics. Prior to the 1997 instability, USAID assistance also helped the National Chamber of Advocates establish a new organizational statute and ethics code, and promulgate these through publication of a manual for advocates.

Through USAID program support, legal clinics and a Women's Jurist Association were created and strengthened. In 1999, over 200 free legal consultations to women and to citizens in need were provided by non-state entities such as the Tirana Legal Aid Services and the Women's Advocacy Center, thus increasing citizen access to justice.

USAID's assistance program to strengthen the capacity of the Customs Office has been implemented in tandem with the EU program and has had notable successes. In addition to increasing the standards of customs operations (setting forth criteria for hiring personnel, for example), arrests resulting from customs fraud and smuggling have risen, and revenue from tax collection and violation fees has increased. The Albanian Customs Office reportedly now collects almost 70 percent of the national budget. Between January and March 2000, the Operational Investigation Department of Customs discovered 199 cases of customs violations and collected for the State budget 153 million lek (about US \$1.034 million).

Two activities of the Department of Justice support the rule of law objective. The International Criminal Investigative Training Assistance Program (ICITAP) began an initiative to upgrade the training, professional standards, and performance of the Albanian National Police in November 1997. Assistance to date has included a reorganization plan, modified operating procedures to conform to the criminal code and criminal procedures, improved personnel administration, and development of a code of conduct. To support the local government elections in October 2000, ICITAP advisors trained Albanian police in the electoral code, emphasizing behavior at the voting sites, and trained local NGOs in the regulations governing police during elections. In 1999, the Office of Overseas Prosecutorial Development and Training (OPDAT) and CEELI commenced training for judges, prosecutors, defense counsel and investigators. The training is designed to help Albania implement the criminal code and criminal procedure code, conform with international human rights standards and combat criminal activity. Initial training was held in Poland due to the evacuation of 1998; in-country training began early in 2000. A DOJ resident legal advisor and a CEELI liaison were posted to Tirana in August 2000.

Increased Citizen Confidence in the Legal System: The USAID program supported and promoted the first “National Day of Justice.” This program sponsored students and other citizens to become more familiar with their rights and responsibilities under the law, and with Albania’s legal institutions. Other donors have worked extensively in this area, however much more remains to be done.

4. Program Approaches

Overall, USAID will focus assistance during the revised Plan period on the three areas represented by the key IRs. A central emphasis of USAID’s activities will be strengthening the capacity and sustainability of the Albanian institutions with which USAID works, so that these institutions can continue their work after USAID assistance ceases.

IR # 1. Competency of Legal Professionals Improved

The USAID program will continue to assist legal education institutions in strengthening their ability to train legal professionals. USAID will continue to give priority to ensuring the quality of the Magistrates School, with attention to curriculum enrichment, strategic planning and high-quality in-service training programs. The activity will include continued training of judges and assistance in a judicial ethics course for candidates for judgeships. As a complement to the World Bank’s anticipated assistance to legal education institutions, USAID will continue its recently begun assistance to strengthen institutional strategic planning capabilities. This will enable legal educational institutions to anticipate and plan for the staffing, budget, and various new management requirements in order to train candidates for judgeships and prosecutors, providing continuing legal education for judges and providing training in court administration.

Recent changes in the administration of the law faculty at the University of Tirana suggest that it might be more supportive than in the past of reforms in the quality and content of its education.

USAID assistance is expected to include the development of a for-credit course in applied legal reasoning and the development of one or more courses in commercial law and business transactions. To the extent that the National Judicial Conference, the National Chamber of Advocates and bar associations identify needs of their members, USAID will support the institutionalization and delivery of continuing legal education. USAID will distribute a civil law bench-book to all judges. Assistance in the preparation and distribution of course materials and commercial law commentaries for legal professionals may also be included. And, where relevant, USAID will support the training of Government officials to help them understand their obligations under the new laws and how to implement them appropriately.

IR # 2. More Effective and Fair Legal Sector Institutions

USAID will continue to assist the National Judicial Conference to convene annual meetings. It will work with NJC to strengthen the operation of its committees and help meet its member's professional needs. Assistance to the National Judicial Conference is expected to include continued technical assistance to support the adoption and self-monitoring of a code of judicial ethics, which will supplement the narrower disciplinary standards applied by High Council of Justice. USAID assistance may also include review and comment on proposed amendments to statutes and regulations that apply to the judiciary during the strategic period.

USAID will be alert to opportunities to assist the judiciary, advocates organizations and other legal institutions to strengthen their capacity to perform their roles. USAID will seek opportunities to support and strengthen the activities of the National Chamber of Advocates and to strengthen one or more national and regional bar associations. Other initiatives will include continued support for the administrative operations of the courts and the ombudsman.

USAID may consider strengthening one or more public policy institutes that focus on the impact of commercial law and on reforms in general geared to support economic growth and business development. Training for court personnel on the provisions of the new administrative procedural code will permit them to deal with the demands that will be placed on the institutions of justice by the private sector. USAID will continue to work with EU to support the Albanian Customs Office. This effort seeks to increase the effectiveness, efficiency, and transparency of customs, as well as improve its management capacity.

USAID will continue to support legal NGOs such as Women's Legal Clinic, the Legal Aid Societies, and the Bar Association as an important component of this program. USAID assistance includes building the capacity of institutions to reduce financial dependence on international donors, development and implementation of case selection criteria, and development of a case database. USAID also envisages the opportunity to assist in bringing cases referred by the ombudsman.

Although it does not manage the activities of DOJ/OPDAT, DOJ/ICITAP or INL, USAID will (directly and through its implementing partners) continue to coordinate closely with them. Developmental assistance provided by these organizations during the strategic period is expected to continue to emphasize improved cooperation between police investigators and prosecutors,

improved investigative and prosecutorial techniques, implementation of the criminal code and criminal procedure codes, and development of a code of ethics for prosecutors.

IR # 3. Increased Citizen Confidence in the Legal System

USAID will continue to support outreach efforts by legal institutions in order to educate citizens about their legal rights and responsibilities and about the judicial reform process underway in Albania. USAID anticipates continuing to support the National Day of Justice, under which judges and law enforcement professionals reach out to local communities regarding legal reforms and the roles of their respective institutions. Public awareness campaigns could include information regarding the practical rights, benefits and obligations of legal reforms, and may include support for publications by business associations.

USAID will increase its support for the private sector's participation in improving the effectiveness, transparency and fairness of public sector legal institutions and, correspondingly, the recognition of the fundamental purposes of such institutions. USAID is commencing a new activity that seeks to assist civil society in increasing public awareness of corruption. This activity will engage policy makers in a dialogue on the impact of reforms and will monitor the implementation of the Government's own program to combat and reduce corruption. USAID will work with the Council of Europe Advisor to the Government's anti-corruption task force, and will collaborate with the World Bank's efforts to channel public sentiment to help push the Government to implement relevant reforms. USAID anticipates that its program will develop a coalition of civil society organizations, business, and the media to craft an action plan and then implement initiatives to reduce opportunities for corruption. Possible activities will emerge from a survey conducted by USAID partners, and are likely to focus on customs, legal system, service delivery, and public procurement.

5. Commitment and Capacity of Development Partners

Under S.O. 2.2, USAID expects to work with a variety of development partners, ranging from donor institutions to Government ministries and agencies to local and grassroots organizations.

Improved Competency of Legal Professionals: Primary Albanian Government partners include the Magistrates School, the Tirana Law Faculty, the Ministry of Justice, commercial lawyers, National Chamber of Advocates, the National Judicial Conference, prosecutors, magistrates, court administrators, and various government officials (including Central Register Officials, Ministry of Finance Officials and Ministry of Education). Local partners include various NGO representatives, business associations, NGOs, public media outlets, chambers of commerce, and bar associations. Primary donors include the World Bank, the European Union, Council of Europe, Danida, and the Soros Foundation.

Effective and Fair Legal System Institutions: Primary Albanian Government partners include the National Judicial Conference and its Executive Council, the High Council of Justice, the Ombudsman's Office, Office of Judicial Budget, Chiefs of Appellate Courts, Supreme Court and

Chief Justices of District Courts, Council of Ministers, the Department of Public Administration, Public Service Commission, Parliament, Ministry of Justice, Customs Office, Ministry of Public Order, Ministry of Finance, court secretaries and other administrators. Illustrative lawyer's associations are the National Chamber of Advocates, the Albanian Bar Association, Albanian Judges Association, Young Lawyers' Association and the Women Jurists Association. Potential NGO partners also include the Institute for Contemporary Studies, the Union of Business Associations and the Albanian Center for Economic Research. Legal aid assistance will focus on Tirana Legal Aid Society, Peace Through Justice, and the Women Advocacy Center. Donor partners may include the World Bank, Danida, the Netherlands Organization for International Development and Cooperation, OSCE, the European Union, the Council of Europe, and Soros. Other international partners could include the Catholic Fund for Overseas Development.

Increased Citizen Confidence in the Legal System: Primary Albanian Government partners include various ministries, including the Ministry of Justice and Ministry of Education, NJC and its Executive Council, the Magistrates School and the Tirana Law Faculty. Non-government partners may include various media outlets, the chambers of commerce, other business associations, and legal clinics.

USAID will continue to coordinate closely with international development partners. Of particular importance are the World Bank's new \$9.0 million Legal and Judicial Reform Project (with additional funds provided by the Danish government) and its separate \$8.5 million Public Administration Reform Project. Among other areas, the World Bank plans to focus on improving legal education at the law faculty at the University of Tirana, strengthening enforcement of civil judicial decisions by the bailiff system, strengthening the judicial inspectors office within the High Council of Justice, improving court and case management systems, and improving dissemination of legal information by supporting the State Publication Center in the Ministry of Justice. Project implementation for the Legal and Judicial Reform Project is within the Ministry of Justice. USAID's impact under Strategic Objective 2.2 is clearly linked to the World Bank's and Danida's efforts. Additional development partners include the OSCE, Council of Europe, EU, GTZ (Germany) and other bilateral donors.

In order to support regional practices and regional integration, USAID also intends to coordinate with the Southeast European Law Development Initiative (SELDI), which has been formed under the Stability Pact for Southeast Europe and is jointly managed by the International Development Law Institute and the Center for the Study of Democracy.

6. Sustainability

USAID does not believe it will be possible for Albania to achieve a balanced and sustainable rule of law oriented society during the time frame of this strategy period. However, USAID expects that, by the end of it, Albania will have made substantial progress toward that goal by strengthening the capacity of public sector legal institutions to perform their roles, deepening the private sector's participation in the reform process, and strengthening the competency and impartiality of legal professionals who administer, implement and interpret the laws. Legal institutions, when strengthened, will prove to be more responsive and accountable to the private

sector's ongoing participation in the reform process, and more capable of applying laws in a manner that supports democratic processes and market reforms. At the end of the period, Albania will have stronger public sector and private sector legal institutions that will enable it to continue solidifying the implementation and development of democratic reforms and economic growth.

7. Activities Not Supported

During the Strategic Planning and Review process, a number of possible program and activity ideas were conceived and then rejected. These include:

Court-Watch: Corruption pervades the Philippines system of governance, much as it does in Albania. In particular, the judicial processes are known to be for sale to the highest bidder. A successful program in the Philippines, Court-Watch randomly places law students in courtrooms to monitor the judicial proceedings. Judges do not know when and who will be monitoring their proceedings. The law students gain valuable exposure to court proceedings. The results of the students' monitoring efforts are published periodically, with ratings for the judges reviewed. According to the USAID Mission, this effort has been so successful that it has been replicated through a Parliament-Watch program. It is unclear whether such a program could work in Albania, given fears of retribution in a much smaller society than in the Philippines.

Street-law: USAID anticipated supporting a street law TV program, to be led by the Soros Foundation. This TV program would have provided information about rights (including family, housing, and individual), laws, and processes involved in criminal justice systems. This program will probably be dropped due to resource constraints, and due to the prioritization of other activities in the Mission's Strategic Objective.

STRATEGIC OBJECTIVE 3.2: IMPROVED SELECTED PRIMARY HEALTH CARE (PHC) SERVICES IN TARGETED SITES

1. Problem Analysis

Albania's health status is worse than its neighboring former socialist countries. In Bulgaria, for example, a country that suffered similar political and economic upheaval in the mid-1990's, spends a much higher percent of GDP on health than Albania. In 1998, Albania's infant mortality was 20.5 per 1000 live births compared to 14.4 for Bulgaria. Maternal mortality rate in Albania in 1998 was 21.6 per 100,000 live births compared to 18.7 (for 1997) in Bulgaria.

Until recently, the health status of the population had not been significantly influenced by lifestyle factors and personal choices. However, increased trauma from traffic accidents, violent crime, increased use of tobacco, alcohol, and other drugs and diets with high fat content are beginning to adversely affect Albanian's health status.

Compared to other countries in the region, the population of Albania is young, which has produced a low crude death rate. Significant outward migration has also contributed to a decrease in the rate of population growth. Albania's population is rapidly urbanizing. Tirana, for example, has reportedly more than doubled its population over the last five years with resulting environmental problems and strains on water, sewage and other public utilities.

The most common causes of death in Albania are cardiovascular disease, respiratory diseases, cancer, and trauma. The incidence of cancer and respiratory diseases is increasing as tobacco consumption continues to rise. Other common diseases include gastrointestinal and infectious diseases. Viral hepatitis and tuberculosis are now the most important communicable diseases. As of March 2000, Albania confirmed 48 cases of full-blown HIV-AIDS. The absence of information on the number testing positive for HIV suggests that the confirmed cases are the "tip of the iceberg."

Abortion continues to be a primary means of birth control in Albania. Under the communist regime, contraceptives were unavailable and abortions illegal. It is estimated that 55% of maternal mortality was caused by self-induced and criminal abortion. In 1990, the grounds for legalizing abortions were broadened, and in mid-1991, abortion on request was, in effect, authorized. The availability of abortions was immediately felt in a reduction in maternal mortality rate and in the number of botched abortions that were seen at hospitals. Today, there is officially reported to be one abortion for every two live births; however, official data only report the numbers that occur in the hospitals and other public facilities, not private practices.

A 1999 study of basic health facilities in five districts noted the limited resources available for service delivery. Of the total of 108 facilities, 46 had no water and another 40 had water only 1-3 hours per day. Only 64 facilities had electricity half a day or more. None of the facilities had all the necessary equipment for the needs of its population.

Another study reviewed the working conditions of 41 Albanian hospitals. It found critical problems with deteriorated infrastructure, lack of sanitary conditions, limited supplies and equipment, inadequate staffing, and excessive workload in the delivery of health services. WHO estimates of health personnel in Albania (per 100,000 individuals) includes 380 nurses, 129 physicians, 59.1 midwives, 31.5 dentists, and 40.6 pharmacists (this compares to 713 nurses, 345 physicians, 70.6 midwives, 58.6 dentists, and 18.5 pharmacists in Bulgaria).

A third study documented public concerns regarding poor health conditions, poor health providers' attitudes, and the "under the table payments" required to receive services. Those interviewed cited the lack of equipment and poor staff motivation in health care facilities. The public expressed concern about obtaining accurate information on referral, the limited access to quality drugs and health insurance, and incomplete family planning information. Many persons said that the informal payments severely limited the health services available to the uneducated, rural poor.

The Ministry of Health, with the assistance of the World Health Organization, has drafted a national health strategy, *Health System Strategy for Albania: 2000-2010* to guide the planning, development and implementation of health services. The MOH strategy identifies actions that must be taken quickly if the health status of Albanians is not to worsen as well as measures aimed at deepening reform of the health system.

2. Strategy: The Results Framework

Strategic Objective 3.2 has been narrowed to reflect what one can reasonably expect to achieve, given the USAID priorities and the resources that will be made available. The Mission will tighten the focus of its health program, restructure it to be more results-oriented, and establish more realistic performance indicators and targets. The previous SO *Improved sustainability of social benefits and services*, was stated too broadly and overly ambitiously in the impact it sought to achieve given the relatively narrow focus of the USAID health portfolio. The revised SO takes into account the improved development climate in Albania, the Ministry of Health's *Strategy: 2000-2010 for Albania*, USAID's progress to date, and the increased importance placed on health and other social sector issues, as reflected in the Europe and Eurasia Bureau's recent *Social Transition Strategy*.

USAID/Albania will concentrate its efforts on primary health care (PHC), the focus of the Ministry of Health's (MOH's) strategy. Over the next three years, the Mission will pursue a measured approach that focuses on selected PHC services, especially reproductive health and maternal child health. It will target selected implementation sites to demonstrate impact and concentrate on capacity building so that the MOH is positioned to expand PHC services beyond 2004.

Key implementation themes of the revised SO 3.2 strategy are:

- *Capacity-building*: Administrative, financial, management and clinical capacity is weak throughout the health sector and must be strengthened before PHC service delivery and utilization can be expanded nationwide.
- *Coordination*: Strong coordination among the organizations experimenting with different PHC approaches will be strengthened to share lessons learned, avoid duplication of efforts, and work towards the development of similar, complementary systems.
- *Participation*: Citizen and community participation will be supported in all PHC delivery activities to tailor services to local needs and promote local demand for higher-quality services.

A. *Transition Hypothesis (Causal Linkages)*:

In order for Albania to provide primary health care effectively the Government must restore facilities, provide basic equipment, and train and motivate dispirited staff. It also must find a solution to reduce the widespread system of informal payments for services in order to increase the public's faith in the system. A functioning primary health care system provides wide public access to basic health care services. Protecting health status reduces the economic burden on the national budget. Prevention and early and effective treatment reduce the higher costs of tertiary care if not treated early. Additionally, failure to provide basic services can cause the public's loss of faith in Government as an effective civil institution.

There are three principal intermediate results that USAID plans to achieve: *Health Resources More Efficiently Used*, *Quality of PHC Services Improved*, and *Community Participation Increased*. The first two address supply-side factors, while the third creates the demand for the improved services. USAID hypothesizes that:

- If health care resources are rationally allocated, cost efficiencies and cost benefits are realized through appropriate payment schemes, and pharmaceutical access, quality and availability are improved, then the provision of health services will improve.
- If clinical care and management skills and systems are improved, institutional capacity is strengthened, and monitoring and quality assurance functions are established to regulate performance, the quality of primary health care services in targeted sites will improve.
- If the population is provided with current and up-to-date health information that is relevant and pertinent to their health needs, individuals will make improved choices to improve their health, increase their use of PHC services, and comply with appropriate treatment protocols, the health status of individuals will improve.
- If people with specific health needs come together to form NGOs or community action groups to advocate for support to address these needs, then communities will increase their demand for quality PHC services and increase support for their local facilities. This demand will improve the quality of health services provided.

B. Critical Assumptions:

In addition to the critical assumptions stated in Part 1, achieving this objective will require the following to hold.

1. Policy and resource commitments will support PHC: The Results Framework for SO 3.2 assumes that the MOH makes adequate policy and resource commitments and the necessary institutional changes. The MOH must play a key role as partner to USAID, other donors, and NGOs to direct, coordinate and implement the revitalization of quality clinical PHC services, refurbishing and re-equipping facilities, and strengthening management systems to coordinate PHC. The MOH's *Health System Strategy: 2000-2010* provides the policy framework within which these activities will take place. However, the implementation of PHC will require staff with advanced skills in planning, management and technical PHC interventions within the MOH to achieve these IRs.
2. World Bank will provide timely support to the Tirana Regional Health Authority: The World Bank plans a program of support for the Tirana Regional Health Authority through a \$15 million credit. The timing of this support may not be directly linked with USAID's activities, but ultimately, in order for USAID to accomplish the SO, the successful empowerment and functioning of Tirana Regional Health Authority is essential.
3. Decentralization of political authority and financial resources will support and contribute to PHC: Devolution of authority is beginning to take place in all sectors, although roles and responsibilities are not yet clearly defined. The GOA is developing the legal framework for the proposed structure for the Tirana Regional Health Authority and its powers. This will serve as a model for later expansion of decentralization of the health system in all districts. Progress in these endeavors is essential to achieving the SO.
4. Government and private sector finance available for health care will continue at least at current levels: USAID assumes that economic improvement will lead to increased Government and private expenditures on health services. Increased revenues from contributions to the Health Insurance Institute will fund PHC as well as some hospital-based services. Increased individual incomes may lead to greater expenditures through co-payments in the public sector and potentially to increase payment for private medical care.

C. Principal Intermediate Results:

IR # 1. Health Resources More Efficiently Used: Resources available for health care are scarce in Albania and they must be used more efficiently to support the improvement and expansion of PHC services. It is expected that national pharmaceutical costs will drop significantly (10%-25%) in response to improved procurement procedures. Based on a more rational approach to pharmaceutical management, the MOH, through the Health Insurance Institute and other health facilities, will realize significant cost savings that would then be available to address other needs. Because of the savings realized from the pharmaceutical program, the Health Insurance Institute will support a larger package of health care services to be provided at the PHC centers.

Physicians and other health providers will prescribe drugs more appropriately using international protocols. Private pharmacists will realize savings through application of competitive procurement practices. New payment and contracting systems to support PHC facilities and hospitals will have been designed and tested at pilot sites and ready for roll out nationally. Enrollments in the national health insurance program will increase in response to a marketing campaign advertising the benefits of health insurance. A social marketing program for contraceptives, along with an extensive information and education program informing the people about reproductive health issues, will be expanded to all parts of Albania.

IR # 2. Primary Health Care Quality of Service Improved: Albanian consumers will presumably increase their use of, and pay for, PHC services if they perceive an improvement in the quality of currently provided services. IR 3.2.2 will support activities to improve the quality of services provided. Health care providers, especially at the PHC centers, will offer improved services as a result of upgrading of clinical skills. PHC centers will better manage the financial and material resources allocated, while still maintaining a consistent level of service at demonstration sites. Local capacity will be built and institutionalized to provide the in-country training in the technical and management fields that support primary health care. Health training in technical subjects including maternal and infant care, mothercare issues, HIV/AIDS specialized training, and young adult counseling will be provided in the target pilot sites. PHC treatment protocols, training curricula, job descriptions, management team functions and other key components will be adapted and incorporated. Monitoring and quality assurance functions will be established to provide feedback and to continuously improve PHC quality.

IR # 3. Community Participation Increased: The improved supply of quality PHC services will be driven in part by an increased demand for these services. This IR will target health promotion activities so that individuals and communities will be better informed on preventable health issues to bring about positive health behavioral change. This increased knowledge will also result in demands on the Government, both national and local, to provide better quality PHC. One expected outcome would be increased number of community action groups advocating for specific health care needs not otherwise available.

A supportive policy environment is necessary for implementing all of the above intermediate results. USAID and its implementers will maintain an ongoing policy dialogue with MOH officials to ensure that the policy, legal and regulatory framework supports program progress. For example, it will be important to gain stronger support of the MOH leadership for strengthening the Ministry's Reproductive Health Unit. The confusion over the respective roles for health promotion between the Institute for Public Health and the Directorate for Primary Health Care needs to be eliminated, and the MOH needs to elevate the role and responsibilities of nurses.

3. Progress to Date

Improved reproductive health practices: USAID's activity has provided training, materials development, mass media campaigns and developed a contraceptive distribution logistics management system in close collaboration with the MOH and other reproductive health

agencies. Training has been provided for more than 1,200 service providers in contraceptive technology, client counseling and sexually transmitted infections (STIs). More than 240 private pharmacists in family planning and client counseling have also been trained. Information, education and communication materials were developed and distributed to providers. Working with the MOH, this activity developed a Contraceptives Distribution Logistics Management System in four districts.

This activity improved 331 service delivery points, which provide good quality services and information. In the program districts, clients now know where to obtain family planning services and providers, and have access to information about contraceptive technology. As a result of training, providers in five districts are better able to counsel clients. Master trainers in three regional centers are continuing to upgrade provider skills. Finally, hundreds of private pharmacists are continuing to counsel clients on FP.

Improved hospital services in Tirana: Several hospital and health partnerships have been developed in collaboration with Albania's hospitals and the MOH. In 2000, one partnership established a Women's Wellness Center (WWC) at the Tirana Maternity Hospital. The WWC provides a client-centered approach with comprehensive clinical and educational services including early detection, screening, and disease prevention and health promotion. This is a new concept in health care for Albanians. Another partnership focused on performance improvement, problem solving, and team building techniques.

Improved health administration and management: The activity has supported two nursing conferences and assisted in the formation of the Albania Nurses Association. Several performance improvement-training sessions were held for Albanian partners. This program also established an Emergency Medical Services (EMS) Center. Over 100 physicians and nurses were trained to use modern clinical guidelines and protocols for emergency care. To date 190 physicians, nurses and "First Responders" have been trained in both theoretical and hands-on EMS techniques.

Through a Financial Planning Advisor (FPA) activity, USAID has provided periodic technical assistance and workshops to the MOH, HII, and several hospitals in financial planning and budget management. This activity introduced modern financial management systems that allow hospital managers to make informed decisions on resource allocations. Assistance to the HII helped to improve its management information system.

4. Program Approaches

IR # 1. Health Resources More Efficiently Used

Two of the activities under this IR, pharmaceuticals and health financing, are specialties of the USAID's Global Bureau, which provides a comparative advantage. Across the board, no matter the field, pharmaceuticals are claiming the largest percentage of the resources available. To improve pharmaceutical access, quality and availability for PHC, USAID will meet with all the stakeholders, assess the areas where a rational approach has the potential to impact significantly

on how resources are applied to pharmaceutical management. The Rational Pharmaceutical Management Plus program is being considered. USAID's assistance will consider activities focused on issues of access, availability and quality essential drugs for PHC services in ambulatory settings as a priority.

Activities in health care financing assistance are proposed to support the SO 3.2 through technical assistance provided to the Health Insurance Institute. USAID's assistance will address: new payment and contracting systems, reimbursement for drugs, eligibility criteria, benefits packages, hospital payment systems and improved financial management of hospitals and PHC facilities. USAID will coordinate with the World Bank and other donors in providing necessary assistance to the HII, to define the appropriate level of assistance required from USAID's implementing partners. PHC facilities and the MOH district level teams are becoming responsible for decentralized resources and financial management, even though staff has limited skills and training and systems for financial management are rudimentary. Basic financial management operations and systems for PHC facilities will be supported by USAID technical assistance and training. The Durres regional hospital is being considered as a pilot site for hospital financial management assistance. In any national health budget, support for hospital administration receives the largest percentage of the resources available.

Further rationalization and rightsizing of hospital facilities will be supported with assistance from the World Bank and other donor partners to the MOH. USAID will collaborate with WHO and the World Bank on policy dialogue with the MOH to develop political and institutional support within the MOH for the difficult decisions and actions required.

IR # 2. Quality of PHC Services Improved

In close collaboration with the MOH, USAID will develop an overall strategy for training and capacity building to provide PHC services. A broader collaboration of MOH, the Institute for Public Health, and implementers is essential to achieve the Intermediate Result. Training of PHC staff can be implemented in several target districts. USAID plans to initiate training in the Tirana region in conjunction with the World Bank's initiative of the Tirana Regional Health Authority and possibly in Durres. This would support other activities taking place in those areas. The expectation would be that these training and capacity building activities would be extended to other districts at a later time.

Several assessments may be necessary in order to establish baselines for implementing the training and capacity building.

- An assessment of institutional capacity will be done at the national and district levels in the target sites to evaluate the level of skills of the current staff. In-country training such as the Training Program in District Health Planning and Management will also be considered to train core staff in PHC management. This activity will be linked to USAID's SO 4.2, where relevant.

- A training needs assessment will also be done to assess the current clinical and management skills of district and facility health staff. Existing PHC training, treatment protocols, management systems and other relevant training resources will be reviewed and revised. Relevant PHC training curricula and models from other countries in the region will be used in these efforts. A training resource center will be considered to house these resources and make them available to all health professionals.
- An assessment will be done of the management, monitoring and quality assurance (QA) systems that may exist in Albania and their use to support PHC. Review and revision will then be required to adapt them or develop new models to support PHC clinical interventions.

Master trainers will be developed at the national and district levels using competency-based techniques. They will then train staff in clinical, management and monitoring skills, using modules and allowing for practice of clinical PHC interventions and use management skills learned. This sequencing allows incremental improvements in PHC and allows staff to better absorb knowledge and develop competency in these skills. The program will develop and provide resource materials that will reinforce the training and help participants to implement improved management systems. USAID will build on its success in provision of training in reproductive health by adding training programs in sexually transmitted infections, HIV/AIDS, and breast cancer examinations.

IR # 3. Community Participation Increased

A two-pronged approach is envisioned under this IR. Through health promotion initiatives, communities and individuals will become better informed on health issues related to lifestyle and become oriented to play an active role in making changes. USAID and implementing partners, working closely with the MOH, will identify priority topics to begin the active education of individuals in the target districts. The second component will result from special health issues identified by the community. These will be addressed through community action and special interest groups that come together around specific health issues that relate directly to them. It is expected that NGOs would be formed as a result. Training in organizational management and advocacy building would be areas of focus. Key NGO staff will be trained early in the program in proven community organization methodologies from other sectors in Albania. USAID support to NGOs for organizing communities will be done through an umbrella mechanism. This should allow a number of NGOs to participate while requiring only limited USAID management.

USAID will support NGO efforts to organize communities, encourage community meetings with health professionals, and support and develop the capacity of communities to identify health needs and effectively demand PHC services. NGOs will train both community members and health professionals to have more respect for each other. NGOs can also provide communities with more information on health conditions, better facilities and equipment, etc. NGOs will also organize and train communities to recognize their responsibilities to support PHC. This will include facilitating communication between health providers and communities, orienting communities to their responsibilities to maintain PHC facilities and participate in PHC activities.

NGOs can also teach communities how to effectively advocate for increased funding for PHC activities and services. The community participation activities in this IR will be linked to the SO 2.1 IRs, particularly those that address community-level efforts.

Training and study tours will increase NGO capacity to address special issues such as domestic violence, drunk driving, smoking cessation campaigns and FP/RH advocacy. This advocacy assistance will link to and build on similar advocacy efforts in other sectors supported by USAID. Funding for these NGO efforts in advocacy will be covered by an umbrella grant mechanism.

5. Commitment and Capacity of Development Partners

USAID's health strategy benefits from committed development partners. Ministry of Health, along with the Health Insurance Institute and Institute of Public Health, are the major implementing partners as well as primary beneficiaries for USAID's assistance. All proposed activities must have a capacity building connection within the MOH if long-term sustained results are to be realized. Additionally, USAID support is coordinated with the other major partners. The World Bank's major assistance and financial support to the MOH complements PHC. Its proposed assistance to the Health Insurance Institute will focus on not only hospital-based services but also provision of PHC services. Its "Training Program in District Health Planning and Management" for public health managers has been repeated to create and strengthen a nucleus of health managers. Health management training is essential; however, programs addressing this area are still in pilot stages. USAID will work with the World Bank and others to explore ways to institutionalize the capacity to provide management training.

WHO has played a valuable role in working with the Ministry of Health on policy and development of the health strategy. USAID's increased collaboration with WHO will reinforce the Ministry of Health's internal departmental coordination and overall institutional strengthening needed to operationalize PHC for this Strategic Objective. UNFPA, in the early 1990's, began supplying contraceptives through the MOH. Due to severe budget constraints, UNFPA is unable to continue to provide this subsidy. USAID will work with UNFPA and the Ministry of Health to develop social marketing strategies that will ease the strain of providing contraceptives for no cost. The British DFID has provided critical technical assistance to the Ministry of Health for assessment studies. These studies have provided a base of information at critical stages for MOH decisions in policy and program development. UNICEF provides technical assistance and program support to the Ministry of Health on immunizations, diarrheal diseases, acute respiratory infections, safe motherhood, breastfeeding and nutrition. UNICEF activities combine nationwide and small-scale interventions. The European Community Humanitarian Office (ECHO) supports NGOs with a focus on humanitarian assistance. They have supported NGOs to rehabilitate and equip hospitals and health centers. ECHO has recently supported a comprehensive study, to be carried out by Pharmacists without Borders, on the use and availability of intravenous fluids in Albania.

6. Sustainability

The activities for this revised SO will focus on PHC, which implies the need for new directions in training, capacity building and improvement of the quality of primary health care services. The first criterion for any assistance will be to assure that there is capacity building component to allow for the training to continue even after USAID moves on.

The activities under I.R. 3.2.1, *Health Resources More Efficiently Used*, will assist the MOH increase the financial management capacity of key staff at the HII, MOH and health centers. The technical assistance on rational management of pharmaceuticals will strengthen the infrastructure that will regulate public and private sector drug supply and quality. USAID expects to increase efficiency of procurement, improve quality of pharmaceuticals; strengthen regulations and increase availability. Sustainability should also be achieved as more financial resources are directed towards primary health care.

In the activities under the IR 3.2.2, *Quality of PHC Services Improved*, development of the institutional capacity of key central MOH and district staff will assist the MOH to sustain training, management and monitoring of PHC services. Development of monitoring and quality assurance functions will allow local health staff to develop their capacity to make continuous improvements in the care they provide to clients.

USAID's investments in NGOs and communities will result in the improved organization and participation of communities in support of PHC. Training of key NGO staff will lead to a sustained capacity for health leadership for community organization activities and advocacy in health. Communities organized to advocate for specific health needs to their local authorities will increase. Health promotion activities will help individuals achieve increased knowledge and sustained changes in behavior to care for their own health.

7. Activities Not Supported

In the review and assessment of activities for possible inclusion under the SO 3.2 strategic framework, the following were considered as potential program elements but, due to either a lack of local infrastructure to sustain the initiatives or lack of resources, both financial and management, these programs were not included in the final analysis: support for specific disease-related programs, such as tuberculosis, infectious diseases, HIV/AIDS; environmental health; water and sanitation, physical infrastructure rehabilitation, mental health; hospital administration and management, and development of graduate level education programs in public health, nursing, health management, and medical re-certification.

STRATEGIC OBJECTIVE 4.1: SPECIAL INITIATIVES

1. Overview

The Special Initiatives are activities that do not contribute directly to a strategic objective in the country program, are time-limited, or address extraordinary circumstances requiring assistance. They also include activities that are essentially outside the USAID Mission's manageable interest, and, therefore, 632(a) InterAgency Transfers are included in this SO. With the absorption of USIA into State Department, consolidation of former USIA activities under this SO will allow us to better coordinate our reporting requirements with the Embassy staff and better integrate the USAID Mission's results into the Department of State's Mission Performance Plan. The Stability Pact designed to facilitate the stabilization, democratization, and revitalization of Southeast Europe is gaining momentum and the Mission will continue to participate where appropriate. Those programs related to the Pact that are either for specific activities not directly linked to the SOs or are regional in nature will be programmed under SO#4.1. The FY 1999 SEED Supplemental activities (\$18.372 million) are handled under this SO due to the extraordinary circumstance of the Kosovo refugee crisis, which produced the supplemental funding.

2. Progress to Date

The Savings Bank of Albania, which has the most extensive branch system currently existing in the banking sector and which holds 90% of total deposits, continues in perilous financial condition. Privatization of the Bank will have a major positive impact upon the financial sector. The U.S. Treasury Advisor has played a significant role in advising the Minister of Finance on the strategy and process. This 632(a) activity directly links to SO#1.3.

USAID activities in the legal institutional reform (SO#2.2) have been closely coordinated with 632(a) law enforcement efforts that the U.S. Embassy manages. The latter include assistance through Dept. of Justice (DOJ)/Office of Overseas Prosecutorial Development and Training (OPDAT) and DOJ/International Criminal Investigative Training Assistance Program (ICITAP). The DOJ has successfully worked with judges, prosecutors, justice personnel, and police in criminal procedures and police training and progress has been documented.

The U.S. Forest Service, through a 632(b) Inter-Agency Agreement, provides technical assistance to the Ministry of Agriculture and Food to complete a watershed analysis of the two major river basins in Albania. The pilot project, scheduled to end in March 2001, has generated much useful data for the Ministry of Agriculture and Food to use in policy decisions and watershed management and protection strategies. This links directly with SO#1.3.

Former USIA programs to teach English, provide scholarships, improve (and foster) the independent media and promote democracy were very successful. These cross-cutting programs were funded through an Inter-Agency Agreement. When USIA became part of the State

Department in 2000, the programs were continued through the Department's Office of Public Diplomacy.

3. Program Approaches

InterAgency Agreements: Several USG agencies are working on various aspects of trade, finance and anti-corruption programs which are coordinated with the Embassy through the SEED Coordinator's Office. The Department of Treasury is advising the Government with its objective to privatize the National Savings Bank. The process is very complex and continued resources will be required for the short-term. The Department of Justice has several training programs geared to institutions involved with anti-crime, anti-trafficking services. Additionally, a special in-service training for judges and prosecutors to increase effectiveness and efficiency of the judiciary system is being provided by the Department of Justice. These programs have had a successful history and they are supported in this Plan.

State Department, Public Diplomacy Office: Public Diplomacy Office (formerly USIA) historically has had an active series of programs in Albania, which the Mission will continue to support. While the portfolio has expanded in recent years to include regional initiatives in public awareness for trafficking in women and children, the basic programs promoting English language training, educational reform, public awareness through free and independent press, and fellowship programs remain. This work supports the Democratic Reform efforts under Stability Pact Table 1.

Regional Energy Sector Reform: Albania faces a major challenge in reversing the physical and financial deterioration of the electricity sector and in achieving a balance between supply and demand. Albania is interested in charting a course to restructure and privatize the electricity industry. Working in cooperation with other donors and the Ministry of Public Economy and Privatization, the Mission contributes to E&E Bureau's Regional Energy Initiative that will assist the Government with developing a strategy that transforms the electricity energy sector into an efficient system. The increased efficiency will then permit Albania to participate in the regional electrical grid systems, in particular with Greece and Montenegro. This work directly supports Economic Reform under Stability Pact Table 2.

Infrastructure Development: Albania has presented a number of infrastructure construction or rehabilitation proposals to the Stability Pact through Table 2. Its seven "Quick Start Projects" were seriously delayed and USAID, through the "Regional Infrastructure Program", may provide support to the Government for project identification, design, and management.

STRATEGIC OBJECTIVE 4.2: CROSS-CUTTING PROGRAMS

1. Overview

Cross-cutting programs are activities that are strategic in nature but make significant contribution to two or more strategic objectives. Mission programs that have been traditionally under this objective are the TRANSIT (participant training) and the Audit, Evaluation, and Project Support (AEPS) programs. These programs serve as general Mission resources and are used by all SO teams.

2. Progress to Date

Since FY 1993, USAID participant training program has been a crucial cross-cutting program that is designed to support achievement of each Strategic Objective. Under the Global Training for Development program, training services are provided through a buy-in mechanism with the Global Bureau's TRANSIT Europe project, which ends in FY 2001. The Mission is committed to continue funding the participant training program through the end the revised Plan period. The USAID program has moved from a training program based on targets of opportunity to one more directly aimed at achieving Intermediate Results and Strategic Objectives. Typically, the program works with local or regional trainers and facilitators in order to build local capacity and cut costs. START provides technical assistance to USAID partners on how to design and implement training objectives. Under this scheme the partners select the training participants. START also identifies training gaps within the Strategy and then designs training programs to fill those gaps in order to increase USAID's impacts. Under this scheme, START selects the participants. The training program aggressively aims to achieve gender balance with a target that 50 percent of participants are women.

In FY 2000, 173 Albanians took part in 22 short-term training programs; 94 trainees participated in short-term, tailored training programs in the U.S.; another 79 took part in training programs held in other Central or Eastern European cities; and two training programs were sponsored in Albania and supported local training institutions. Forty-six percent of the program participants were women, despite the difficulty in identifying women leaders in Albania. Strong institutional focus in this program resulted in a number of participant training programs in support of the law faculty. Training was provided to improve the secretarial and computer skills of administrative staff members in the Judiciary. According to the dean, this program produced immediate, tangible results such as a computerized student identification program and streamlining administrative procedures.

The AEPS program has been used as a critical resource for activity design and evaluation. In the past year additional demands were made for funding two FSN PSC positions to help with critical staff shortages, and funding the Mission's participation in regional educational support to American University, Bulgaria (AUBG) and Central European University (CEU).

3. Program Approaches

The Mission will continue supporting the training programs as in the past. The cross-cutting training programs will support the Strategic Objectives in the revised framework as follows:

- SO 1.3: trade associations, dairy processing, flour mill management, women entrepreneurship, furniture production, hotel management, cheese production, milk collection, bank examination, small credit unions, share registry, and secured financing.
- SO 2.1 and 2.2: NGO board functions, election administration, training for association administration, teacher training for the law faculty, election administration conference, and private sector support of local economic development.
- SO 3.2: pediatric clinic management, emergency/intensive care, and dental hygiene.

The AEPS program will increase its resources as a result of a continuing strategy to fund more local PSC staff from program funds and to undertake several evaluations and new activity design efforts during the

PART 4. RESOURCE REQUIREMENTS

1. Overview

Albania continues to play a crucial role in the economy, politics and security of an increasingly volatile region making it a continuing high priority for SEED funding, despite the operational difficulties of the past year. Recent political changes in Albania, continued regional tensions, and an uncertain economic situation highlight the need for our program to retain flexibility. This revised Strategic Plan focuses on developmental as well as transitional issues in recognition of Albania's weak institutions and civil society.

The Strategic Plan's revised objectives will be accomplished by: direct management of the OYB (NOA) program and Operational Expenses (OE) funds; management or oversight of regional (and emergency) program funds transferred to the mission; the employment of USDH, PSC, and FSN staff and management of in-country contractors, grantees, and cooperators. The detailed budget (Attachment 1) is presented with headings for SOs and activity numbers for FY 2001-2004, which cover the revised Strategic Plan period.

2. Financial Plan: Primary SO-Targeted Activities

The financial plan for FY2001–FY2004 is based on AID/W guidance that advised missions to keep resource requests to a straight-line funding scenario, and the current SEED Coordinator's (EUR/EEA) planning level of \$ 35.2 million for FY 2001.

SO#1.3: Growth in Number of Self-Sustaining Private Enterprises. This SO, due to the strong performance of its predecessor and strategic importance, remains as one of the primary focus areas of our portfolio. Private sector business growth, including the agricultural sector, will be a major driving force in Albania's efforts towards economic growth and political stability for the foreseeable future. Funding levels for the majority of activities under this SO remain constant in the agriculture sector; however, the Mission will focus its activities to strengthen the private enterprise theme. In particular, a new land markets program will take the work of the land registration program accomplishments to the next logical stage. It will also complement the private enterprise efforts to other ongoing programs in this SO. The Mission will continue to support the World Bank and the International Monetary Fund programs in Albania. Continued work of a US Treasury Adviser within the Ministry of Finance will assist with privatization of the Savings Bank. This is a change in strategy from the previous one and results from GOA's priority for this activity as well as a change in the security situation that allows the presence of the advisor. The Mission will continue the Banking Supervision and FSVC. A new financial sector reform activity is planned to assist with the commercialization of the private banking sector.

SO#2.1: Increased Involvement of Civil Society in Economic and Political Decision-Making. The Mission's work in the democracy sector continues to have very high priority, which is shared with the Embassy and described in the MPP. In addition, critical parliamentary elections, which hold the highest concern for the Mission, are planned for CY2001. NGO support

programs will focus on conflict management as well as filling gaps in organizational development for local institutions. The NGO community and contractors will also be used as a vehicle for supporting free and fair elections and implementing a new anticorruption activity. Resources required to continue this work will increase over the period of this Plan, with a one-time larger request in FY 2001 to cover the national elections. Under this objective the programming focus also includes decentralization through municipal development. Each year USAID plans to expand the number of municipalities supported through training, technical assistance and supporting participatory processes and our resource request will reflect this expansion.

SO#2.2: Legal Systems that Better Support Democratic Processes and Market Reforms.

This strategic objective has increased in importance as the population of Albania increases its awareness of the need for the rule of law to support the democratic transition. Consistent with broader USG objectives, the Mission plans to devote more resources to judicial support and legal training. Also, programs will target strengthening and planning leading ultimately to establishing self-sustaining legal institutions, such as the Bar Association, the Legal Clinic and the Magistrates School.

SO#3.2: Improved Selected Primary Health Care Services in Targeted Sites. The four principal activities under this program will remain active during this Plan. Partnerships in Health Care, however, will receive increased funding to expand the program to other municipalities. In addition, two new health care initiatives are scheduled to begin in FY 2001 and will require funding in FY 2004. The new programs are designed to assist the Ministry of Health to increase its financial management capacity, and to strengthen clinical and management capacity in support of delivering primary health care.

3. Financial Plan: Special Initiatives and Cross-Cutting Activities.

SO#4.1: Special Initiatives. This strategic objective allows the Mission to capture one-time unplanned activities that do not fall within any primary SO, but for political or regional reasons, make sense to undertake on a one-time basis. The Mission also expanded the definition to include other programs that are managed by other USG agencies, such as Department of State, Justice and Treasury. The proposed Regional Energy Restoration program will start in FY 2001. As the details of design and implementation are developed by AID/W this program could require increased resources.

SO#4.2: Cross-Cutting Initiatives. Activities in this strategic objective directly affect two or more strategic objectives or have a long-term regional perspective. Resources for this strategic objective will remain relatively constant. Our training program, in particular World Learning and support to the former USIA, remain an important part of our portfolio. A modest addition of funds will be required for our AEPS program to enable us to move FSN project assistant staff from OE to program funds and to undertake a series of activity (project) evaluations and sector analyses.

4. Staffing Requirements

The Mission's staffing level remains a major concern. The present workforce is sixteen, with several vacant positions "on hold" due to the lack of space in our shared Embassy facility. The Embassy has been as accommodating as possible, but every square inch of space is fully occupied. A plan to convert existing warehouse space into offices is being pursued as a temporary fix to the space shortage. Longer-term plans for construction of additional permanent offices on the compound were discussed with FBO but appear to have been shelved. Without relief through leasing near-by space, the Mission remains critically under-staffed, and potentially vulnerable to weak program management oversight. This situation has been noted the Mission Vulnerability Survey we conducted this year.

5. Attachments

Attachment 1. Budget Table by SO

Attachment 2. Gender Mainstreaming

1. Overview

Women continue to face special challenges in Albanian society. While the legal system protects women from discrimination – the penal code imposes penalties for state employees who discriminate against persons, including for gender reasons discrimination continues in practice. The status of women is diminished in this society. The UNHCR reported some cases of rape and sexual abuse of Kosovar-Albanian women in refugee camps in Albania, but most such acts were not considered crimes. Many men, especially those from the northeastern part of the country, still follow the traditional code, known as the “kanun”, in which women are considered and treated as chattel. Under the kanun, it is acceptable to kidnap young women for brides, a practice that continues in some areas of the northeast. The good news is that average school years for the population 23 years and above, by gender, are almost exactly equal. This means that women and men receive the same educational opportunities in Albania. However, many educated women must migrate to other countries to seek employment opportunities that are not open to them in their own country.

Spousal abuse still occurs in this traditionally male-dominated society. Cultural acceptance and lax police response result in most abuse going unreported. No government-sponsored program protects the rights of women. An NGO maintains a shelter in Tirana for abuse to women, but the facility has the capacity to house only a few victims at a time. The same NGO also operates a hotline that women and girls can call for advice and counseling. The line received thousands of calls during the year. In 1999, the Advice Center for Women and Girls, an NGO, conducted a poll that showed that as many as 64 percent of females declared that they were victims of domestic violence. The concepts of marital rape and sexual harassment are not well established and, consequently, such acts are often not considered crimes.

Several NGOs in Albania, supported by SEED Act funds and by the State PKO funds, are addressing these issues as best they can on a case-by-case basis. However, given the scope of the problems and limited resources to address individual programs of help and referral, most victims receive little or no assistance. The IOM and ICMC have established an interagency referral system that enables a group of organizations to jointly provide return and reintegration assistance of Albanian women who are victims of trafficking. This system provides a framework to assist with temporary shelter and return assistance for trafficking victims from other countries that want to return home from Albania.

Women are not excluded, by law or in practice, from any occupation; however, they are not well represented at the highest levels their fields. The Labor Code mandates equal pay for equal work, but no data are available on how well this principle is implemented in practice. Women enjoy equal access to higher education, but they are not accorded full and equal opportunity in their careers, and it is common for well educated women to be underemployed or to work outside the field of their training. An increasing number of women are beginning to venture out on their own, opening shops and small businesses. Many are migrating along with men to Greece and Italy employment.

2. USAID/Albania's Strategy

USAID's strategy to mainstream gender through an approach that focuses on gender throughout the entire strategy, where appropriate. Women's participation in agricultural cooperatives and small and medium enterprises has increased over the past 5 years. The latest data show: about 25 percent of new legally registered private sector enterprises are owned by women; 20 percent of on-the-job training in business, technical and professional skills are women (recorded as completing training and applying skills in Albania); and, 29 percent of all dues paying agricultural trade associations are women. A large percent of NGO leaders are women (estimates of between 50% and 75% exist). This may, however, reflect the low status NGOs have, as well as the relative ease of establishing an NGO compared to finding a job within the Government or any political organization. Those NGOs focused on women's issues are the most active.

There are still very few female political party officials or women mayors. Such data as the number of female municipal staff, number of women staff in Parliament, number of female journalists, have not been collected, and more attention needs to be focused on collecting baseline data. For instance, it is difficult to engage women in public hearings and town meetings in many urban and rural areas of Albania because of traditional structures. As new outreach activities are initiated, baseline data on women's participation should be collected to understand trends and to promote their fuller participation.

USAID/Albania, working with its implementing partners throughout all SOs will collect gender data on beneficiaries, members, and participants. At the moment, only a few implementing partners (such as World Learning) have gender related targets. Targeting by gender is within USAID's manageable interests, and collecting data on gender will be promoted. This information would help USAID monitor gender integration into its Strategic Plan, as well as ensure that gender is not forgotten by its partners.

Attachment 3. Environmental Analysis

1. Country and Environmental Information (Baseline Information)

Albania, with a total area of 28,750 square kilometers, is slightly larger than the state of Maryland. It shares a 173 kilometer border with Montenegro, a 114 kilometer border with Serbia to the north, a 151 kilometer border with Macedonia to the north and east, and a 271 kilometer border with Greece to the south and southeast. Its coastline is 362 kilometers long. The lowlands of the west face the Adriatic Sea and the strategically important Strait of Otranto, which puts less than 100 kilometers of water between Albania and Italy. In Albania's far north and the northeast mountainous sections, the border connects high points and follows mountain ridges through the largely inaccessible North Albania Alps.

The population of Albania is about 3.4 million with a composition of about 95% Albanians, 3% Greeks, and the remaining 2% comprised of Vlachs, Bulgarians, Serbs and Roma. Administrative units consist of the capital, Tirana, 64 other municipalities, and 309 communes that govern groups of villages. Natural resources include petroleum, natural gas, coal, chromium, copper, timber and nickel. Land use varies with 21% arable land, 5% permanent crops, 15% permanent pasture, and 38% woodland. Natural hazards include destructive earthquakes and tsunamis along the southwestern coast. Current environmental issues include deforestation, soil erosion, water pollution from industrial and domestic effluents, and municipal waste management.

Seventy percent of the country is mountainous and often inaccessible. The remainder, an alluvial plain, receives precipitation seasonally, is poorly drained and is alternately arid or flooded. Much of the plain's soil is of poor quality. Good soil and dependable precipitation, however, are found in intermountain river basins, in the lake district along the eastern frontier, and in a narrow band of slightly elevated land between the coastal plains and the interior mountains. There are large areas of marshlands and other areas of bare, eroded lands similar to the "Badlands" in the U.S.

The three lakes of easternmost Albania, Lake Ohrid, Lake Prespa, and Prespa e Vogël, are remote and picturesque. Much of the terrain in their vicinity is not overly steep, and it supports a larger population than any other inland portion of the country, excluding the capital city. All three lakes border eastern states. Lakes Ohrid (elevation 695 meters) and Prespa (elevation 855 meters) have a surface area of about 260 square kilometers, each, and Lake Prespa e Vogël (elevation 855 meters) about 52 square kilometers. There are two other large lakes: Shkodra Lake in northwestern Albania (about 368 square kilometers), and Butrinti Lake in the south (about 16 square kilometers).

Nearly all the precipitation that falls on Albania (about 1485 mm annually) drains into the rivers and reaches the coast without leaving the country. The topographical divide is east of the Albanian border with its neighbors, which results in a considerable amount of water from other countries draining through Albania. An extensive portion of the basin of the Drini i Bardhë River is in the Kosovo area, across Albania's northeast border. The three eastern lakes that Albania shares with its neighboring countries, drain into the Drini i Zi River. The watershed divide in the

south also dips nearly 75 kilometers into Greece at one point. Several tributaries of the Vjosa River begin in that area.

The Government of Albania recently became very active in three areas: the Forced Protection Committee was elevated to full Agency status by the Council of Ministries; the Government recently approved a forestry strategy which balances land use, watershed protection and forest resource management; and, the Government approved a Ministry of Agriculture and Food sponsored biodiversity strategy.

2. Current and Planned Portfolio

Following the guidance of FAA Sections 118(e) and 119 (d), (22CFR216) current and planned activities in Albania do not include any territories within the tropics, therefore conservation and sustainable management of tropical forests are not within the Mission's purview. The Mission remains aware of the issues concerning bio-diversity and continually monitors our programs to verify that a policy of conserving bio-diversity is followed. As stated in 22 CFR 204, the Mission has taken steps to ensure that there are sufficient resources and staff allocated to effectively monitor and implement the Agency's environmental procedures.

USAID assistance to Albania consists primarily of technical assistance and training and does not include capital construction. This activity composition has been documented through Initial Environmental Examinations on file with the E&E Bureau; however, to date, no in-depth environmental assessments have been completed. The portfolio over the Strategic Plan period will have few changes, and those changes will be technical assistance programs aimed at growth of the private sector, anti-corruption (democratization) activities implemented through NGOs, and assistance to the health insurance (financial) sector.

SO#1.3: Increased Self-Sustainable Growth of Private Enterprises. This Strategic Objective will support the continued formation and growth of small and medium enterprises of all types, with emphasis on value-added activities, particularly more advanced agribusiness activities in which Albania may have a competitive advantage and export potential. It will also continue to assist in developing more efficient production technology (no biotechnology methodology is involved), improved marketing of farm output, and increased production of better quality agriculture products. It will continue to support the creation of a more efficient banking system, but perhaps equally important will be the creation of more bankable lending opportunities. Activities under this SO have generally been covered by a 22 CFR 216.2(c)(2)(i), (ii), (iii), (x), and (xiv), "Categorical Exclusions" determination. No environmental assessments are anticipated during the Plan period.

SO#2.1: Increased Development of Civil Society Actively Involved in Economic and Political Decision-Making. The Mission revised its citizen participation strategy affirms and continues to build on citizen participation as the cornerstone of a healthy, functioning democracy in Albania. The approach focuses on increased citizen participation in economic and political decision-making processes. The participation helps ensure that the interests of citizens, including women, the poor, and minorities, are included in the decision-making processes of Albania's public

institutions as they make policy, allocate resources, protect rights, and enforce laws. Activities found in this SO have generally had "Categorical Exclusions" determination for environmental assessments under 22 CFR 216.2(c)(i), (xiii), and (xiv). No environmental assessments are anticipated during the Plan period.

SO#2.2: Legal Systems the Better Support Democratic Process and Market Reforms. Building on Albania's need for more competent legal professionals and for citizens to have increased access to justice, this Strategic Objective will focus on furthering the development of more effective legal institutions. Emphasis will be on citizen participation; necessary for both strengthening public sector legal institutions, and supporting the application and implementation of democratic and market oriented legal rights and standards. Activities under this SO are generally covered by a "Categorical Exclusions" determination for environmental assessments, 22 CFR 216.2(c)(i),(xiii), and (xv). No environmental assessments are anticipated during the Plan period.

SO#3.2: Improved Selected Primary Health Care Services in Targeted Sites. Albania needs to provide primary health care services as a critical part of its basic social services. In support of this sector, the Mission will promote the efficient use of health resources through technical assistance for healthcare financing, improved primary health care services, and increase individual and community involvement in health information dissemination. Activities will provide technical assistance, training, and small amounts of medical equipment for health centers. Activities under this SO are generally covered by a "Categorical Exclusions" determination for environmental assessments, 22 CFR 216.2(c)(viii). No environmental assessments are anticipated during the Plan period.

SO#4.1: Special Interests, and SO# 4.2: Cross-Cutting Programs. SO#4.1 activities are activities that do not contribute directly to a strategic objective in the country program, are time-limited, or address extraordinary circumstances requiring assistance. These activities are also essentially outside the USAID Mission's manageable interest. No environmental assessments are required as knowledge of or control over furnishing assistance (usually implemented through IAA or 632(a) arrangements), per 22 CFR 216.2(c)(1)(ii). The exception will be the Mission's buy-in to the Regional Energy Sector Reform Activity being managed by the E&E Bureau, which will be managing the program and ensuring all environmental documentation is in order. SO#4.2 funds all audit, evaluation and program support (such as personnel contract costs and program design) of the Mission. No environmental assessments are required per 22 CFR 216.2(C)(2)(x). Cross-cutting training through the participant training activity will continue and does not require an environmental assessment (22 CFR 216.2(c)(2)(i). No environmental assessments are anticipated for either SO during the Plan period.

Attachment 4. Albania and the Stability Pact

1. Background

To facilitate the stabilization, democratization, and revitalization of Southeast Europe (SEE), President Clinton and over 40 leaders from Europe and international institutions met in Sarajevo in July 1999 and launched the Stability Pact. Initiated by the European Union in collaboration with the United States and the Organization for Security and Cooperation in Europe (OSCE), the Pact has three broad priority areas for cooperation: Human Rights and Democratization, Economics, and Security. Three committees or “Tables,” one for each priority area – democracy, economic reform and infrastructure, and security – are each co-chaired by a senior official from a donor country and a country in the SEE region. Members include countries from the European Union, the United States, Russia, Macedonia, Bulgaria, Albania, Slovenia, Croatia, Rumania, Greece, Turkey and Bosnia-Herzegovina. Montenegro and the Serbian opposition participate in meetings as “Guests of the Chair.”

Three fundamental ideas guide the U.S. engagement, under the structure of the Southeast European Initiative (SEI), in the Stability Pact:

- The states of the region should own a process of reform and improved regional cooperation that will support their political and economic transformation into fully democratic societies and market driven economies;
- To both encourage and respond to these reforms and enhance cooperation, the international community should fully support the region’s integration into Euro-Atlantic structures such as the European Union; and,
- Over the long-term, private sector-led growth will be the essential key to generating sustainable economic development.

The countries and international organizations participating in the Stability Pact have developed specific initiatives to foster economic development of the region, fight crime and corruption, and, promote democratization and human rights.

One of the priority areas is infrastructure construction and rehabilitation. Donor nations and international financing institutions have launched a process to review, prioritize and mobilize financing for viable regional projects aimed at strengthening transportation, energy and environment infrastructure. The World Bank and EBRD have assisted the Stability Pact with putting together a list of projects which, if funded, would represent a total investment of close to be 11 billion euros. Projects under consideration range from long-term, complex activities to a series of “quick start packages” intended to be disbursed by March 2001.

USAID Albania’s participation in the Stability Pact

The Minister of Economic Cooperation and Trade serves as the GOA coordinator for the Stability Pact. The embassy economics officer serves as the U.S. liaison to the secretariat and to

the Country Economic Team, which the MoECT convenes. In addition, the U.S. Trade and Development Agency has funded an intermittent senior advisor to assist MoECT on matters of coordination, project development, and relationships with the Stability Pact bureaucracy.

USAID has a number of activities, described in the narratives of the appropriate SOs, that support Albania's Stability Pact objectives. The new civil society based anti-corruption activity (SO 2.2), which will coordinate regionally with the SELDI program, supports Albania's efforts under Table 1 (democracy). USAID's customs assistance (SO 2.2) also contributes to the Table 1 agenda; that and USAID's participation in SEETI under SO 1.3 both help promote regional trade. Similarly, activities related to strengthening civil society (SO 2.1) and working toward legal institution reform (SO 2.2) advance Stability Pact agendas.

Improving adequate and deteriorated infrastructure, one of Albania's major challenges, is a Stability Pact objective. Critical at the moment is correcting the management debacle and physical and financial deterioration of the electricity sector. The current electricity crisis is causing a decline in the economy and undermining investor confidence. A major, multi-donor effort is underway to improve the commercial operations and management of the monopoly KESH (Albania Power Company) and to establish conditions under which World Bank lending can be resumed. Meanwhile, USAID is assisting the Government in charting a course to restructure and privatize the industry so as to meet both the requirements of EU directives and its commitments to the Thessaloniki Declaration to work towards the development of a competitive Balkan electricity market by 2006.

Through the Regional Electric Sector Reform activity as a special initiative under SO 4.1, USAID will assist the Government to develop an action-oriented strategy that systematically addresses the transformation of the sector. The strategy and actions will be presented for the following areas: energy policy and legislation; energy regulatory agency; restructuring and commercialization of the energy sector; market development and regional aspects; and strategic privatization and investment. The activity also contemplates a Tirana based demonstration of metering and billing practices.

As this Revised Strategic Plan was being written, a team was also assessing options for assisting Government through the Regional Infrastructure Program. This effort was stimulated by delays in funding and implementing Albania's "quick start projects." One possibility for help is to support the creation and operations of a project management unit to oversee cost, scheduling and quality issues for all GOA infrastructure projects. Another is to engage with other donors in the water sector master planning process. The Mission will consider options for special initiatives under SO 4.1.

Attachment 5. Performance Data Table