



# PHARE *Albania*

## 1993 INDICATIVE PROGRAMME SUMMARY

### **PHARE in Albania: what has been done ?**



1992 was the first year of Albania's participation in the PHARE programme. The national indicative programme for Albania in 1992 amounted to 25 million ECU. Total EC funding to Albania in 1992 was much larger, however: this amount was part of a total EC funding of 188 million ECU, out of which 90 million ECU came from the PHARE budget. In addition to the PHARE national technical assistance programmes mentioned above, this included humanitarian aid, balance of payments support grants and emergency food assistance.

With the exception of food aid, no assistance programme was fully drawn down by the end of 1992, leaving approximately 50 million ECU to be disbursed in 1993. In implementing future EC programmes, the Government will focus attention on mechanisms to permit the rapid disbursement of committed funds.

The 25 million ECU of technical assistance were allocated under two general headings: agriculture and a so-called General technical Assistance Facility. Of the 15 million ECU allocated to agriculture, 9

million ECU was directed to the provision of agricultural and livestock inputs, 3.5 million ECU to mechanisation and 2.5 million ECU to technical assistance and training. 3.6 million ECU of the funds allocated to the purchase of input was spent by the end of 1992.

10 million ECU was allocated to general technical assistance.

4.4 million ECU of this fund was allocated to the transport sector and used to provide buses, spare parts and technical assistance. The money is currently being disbursed.

2.8 million ECU were allocated to Private Sector Development. The projects under this heading have focused on supporting privatisation and on restructuring state owned enterprises through the provision of studies, training, management support and external advisors. A pilot project for the development of Small and Medium sized Enterprises providing training, credit facilities, networks and advisors was also funded, as were training facilities and advisors to projects in the tourism industry.

Financial sector projects have been coordinated with the IMF and the EBRD, while the industrial programmes have been coordinated with the World Bank and bilateral donors. Eight Joint European Projects (JEPs) are under implementation, with a value in 1992 of 1.2 million ECU. Public administration, including the customs service, is being strengthened through the provision of equipment worth 0.9 million ECU. Finally, 700 000 ECU have been allocated to provide medical equipment and to undertake a study about the reorganisation of the hospital sector.

### **Future Priorities: the Medium-Term View**

The Government has decided that medium-term PHARE assistance should focus on the following core areas:

- Sectoral Restructuring;
- Infrastructure Development; and
- Human Resources Development.

A new, rolling 2-year perspective was recently adopted. The present Indicative Programme thus identifies priorities for the years 1993 and 1994. The immediate priorities are summarised in the table below. For 1994 the activities identified are of course provisional and may change according to progress made, evolving needs or other factors.

The following objectives have been formulated for each of the core areas:

**Sectoral Restructuring.** The aim here is to create the legal, institutional and regulatory framework necessary to support the radical transformation of the Albanian economy. It also aims to encourage investment as well as private initiatives in a number of areas including agriculture, enterprise restructuring and privatisation, the financial sector and health. In addition, the transformation process will be facilitated by improving management and administrative capacity.

**Infrastructure Development.** The infrastructure development programme aims to underpin sectoral restructuring in the two key sectors of environmental protection and public administration by providing limited amounts of seed money. Used for necessary investments and pilot projects, the management of this programme will emphasise the effective use of private capital and government funds whenever possible.

**Human Resources Development.** The main objective of the Government in this area is to enhance the formal and vocational education systems to support the transition process. Amongst other goals, this programme will boost cooperation between Albanian and foreign educational institutions.

Following the priorities outlined above, it is estimated that the funds PHARE will make available will be allocated according to the following formula:

Sectoral Restructuring	75% to 85%
Infrastructure Development	15% to 25%
Human Resources Development	5% to 10%

## Main Activities Proposed

**Agriculture.** The current strategy is to do everything necessary to guarantee a successful transition to market-oriented systems.

The short-term objectives are to boost the agricultural production in order to reduce the country's dependency on food imports and to increase the rural population's income. In the medium term,

this sector will be developed into one based on private entrepreneurship. These aims will be supported by assisting the following activities: support to private farming, agro-industry privatisation, land market and land use policy development, mechanisation and rural poverty alleviation.

**Health** Medium-term objectives include the development and rationalisation of both preventive and curative health facilities. This will be achieved in a way consistent with the continuing provision of minimally acceptable overall health standards.

Over the past 2 years Albania has benefited from EC-assistance in the form of direct supplies of essential medicines and of technical assistance to the Ministry of Health, used for the development of new health strategies and to insure the coordination of the various aid programmes. The Community's humanitarian aid budget is currently providing the basic medical equipment for primary health care centres, district hospitals and regional hospitals. The 1993 programme will strengthen the health reform process. This support will focus on the development of Primary Health Care by tackling implementation strategies, training and infrastructure issues, etc. It will support the hospital reform plan by providing training to hospital management staff and by encouraging twinnings with EC hospitals. It will rehabilitate the production of parenteral solutions and will provide technical assistance for the design of a new pharmaceutical policy.

**Private Sector Development.** A key objective in the Government's Economic Reform Programme is the establishment of a sustainable industrial and financial infrastructure. In accordance with this objective, PHARE will focus on the revitalisation of existing industry and on support to emerging industries, while also supporting the efforts of the financial system to meet the emerging needs of the private sector (see *banking*, below).

**SME Development.** The PHARE-SME Support project has been successful. The network of Regional Business Agencies (RBA's) established by PHARE has proved to be an appropriate mechanism for channelling credit and training to businessmen. The RBA network has also engaged local government, schools and chambers of commerce in the process of developing local businesses. Other bilateral and institutional donors have expressed their interest in offering similar SME credit lines.

For 1993-94, PHARE will provide substantial credit facilities and fund advisors to the SME network. The RBA's will become self-financing units during this period.

**Banking.** The commercial banks are in the process of being revitalised through the joint efforts of the EBRD, the World Bank, PHARE and bilateral donors. A new accounting system has been introduced, a basic payment clearing system has been established and several advisors in key positions are being provided. In order to help the banking sector acquire commercial practice, the credit line provided

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by donors for the SME development scheme will eventually be channelled through the banks and their branches. The credit channelling will be backed up by training, advice and external controllers jointly funded by PHARE and the EBRD.

PHARE, the EBRD and the World Bank are also establishing a Banking Training Centre (BTC) in Tirana for the banking community, which will offer training in all fields of banking.

A distance learning programme will be initiated to cover the training needs in remote regions. The programme will target banking and business skills.

**Privatisation and restructuring.** it is the Government's intention to accelerate the privatisation process. Assistance will be focused on the institutional strengthening of the National Agency of Privatisation and will provide the necessary technical assistance, training and equipment.

**Tourism.** This sector is presently undeveloped. This has many causes: the lack of, transport, of suitable accommodation and of facilities such as restaurants, shops or marketing and sales agencies. These mutually dependent aspects of tourism must be developed comprehensively, while actions to improve the environmental situation will also be necessary to offer a more attractive product.

**Foreign Investment Promotion.** Albania's legal and economic environment has not been conducive to attracting foreign investors. This due mostly to the weak infrastructure base and to some legal and procedural constraints. These issues are being addressed by the Government, supported by the EBRD and the UNDP. PHARE will complement these actions by creating a Trade Information Centre, which will provide investors and traders with up-to-date information on market prices, import/export flows and trade possibilities.

**Infrastructure Development.** This chapter will provide desperately needed equipment to the administration (especially the customs and statistics departments) and will support pilot projects in the environmental field.

PHARE assistance in 1993 and beyond will be directed towards the development of a high-level policy unit close to the centre, which the Government wants to create with the aim of proposing, implementing and coordinating administrative reforms in a number of areas, including central government reform, the decentralisation of public services and the reform of local government finances, public procurement, and civil service reform and training. It will be coordinated closely with the forthcoming support of the regional SIGMA programme, as well as with relevant inputs by other donors.

**Higher Education Reform.** The funding level for activities envisaged under the TEMPUS programme is expected to be 2.5 MECU.

## 1993 Funding

The financial assistance necessary (in 1993) for the accomplishment of the programmes and operations decided is estimated at 30 MECU.

