

Government - Donor Roundtable

13 November 2009

**Ambassador Helmuth Lohan
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Ministers, Excellencies, Distinguished Participants,

Looking at headline news, Progress on European Integration can be measured, for instance, against the appraisal given by the European Commission in its Annual Progress Report, or by developments in European Union instances, like the Council of Ministers requesting the opinion of the Commission on Albania's application for EU membership, or by further steps towards visa free travel.

As to the last point, the Albanian government will deliver on Sunday its second readiness report to the European Commission as part of a time – table that could lead to a Commission proposal for visa liberalisation by the mid of next year.

The request for opinion may be expected relatively soon. This will then trigger off the "questionnaire exercise", during which Albania will have to answer more than 2,000 questions, so that the Commission can build its opinion on a sound factual basis.

This brings me back to the Commission's Annual Progress Report, which deals with the "political", "economic" and "standards" criteria for membership laid out by the Copenhagen European Council of 1993.

The Report is interesting reading on all of these criteria. It is *obvious* that the "political" criteria, which include amongst other things the rule of law; the functioning of the judiciary; the fight against organised crime and corruption; attract particular attention at the moment of the publication of the report. It is *necessary* that particular attention be given to improving the situation throughout the year that follows.

Today, I wanted to share with you quotes – admittedly taken out of context - from the Report on the standards in two sectors:

First, in the environmental area, "No progress can be reported as regards air quality", says the Report and "There was no progress as regards industrial pollution control and risk management." "Overall",

concludes the report, "there have been some positive legislative developments but implementation and enforcement remain weak. Preparations in the field of environment are advancing slowly but remain at an early stage for a number of sectors."

Secondly, in the area of transport, "There has been little progress in the rail transport sector. Funds allocated for capital expenditures continued to decline. Preparations in the area of rail transport are lagging behind."

I have chosen these quotes for two reasons: they demonstrate the degree of detail into which the Report goes. And they illustrate that the Report should also be read with an eye on the financial considerations that it implicitly contains.

In a recent conference on water supply and sewerage, the organisers pointed out that "Meeting the EU standards for water supply and sewerage services will be very costly, both in terms of initial investments, and subsequently for sustained operation and maintenance".

The organisers were rightly raising a point that is not spelled out explicitly in the Progress Report, namely the cost of compliance with EU standards. The cost of compliance in many areas – water, air, industrial pollution, transport, etc. – is such that donor grants alone will not be able to meet the financial requirements. More sophisticated financial engineering is needed to finance Progress on European Integration.

The Albanian government underlines the nature of the Commission's Progress Report as guidance for its future work. I trust, Minister Bode, that the budgetary implications of paying the cost of compliance both for "soft" obligations – public sector staff, for instance" - and "hard" obligations – investments to contain industrial pollution -, are analysed and planned as part of a general "compliance action plan".

Donors will have their role to play in the implementation of any explicit or implicit "compliance action plan", as will the private sector, and donor co-ordination is one key element for raising the effectiveness of our assistance.

On our side, the actual Multi-annual Indicative Planning Document (MIPD) sets priorities for assistance over the years 2009-2011. A new MIPD for the period 2011 - 2013 will be prepared in the course of next year, with special emphasis on a multi-annual and sector based approach. Issues related to the definition and co-ordination of sector-based approaches to assistance were discussed at the Donor Co-ordination conference organised by the European Commission in Brussels on 19 October.

Dialogue and discussion on these themes need to continue and to intensify between all stakeholders. Whatever the outcome of these discussions, one thing, however, can be said already today: sector-based approaches and the best efforts in donor co-ordination can only succeed if there is full and strong political – and dare I say, budgetary – ownership on the side of the beneficiary country.

The commitment of the Minister of Finance, the Minister of European Integration and the Department of Strategy and Donor Co-ordination sets a good basis on which to build this ownership. However, the need for full and strong ownership goes further than the ministries just mentioned: above and beyond the ministers and deputy ministers of all line ministries, who are equally fully committed, it extends to the staff of all line ministries as well.

I would like to end by expressing my gratitude to all those in the Albanian administration who have made possible the significant progress in donor co-ordination in Albania over the past few years.