



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 699I(b)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008, we wish to inform you of the plan to negotiate and sign a threshold program agreement with the government of Albania. In addition to the enclosed notification, we have included a summary description of the threshold program.

The attached notification is being sent to the Congress on August 14, 2008. Negotiation and signature of a threshold program agreement with the government of Albania may occur on or after 15 days from the date of this notification.

Members of MCC's staff are available to meet with you to discuss the planned program. If you or your staff would like to arrange a meeting, please contact Ellona Fritschie (Senate contact) or Ven Neralla (House contact) at (202) 521-3850.

Sincerely,

Matthew K. McLean
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

August 14, 2008

PROGRAM: Threshold
APPROPRIATIONS CATEGORY: FY 2008 Program Funds
OBLIGATION AMOUNT: \$16,436,000

In accordance with section 699I(b)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008, this is to advise that the United States Agency for International Development (USAID), using funds allocated by the Millennium Challenge Corporation (MCC), will negotiate and sign an agreement with the government of Albania for a program authorized under section 616 of the Millennium Challenge Act of 2003 (the "Threshold Program"). Threshold Program assistance will be given to Albania to improve its *Control of Corruption* and *Rule of Law* indicators.

Supplemental information on Albania's program follows.

Threshold Program Summary

<u>Country:</u>	Albania
<u>Budget:</u>	\$16,436,000
<u>Fiscal Year Funding:</u>	2008
<u>Estimated Program Duration:</u>	2 years
<u>Indicator Focus:</u>	<u>Ruling Justly:</u> <i>Control of Corruption</i> and <i>Rule of Law</i>

A second threshold program (Stage II Threshold Program) for Albania will build upon the substantial successes of the current threshold program, which focuses on controlling corruption in public procurement, tax administration and business entry and registration. It will also support new activities that will address those areas of policy performance that most negatively impact Albania's performance on the MCC selection criteria. Specifically, the program will seek to improve performance on the *Control of Corruption* and *Rule of Law* indicators, through reforms in the areas of public administration, judicial capacity building, and enforcement of corruption cases.

In addition to the progress on the current threshold program noted below, Albania continues to make progress politically and economically, and is moving toward greater regional integration. It maintains a functioning political society, and passes the three MCC "democracy indicators" (*Political Rights, Civil Liberties and Voice & Accountability*). Albania's gross domestic product has grown at a healthy 5.5 percent annual rate from 2003 to 2007, and it recently concluded a free trade agreement with the European Union. Albania was invited in March 2008 to join the NATO alliance, and is engaged in active negotiations for European Union membership. Albania's progress toward integration with international organizations gives added weight to the importance of its internal reforms and anti-corruption efforts.

Current Threshold Program. Albania will complete its current \$13.85 million threshold program on November 15, 2008. Under the program, MCC has helped Albania develop and enact European Union-compliant public procurement legislation that has resulted in increased transparency in the bidding process and established an electronic procurement system to reduce opportunities for corruption in public procurement. The program supported reforms at the Large Taxpayers Office and the Tirana Tax Office, introducing e-filing and increasing the percentage of tax revenues collected from large taxpayers as a proportion of total taxes collected. The current threshold program also helped to create a new business registration system which has streamlined administrative procedures, thereby reducing opportunities for corruption and cutting the number of days and the costs associated with starting a business.

Some highlights of the results achieved under the current program include:

- Large Taxpayers Office tax revenue rose from 30 percent to 50 percent of total tax collection from October 2006 through June 2008, and between April and June of 2008, the Albanian Tax Administration received approximately 3,100 e-filed declaration forms, compared to only 90 in November to December 2007, when the threshold program-supported system was rolled out.
- Almost 50,000 tax forms were downloaded from the internet through the end of June, eliminating the need for personal contact with tax administrators, compared with 1,400 in January. Previously, tax forms were not posted on the internet.
- As of May 2008, 14 GOA contract authorities began using the electronic procurement system, which only became operational in December 2007, and as of June 30, 2008 a total of 56 e-tenders were opened with a composite value of US \$31 million.
- Through June 30, 2008, nearly 17,000 new businesses have registered at the National Business Registration Center (NRC), which was established in September 2007 with Threshold program assistance.

Albania's Stage II Threshold Program Components -- Objectives and Proposed Activities

Component 1: Administrative Courts

Objective: To increase judicial capacity, reduce opportunities for corruption, and build confidence among investors by supporting the creation of an administrative court system.

Proposed Activities:

1. Train newly-recruited administrative judges, prosecutors, and lawyers on the new administrative law legislation.
2. Develop guides or manuals for public administrators who will use the administrative court system.
3. Provide technical support and equipment to the new administrative court in Tirana.
4. Adapt the national case management system for the new administrative court to track case progress from registration to resolution.
5. Introduce transparency measures in the administrative court (*e.g.*, online docket, publication of all decisions online, audio and video records of trial proceedings, electronic court archives).
6. Conduct public outreach and public education on the administrative court system.

Component 2: Tax Administration Reforms

Objective: To build a modern tax administration that reduces personal contact between taxpayers and officials, and strengthens tax collection while maintaining the integrity of the system.

Proposed Activities:

1. Reorganize the tax administration along functional and geographic lines pursuant to the new tax procedures law.
2. Create operational manuals for specific tax administration functions and train 1,000 tax inspectors to orient them to the new organizational and functional scheme.
3. Establish an internal investigation and anti-corruption unit within the tax administration.
4. Establish a criminal investigative unit within the tax administration to enforce laws against tax evasion and fraud.
5. Establish a taxpayers' consultative council to institutionalize consultation with tax administration and the public.
6. Establish a taxpayer advocate office to protect taxpayers' rights.
7. Establish a tax section at the new administrative court.
8. Expand e-filing and e-payment for all taxpayers.
9. Establish education and information service centers.
10. Establish an electronic system for selection of tax declarations based on risk analyses.

Component 3: National Business Licensing Center

Objective: To establish a National Business Licensing Center to build a simplified system for the issuance of licenses for economic activities, thereby reducing opportunities for corruption.

Proposed Activities:

1. Establish a streamlined licensing system and a National Business Licensing Center to process standardized license applications.
2. Conduct public outreach to explain licensing reforms to the public and promote the new National Business Licensing Center.
3. Provide grants to nongovernmental organizations to monitor licensing reforms.

Component 4: National Planning Registry

Objective: To establish a streamlined national electronic registry for development and building permits, thereby reducing opportunities for corruption in construction.

Proposed Activities:

1. Establish a National Planning Registry, a web-based repository for planning and building codes, guidelines, and announcements.
2. Design registry software, create a geographic information system database, and draft secondary legislation on the National Planning Registry.
3. Develop a training plan for National Planning Registry staff.
4. Train 400 national and local planning experts on the new building registry system.

Component 5: Special Investigative Units

Objective: To strengthen anti-corruption enforcement efforts by establishing special investigative units in prosecutors' offices in six administrative districts outside Tirana and to create activities to boost public awareness about the new units.

Proposed Activities:

1. Establish special units within the Office of the Prosecutor General in Shkodër, Durrës, Fier, Vlorë, Korçë and Gjirokastra to investigate and prosecute corruption-related and economic crimes.
2. Equip and provide support to establish offices for these units.
3. Establish a training office and develop training modules for investigative units.
4. Train prosecutors and police on economic crimes and corruption.
5. Provide grants to nongovernmental organizations and educational institutions to increase public awareness of anti-corruption enforcement efforts.

Component 6: Grants

Objective: To support the efforts of civil society to monitor the government of Albania's anti-corruption efforts and serve as an advocate for improved efforts where necessary.

Proposed Activities:

1. Provide grants to civil society to monitor the government of Albania's anti-corruption efforts and to advocate for further government anti-corruption reform.

Highlights of Expected Results of Albania's Stage II Threshold Program

- Efficiency of case management from case registration to resolution increases by approximately two-thirds, from 94 days to 30 days.
- 10 administrative court cases are adjudicated in year 1; 40 cases after year 2.
- Perception of the judicial system improves from 40 percent to 55 percent.
- Tax revenue collected as a proportion of gross domestic product increases from 23.6 percent to 28 percent.
- Ranking in terms of "paying taxes" increases from 118 to 75.
- Anti-Corruption Unit successfully prosecutes 60 cases by year 2 (baseline: 0)
- Average license approval time is reduced from 331 days to less than 120 days.
- Average number of license approval steps is reduced from 24 to less than 10.
- Number of licensed, tax-registered businesses increases from 124,424 to 200,000.
- Albania's ranking on licensing in the *Doing Business Report* increases from 168 to less than 50.
- Time required for approval of construction permits is reduced from 331 to 30 days.
- Procedures required for approval of construction permits is reduced from 24 to 4.
- Number of prosecutions initiated for corruption and financial crimes is increased from 62 individuals to 100.

- Number of convictions resulting from prosecutions based on investigations by the special investigative units is increased from 26 individuals to 60.