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ANNEX:

**IPA 2010 – NATIONAL PROGRAMME - ALBANIA**

**1. IDENTIFICATION**

Beneficiary	Albania
CRIS number	2010 / 022-530
Year	2010
Cost	EUR 83 200 000
Implementing Authority	European Commission, partly by joint management with European Bank for Reconstruction and Development (EBRD) and International Labour Organisation (ILO), partly by indirect centralised management with <i>Kreditanstalt für Wiederaufbau</i> (KfW) and Austrian Development Agency (ADA)
Final date for concluding the financing agreement	at the latest by 31 December 2011
Final date for contracting	2 years from the date of the conclusion of the Financing Agreement.  No deadline for audit and evaluation projects covered by the Financing Agreement implementing this programme, as referred to in Article 166(2) of the Financial Regulation.  These dates apply also to the national co-financing.
Final date for execution	2 years from the final date for contracting (with the exception of Projects 1, 6, 8 and 9, where the works on large and complex infrastructure projects justify four years)  These dates apply also to the national co-financing.
Sector Code	11330, 14020, 15110, 15130, 15150, 21020 41010, 99810
Budget line concerned	22.020200
Programming Task Manager	European Commission Directorate-General for Enlargement (DG ELARG) C4
Implementation Task	European Union Delegation to Albania

Manager	
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## 2. PRIORITY AXES / PROJECTS

### 2.1. Priority axes

The IPA 2010 programme for Albania focuses on the objectives identified in the Multi-Annual Planning Document (MIPD) 2009-2011. The 10 projects of the programme are grouped under 3 strategic priority axes. Assistance under this programme responds to the recommendations of the 2009 Enlargement Strategy and Progress Report, the European Partnership priorities and will address the requirements under the Stabilisation and Association Agreement (SAA).

IPA 2010 will address key issues such as police training and rule of law enforcement, in particular as regards support to the penitentiary infrastructure and improvement of training capacities of the Police Education Centre as well as the modernisation of the prosecution system. At the same time, the national programme will also meet the requirements to continue supporting the capacity building efforts of Albania's administration, in particular the Ministry of European Integration, the Ministry of Labour and the Ministry of the Environment. Furthermore, support will be given to the Albanian Parliament and to important *acquis* related issues such as food safety.

It is also foreseen that two large infrastructure projects will be included, one in the environment sector (water supply and sewerage) and one in the transport sector (local roads). It has been agreed with the Albanian Government that the local road project and parts of the water project shall be implemented in cooperation with international financial institutions. This has to be seen in the context of the Commission's continuous efforts to respond to the need for measures to help Albania to soften the effects of the financial crisis.

#### 2.1.1. *Priority Axis 1 - Political Criteria*

31% of the overall budget for the 2010 programme should be allocated to this Axis. The projects in the police and justice sector, namely the building of the Fieri prison and the completion of the Police Education Centre as well as the modernisation of the IT equipment of the General Prosecutor are building on results of current projects and underline the importance of the justice and police sector for Albania. Support to the Ministry of European Integration (and relevant structures in the line ministries) is building on an ongoing IPA 2008 project, which underlined the need for a strong coordination and leadership role in the accession process. Support is also given to the Albanian Parliament following the continuous request by the Beneficiary, Member States and the European Parliament. A Project Preparation Facility (PPF) should assist the authorities for future IPA programming and drafting exercises.

#### 2.1.2. *Priority Axis 2 – Socio-economic Criteria*

28% of the overall budget for the 2010 programme should be allocated to this Axis. Under this heading, there is a need to support further structural reforms in the country (i.e regional development type of activities) in terms of infrastructures, education and employment. In order to contribute to the social and economic cohesion of the country, IPA will support the improvement of management and conditions of the secondary and local roads. Furthermore, support will be given to the Ministry of Labour in order to strengthen the National

Employment Services, Labour Inspectorates as well as the Vocational Education and Training (VET) system.

### 2.1.3. Priority Axis 3 – Ability to assume the obligations of membership

41% of the overall budget for the 2010 programme should be allocated to this Axis. IPA will support Albania's approximation to EU standards, including administrative capacity and compliance with SAA requirements as regards food safety and environmental protection standards. IPA will also support the development of water supply and sewerage infrastructure.

## 2.2. Description of projects grouped per priority axis:

No.	Political Criteria	EU contribution in Euro	Project Description
1	Support to the penitentiary infrastructure and improvement of training and accommodation capacities in the Police Education Centre	<b>18 200 000</b>	<p><i>Project purpose:</i> The support provided will enhance the situation in the detention facilities in the country and the Penitentiary system in general, through decreasing the overcrowding of prison facilities (new prison built in Fieri) and improving prisoner's living conditions (improved respect for human rights and rights of prisoners).</p> <p>The improved infrastructure capacities of the Police Education Centre will allow the delivering of Training &amp; Education Programmes and Methods to present and future staff of the police according to European standards.</p> <p><i>Implementation:</i> 1 work contract for an indicative amount of EUR 12 500 000 and 1 service contract for the supervision for an indicative amount of EUR 600 000 are foreseen for the prison in Fieri – they have already been launched with a suspensive clause in Q1/2010 following a derogation granted by DG ELARG. Another work contract for an indicative amount of EUR 4 850 000 and 1 service contract for the supervision for an indicative amount of EUR 250 000 for the Police Education Centre are foreseen to be launched in Q1/2011.</p>
2	Modernisation of the Albanian justice system	<b>3 000 000</b>	<p><i>Project purpose:</i> To strengthen the automation of the Albanian justice system by developing communications and information management systems for the prosecution offices.</p> <p><i>Implementation:</i> This project will be implemented by a supply contract for an indicative amount of EUR 2 500 000 and 1 service contract for technical assistance for an indicative amount of EUR 500 000 to be launched in Q2/2011.</p>
3	Support to the EU integration process	<b>2 000 000</b>	<p><i>Project purpose:</i> The purpose of the project is to enhance the technical and administrative capacity of the key players in the EU integration process, namely the Ministry of European Integration, line ministries, relevant government agencies as well as enforcement authorities to implement the obligations deriving from the SAA and to harmonise the Albanian legislation with the EU acquis and implement acquis related legislation.</p> <p><i>Implementation:</i> 1 service contract for an indicative amount of EUR 2 000 000 to be launched in Q1/2011.</p>
4	Strengthening the Assembly of Albania	<b>1 500 000</b>	<p><i>Project purpose:</i> To strengthen the capacities of the parliamentary administration for more efficient approximation of legislation, improved oversight functions and</p>

			<p>communication as well as better management of parliamentary budget and human resources.</p> <p><i>Implementation:</i> One twinning* contract for the indicative amount of EUR 1 500 000, to be launched in Q1/2011.</p>
5	Project Preparation Facility (PPF)	1 500 000	<p><i>Project purpose:</i> The purpose of the Project Preparation Facility (PPF) is to allow sound project identification and preparation of IPA programmes/projects in order to assure an effective implementation.</p> <p><i>Implementation:</i> Several service contracts, twinning light or framework contracts for an overall indicative amount of EUR 1 000 000 to be launched as from Q1/2011. Another part, which is a continuation of an IPA 2008 PPF, will be implemented by indirect centralised management with Austrian Development Agency (ADA) in accordance with Article 54(2)(c) of the Financial Regulation. It is foreseen that 1 delegation agreement with ADA of an indicative amount of EUR 500 000 in Q1/2011 will be concluded.</p>
	<b>Economic Criteria</b>		
6	Improvement of rural roads in Albania	20 000 000	<p><i>Project purpose:</i> Improvement of secondary and local roads along the secondary network in rural areas of Albania as to facilitate access to essential services and economic markets, in the form of reduced user costs, for the resident population in rural areas in Albania.</p> <p>A specific part of the project will be dedicated for the reconstruction of damaged roads due to the severe floods beginning of 2010 and following a request from the Albanian government.</p> <p><i>Implementation:</i> The project will be implemented by joint management with the European Bank for Reconstruction and Development (EBRD) through a contribution agreement for an indicative amount of EUR 20 000 000 to be signed in Q2/2011. The agreement will be concluded in accordance with Article 53(d) of the Financial Regulation.</p>
7	Human resources development	3 000 000	<p><i>Project Purpose:</i> Improving the capacity of labour market institutions, mainly the State Labour Inspectorate and the National Employment Service and promoting employment by enhancing the employability of Albanian workforce.</p> <p><i>Implementation:</i> The project will be implemented in joint management through a contribution agreement with International Labour Organisation (ILO) according to Article 53 (d) of the Financing Regulation. It is foreseen to conclude with ILO 1 contribution agreement for an indicative amount of EUR 3 000 000 for Q1/2011.</p>
	<b>Ability to assume obligations of membership</b>		
8	Improvement of drinking water supply and sewerage systems	26 000 000	<p><i>Project purpose:</i> Improvement of water sector management/efficiency of water services providing at central and local levels. Improved living conditions for the population in provisionally selected municipalities (Velipoje, Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca) by sustainable water supply and improved sewage disposal situation.</p> <p><i>Implementation:</i> The project will be partly implemented by</p>

			indirect centralised management with KfW in accordance with Article 54(2)(c) of the Financial Regulation. It is foreseen that 1 delegation agreement with KfW of an indicative amount of EUR 20 000 000 in Q3/2012 will be concluded for construction works. Another part, which is technical assistance, will be implemented by indirect centralised management with ADA in accordance with Article 54(2)(c) of the Financial Regulation. It is foreseen that 1 delegation agreement with ADA of an indicative amount of EUR 2 000 000 in Q1/2011 will be concluded. Furthermore, 1 work contract for an indicative amount of EUR 4 000 000 is foreseen, which has been launched with suspensive clause in Q2/2010 following a derogation granted by DG ELARG.
9	Support to the food safety infrastructure	4 000 000	<p><i>Project Purpose:</i> Working efficiency of the food safety system in Albania improved due to upgrading of the physical network of the offices and laboratories of the National Food Authority at national and regional level.</p> <p><i>Implementation:</i> 3 work contracts for indicative amounts of EUR 1 000 000, EUR 2 200 000 and EUR 800 000 respectively, all to be launched in Q2/2011. The supervision of these works will be financed by an IPA 2009 project.</p>
10	Capacity strengthening of the Ministry of Environment, Forests and Water Administration for law drafting and enforcement of national environmental legislation	4 000 000	<p><i>Project Purpose:</i> The purpose of the project will be to support the Ministry of Environment, Forests and Water Administration (MEFWA) in enhancing its capacity to implement and enforce environmental legislation by:</p> <ul style="list-style-type: none"> <li>-Assisting the development of technical departments within the Ministry towards fully effective operation</li> <li>- Strengthening the Environmental Inspectorate towards an effective enforcement and prosecution service in all sectors under the responsibility of the Ministry</li> <li>- Ensuring that the Environmental Protection Agency functions effectively at both national and regional levels.</li> </ul> <p><i>Implementation:</i> 1 service contract for an indicative amount of EUR 4 000 000 to be launched in Q1/2011.</p>
<b>TOTAL</b>		<b><u>83 200 000</u></b>	

\* As regards the twinning contracts, the essential selection and award criteria for the selection of the proposals are laid down in the twinning manual referred to in point 4.3 of this Financing Proposal.

In addition to the assistance identified in the table above, support of EUR 1 000 000 is provided to activities in the areas of education in the framework of the Tempus programme. This project is coordinated and implemented under the IPA Multi-beneficiary Programme.

### **2.3. Overview of past and ongoing assistance including lesson learned and donor coordination**

#### *2.3.1. Past and on-going assistance*

Between 2001 and 2006 Albania benefited from around EUR 330 million of Community assistance for reconstruction, development and stabilisation (CARDS). CARDS assistance targeted four broad reform priorities: justice and home affairs (about 40% of the funding), administrative capacity building (about 20%), economic and social development (about 35%), and democratic stabilisation (about 5%).

Support provided through CARDS 2006, IPA 2007, IPA 2008 and IPA 2009 is currently being implemented and there is a pipeline of projects in the areas of good governance and institution building, rule of law, civil society, education, employment, European standards, regional development, transport, environment, agriculture, rural development, SMEs, statistics, state aid, consumer protection and taxation.

Albania also benefited from the regional activities under CARDS, which supported actions of common interest for the Western Balkan region in the fields of infrastructure, institution building and cross-border cooperation. In addition, attention is given to the projects financed under the Multi-Beneficiary IPA programmes, managed by the European Commission, which are linked to numerous sectors of common interest.

2.3.2. The last macro-financial assistance provided to Albania in 2005-2006 (total EUR 25 million, with a grant component of EUR 16 million and a loan component of EUR 9 million) was conditional on improving public finance management with more secure financial circuits, measures to improve the functioning of the public administration and the fight against corruption, and progress in financial sector reform. Progress in these areas allowed the full disbursement of the assistance.

### 2.3.3. *Lessons learned*

The current implementation of component I of IPA 2007 and 2008 is progressing with satisfaction. As most of the project implementation of these two programmes has just begun, it is too early to assess the impacts on the ground. IPA 2009 started in the second semester of 2010.

However, some lessons could already be drawn regarding the smooth and swift implementation of the projects and certain criteria were strictly applied when selecting projects during the programming exercise of IPA 2009. These criteria were amongst others: readiness of feasibility studies, acceptable quality of design studies, clearance of possible land ownership disputes, existing building permits, sufficient ownership of the beneficiary and general maturity of the project.

Furthermore, the findings from an interim evaluation of CARDS indicate that overall performance of the evaluated assistance is mixed. There have been delays in implementation. A need for further involvement of the authorities in programming and implementation phases has been identified in order to increase their ownership of projects. With regard to CARDS assistance, the key concerns are impact and sustainability of projects due to uneven capacity of the various Albanian administrations - partly the result of a high turn over of staff. Based on the evaluations carried out during 2008, the overall performance in Albania is rated as "moderately satisfactory". Experience with the implementation of IPA assistance as well as other DG ELARG evaluation reports - specifically, the evaluation report for public administration reform - suggest that IPA assistance needs to consider the following lessons learned:

- **Local ownership** is essential for the effective targeting of assistance and achieving expected results. Significant efforts have been undertaken to involve Albania's institutions in the planning and programming process for EU assistance. The Ministry for European Integration benefited from substantial institution and capacity-building support. The introduction of the function of Senior Programme Officers (SPO) within the European Integration units in line ministries and the leading role of the Ministry for European



Integration in the programming process should provide the framework for the identification of the assistance needs.

- The **absorption capacity** of the authorities needs to be ensured. This depends on project maturity, adequate staffing in the relevant institutions, the mobilisation of civil society and a political consensus on key reform activities.
- **Timely planning** of future assistance is essential to address key areas. Past experience with delays in the implementation of CARDS and IPA assistance has shown the need to ensure that projects do not become obsolete because of late implementation.
- The **link between EU assistance and sectoral strategies and action plans** of the Albanian institutions needs to be ensured. The aim is to design assistance in relation to Albanian strategic plans, which should address the requirements of the EU integration process.
- Particular attention must be paid to the preparedness and **maturity of the projects** to be selected.
- Finally, the **sustainability** of projects must be guaranteed by the Beneficiary.
- The IPA 2009 monitoring meeting undertaken by the European Commission with the Albanian authorities in November 2009 reviewed the implementation of the currently ongoing CARDS and IPA projects. All of the above mentioned points have been raised, in particular the issue of retaining formerly trained staff and providing maintenance as well as budgeting plans for finished infrastructure projects in order to ensure a stronger impact and sustainability.

#### 2.3.4. Donor Coordination

Overall, the donor coordination in Albania is seen as good and it is constantly improving. The Department of Strategy and Donor Coordination (DSDC) created in 2005 under the Deputy Prime Minister's Office in the Council of Ministers of the Albanian Government is responsible for national, sectoral and crosscutting development strategy coordination as well as for donor coordination. The donors are organised via a Donor Technical Secretariat, including representatives of the European Commission, World Bank, Organisation for Security and Cooperation in Europe (OSCE), UNDP as well as other bilateral donors.

Furthermore, the Fast Track Initiative of Division of Labour in line with the Paris Declaration and the Accra Agenda for Action is becoming more and more developed. In Albania, the Fast Track Initiative is led by the Government of Albania, through the DSDC. Fast Track Initiative arrangements are open to any European Donor willing to join and other Development and Integration Partners that could contribute to the coordination process in the context of division of labour and complementarity. The Fast Track Initiative of Division of Labour should be seen as added value to the existing coordination mechanisms established by the Government of Albania, as such it is embedded in the national Harmonisation Action Plan. The allocation of Lead Donors to specific sectors has been agreed based on expression of interest from donors and as a result of sectoral analysis of donor commitments by DSDC. The Fast Track Initiative intends to support Albania in the process of implementing in-country division of labour. The final goal is to achieve better development results through more effective aid and to increase the coherence of EU assistance, less overlap, less transaction cost, etc. European

donors participate in the Fast Track Initiative on a voluntary basis. A Memorandum of Understanding has been signed so far between the Albanian Government and some European donors (European Commission, Italy, Austria, Switzerland and Sweden) on 31 May 2010.

The Tirana Donors' Coordination Conference organised by the European Commission and the Albanian Government in April 2009 has been seen as a success. Beside EU assistance, several other bi-lateral or multi-lateral donors as well as international financial institutions were active in key areas. According to figures presented at the donors' conference in October 2009, the total amount of donors' committed funds to Albania for the period 2007-2009 was 2.7 billion EUR.

However, with view to donor presence in Albania, it is possible that due to the financial crisis some bilateral donors will have to reduce their foreseen resources as they are often linked to the GDP in some donor countries. A more sectoral approach as foreseen under the MIPD 2011-2013 is in general welcomed by the donor community in Albania.

Coordination meetings with international financial institutions as well as with EU and non-EU donors are organised on a regular basis. They focus primarily on strategic orientations and the regional dimension of IPA planning and programming. Additionally, coordination between the Commission and EU Member States takes place on a regular basis in the context of the IPA Committee. Meetings with the embassies of EU Member States and the local branches of international financial institutions on MIPD or national programme preparations are organised regularly during programming missions.

#### **2.4. Horizontal issues**

#### **2.5. Cross cutting issues**

The major cross cutting issues to be tackled in Albania are:

- ***Civil Society*** is supported from previous CARDS 2005/2006 programmes and from the European Initiative for Democracy and Human Rights (EIDHR) financial instrument from 2007 to 2009 (currently under implementation). IPA 2009 foresees a EUR 1.5 million project for local Civil Society organisations. Civil Society should be properly consulted by the government during the decision making process.
- ***Environmental impact assessment*** is compulsory concerning new legislation and financing proposals for investments. At the same time, all relevant infrastructure projects will have to take into consideration the provision of the European Environmental Impact Assessment and nature conservation legislation (see below point 4.4.).
- ***Equal opportunities and non-discrimination*** will be respected as regarding gender at the programming and implementation stage, particularly in relation to socio-economic support programmes. Gender issues are currently being supported via an IPA 2009 project.
- ***Minority and vulnerable groups' concerns*** will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development. Vulnerable groups are being supported via EIDHR projects, notably the 2008 and 2009 ones.

- **Good governance and fight against corruption:** Specific action instruments for the good governance, with particular attention to fight against corruption, will be incorporated on a horizontal basis. Rule of Law is being largely addressed by past IPA programmes with Police Assistance Mission of the European Community to Albania (PAMECA) and European Assistance Mission to the Albanian Justice System (EURALIUS) missions in the police and judiciary sector. The fight against corruption and organised crime is largely being supported since IPA 2007. Special care is being paid in the monitoring of the implementation of these projects

## 2.6. Conditions

The programme includes the following conditionalities:

- The projects fiches are formally approved by exchange of letter between the Commission and the government of Albania.
- The government will ensure that the beneficiary institutions have adequate financial, material and human resources in order that the EU financial support is used in the most effective and sustainable manner possible.
- Beneficiary institutions will formally endorse the design and tender documents, including terms of reference.
- Beneficiary institutions organise, select and appoint members (including gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.
- The government shall ensure the availability of land, free of ownership claims or disputes, for the construction of planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.

Additional project specific conditions are described in the project fiches. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

## 2.7. Benchmarks

	N		N+1 (cumulative)		N+2 (cumulative)	
	EU	National Fund (NF)*	EU	NF*	EU	NF*
Number of tenders launched **	8					
Number of contribution agreements signed	3					
Number of delegation agreements signed	2				3	

Number of calls for proposals launched (PPF)	5		5		10	
Number of calls for proposals for twinning launched	1					
Contracting Rate (%)	70.6%		71.2%		100%	

"N" being the date of the conclusion of the Financing Agreement

\* In case of parallel national co-financing.

\*\* It has to be considered that already 3 tenders with a total value of EUR 17 100 000 have been launched with suspensive clause following a derogation granted by DG ELARG before the conclusion of the Financing Agreement.

## **2.8. Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission**

The decentralised management process of IPA funds is a challenging administrative capacity building exercise for the Albanian government on the road towards EU integration and has become one of its main priorities for the years to come. While progress seems solid on IPA components I and V, the process is at a starting stage for IPA components II, III, IV.

On component I (Transition assistance and Institution Building), Albania followed since January 2008 its Roadmap for decentralised management revised during summer 2009. After having set-up the main structure in 2009 (stage 0), it finalised its gap assessment report (stage 1) in May 2010. Immediately after this step, the Albanian started the gap plugging phase (stage 2). Currently, Albania's estimated timeframe for the accreditation for Component I is scheduled at the earliest for end 2011, or even early 2012. The key challenge will be to address the gap assessment recommendations in a solid manner, before entering the next step.

On component II (Cross Border Cooperation), the process of decentralised management started in January 2010 and key nominations as well as a draft roadmap remain to be finalised.

On components III (Regional development) and IV (Human resources development), Albania started to prepare necessary decentralised management structures and operational programmes since January 2010. The nominated Strategic Coordinator is the Deputy Minister of European Integration, while the Operating Structure for component III is the Ministry of Transport, Public Works and Telecommunications, and for component IV, it is the Ministry of Labour, Social Affairs and Equal Opportunities. The European Commission's relevant Directorates-General started the preparations of the Albanian authorities for components III, IV and V during a joint-mission in Tirana at the beginning of the year 2010. The key challenges for these components are the strengthening of the structure and the coordination mechanism as well as the drafting of the Strategic Coherence Framework and the Operational Programmes for components III and IV.

On Component V (Rural development), Albania is trying to use already existing structures in order to set up the Managing Agency and the Paying Agency for the Instrument for Pre-Accession Assistance for Rural Development (IPARD). The draft IPARD programme is being prepared by the Albanian on the basis of sectoral analyses of priority sectors in agriculture, aiming at identifying the current situation in the milk and dairy products sector, the meat sectors, the fruit and vegetables sector. The key challenges remain finalising the set-up of the structure, drafting the IPARD programme and reviewing the sectoral agreement.

The decentralised management process is supported by different projects under the IPA national programmes for Albania:

- An IPA 2007 programme supports since January 2009 until November 2010 the Albanian administration in its efforts to prepare for decentralised management for IPA component I.
- Component V, rural development strategy structures and strategy is supported under IPA 2008 technical assistance currently ongoing and implemented with the German Development Agency (GTZ).
- An IPA 2009 technical assistance will support the remaining tasks for the decentralised management process for all IPA components I, II, III, IV and V. It is scheduled to start early 2011.

### 3. BUDGET (AMOUNTS IN EUR)

#### 3.1. Indicative budget table

Nr	Centralised management	Institution Building (IB)					Investment (INV)					Total		
		Total expenditure	IPA EU contribution		National contribution*		Total expenditure	IPA EU contribution		National contribution*		Total expenditure	Total IPA	
		EUR (a)=(b)+(c)	EUR (b)	(1)%	EUR (c)	(1)%	EUR (d)=(e)+(f)	EUR (e)	(1)%	EUR (f)	(1)%	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	(2)%
	<b>Priority axis 1 - Political Criteria</b>	5 802 000	5 500 000	95	302 000	5	24 280 000	20 700 000	85	3 580 000	15	30 082 000	26 200 000	31
1	Support to the Penitentiary Infrastructure and the Police Education Centre	0	0	0	0	0	21 250 000	18 200 000	86	3 050 000	14	21 250 000	18 200 000	
2	Modernisation of the Albanian Justice system	500 000	500 000	100	0	0	3 030 000	2 500 000	83	530 000	16	3 530 000	3 000 000	
3	Support to the EU integration process	2 222 000	2 000 000	90	222 000	10	0	0	0	0	0	2 222 000	2 000 000	
4	Strengthening the Assembly of Albania	1 580 000	1 500 000	95	80 000	5	0	0	0	0	0	1 580 000	1 500 000	
5	Project Preparation Facility	1 500 000	1 500 000	100	0	0	0	0	0	0	0	1 500 000	1 500 000	

Nr	Centralised management	Institution Building (IB)					Investment (INV)					Total		
		Total expenditure	IPA EU contribution		National contribution*		Total expenditure	IPA EU contribution		National contribution*		Total expenditure	Total IPA	
		EUR (a)=(b)+(c)	EUR (b)	(1)%	EUR (c)	(1)%	EUR (d)=(e)+(f)	EUR (e)	(1)%	EUR (f)	(1)%	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	(2)%
	<b>Priority axis 2 - Economic Criteria</b>	3 000 000	3 000 000	100	0	0	124 330 000	20 000 000	16	104 330 000	84	127 330 000	23 000 000	28
6	Improvement of rural roads in Albania	0	0	0	0	0	124 000 000	20 000 000	16	104 000 000	84	124 000 000	20 000 000	
7	Human Resources Development	3 000 000	3 000 000	100	0	0	330 000	0	0	330 000	100	3 330 000	3 000 000	
	<b>Priority axis 3 - Ability to assume obligations of membership</b>	6 400 000	6 000 000	94	400 000	6	48 700 000	28 000 000	57	20 700 000	43	55 100 000	34 000 000	41
8	Improvement of Drinking Water Supply and Sewerage Systems	2 000 000	2 000 000	100	0	0	44 000 000	24 000 000	55	20 000 000	45	46 000 000	26 000 000	
9	Support to the Food Safety Infrastructure	0	0	0	0	0	4 700 000	4 000 000	85	700 000	15	4 700 000	4 000 000	
10	Capacity strengthening of the Ministry of	4 400 000	4 000 000	90	400 000	10	0	0	0	0	0	4 400 000	4 000 000	

Nr	Centralised management	Institution Building (IB)					Investment (INV)					Total		
		Total expenditure	IPA EU contribution	(1)%	National contribution*	(1)%	Total expenditure	IPA EU contribution	(1)%	National contribution*	(1)%	Total expenditure	Total IPA	(2)%
		EUR (a)=(b)+(c)	EUR (b)	(1)%	EUR (c)	(1)%	EUR (d)=(e)+(f)	EUR (e)	(1)%	EUR (f)	(1)%	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	(2)%
	Environment													
	<b>TOTAL</b>	<b>15 202 000</b>	<b>14 500 000</b>	<b>95</b>	<b>702 000</b>	<b>5</b>	<b>197 310 000</b>	<b>68 700 000</b>	<b>35</b>	<b>128 610 000</b>	<b>65</b>	<b>212 512 000</b>	<b>83 200 000</b>	<b>100</b>

\* Contribution (public and private national and/or international contribution) provided by national counterparts

(1) Expressed in % of the total expenditure IB or INV (column (a) or (d)).

(2) Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA EU contribution of the entire Financing Proposal.



### **3.2. Principle of Co-Financing applying to the projects funded under the programme**

The EU contribution, which represents 39% of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management is based on the total expenditure. Parallel co-financing will be used.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10% of the eligible expenditure of the project, both for investment and institution building projects, and a minimum of 5% of the eligible expenditure in case of twinning. These terms are applied accordingly in the case of the twinning project "Strengthening the Assembly of Albania" (nr. 4) as well as for the cooperation with ILO for the human resource development project (nr. 7).

Overall, co-financing is foreseen for 9 out of 10 projects and amounts to 12.9% for priority axis 1 – political criteria, 81,9% for priority axis 2 – economic criteria and 38,3% for priority axis 3 –ability to assume the obligations of membership. The only project, where no co-financing is provided is the Project Preparation Facility (nr. 5), which will be mainly used by the beneficiary in close cooperation with the EU Delegation to improve the implementation of ongoing and future IPA projects.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Method of implementation**

A part of the programme, in particular the projects n. 1, 2, 3, 4, 5 (partly), 8 (partly), 9 and 10 will be implemented on a centralised basis by the European Union Delegation to Albania, in accordance with Article 53a of the Financial Regulation<sup>1</sup> and the corresponding provisions of the Implementing Rules<sup>2</sup>.

Project n. 5 will be partly implemented in accordance with Article 54(2) (c) of the Financial Regulation by the European Commission by indirect centralised management with Austrian Development Agency (ADA). The Commission will conclude a delegation agreement with ADA. ADA has been chosen for this project because it is the direct continuation of an ongoing PPF under IPA 2008, for which ADA is already responsible.

Projects n. 6 and 7 will be implemented in accordance with Article 53(d) of the Financial Regulation by the European Commission by joint management with the European Bank for Reconstruction and Development (EBRD) and the International Labour Organisation (ILO). To this end, the Commission will conclude contribution agreements with EBRD and the ILO. The joint management modus with EBRD has been chosen on the basis of the bank's broad experience in the transport sector in Albania and with view to pool different sources of finance in order to allow implementation of large infrastructure projects, which represent a priority for the beneficiary. This has to be seen also in the context of the European Commission's efforts to balance the impact of the financial crisis on the countries of the Western Balkans. ILO has been chosen to implement the human resource development project due to the long standing experience in the country and the ability to address the complex structure of the project.

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<sup>1</sup> OJ L 248, 16.9.2002, p.1.

<sup>2</sup> OJ L 357, 31.12.2002, p.1.

Project n. 8 will be implemented in accordance with Article 54(2) (c) of the Financial Regulation by the European Commission by indirect centralised management with the KfW and ADA. The Commission will conclude delegation agreements with KfW and ADA. The indirect centralised management modus with KfW has been chosen on the basis of the bank's broad experience in the water sector in Albania and with view to pool different sources of finance in order to allow implementation of large infrastructure projects. Previous annual programmes have already included projects in cooperation with KfW in the water sector, however, they were implemented through joint management together with the Council of Europe Development Bank (CEB). It has been seen as more adequate to choose this time a direct cooperation with KfW via indirect centralised management. This has to be seen also in the context of the EU's efforts to balance the impact of the financial crisis on the countries of the Western Balkans. Finally, as ADA has a proven track record of successful work with water management bodies in Albania, it has been chosen for the complementary technical assistant part of this project.

Article 53(d) of the Financial Regulation and the corresponding requirements of the Implementing Rules require that the Commission, before signing a contribution agreement with an international organisation, assesses the organisation's accounting, audit, control, and procurement procedures for conformity with the requirements of international accepted standards (the so-called 4-pillar assessment). In case of EBRD the assessment is ongoing. The authorising officer by sub-delegation (AOSD) will, based on the long-standing and problem free cooperation with these organisations, waive the requirement to have the assessment completed before the contribution agreement will be signed.

The ILO falls under the Financial and Administrative Framework Agreement ("FAFA"), which is a framework agreement signed in 2003 between the European Commission and the United Nations and which applies to all contributions of the European Commission to actions managed by the United Nations entities listed therein, and by those UN specialised agencies (amongst them ILO) which have subsequently acceded to it. The FAFA shall apply to all contribution agreements concluded by all the European Commission services.

#### **4.2. General rules for procurement and grant award procedures**

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Union for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the EuropeAid website<sup>3</sup> at the date of the initiation of the procurement or grant award procedure.

The general rules for procurement and grant award procedures shall be defined in the respective contribution agreements between the Commission and EBRD and ILO implementing such activities.

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<sup>3</sup> Current address: [http://ec.europa.eu/europeaid/work/procedures/implementation/works/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/works/index_en.htm)

In case of projects containing a works/supervision of works component, the International Federation of Consulting Engineers (FIDIC) conditions of contracts can be followed, if appropriate.

#### **4.3. Implementation Principles for Twinning Projects**

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as a resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

As regards the twinning contracts, the essential selection and award criteria for the selection of the proposals are laid down in the twinning manual<sup>4</sup>.

#### **4.4. Environmental Impact Assessment and Nature Conservation**

All investment shall be carried out in compliance with relevant EU environmental legislation.

The procedure for environmental impact assessment as set down in the Environment Impact Assessment Directive will fully apply to all investment projects and the application of the European Principles for the Environment will be ensured.

### **5. MONITORING AND EVALUATION**

#### **5.1. Monitoring**

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisations concerned.

#### **5.2. Evaluation**

Programmes shall be subject to ex ante evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

The results of ex ante and interim evaluation shall be taken into account in the programming and implementation cycle. The Commission may also carry out strategic evaluations.

### **6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES**

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the

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<sup>4</sup> [http://ec.europa.eu/enlargement/financial\\_assistance/institution\\_building/twinning\\_en.htm](http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm)

one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the EU Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>5</sup>.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

## **7. NON SUBSTANTIAL REALLOCATION OF FUNDS**

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

## **8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME**

Limited changes in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature<sup>6</sup>, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

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<sup>5</sup> OJ L 292, 15.11.1996, p. 2.

<sup>6</sup> These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.