



Brussels, 19.12.2019
C(2019) 9290 final

COMMISSION IMPLEMENTING DECISION

of 19.12.2019

**amending Commission Implementing Decision C(2018) 8221 of 05.12.2018 on the
Annual Action Programme for Albania for the year 2018**

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amending Commission Implementing Decision C(2018) 8221 of 05.12.2018 on the Annual Action Programme for Albania for the year 2018

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012¹, and in particular Article 110 thereof,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action² and in particular Article 2(3) thereof,

Whereas:

- (1) By its Decision C(2018) 8221 of 05.12.2018, the Commission adopted the Annual Action Programme for Albania for the year 2018, including several actions.
- (2) It is now necessary to modify Action 3 – ("*EU for Justice Reform*") with the intend to change the management mode from direct management to indirect management with a Member State organisation (entrusted entity)³.
- (3) It is also necessary to extend the duration of operational implementation and the execution periods of Action 4 ("*EU for a cleaner Environment – Support for Wastewater Treatment*").
- (4) Therefore, Decision C(2018) 8221 should be amended accordingly.
- (5) The measures provided for in this Decision do not fall into those for which the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance⁴ is required. The European Parliament and the Member States through the IPA II Committee shall be informed of this Decision within one month of its adoption.

¹ OJ L 193, 30.7.2018, p.1.

² OJ L 77, 15.03.2014, p. 95.

³ It is proposed to implement the third complementary assistance to the International Monitoring Operation (IMO) via a Contribution Agreement with a Member State organisation. This will allow for the retention of staff employed under the current grant contract with the Austrian Ministry of Justice, as well as guarantee continuity and optimal ownership of the IMO by EU Member States bodies.

⁴ OJ L 77, 15.03.2014, p. 11.

HAS DECIDED AS FOLLOWS:

Sole Article

Commission Implementing Decision C(2018) 8221 of 05.12.2018 on the Annual Action Programme for Albania for the year 2018 is amended as follows:

- the Annex is replaced by the Annex to this Decision.

Done at Brussels, 19.12.2019

For the Commission
Olivér VÁRHELYI
Member of the Commission

ANNEX

Annual Work Programme

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation (Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union)

TITLE OF THE ACTION PROGRAMME: ANNUAL ACTION PROGRAMME FOR ALBANIA FOR THE YEAR 2018

1 IDENTIFICATION

Beneficiary	Albania
Basic Act	Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)
CRIS/ABAC Commitment references	2018/040-211 objective 1
Total cost	EUR 65, 613,671
EU Contribution	EUR 64, 000,000
Budget line	22.02.01.01
CRIS/ABAC Commitment references	2018/040-215 objective 2
Total cost	EUR 86,800,000
EU Contribution	EUR 30,100,000
Budget line	22.02.01.02
Total cost of the programme	EUR 152,413,671
EU Contribution to the programme	EUR 94,100,000
Methods of Implementation	<p><i>Action 1: EU support for the participation in Union Programmes and Agencies:</i> Indirect management with Albania</p> <p><i>Action 2: EU for Rule of Law - Fighting organised crime and drugs</i> Direct management by the European Commission for activities: 1.4 Building national capacities for prevention and fight against crime and public order by establishing</p>

	<p>institutionalised training for the Albanian State Police, the Security Academy and other Law Enforcement (LE) agencies</p> <p>3.1 Support to the development and implementation of economically viable alternatives to cannabis cultivation and trade, with focus on young men and women</p> <p>3.2 Support to strengthening women’s and men’s access to quality health, social, educational services</p> <p>3.3 Capacity building support to municipalities on the organization and management of services</p> <p>,4.1 Support to the implementation of a comprehensive approach to data collection on drugs use and evidence-based decision and policymaking, using models and standards developed and promoted by European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)</p> <p>Indirect management by the entrusted entities listed below:</p> <p>EU Member State public body for Activities</p> <p>1.1 Capacity building for prosecutions management for effective investigation on organised crime</p> <p>1.2, Support for effective fight against organized crime with special investigative tools and forensic analysis</p> <p>1.3 Capacity building and mentoring for the proactive, intelligence led investigations, with all economic dimensions included such as financial investigations and confiscations</p> <p>Indirect management by the European Border and Coast Guard Agency (EBCGA)</p> <p>2.1 Capacity Building for effective management of green borders, blue borders and air borders.</p> <p><i>Action 3: EU for Justice Reform</i></p> <p>Indirect Management by the entrusted entity: Austrian Development Agency</p> <p><i>Action 4: EU for a cleaner Environment – Support for Wastewater Treatment</i></p> <p>Indirect Management by the entrusted entity: Kreditanstalt für Wiederaufbau (KfW)</p> <p><i>Action 5: EU for Economic Development - Tourism-led local economic development with focus on cultural heritage:</i></p> <p>Indirect Management by the entrusted entity: European Bank for Reconstruction and Development</p>
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	(EBRD)
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2019
Final date for contracting, including the conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement,
Indicative operational implementation period	9 years following the date of the conclusion of the Financing Agreement for Action 4
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	15 years following the conclusion of the Financing Agreement;

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

The Indicative Strategy Paper for Albania (2014-2020) states that pre-accession assistance for the period 2014-2020 will focus on Democracy and governance, rule of law and economic governance, competitiveness and growth.

Albania will benefit from the participation in a number of **Union Programmes**.

The IPA 2018 programme provides two actions in the sector **rule of law and fundamental rights**. Their objectives are to create an effective and efficient law enforcement system, which is able to produce a credible track-record in fighting organised crime and to support the creation of an accountable, independent and efficient justice system, aligned to EU legislation and best practice. The action '**EU for Rule of Law - Fighting organised crime and drugs**' will contribute to an effective and efficient law enforcement system to fight organised crime and drugs trafficking and will support socio economic development in affected communities. It aims at improving the capacity of the Albanian State Police and the General Prosecutor Office and relevant agencies tackling organised crime, including drug trafficking and cannabis cultivation, and at improving the capacity of the Ministry of Health and Social Protection and the Institute of Health to analyse drug use. It will support selected municipalities to deliver services and alternative livelihoods to communities vulnerable to cannabis cultivation and trafficking.

The action '**EU for Justice Reform**' aims to contribute to strengthening rule of law, law enforcement, and to reduce corruption in government agencies and the judiciary. It will contribute to the strengthening of independence, transparency, efficiency, accountability and public trust in the Albanian justice system in accordance with European standards, and will enhance the protection of human rights in the penitentiary system.

The action supports the implementation of the justice sector strategy, which aims to improve the institutional framework and the operational efficiency of the judicial system, to consolidate the legal education and to improve the specialisation of magistrates and court personnel. It further aims increasing the efficiency of the criminal justice system and of the anti-corruption measures; improving the functioning of the justice system by using modernised procedures, IT systems and electronic equipment, and tools for strengthening the international cooperation. It further aims enhancing the protection of human rights in the penitentiary system and improving the service quality of legal professions.

The action **EU for a cleaner environment** will provide support for wastewater treatment. The action is a follow-up on the IPA 2016 action on integrated water management and wastewater treatment services. It aims to enhance water quality and thus it will contribute to economic, social, environmental and territorial development, and will increase tourism attractiveness. The action follows the requirement of the indicative strategy paper to support economic, social and territorial development, and to strengthen the ability of the beneficiaries to fulfil the obligations stemming from Union membership by supporting progressive alignment with the Union acquis. The action also contributes to achieving the objectives of the National Strategy for Development and Integration related to Water for people.

Another indicative strategy paper priority is enhancing the competitiveness of Albania's economy. To this end, the 2018 Annual Action Programme will support local economic development. The action **EU for Economic Development - Tourism-led local economic development with focus on cultural heritage** aims at increasing the contribution of sustainable and responsible tourism to Albania's economic growth, thus regenerating local economic fabric and urban environment. The action will implement a tourism-led local economic development model focused on a cultural and /or on a natural heritage site.

- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

The EU has provided substantial support to Albania in the areas of **democracy and governance**, rule of law and fundamental rights, environment, competitiveness, nearly half of the national IPA II envelope has been allocated to support these sectors in line with the principles of IPA II focusing on fundamentals first. As stated in the Indicative Strategy Paper for Albania 2014-2020,⁵ the important lessons learned from IPA I (2007-2013) are: (a) capacity building and investments require a minimum level of human resources in terms of both skill and number; (b) the ownership for EU funded investments is jeopardised if they are not linked to the sector strategies and budgets of the relevant Ministries as well as the need for a careful assessment of the institutional due diligence.

For **rule of law** previous IPA assistance focused on key institutional reforms and capacity building of the various judiciary actors, primarily through assistance to the modernization of the justice system. A number of infrastructure projects have increased the capacity of the judicial and penitentiary system to comply with international standards. The evaluation of earlier support concluded that a series of assistance have a successful track records of achievements in the sectors however the impact is affected by systemic weaknesses, which would take significant effect once the justice reform removes existing structural obstacles which is supported by the action. There is a need for effective sector coordination structures for policies and project activities, appropriate human resources and financial capacity for maintenance and follow up.

For **competitiveness** the purpose of past EU funded projects was mainly to improve the working and living conditions of the inhabitants of the selected area, to revitalise the entire neighbourhood, and to diversify economic and enhance tourism activities around those historical places. The projects aimed at rehabilitating and renewing the existing infrastructure services and road to improve access to these areas. The new integrated approach includes linking tourism facilities, transport, environmental services, economic opportunities to cultural heritage management and preservation. Evaluations of IPA assistance 2007-2013 highlighted the need for better indicators and alignment to national priorities. This action is well in line with major strategy documents as tourism is recognized as priority sector and the tourism strategy is in preparation the absence of which resulted in fragmented, uncoordinated interventions.

For the **environment** sector previous support included various technical assistance, equipment and investments in order to align the country with the extensive and complex environmental and water EU regulatory framework and improve policy development.

⁵ Indicative Strategy Paper for Albania (2014-2020) p. 20

The assistance has included a series of infrastructure projects to build wastewater collection and treatment facilities along the Adriatic and Ionian coasts with the purpose of safeguarding coastal waters quality. Support to planning and operational performance will be tailor made to priority areas for investment, and will build upon the IPA 2016 activities and outputs, ensuring complementarity and no overlap. The evaluation of earlier interventions in the water sector confirmed that projects were well aligned with sectoral objectives in the relevant EU strategies (i.e. the indicative strategy paper 2014-2020), and had positive outcomes across the sector. Key issues identified to be taken into account in the sector were human resources capacity, water quality monitoring, implementation of EU Water Framework Directive river basin approach, strategic planning and programming of water infrastructure with robust investment prioritisation and project selection methodology, improved engineering and design review capacity during the project approval process.

List of Actions foreseen under the selected Sectors/Priorities:

Sector: Democracy and Governance

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
Action 1- EU Support for the participation in Union Programmes and Agencies	3,000,000	N.a.	N.a.
TOTAL	3,000,000	TOTAL	N.a.

Sector: Rule of Law and Fundamental Rights

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 2 EU for Rule of Law - Fighting organised crime and drugs	19,000,000
		Action 3- EU for Justice reform	42,000,000
TOTAL	N.a.	TOTAL	61,000,000

Sector: Environment and Climate Action

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 4 - EU for a cleaner Environment – Support for wastewater treatment	24,100,000
TOTAL	N.a.	TOTAL	24,100,000

Sector: Competitiveness and innovation

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 5 - EU for Economic Development -Tourism led local economic development with focus on cultural heritage	6,000,000
TOTAL	N.a.	TOTAL	6,000,000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance to Annual Action Programme for Albania for the year 2018 is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU⁶.

SECTOR	DEMOCRACY AND GOVERNANCE		EUR 3,000,000
Action 1	EU support for the participation in Union Programmes and Agencies	Indirect management with Albania	EUR 3,000,000

(1) Description of the action, objective, expected results and key performance indicators

- Description of the action and objectives

The objective of this action is to ensure the participation of Albania in Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in programmes such as Creative Europe, Employment and Social Innovation, Europe for Citizens, Fiscalis 2020, etc. The action will also support the participation of Albania as observer in the Agency for Fundamental Rights.

	Title of Union Programme	Institutions involved in the participation
1.	Customs 2020	Ministry of Finance and Economy;
2.	Fiscalis 2020	Ministry of Finance and Economy;
3.	Programme for Employment and Social Innovation (EaSI)	Ministry of Finance and Economy; Ministry of Health and Social Protection;
4.	Erasmus +	Ministry of Education and Sports;
5.	COSME	Ministry of Finance and Economy;
6.1	Creative Europe sub-programme Culture	Ministry of Culture;
6.2	Creative Europe sub-programme Media	Ministry of Culture;
7	Europe for citizens	Ministry of Culture; Ministry of Health and Social Protection;
8.	Horizon 2020	Ministry of Environment and Tourism; Ministry of Education and Sports; Ministry of Finance and Economy;
9	Justice	Ministry of Justice;
10	EU Fundamental Rights Agency	Ministry of Justice;

- Expected results and key performance indicators

The results expected from the implementation of activities are:

⁶ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

- 1) Enhanced participation of Albanian institutions in Union Programmes and Agencies, including increased exchanges with EU Member States,
- 2) Strengthened ownership and responsibility of Albanian institutions (including in financial terms, i.e. partial payment of entry tickets) for participation in Union Programmes and Agencies,
- 3) Enhanced capacities of the Ministry for Europe and Foreign Affairs and other Government institutions to co-ordinate participation in Union Programmes,
- 4) Enhanced capacities of Albanian beneficiary organisations to apply and successfully participate in Union Programmes.
- 5) Strengthened capacity of Albania to become a programme country under Erasmus+.

Key performance indicators include i) the number of Programmes for which an International Agreement has been concluded, ii) the number of applications overall; and (iii) the number of successful applications.

(2) Assumptions and conditions

The Albanian Government is expected to sign the participation agreement for each Union Programme/Agency in due time and allocate in the annual budget the necessary amounts to finance the annual cost of participation (entry ticket). The Albanian Government must not only provide the co-financing but also the funds necessary for the payment of the total entry ticket, prior to receiving the partial reimbursement from IPA II. Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.

(4) Scope of geographical eligibility for procurement and grants

N/A

SECTOR	RULE OF LAW AND FUNDAMENTAL RIGHTS	EUR 61,000,000	
Action 2	EU for Rule of Law - Fighting organised crime and drugs	Direct management	EUR 7,500,000
		Indirect management with the European Border and Coast Guard Agency (EBCGA)	EUR 6,000,000
		Indirect management with a EU Member State public body	EUR 5,500,000
		Total	EUR 19,000,000

(1) Description of the action, objective, expected results and key performance indicators

- Description of the action and objectives

The overall objective of this action is to contribute to an effective and efficient law enforcement system to fight organised crime and drugs trafficking and support socio economic development in affected communities.

The specific objectives are to i) improve the capacity of the Albanian State Police and the General Prosecutor Office and relevant agencies in tackling organised crime including drug trafficking and cannabis cultivation and ii) to improve the capacity of the Ministry of Health and Social Protection and the Institute of Public Health to analyse drug use. It will support selected municipalities to deliver services and alternative livelihoods to communities vulnerable to cannabis cultivation and trafficking.

- Expected results and key performance indicators

The expected results of the action are:

1. Improved capacity to conduct criminal and accompanied financial investigations for combating organised crime and drugs trafficking based on proactive and intelligence based investigative methods;
2. Improved capacity for border control focused to fight cross border organised crime and drugs trafficking;
3. Improved access to socio-economic rural development and employment opportunities, services and facilities in communities vulnerable to cannabis cultivation and trafficking;
4. Improved monitoring of drug statistics.

Key performance indicators:

- Number of investigations conducted with the use of I2 and other tools introduced for the proactive intelligence led investigations on organised crime and drugs trafficking
- Number of financial investigations supported
- Number of additional equipment available for detection of cross border organised crimes for border police;
- Number of border police trained in regional cooperation and methods for fight against cross border organised crimes;
- Number of individuals (disaggregated by male/female) benefitted from services;
- Number of Annual Drug Report published coherent with the guidelines of the European Monitoring Centre for Drugs and Drug Addiction;

(2) Assumptions and conditions

The assumptions for the action include i) political and economic stability of Albania and the region remains at the same level, ii) adequate implementation of regional cooperation and asylum and migration policies in the region is maintained, iii) relevant staff continues to work in the sector and regularly uses new IT tools, instruments, knowledge and skills in everyday operations, iv) effective cooperation and coordination between all relevant institutions in Albania.

The conditions of the action include that:

i) the sector working group including all relevant institution targeted by this support is established and operational, ii) the institutions benefitting from assistance ensure appropriate human resources and the allocation of budget for the implementation and follow up of the assistance including that the Ministry of Interior, Albanian State Police, General Prosecutors Office and other institutions of the sector have funds for the servicing and the maintenance of all EU funded investments reflected in the annual budget of the institutions, iv) targeted municipalities ensure the maintenance and operation of the community centres and cover delivery of assistance beyond completion of the Action. Failure to comply with these requirements may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3) (a) Indirect management with a Member State organisation and EU specialised agency for Activities 1.1, 1.2, 1.3 and 2.1

For Activities 1.1, 1.2, 1.3 the entity is not already identified. A part of this action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria:

The selection criteria are (i) mandate of the entity; (ii) experience and value addition of the entity in particular in the context of the European Union and in Albania; (iii) technical expertise, logistical and management capacities of potential entity, including at the local level; (iv) impact, results, leverage effect of cooperation with other entities/donors, also covering effectiveness of the entrusted tasks, included in Albania; (v) reduced transaction costs; vi) pillar assessment.

The implementation by this entity entails that the EU Member State public body shall be responsible for carrying out all the tasks relating to the implementation, including Budget Implementation Tasks. In particular, the entrusted entity shall be responsible for managing calls for tenders, call for proposals, contracting, implementation, managing payments, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

For Activity 2.1 the entrusted entity is identified. A part of this action may be implemented in indirect management with the selected pillar assessed entrusted entity European Border and Coast Guard Agency (EBCGA).

This implementation entails that the EBCGA shall be responsible for carrying out all the tasks relating to the implementation, including Budget Implementation Tasks. In particular, the entrusted entity shall be responsible for managing calls for tenders, call for proposals, contracting, implementation, managing payments, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management and for ensuring the legality and regularity of the expenditure incurred during the implementation of the programme.

The envisaged entity has been selected using the following criteria: (i) experience, and function of the entity as a specialised Agency of the European Union on border management issues, which is entrusted with applying and promoting the concept of Integrated Border management and EU common standards and practices in the field of

border management; (ii) unique knowledge, high level technical expertise, logistical & management capacities; (iii) comparative advantage due to synergies with other activities of the EBCGA in Albania; (iv) impact, results, leverage effects of cooperation with other entities/donors, also covering effectiveness of the delegation of tasks included in Albania; and (iv) reduced transaction costs by the delegate entity.

The selection of the EBCGA complies with Article 8 of the Framework Financial Regulation (Commission Delegated Regulation (EU) 1271/2013).

The EBCGA has also signed an agreement for operational cooperation with Albania that will enable European Border and Coast Guard Agency teams to be swiftly deployed on Albanian territory with executive powers.

If negotiations with EBCGA fail, this part of the action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria: (i) experience, and function of the entity specialised on border management issues in the European Union; (ii) high level technical expertise, logistical & management capacities; (iii) comparative advantage due to synergies with other activities, including in Albania; (iv) impact, results, leverage effects of cooperation with other entities/donors, including in Albania.

If selection of an entity or negotiations with the selected entrusted entity(ies) fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).]

(3)(b) Direct management by the EU Delegation for Activities 1.4, 3.1, 3.2, 3.3, 4.1

Procurement - Activities 3.3 and 4.1:

The global budgetary envelope reserved for procurement: EUR 2,000,000

Procurement - Activities 2.1

The global budgetary envelope reserved for procurement: EUR 6,000,000

Grants

Grant - Calls for proposal for Activities 3.1, 3.2

a) Purpose of the grant:

The objective related to the activities above-mentioned is to improve the capacity to deliver services and alternative livelihoods to communities vulnerable to cannabis cultivation and trafficking.

Foreseen results are improved access to socio-economic rural development opportunities and livelihood-ensuring services for communities vulnerable to cannabis cultivation and trafficking.

b) Types of applicants targeted:

In order to be eligible for a grant, the applicant must:

- be a legal person registered in Albania;
- be a competent local authority or public body in the fields related to this action and be directly responsible for the preparation and management of the action with partners, if any, not acting as an intermediary;

Grant – Twinning – Call for proposal for Activity 1.4

a) purpose of the Twinning: To improve the capacity of the Albanian State Police and particularly the Security Academy establishing institutionalised training in building their capacity in tackling organised crime including drug trafficking and cannabis cultivation. The results will include setting up of institutionalised training programs and development of e-learning platforms on selected subjects.

b) type of applicants targeted: applicants must be EU Member State administrations or mandated bodies.

The global budgetary envelope reserved for grants is EUR 5,500,000.

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply. The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	RULE OF LAW AND FUNDAMENTAL RIGHTS	EUR 42,000,000
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Action 3	EU for Justice Reform	Direct management	EUR 34,000,000 (budget support)
			EUR 2,000,000 (complementary action)
		Indirect management with a EU Member State public body	EUR 6,000,000 (complementary action)
		Total	EUR 42,000,000

(1) Description of the action, objective, expected results and key performance indicators

- Description of the action and objectives

The overall objective is to contribute to strengthening rule of law, law enforcement and reduce corruption in government agencies and the judiciary.

The specific objectives are i) to strengthen independence, transparency, efficiency, accountability and public trust in the Albanian justice system in accordance with European standards and ii) to enhance protection of human rights in the penitentiary system.

- Expected results and key performance indicators

The expected results are:

- Independent, efficient and accountable justice system institutions, providing for equal gender representation;
- Improved transparency and accessibility of the justice system;
- Consolidated legal education and training;
- Improved effectiveness of the criminal justice system;
- Improved infrastructure and functionality of the electronic justice management system;
- Improving the functioning of the Ministry of Justice;
- Increased access to justice through improved service quality of legal professions and arbitration;
- Reintegration and rehabilitation measures for detainees according to European standards;

Key performance indicators:

- Judiciary performance index on clearance rate;
- Number of backlog of pending cases at High Court;
- Share of prison over-population in relation to the available facilities;
- Percentage of sentenced persons in alternative sentencing compared to total sentenced persons;
- Number of institutions newly set as part of the justice reform package which are operational;
- Ratio of complaints against judges and prosecutors processed versus complaints filed;
- Percentage of initiated disciplinary proceedings against judges or prosecutors that result in sanctions;
- Number of backlog in annual performance of judges;
- Number of curricula implemented by the School of Magistrates
- Number of on-line courses for School of Magistrates;
- Ratio of eligible person receiving primary/secondary legal aid services;
- Percentage of the use of noncustodial means in case of conviction verdicts;
- Percentage of criminal verdicts for offenses punishable by up to 5 years, which include alternative sanctions;
- Number of studies, analysis, statistics conducted in the area of judiciary;

- Number of cases resolved via alternative dispute resolution;
- Number of persons with limited freedom included in reintegration activities;
- Percentage of tranches disbursed;
- Number of technical, strategic and high level policy dialogues carried out for the implementation of the Justice strategy,

(2) Assumptions and conditions

It is assumed that the Albanian Authorities (Government of Albania, Parliament and Institutions of the Judiciary) will secure their full commitment to work towards the achievements of the programmes objectives, as well as to guarantee their sustainability. The Ministry of Justice as lead institution for coordination of the stakeholders for the implementation of the Strategy will operate a coordination structure for regular monitoring of the strategy implementation as well as any update required.

It is also assumed that adequate allocation of funds will be secured in the national budget annually and the medium term budget programme for the implementation of the Action plan for the Strategy and in particular for the operation of the new and existing legal institutions as well as the School of Magistrates.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Justice Sector Reform Strategy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Public Financial Management Reform Strategy;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

The specific conditions for disbursement that may be used for variable tranches on disbursement arrangements are outlined in Annex 1A include:

- Number of new Judicial institutions established and operational;
- Percentage of complaints against judges and prosecutors processed;
- Improved quality of performance of the School of Magistrates;
- Capacity level for legal education by the School of Magistrates;
- Backlog of cases at the High Court;
- Percentage of use of alternative non-custodial means of conviction.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3)(a) Direct management through Budget Support

a) Eligibility for budget support

Public Policy

Following the analytical work of the Ad-hoc Parliamentary Committee, the Cross-Sector Justice Strategy and its Action Plan were approved in November 2016.

The Strategy targets the main shortcomings and challenges as defined in the Analytical Document prepared by the Ad-hoc Parliamentary Committee on Justice Reform. The shortcomings are related to the insufficient separation of powers between the executive and the judiciary; appointment criteria and procedures for the members of the Constitutional Court, High Court, and General Prosecutor; the status of the judges and prosecutors; the process of disciplinary proceedings for judges and prosecutors; the weak administrative capacities in the justice sector; the insufficient budget allocation for court infrastructure and judges' salaries; the entry-level and continuous education for judges and prosecutors; high level of corruption in the judiciary and the breaches of human rights in the penitentiary system as the result of overcrowding and lack of proper detention centres for juveniles and mentally ill detainees.

The Justice Sector Strategy is linked to national policy priorities as laid down in various strategic and policy documents. It addresses the objectives of the National Strategy for Development and Integration with regard to Justice which aims to “build a country based on the rule of law, guarantee human rights and fundamental freedoms, with a system of open and equal justice that ensures justice for all” as well as the objectives of the Albanian National Plan for European Integration 2017-2020 “to establish an independent, accountable and efficient justice system in Albania which is able to deliver justice in a fair and transparent manner, as well as to implement legislation approximated in line with the EU *acquis*”.

It also addresses the shortcomings highlighted in the European Commission Progress Reports on Albania 2018 with regard to the creation of the new independent judicial institutions, pursuing a sector approach to the justice reform under the cross-cutting strategy for 2017-2020 and ensures adequate governance, monitoring and reporting mechanisms through well-developed indicators coupled with adequate financial support for its implementation. It links with the Anti-corruption Strategy 2015–2020 in the framework of the "Repressive approach" which includes: Improved efficiency and effectiveness of criminal investigations against corruption; Improving cooperation among law enforcement agencies in the criminal prosecution and punishment of corruption; Improving the legal framework for the prosecution of economic and financial crimes; Improving international legal and police cooperation in the fight against economic and financial crime.

The Strategy takes into account of the Mid Term Strategy of Albanian Prosecution 2015-2017, which focuses on increasing the effectiveness of investigations, strengthening professional and technical investigative capacities, and strengthening the inter-institutional cooperation, etc.

It also links with the Public Administration Reform Strategy for the purpose of strengthening legal drafting capacities of the codification department and other departments in the Ministry of Justice (Objective 2 of the Public Administration Reform (PAR) Strategy: *Transparent and all-inclusive system of drafting laws, which is based on the policies and, which ensures alignment with the *acquis**). There are also a number of other links with the PAR Strategy concerning the reform of the civil service.

The employees of the Ministry of Justice and its subordinated institutions, including notably the penitentiary system, are mainly civil servants. The following objectives of the PAR Strategy contribute directly to improving the performance of civil servants in

these institutions. Improvement of the capacity of the Ministry of Justice and the Codification department will support the alignment of sectoral legislation with the Code of Administrative Procedures (CAP) and ensure proper implementation of CAP across the public administration. The Strategy is also linked with the Inter-Sectoral Strategy for Decentralization and Local Governance 2014-2020 which, *inter alia*, will have a direct impact on the reorganisation of the judicial map and consequently on the access to justice for citizens.

The Strategy moreover includes the needs identified by all concerned institutions. Gender and minority issues as well as access to justice for vulnerable groups are implicitly covered in some of the actions, but still need to be further highlighted. The National Strategy on Gender Equality (2016-2020) recently adopted by the Government of Albania, has a strategic goal on reduction of gender-based violence and domestic violence and a functioning national mechanism on gender equality. With regard to relevance, the justice reform strategy targets eight goals underpinned by a number of actions addressing the key challenges of the sector:

- Strengthening the independence, efficiency and accountability of the justice system institutions
- Consolidation of legal education and training as well as specialisation of magistrates and court personnel
- Improvement of the operation of the judicial system by strengthening its efficiency, transparency and accessibility in accordance with European standards
- Increasing the efficiency of criminal justice system and anti-corruption measures through the consolidation of the mission, status and functions of criminal justice institutions
- Improving the functioning of the justice system by providing modern electronic systems procedures and facilities for development of strong international cooperation
- Enhancement of the protection of human rights in penitentiary system
- Improving the functioning of the Ministry of Justice and its subordinate institutions
- Improving the service quality of legal professions and establishing a legal framework for arbitration

The Justice Sector Reform includes an Action Plan 2017-2021 covering all pillars. Indicators, baselines and targets of indicators have been defined. The Action Plan is adjusted on annual basis in order to adapt it to the progress of the implementation measures and update it in accordance to the medium-term budget planning. In the first monitoring report the institutions have reported the need to review the Strategy and its Action Plan 2017-2021 in order to better adjust it to the needs of the institutions due to some delays with the establishment of the new justice system institutions, changing circumstances and institutional responsibility with impact on the implementation of activities, update on cost estimates and adequate budget allocations, change of management among the stakeholders involved in the implementation of some actions.

For measures in the Action Plan which are not yet financially covered, the responsible institutions shall plan the budgetary needs through their respective budget programmes as part of the medium term budget program and the annual budget process. In addition, the Council of Ministers in cooperation with the donors' community shall identify financial support options. With regards to credibility, a political agreement was reached in November 2014 to shift the responsibility of designing and approving justice reform from the Ministry of Justice to the Parliament. The latter, assured greater participation from all the political parties thus guaranteeing political endorsement of the justice reform and avoiding labelling of the justice reform as being carried out exclusively from the government, i.e. the executive branch of power.

The Strategy has been consulted with civil society and the general public and has been developed and adopted by a sector working group which encompassed all stakeholders in the justice sector. The drafting has taken into account assessments and consultations with all stakeholders at operational level, including with civil society, in October 2015 and September 2016, thus allowing adequate time for feedback. The Ad Hoc Parliamentary Committee collaborated closely with a core of ten civil society organisations which are active in the justice area by regularly inviting them to the consultation table.⁷ Other civil society organisation also played an active role by sending written comments to the Ad Hoc Committee. The feedback is reflected in the final strategy. In May 2018, the Albanian Assembly established the Independent Commission for Coordination, Monitoring and Following the Implementation of Law no. 115/2016 "On the governance bodies of the justice system. This Commission will monitor the election and appointment of members of the justice system governance bodies; will coordinate the implementation of the Law no. 115/2016 by the respective institutions; will report to the Assembly on the progress of its implementation; and will record cases of failure of responsible institutions to implement the law. It can therefore be concluded that the design of the strategy was an inclusive process that incorporated the relevant state and non-state actors.

The same level of participation and inclusiveness is guaranteed for the implementation and monitoring of the implementation of the Strategy and its Action Plan. An Institutional Mechanism assisted by a Technical Secretariat, under the leadership of the Ministry of Justice is set up for this task.

Annual progress/monitoring reports on implementation of the Action Plan for 2017 has been published on the website of the Ministry of Justice⁸. According to the first report, out of 201 sub-activities foreseen in the Action Plan of the Strategy 59 or 29% of the total activities are implemented, 35 or 18% are ongoing and for the remaining 107 or 53% the implementation has not yet started. Most of the activities that have not yet started implementation (65 sub-activities) fall under the scope of responsibility of new institutions of the justice system that are not established yet. With regards to track record, the seven key pieces of legislation which are crucial for the successful implementation of the Strategy have been adopted and the first monitoring report shows that the justice reform advances.

The sustainability of the intervention depends on political, financial and structural factors. The comprehensive and thorough justice reform as approved with the amendments to the Constitution is the result of political negotiations and agreement between all political parties, with significant support of the international community. The implementation of the on-going justice reform has already achieved good progress. The re-evaluation of all judges and prosecutors (vetting process) has started and is delivering first results. This process has cross-party support, is carried out by an independent authority, is subject to international monitoring and its compatibility with the European Convention on Human Rights has been confirmed by the Venice Commission. Under the aegis of the European Commission, an International Monitoring Operation has been deployed to oversee the process throughout its implementation.⁹ A

⁷ <http://www.reformanedrejttesi.al/rrejteti-i-organizatave-jofitimprur%C3%ABse>

⁸ <http://www.drejtesia.gov.al/al/prioritete/strategjia-ndersektoriale/plani-i-veprimit-te-strategjise-ndersektoriale-te-drejtises>

⁹ http://europa.eu/rapid/press-release_MEMO-18-3403_en.htm

Council for Legislation, composed as a bipartisan structure with equal representation from the majority and opposition, is set up in Parliament to give its opinion on the draft laws as requested by other Committees of the Parliament. The Council for Legislation is working to address interventions needed in some of the key laws of the justice reform following their review by the Constitutional Court. Political sustainability of the reform is thus generally secured, but full political will and ownership still needs to be secured from all political parties.

Sustainability of the reform also depends on the existence of qualified human resources. The vetting process is contributing to the clean-up of the justice sector from corrupted elements. New legislation provides for merit-based recruitment procedures for staffing and the soon to be established institutions. The reform also encompasses a significant increase of training initiatives directed at existing and new staff extending to continuous training, mainly under the auspices of the School of Magistrates, coupled with technical assistance by international experts. The capacity building measures contained in the Strategy will thus provide on the medium term the responsible institutions with sufficient capacity to implement the agreed plans well enough to achieve the objectives.

The Strategy and its detailed Action Plan is costed with an estimate of EUR 98.4 million out of which EUR 59 million will be covered by budget funds. Budget provisions for the financial impact of the reform's core legislation have been made, but medium term effects of the justice reform on other aspects such as for example the pension system has not been accounted for, and no additional revenue measures have been planned to date. On the other hand, possible savings, which may result from measures against corruption and efficiency gains resulting from automation, should be taken into account in the medium term. The timing and costing of the Action Plan will be reviewed on annual basis to adapt it to the progress of implementation and update it in accordance the medium-term budget planning and vice versa. On the basis of the assessment carried out, the Justice Sector Strategy 2017-2021 is considered relevant and credible.

Macroeconomic policy

As noted in the EC 2018 annual report Albania improved macroeconomic stability during 2017 and is moderately prepared in developing a functioning market economy. Economic growth increased to 3.9% enjoying one of the fastest economic growth rates in the region reducing the public deficit to 2% in 2017 with inflation in check at 2%. Unemployment decreased but is still high in particular for young people. Progress was made in improving macroeconomic stability, growth prospects improved with the public finance management reform moving forward. This evolution is confirmed in the World Bank's 2017 Public Expenditure and Financial Accountability (PEFA) report showing that about half of the PEFA indicators have improved. However, significant challenges remain and Albania should continue fiscal consolidation to meet the medium-term target for public debt reduction and create more room for manoeuvre for fiscal policy and fortify the budget management framework. Reforms crucial to improving the business environment progressed but require further efforts. The comprehensive judicial reform advanced but needs to be fully implemented. The new bankruptcy law entered into force and will strengthen the insolvency regime. The level of unemployment and informal employment remains high. In line with the Economic Reform Programme (ERP) recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to: i) sustaining fiscal consolidation and strengthening the budget management framework; ii) tackling the high level of non-performing loans; iii)

improving the business environment by enforcing the new bankruptcy law; and (iv) reduce the informal economy, including undeclared work

The implementation of a three-year financing arrangement with the International Monetary Fund (IMF) for strengthened macroeconomic stability and growth-boosting reforms were successfully concluded in March 2017. In March 2018 the IMF concluded the first post-program monitoring mission with focus on vulnerabilities and risks. IMF recommends Albania to continue efforts to reinforce its growth and the resilience of its economy by efforts to lower the public debt and borrowing needs, reform property tax and reduce tax exemptions, make public financial management more efficient and modernize the tax administration, resolve the overhang of overdue bank debt that impedes lending and press ahead with the recently launched, EU-supported justice reform initiative and related structural reforms to address governance concerns and an inefficient justice system.

The European Commission assessment of Albania's Economic Reform Programme (ERP) 2018-2020 confirms that the macroeconomic framework presented in the ERP of January 2018 is coherent, consistent and sufficiently comprehensive and provides an adequate basis for policy evaluation and discussions. After revenue underperformance in 2015, improvements in revenue forecasting in the past two years suggest that the government has better procedures in place for macroeconomic assumptions, and the evaluation of new policies. Tax revenue has increased considerably from 22% of GDP in 2013 to 26% in 2017 with overall revenue reaching 28% of GDP. It is apparent that progress in PFM areas is satisfactorily with several reforms progressing and continuing to be implemented¹⁰. The ERP commits Albania to an ambitious fiscal consolidation path to tackle vulnerabilities stemming from high public debt at 71.2 percent of GDP at end-2017 and potential external shocks. *Overall the eligibility requirement that there is a credible and relevant stability-oriented macroeconomic policy is met.*

Public financial management

The Government completed the third year of the implementation of the **PFM Strategy for 2014-2020 and a related Action Plan**, whose goal is to improve the fiscal framework, budget process, enforcement of rules and procedures and prudent management of public funds, as well as to strengthen transparency and accountability mechanisms. The latest PFM annual monitoring report for 2017 published in March 2018 noted that of the 14 *general* PFM indicators in place eight were met (57%), five not met, and one without data available. Regarding overall *specific* performance indicators covering the six pillars of the PFM reform programme, 19 out of 36 indicators were met (53%), seven not met and seven partially met while data was unavailable for three of the indicators.

Of 73 actions/activities remaining for 2015-2020 18 were completed during 2017, 54 in progress and one to be started this year and one abandoned. This is a progression compared to 2016 and shows a degree of momentum.

The need for improvements in transparency and comprehensiveness of budget reporting and scrutiny is mentioned in particular by OECD's Support for Improvement in Governance and Management (SIGMA). However, a comparison between countries in the region shows that Albania scored higher than other countries for the medium-term budget planning and budget process indicators. The IMF recommends that Albania pursues faster fiscal consolidation to create policy buffers given the high level of public

¹⁰ 2017 Monitoring Report on Public Finance Management Reform, Ministry of Finance, March 2018

debt (70 percent of GDP at end-2017, including local and central government arrears of 2.2 percent of GDP). Reforms in the next period will focus on: improving budget planning and management; strengthening internal control standards across government; preventing arrears, at central and local government level; following-up internal and external audit recommendations; improving investment planning and management; improving the public procurement review and compliance with procurement rules; granting online access to the treasury for more institutions; and analysing the fiscal risks of state-owned enterprises. *Overall, the eligibility requirement that there is a credible and relevant programme to improve public finance management was assessed as met in 2017.*

Budget transparency and oversight of the budget

Information regarding Albania's budget transparency as well as oversight mechanisms is generally available. The minimum requirement of 2017 budget publication is met by the publication of the budget on the MoF website¹¹. The Government published a Citizen's budget for 2017 budget.¹² The first time and the requirement for publication of additional information have been incorporated in the organic budget law. The Government published the 2016 and 2017 Budget at Glance documents for the Parliament in Albanian and English. The Government for the first time published a comprehensive public investment list attached to the medium term budget 2016- 2018.¹³ Albania's Open Budget Index score is 50 in the Open Budget Survey (OBS) 2017. This marks a significant improvement from 2015 when the score was 38. Albania publishes seven of eight budget documents in a timely manner the Mid-Year budget reporting being the missing one¹⁴. Public participation in the budget process only scored 2 out of 100 in the OBS 2017.

The IMF Fiscal Transparency Code assessment¹⁵, published in January 2016, noted that some 10 of the Code's 36 principles are rated as either "good" or "advanced," and 14 principles rated as "basic". However, in eight areas the basic requirements of the Code are not met.

The Government publishes information on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these income. In December 2016 the Extractive Industries Transparency Initiative (EITI) published Albania's beneficiary roadmap which notes how Albania intends to disclose the beneficial owners of the companies active in the extractives sector. The aim is to promote transparency in order to prevent corruption, and raise awareness among citizens to demand from their Government proper use of the fiscal and non-fiscal income generated from the exploration and exploitation of natural resources in Albania. In June 2017 the EITI assessed Albania and found it has made satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled. Overall, the eligibility requirement for budget transparency is met.

b) Objectives

¹¹ <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-ne-vite/buxheti-2016>

¹² <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-i-qtetarit-2016>

¹³ http://www.ekonomia.gov.al/files/userfiles/Investimet_PBA_2016-2018.pdf

¹⁴ <http://www.financa.gov.al/al/raportime/buxheti/buxheti-ne-vite/buxheti-2017>

¹⁵ <http://www.imf.org/external/np/sec/pr/2016/pr1611.htm>

The overall objective of this Sector Reform Contract is to contribute to strengthening rule of law, law enforcement and reduce corruption in government agencies and the judiciary.

The specific objectives are i) to strengthen independence, transparency, efficiency, accountability and public trust in the Albanian justice system in accordance with European standards and ii) to enhance protection of human rights in the penitentiary system,

c) Expected results

The expected results are:

- Independent, efficient and accountable justice system institutions, providing for equal gender representation;
- Improved transparency and accessibility of the justice system;
- Consolidated legal education and training;
- Improved effectiveness of the criminal justice system;
- Improved infrastructure and functionality of the electronic justice management system;
- Improving the functioning of the Ministry of Justice;
- Increased access to justice through improved service quality of legal professions and arbitration;
- Reintegration and rehabilitation measures for detainees according to European standards;

d) Main budget support activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support.

The detailed activities are:

- Engagement in policy dialogue around conditions and government reform priorities, the verification of conditions, targets and the payment of budget support;
- Transfer of EUR 34 million to the beneficiary country over the fiscal years 2019, 2020, 2021 and 2022 with disbursements of fixed and variable tranches;
- Continued support to reinforce Government's institutional capacities to implement the Justice sector reform, including new institutions and mandates resulting from changes to the legislative framework;
- Enhancing donor coordination through capacity building for the Justice sector by technical assistance;
- Creating the monitoring and evaluation systems for tracking implementation of the Justice Sector Reform Strategy through capacity building;
- Regular monitoring of budget support eligibility criteria.

e) Complementary actions

Direct management (project approach) - procurement

The objectives of the first complementary action in direct management mode is to strengthen the capacities of the Ministry of Justice and the institutions of the justice sector to operate an effective mechanism for the coordination, management, monitoring and reporting on the implementation of the Justice Sector strategy.

The expected result of the complementary technical assistance support is that capacities to coordinate and implement the Justice Sector Strategy are enhanced through training and coaching of relevant staff of the Ministry of Justice and other institutions of the justice sector.

Key performance indicators of the complementary technical assistance shall include i) number of person days of training provided or facilitated, ii) number of monitoring meetings facilitated, iii) number of policy dialogue events with state stakeholders, donors, civil society organisations (CSOs), etc. facilitated, iv) number of communication and awareness raising activities as part of the communication plan for enhancing public awareness on the justice reforms implemented, iv) number of surveys on court users' and court personnel's satisfaction carried out¹⁶.

The objective of the second complementary action in direct management mode is to support the monitoring of the budget support implementation and enhance policy dialogue for the implementation. This second complementary action will provide input in the form of analysis, data/information compilation, fact-finding missions and preparation of documentation to assess the implementation and support policy dialogue, including early warnings and risks analysis.

The expected results are that i) policy dialogue on the implementation of the reform through input from independent assessment enhanced. ii) payment requests are complete and submitted in line with the indicative payment schedule. The key performance indicator relates to the number of policy dialogues facilitated by the assessment and the payment requests completed.

The global budgetary envelope reserved for procurement: EUR 2,000,000

Indirect management with a Member State organisation

The objective of this third complementary action is to contribute to the re-evaluation of judges and prosecutors.

This action may be implemented in indirect management with the Austrian Development Agency (ADA). This implementation entails providing support to the independent monitoring operation. The expected result is that the re-evaluation of judges and prosecutors is enhanced by the independent monitoring operation. The key performance indicator will measure the number of cases for the re-evaluation of judges and prosecutors having been monitored.

The envisaged entity has been selected using the following criteria: (i) solid experience and expertise worldwide in the sector of good governance, human rights and migration

¹⁶ In accordance with the CEPEJ adopted report and survey model accompanied by a methodology guide prepared by Jean-Pail Jean and Hélène Jorry

(one of the 7 sectors ADA is engaged in), ii) strong management and financial capacity (including commitment of substantial co-financing for this project), iii) strong expertise in management of big contracts including EU-funded contracts, iv) strong experience in human right-based approach and policy dialogue, v) long experience in Albania (where ADA has been present since 27 years), vi) strong experience in Albania in the general sector of government affairs and civil society, vii) capacity to generate strong potential impact, results, leverage effect of cooperation with other entities/donors/implementing partners including EU member States and (viii) reduced transaction costs level.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified above (project approach).

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	ENVIRONMENT, CLIMATE ACTION AND ENERGY		EUR 24,100,000
Action 4	EU for a cleaner Environment – Support for Wastewater Treatment	Indirect management with KfW	EUR 24,100,000

(1) Description of the action, objective, expected results and key performance indicators

- Description of the action and objectives

This action is designed to provide support for the water sector with a view to wastewater treatment in Albania. The overall objective of this action is to contribute to economic, social, environmental and territorial development, as well as tourism attractiveness. The intermediate objective is to enhance the water quality and the population sanitary conditions in Albania.

The specific objectives are i) to enhance sustainability of municipal utilities, with improved planning and operation management and ii) to increase access to waste water collection with centralised treatment systems, monitored in accordance with EU directives.

- Expected results and key performance indicators

The expected results are i) strengthened management of the wastewater infrastructure at the municipal level applying affordable and combined water supply and sewerage cost recovery tariff systems ii) improved sewerage networks and performance of wastewater treatment plants.

Key performance indicators:

- Coverage in % of operation costs (direct operating costs collection) in Water Supply and Sewerage utilities;
- Total population effectively connected to operational wastewater collection with centralised treatment systems (urban /rural), monitored in accordance with EU directives.

(2) Assumptions and conditions

It is assumed that i) National Sector Program adopted, Integrated Water Resource Management Strategy; Water and Sewage Sector (WSS) Strategy enforced, ii) involvement and commitment of the stakeholders is maintained, as well as inter-ministerial coordination related to water sector is effective, iii) the responsibility between the Agency for Water Resources Management ,the Ministry of Energy and Infrastructure, the Ministry of Agriculture and Rural Development with regards to waste water is clarified, iv) continued engagement to support the implementation of integrated water management and the development of WSS infrastructure, v) municipal administration and Utilities' management has appropriate staff capacities vi) beneficiary population and municipal government pay for water and wastewater services in line with the polluter pays principle, vii) sufficient capacities are in place in direct beneficiary institutions including qualified financial management staff is in Utilities and the National Agency for Water Supply, Sewerage capacity in planning and programming at the central level is established and functional, viii) decree on urban wastewater treatment is adopted and implemented , strategically relevant single project pipeline priority projects available and approved for financing, ix) approved feasibility studies and designs are available, x) land ownership, planning and utility agreements in place and permits for construction are granted, xi) waste water treatment plants operation and maintenance staff is appointed/available.

The implementation of the action requires as conditionality the completion of the selection methodology and its thorough and transparent application for the approval of municipalities / utilities. The selection is based on the priority list of investments of the national Masterplan. They have already undergone a prioritisation, which was approved by all relevant stakeholders in the sector. In addition, specific criteria and “performance filters” will be applied. Ten priority utilities have been pre-selected on the basis of two fact finding missions commissioned by KfW and according to the selection methodology and the maturity of projects (including Berat-Kucova, Elbasan, Fier, Gjirokastra, Lezha, Lushnja, Saranda, Shkodra, Kamza and Vlora) the final project locations and scope will be established based on the on-going feasibility studies.

The transparent selection mechanism and key selection criteria shall be further elaborated in close cooperation with the relevant Albanian institutions as well as in close

consultations with funding institutions (KfW, SECO¹⁷, EU) for the preparation of the programme.

Key criteria for selecting additional beneficiary municipalities from a list of potential beneficiary municipalities extracted from the National WSS Master Plan priority list of projects will cover multiple aspects and will be specified in the Delegation Agreement. Key aspects to be taken in account may include:

- Location in coastal clusters of municipalities¹⁸ (engine of economic development);
- Complementing / upgrading past municipal EU or other donors WSS investment which are partially ineffective due to incompleteness of systems;
- Vulnerability / state of environmental situation / public health in particular municipality/ town and capacity to impact positively on water quality in Adriatic and Ionian coastal waters;
- Minimum acceptable tariff collection efficiency and Direct Operation Cost (DOC) coverage;
- Acceptable affordability of tariff including for vulnerable groups / poorer population;
- Contribution to utility model of excellence (performance oriented; internalisation of territorial reform / utilities aggregation, municipal drive / ownership);
- Where appropriate, a positive transboundary impact of investments.

The documentation of the selected municipalities/ utilities shall provide evidence on (i) the level of treatment and treatment processes / technology to be deployed to balance affordability of investment and sustainable operation with the need to advance at least cost the requirements of the Urban Wastewater Treatment Directive, (ii) the expected abatement of water pollution discharged into water bodies and (iii) the anticipated improvement of water quality, (iii) the calculation of the resulting CAPEX financing gap to underpin the justification of the grant funding amount, and the repartition of grant funding from funding sources (EU, SECO, KfW, others).

Failure to comply with these requirements may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

(3)(a) Indirect management with an EU Member State organisation

The action may be implemented in indirect management with the Kreditanstalt für Wiederaufbau (KfW).

This implementation modality has been selected to increase donors' coordination and aid effectiveness and benefit from donors' comparative advantage and expertise developed in the sector in municipal infrastructure and performance-based approaches in Albania. Moreover it allows to increase leverage of funding through blending of loan and grant for investment financing, which will foster infrastructure development and adding further value to EU funding effectiveness.

¹⁷ SECO: State Secretariat for Economic Affairs of Switzerland

¹⁸ including areas such as Velipoja, Lezha/Shengjin, Durres, Kavaja, Vlora, Ksamil and Saranda, Orikum, but also Divjaka, Spille, and Ionian sea Riviera from Dhermi to Saranda.

The selection criteria were (i) international mandate of the potential d entity; (ii) presence and experience of the potential entity in the water sector, in particular in Albania (including the volumes of assistance in the sector and projected assistance in the near future); (iii) technical expertise, logistical & management capacities of potential delegatee entity, including at the local level; (iv) impact, results, leverage effect of cooperation with other entities/donors, also covering effectiveness of the delegation of tasks, including in Albania; (v) added value of actions in the water sector under implementation by the potential entity or planned in the near future, and synergies envisaged or proposed with the IPA 2018 program; and (vi) reduced transaction costs level by the potential entity.

The implementation by the entity entails carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

If negotiations with KfW fail, this part of the action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria: i) presence and experience of the potential delegatee entity in the water sector, including in Albania (ii) technical expertise, logistical & management capacities of potential delegatee entity; (iii) impact, results, leverage effect of cooperation with other entities/donors, including in Albania;,(iv) added value of actions in the water sector under implementation by the potential delegatee entity or planned in the near future, and synergies envisaged or proposed.

If selection of an entity or negotiations with the selected entrusted entity(ies) fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).]

(3)(b) Direct management by the EU Delegation

Procurement

The global budgetary envelope reserved for procurement: EUR 24,100,000

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult

SECTOR	COMPETITIVENESS, INNOVATION, AGRICULTURE AND RURAL	EUR 6,000,000
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	DEVELOPMENT		
Action 5	EU for Economic Development - Tourism led local economic development with focus on cultural heritage	Indirect management with EBRD	EUR 6,000,000

(1) Description of the action, objective, expected results and key performance indicators

- Description of the action and objectives

In line with the Indicative Strategy Paper objective, this action is designed to support the economic, social and territorial development of the country. The action will contribute to achieving the National Strategy for Development and Integration objective to support a recognised and attractive tourism industry.

The overall objective of the action is to enhance the contribution of high quality and sustainable tourism to economic growth and competitiveness of Albanian regions.

The specific objective of the action is to enhance and preserve the attractiveness of cultural heritage assets in one target site.

- Expected results and key performance indicators

The expected results include i) preserved and restored cultural heritage in the target site; ii) improved accessibility and enhanced sustainability of cultural heritage; iii) skills on preservation, restoration and management of experts of relevant cultural heritage are improved.

Key performance indicators:

- number of tourists visiting cultural heritage/natural assets in target destinations per year.

(2) Assumptions and conditions

The implementation of the action requires that the National Tourism Strategy and the Culture Strategy are adopted. Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

The assumptions for the action are that: i) the results/objectives of the National Adaptation to Climate Change Strategy on dealing with climate change vulnerability are taken into consideration ii) an Inter-ministerial Steering Committee will be established with the involvement of key stakeholders and the Ministry of Culture will serve as Technical secretariat, iii) the mobilisation of key stakeholders in the target territories, including local authorities, civil society and private sector, is effective iv) cultural heritage assets restored by the IPA II interventions, continue to be maintained and

preserved by the beneficiaries.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

(3) (a) Indirect management with an international organisation

This action may be implemented in indirect management with European Bank for Reconstruction and Development (EBRD).

This implementation modality has been selected to increase donors' coordination and aid effectiveness and benefit from comparative advantage and expertise developed in the sector. The beneficiary needs hands-on support from a peer institutional partner with relevant project management experience in the sector. Furthermore, EBRD possesses: a) mandate of promoting entrepreneurship and economic development potentials b) specific expertise in support to small and medium sized enterprises, competitiveness and enabling business environment which is targeted in the context of a cultural heritage site c) long term presence in the country to improve infrastructures and to support advisory services to small and medium sized enterprises (SMEs); d) and has a Country Strategy approved in 2016.

In comparison with other entities, the added value of collaboration with EBRD would be: a) access to Western Balkans Investment Fund for technical assistance and feasibility studies needed for this or other similar investments, b) access to competence for competitiveness and investments linked to tourism and cultural heritage, d) efficiency gains due to coordination and capacity deployed for IPA 2017 implementation e) better uptake of other IPA programmes and products and linkages to competitiveness, small business support, energy efficiency, environment.

The selection criteria were (i) international mandate of the entity; (ii) presence and experience of the entity in the tourism and local development sector (to be developed in the context of cultural heritage) and particular in Albania (including the volumes of assistance in the sector and projected assistance in the near future); (iii) technical expertise, logistical & management capacities of the entity, including at the local level; (iv) impact, results, leverage effect of cooperation with other actions (coordination with IPA 2017 programme) as well as entities/donors, also covering effectiveness of the delegation of tasks, included in Albania; (v) added value of actions in the sector under implementation by the entity or planned in the near future; and (vi) reduced transaction costs level by the entity.

The implementation by the EBRD entails carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

If negotiations with EBRD fail, this part of the action may be implemented in indirect management with an entity which will be selected by the Commission services using the

following criteria: i) presence and experience of the entity in the tourism and local development sector, including in Albania; (ii) technical expertise, logistical & management capacities of the entity; (iii) impact, results, leverage effect of cooperation with other actions as well as entities/donors, included in Albania; (iv) added value of actions in the sector by the entity or planned in the near future.

If selection of an entity or negotiations with the selected entrusted entity(ies) fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).

(3)(b) Direct management by the EU Delegation

Procurement

The global budgetary envelope reserved for procurement: EUR 6,000,000.

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR ALBANIA FOR 2018

		Indirect management		Direct management	Total EU contribution (EUR)	IPA-II beneficiary or other third party contribution (EUR)	Total (EUR)
		with IPA-II beneficiary	with entrusted entity				
		EU contribution (EUR)	EU contribution (EUR)	EU contribution (EUR)			
Objective 1 2018/040 211	01: Democracy and Governance	3,000,000	0	0	3,000,000	1,263,671	4,263,671
	Action 1 EU Support for the participation in Union Programmes and Agencies	3,000,000	0	0	0	1,263,671	4,263,671
	02: Rule of law and fundamental rights	0	11,500,000	49,500,000	61,000,000	350,000	61,350,000
	Action 2 EU for Rule of Law - Fighting organised crime and drugs	0	11,500,000	7,500,000	19,000,000	350,000	19,350,000
	Action 3 EU for Justice Reform	0	6,000,000	36,000,000	42,000,000	0	42,000,000
Objective 2 2018/040 215	03: Environment and Climate Action	0	24,100,000	0	24,100,000	56,700,000	80,800,000
	Action 4 EU for a cleaner environment - Support for Wastewater Treatment	0	24,100,000	0	24,100,000	56,700,000	80,800,000
	06: Competitiveness and innovation	0	6,000,000	0	6,000,000	0	6,000,000
	Action 5 EU for Economic Development - Tourism led local economic development with focus on cultural heritage	0	6,000,000	0	6,000,000	0	6,000,000
TOTAL		3,000,000	47,600,000	43,500,000	94,100,000	58,313,671	152,413,671

4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

5 EVALUATION

Having regard to the nature of the action, a mid-term, final and ex-post evaluations will not be carried out for this action or its components.