IPA National Programme 2010 for Albania

Project Fiche 8: Improvement of Drinking Water Supply and Sewerage Systems

1. Basic information

1.1 **CRIS Number:** 2010/022-530

1.2 **Title:** Support to Drinking Water Supply and Sewerage System (Sector)

1.3 **ELARG Statistical code:** 03.27

1.4 **Location:** Albania

1.5 **Contracting Authority:**

The European Union represented by the European Commission on behalf of the beneficiary country.

1.6 **Implementing Agency:**

Delegation of the European Union to Albania, Kreditanstalt für Wiederaufbau (KfW) and Austrian Development Agency (ADA).

1.7 **Beneficiary:**

Ministry of Public Works and Transport, General Directorate of Water Supply and Sewerage, Rr. Sami Frasheri, no 4, Tirana, Albania;

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Financing:

1.8 **Overall cost (VAT excluded)[1]:** EUR 46 000 000

1.9 **EU contribution:**

Total investment under IPA 2010 is at a value of EUR 26 000 000 of which EUR 2 000 000 for the Technical Assistance and EUR 24 000 000 for the construction of the water supply and the sewerage systems in selected municipalities/commune (Velipoje, Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca) including supervision services.

Subject to availability of budget funds from the German Government, KfW intends to provide a loan of up to EUR 20 000 000 to co-finance investments and provide related services to selected municipalities (Lushnje, Berat/Kuçove, Fier, Saranda and Elbasan).

[1] The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

The above loan will represent the national contribution which will be 43.67 % of the overall cost.

1.10 **Final date for contracting:** Two years following the date of the conclusion of the Financing Agreement

1.11 **Final date for execution of contracts:** Four years following the end date of contracting for works contracts and related supervision services because of the complexity of the works contracts and 12 months of defects liability periods.

1.12 **Final date for disbursements:** One year following the end date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

Improved living conditions for the population of Albania by sustainable water supply and improved sewage disposal situation.

2.2 Project purpose

The purpose of this project is:

- Improvement of water sector management/efficiency of water services providing at central and local levels.
- Improved living conditions for the population in selected municipalities (Velipoje, Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca) by sustainable water supply and improved sewage disposal situation.

2.3 Link with AP/NPAA/EP/SAA

Article 108 of the Albanian Stabilisation and Association Agreement, which was signed on 12 June 2006 and entered into force on 1 April 2009, states *"the Parties shall develop and strengthen their cooperation in combating environmental degradation with the view of promoting environmental stability"*.

The Albanian National Action Plan, for the Implementation of the Stabilisation and Association Agreement foresees mid-terms activities providing a full rehabilitation of the water supplies and sewage network and to extend these services into poor areas.

This project is in line with the short-term priority foreseen in the European Partnership[2] Document, approved in November 2007, and assures "*the further development and implementation of the national water and sanitation strategy and the rural strategy for water supply and sewerage and develop and start implementing a strategy for progressive approximation to the acquis in the area of water supply and sanitation"*.

Directive 2000/60/EC establishing a framework for Community action in the field of water policy, 23 October 2000. The Water Framework Directive establishes a legal framework to protect and restore clean water across Europe and ensure its long-term, sustainable use. It establishes water management based on river basins and water management, including the principle of the user pays.

Main EU directives, governing the issue of the assignment are.

[2] The European Partnership Document for Albania adopted by Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54EC.

- Directive 91/271/EEC of Council of 21 May 1991 concerning urban wastewater treatment;
- Council Directive 96/61/EC of 24 September 1996 concerning integrated pollution prevention and control;
- Decision 2001/2455/EC of the European Parliament and of the Council of 20th November 2001 establishing the list of priority substances in the field of water policy;
- 2003/334/EC Commission Decision of 13 May 2003 on transitional measures under Regulation (EC) n° 1774/2002 of the European Parliament and of the Council as regards the material collected when treating waste water (notified under document number C(2003) 1467);
- Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programs relating to the environment and amending with regard to public participation and access to justice Council;
- Directives 85/337/EEC and 96/61/EC - Statement by the Commission;
- Directive 2004/35/CE of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage;
- Directive 2006/7/EC of the European Parliament and of the Council of 15 February 2006 concerning the management of bathing water quality and repealing Directive 76/160/EEC.

2.4 Link with MIPD

This project is part of the European Standards priorities, in Section 2 of the MIPD for the period 2009 – 2011, "Multi-annual planning by component", which foresees support in the Environment sector "*Strengthen administrative capacity; support the implementation of the environmental legislation in line with the acquis; address environmental hot spots; improve water and sanitation infrastructure in municipalities on a large scale as a possible."*

The MIDP 2009-2011, puts also emphasis on supporting structural reform, in particular in the area of regional development of the water sector.

2.5 Link with National Development Plan

The need to implement the identified projects is based on the requirements and plans defined in the following country's major documents:

- Water Supply and Sewerage Code;
- National Strategy for Social and Economic Development;
- National Environmental Strategy;
- National Strategy of Water Supply and Sanitation for Albania;
- Policy Paper for the Water Sector of the Albanian Government;
- Action Plan for Development of the Water and Sanitation 2007-2010;
- Reform on Water Supply and Sewerage Sector after the Transfer Process of Water Supply and Sewerage Companies to Local Government Authorities (Two years Plan, 2007-2009).

More specifically, the Government of Albania has established water sector policies that are aimed at improving the reliability and sustainability of water supply and sewerage services. These include the following specific policies:

- Decentralisation of Authority for Public Services to Local Government;

- Decision on the Transformation of Water and sewage companies into Commercial Companies;
- Liberalisation of Tariff Setting to Encourage Financial Sustainability on Commercial Terms;
- Enabling Legislation for Public Private Partnership.

The National Strategy for Development and Integration states that the water supply and sanitation sector will be developed according to European Union standards, to improve living conditions, conserve the environment, and develop the economy in a sustainable manner.

2.6 Link with national/ sector investment plans

The selected components of project are in line with the priorities of the Public Investment Programme and part of the Mid Term Budget prepared by Ministry of Public Works and Transport for 2009-2011.

Furthermore, the following documents address the priority needs in the water supply and sewerage sector:

- National strategy of water supply and sanitation;
- The reform on water supply and sewerage sector after the Transfer Process of Water Supply and Sewerage Companies to Local Governments Authorities-Two Years Plan;
- The policy paper for the water sector of the Albanian Government;
- The future master plan for priority investments in the water supply and sewerage sector of the Government of Albania.

For more details on ongoing investments in water sector please refer to Annex IV.

3. Description of project

3.1 Background and justification

The present project fiche will regard interventions in the water sector at two levels:

- institutional level (support to bodies involved in water management)
- construction of sewerage and water supply infrastructure

Albania has abundant water resources and a precipitation between 1,300 mm in south and 2,000 mm in north. There are some 200 major abstraction points, mainly for urban but also for industrial purposes. Due to insufficient maintenance during its period of political isolation most of the water and sanitation utilities have reached the end of their technical lifetime and should have been written off. In the beginning of this century it became apparent that the entire sector required reform. The Government of Albania in 2003 developed a strategy for the sector and since then has directed a substantial amount of investments towards upgrading the sector. An important milestone in the institutional development of the sector was reached in December 2007 when the ownership of the water and sewerage companies was transferred from the Central to the Local governments. This resulted in the creation of 58 companies, ten out of which do serve two third of the population. It soon became evident that to achieve efficiency in the sector merging of many of these companies is deemed necessary and for that reason a policy for regionalisation is being under preparation which will lead to a substantial reduction of the number of companies.

The majority of the population (78 %) is connected to a water supply system, relatively more in urban (88 %) than in rural areas (56 %). The daily water production is approximately 332 l/capita/day. A serious problem is the high “Unaccounted for water” which is more than

60 % and the highest in Europe. This is caused by the large technical losses due to the outdated water supply infrastructure, a large waste of water due to the large number of flat-rate connections, a large number of illegal connections, and the use of water for the purpose of crop production, public parks, cleaning of towns, etc. An indication of the poor administrative capacity of the Water and Sewage companies is the low billing efficiency (70 %) for domestic users and their low labour efficiency which expressed as volume of water sold/employee is 13,300 m^3, the lowest recorded in Europe.

The setting of the prices for water for domestic use is much based on social and political motives as it is the lowest in Europe and still for a very large part (55 %) subsidised. These prices also show large differences between the municipalities ranging from EUR 0.14 (LEK 20)/m^3 to EUR 0.443 (LEK 60)/m^3. In the meantime the general price for non-domestic water use like for public institutions and private firms is higher and differs less between the municipalities than is the case for domestic connections. The connection of many customers is not metered; they are paying a flat monthly rate, which is based on the assumed daily consumption per capita of 150 l/c/day.

Almost half of the population (47 %) is connected to the sewerage system but only the waste water of a very few (0.02 %) is treated in a waste water treatment plant. As a result surface and ground waters are highly contaminated by direct discharge of polluted urban and industrial wastewaters into surface watercourses. The construction of sewerages networks has been neglected. Municipalities combine sewerage and storm water collection networks to discharge into nearby surface watercourses. Sewers often under-dimensioned, are clogged in many parts causing wastewater to leak and to contaminate drinking water. The lack of wastewater treatments plants also causes contamination of the water body. This has lead to losses of biodiversity and a negative impact on the ecosystems.

Water Sector Management

The main institutions in the water and sanitation sector are at **central level**:

- The Ministry of Environment, Forestry and Water Administration deals with water administration, including permits for effluent discharges, maintenance of water quality, and water monitoring through contracts with scientific institutes. In line with EU water framework directives this ministry is also responsible for the policy development and strengthening of the river basin authorities;
- The Ministry of Health is responsible for setting drinking water standards and monitoring the qualities of drinking water and bathing water;
- The Ministry of Public Works and Transport is in charge of preparation and implementation of objectives and economical policy's of the Government of Albania for development of Public Works and Transport in all components (infrastructure, equipment, operation etc), in national and international scale; Preparation of development policy's for Public Works, road transport, railway, sea, water, air and follow-up of the implementation of this policies in the depending body's;
- The General Directorate of Water Sewerage is the only state body specializing in the field of drinking water supply, sewage sanitation and surface (rain) water and their treatment (water infrastructure). It technically supports the policies of the Ministry of Public Works and Transport in this field in accordance with Government legislation and policies spelled out in sectoral strategies.

For more details about the structure and responsibilities of the Ministry of Public Works and Transport and General Directorate of Water Supply and Sewerage, please refer to Annex III.

Water services management at **local level**:

- Municipalities and Communes - they are owners and are responsible for the water and sanitation infrastructure;
- The 58 water supply and sanitation companies that manage water supply, sanitation, waste water collection, drainage and flood protection;
- Four River basin authorities manage the main river basins.

Amongst representatives of the government both at central and local level, water supply and sanitation companies' management and the donor community is commonly acknowledged that there is much room for improvement of these institutions.

Current situation in institutions at central level:

At the General Directorate of Water Supply and Sewerage, capacity, especially in the economic and financial aspects of water sector project implementation, monitoring and evaluation is limited; the capacity to initiate and supervise a reduction of "unaccounted for" is weak; a policy to increase billing efficiency is missing. The General Directorate of Water Supply and Sewerage has little knowledge on modern waste water treatment technologies; lacks clear job description, job performance criteria, and job promotion policy.

The Directorate of European Integration of the Ministry of Public Works and Transport which will be in charge of the project programming and implementation is limited staffed and consists of a director, an economic and technical specialist, and support/administrative staff.

Presently in Albania little experience exists in sanitation especially in waste water treatment techniques. At present Technical Assistance for the Ministry of Environment is estimating investments needed for the approximation of EU legislation. The effect of this is linked to other institutions, at central level it is the General Directorate of Water Supply and Sewerage that will play an important role in the assessment, planning and supervision of these investments

Current situation in water and sanitation companies at local level:

The water supply and sanitation companies are poorly housed and their staffs are not sufficiently prepared to undertake and implement the policies of the government because they lack the knowledge and skills to improve the technical and administrative/financial operation and performance of the companies.

Beside the outdated infrastructure most of the water and sewage companies do not have adequate structure to technically and economically operate the systems. Water and sewage companies have weak structures and the know-how in all levels is very limited. Billing systems are very often not established, water meters are rare, the large "un-accounted for" water is a severe problem. Consumers are not prepared to pay for the poor services, low income for the water company result in outstanding salaries for the staff which lead again to poor performance and further problems.

The General Directorate of Water Supply and Sewerage, with support of World Bank has conducted a study on regionalisation of the water supply and sewerage utilities in Albania. The study contains recommendations to the time when regionalisation (grouping of utilities according to appropriate regional setting/basins) may be considered as an option toward improving the effectiveness of these services. Regionalisation of companies means a substantial reduction of the number of companies and efficiency gains as a result of economies of scale in accordance with free market principles. Where reasonable, aggregation of water and sewage companies or close cooperation between them should be aimed to best possible use the available human resources in Albania and economics of scale.

The European Commission has over the years financed several infrastructure projects within the water sector. It is now envisaged not only to continue funding the infrastructure development, but also to introduce institutional strengthening and capacity building in the water management sector in Albania. It means to improve the whole project management cycle in the sector of water management including:

- Water management policy making and planning process at central and local levels;
- Project preparation and implementation;
- Operation and maintenance of the investments;
- Operation and an information, monitoring and evaluation system.

Therefore IPA 2010 intervention in the water sector will be structured in two components: water sector management and infrastructure works.

A global approach has been set up with all donors active in the water sector. The European Union Delegation agreed with interested donors, notably Austrian Development Agency and German Agency for Technical Cooperation, to address the IPA 2010 assistance in support to capacity development in the Water and Sanitation Sector at central and local level. IPA 2010 technical assistance will be closely coordinated with the activities funded by German Agency for Technical Cooperation and Austrian Development Agency. German Agency for Technical Cooperation assistance is envisaged more at central level, mean while Austrian Development Agency assistance will focus at local level.

The close coordination is ongoing also with the activities of World Bank planned assistance in the water sector which is envisaged to be focused on the water sources management in Albania.

The General Directorate of Water Supply and Sewerage has identified 17 Water and Sanitation Companies as beneficiaries of IPA 2010 assistance at the local level. The water supply and sanitation companies are located in Shkoder, Lezhe, Diber, Mat, Kukes, Durres, Tirane, Elbasan, Pogradec, Korce, Kavaje, Lushnje, Berat, Fier, Vlore, Gjirokaster and Sarande. The above water supply and sanitation companies were selected based on the following selection criteria: (1) being an urban area at the level of Qark, Region, (2) current human and material recourses capacities, such as offices, etc, and (3) rehabilitated water supply systems. The final choice of Water and Sanitation Companies will be decided during project inception phase, based on the same criteria and taking into consideration other donors' assistance in the sector.

Regarding infrastructure, the present project will carry out works in the following municipalities/communes Velipoje, Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca.

For more details on Water Supply and Sewerage systems in selected municipalities/commune please refer to Annex V.

It has to be noted that the works foreseen in Velipoje regard the continuation and completion of the construction of the sewerage system and waste water treatment plant already started under IPA 2007, which funds allocated were not enough to complete the entire network and the waste water treatment plant.

Construction of other Water Supply and Sewerage systems in Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca will be implemented through indirect centralised management with KfW. Exact amount of investments will be determined per each municipality following completion of in-depth feasibility studies at present carried out by KfW.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The project will have a positive impact on the development and regionalisation of water sector management. It will contribute to a better and sustainable use of water and the water bodies in accordance with EU regulations. This will be achieved by training officials at central and local level and improvement of their management, operation and maintenance skills.

Moreover the Technical Assistance of the project will introduce and strengthen the principle of Project Cycle Management at central and at water enterprise level. Such a Project Cycle Management system will through performance indicators focus on effectiveness and efficiency in the supply of clean water and the disposal and treatment of waste water. Moreover, linking of individual water supply and sanitation companies to a central level database will stimulate and enable an open dialogue between the various stakeholders in the water sector, more precisely put in place the role and function of each. The impact and catalytic effect of that dialogue might be that in terms of economics of scale a merge of different water enterprises into a smaller number will be made better understood. Such a smaller number can be better managed; make more efficient use of resources, lead to lower losses and a fairer price for water.

Another important impact the project will have is improving the capability at local and central level to raise awareness amongst the population of good use of the water resources. Furthermore, the population will understand that a reliable water supply in terms of quality and quantity requires financial contributions from the user and the polluter.

Regarding a cross border impact, Velipoje is situated at North – West of Albania close to Montenegro boarder. Completing of the construction the sewerage and wastewater treatment plant in Velipoje, will reduce the pollution at River Buna and also will mitigate the pollution of the coastal line at the boarder with Montenegro.

3.3 Results and measurable indicators

Water Management

Results	**Measurable Indicators**
Transparency on the willingness and ability to pay for water amongst the population	- Percentages of urban households able and willing to pay - Percentages of rural households able and willing to pay for a range of different water fees
Increased institutional ability at central and local level to improve the water and sanitation sector	- Number of water supply and sanitation companies that have prepared a 5 year business plans - Number of water and sanitation infrastructure investments - Number of General Directorate of Water Supply and Sewerage and water supply and sanitation companies staff trained in leak detection - Reduction in “unaccounted for” water
Project Cycle Management at local level introduced	- Number of water supply and sanitation companies management and supervisory boards that are trained in Project Cycle Management - Number of water supply and sanitation companies with transparent budgeting, monthly monitoring and evaluation information - Number of water supply and sanitation companies with staff trained in modern accountancy

	- Percentage in billing efficiency - Number of water supply and sanitation companies with Project Cycle Management systems installed and running
National interactive web linked monitoring system installed and running	- Number of water supply and sanitation companies that are linked to this monitoring system.
Staffing accreditation system installed	- Number of staff at central and local level that are trained in accreditation - Number of water supply and sanitation companies that have adapted the accreditation system.
Improved capability to raise awareness on good water use and the need for sanitation amongst the population	- Number of water supply and sanitation companies staff people trained in client awareness raising activities - Number of awareness campaigns carried out at central and local level - Percentage of population expressing a will to pay more for water

Infrastructure Development of Water Supply and Sewerage Systems

Results	**Measurable Indicators**
Improved water supply and sanitation services in selected municipalities and communes	- Length of constructed water supply network - Percentage of population provided with water from public water supply network - Percentage of "unaccounted for water" - Percentage of metered connections - Length of constructed sewerage network - Percentage of population connected to the sewerage system network - Amount of waste water collected and treated - Water pollution in receiving water bodies - Number of daily hours of water supply -

3.4 Activities

<u>Activity 1:</u> Technical Assistance to the Water Supply and Sanitation Sector

The Technical Assistance will address those areas and subjects where the largest needs are identified for a further strengthening of the sector.

<u>Contract 1.1:</u> Delegation agreement

The technical assistance will be implemented through indirect central management and one Delegation Agreement will be signed with Austrian Development Agency.

<u>Sub-Activity 1.1.:</u> Capacity Building – Central Level

- Management capacity building

The Technical Assistance will assist the government in supervisory management skills of representatives of the General Directorate of Water Supply and Sewerage and the MoF in directing and controlling the investments in the water and sanitation infrastructure. Training

will be provided in the preparation of legislations, directives and standards for management and operation of water supply and sewerage systems and controlling of environmental pollution through discharge of used water. It is foreseen to train around 10 specialists in this field.

- Support in improvement of planning and implementation of investments

The Technical Assistance will organise training in how to analyse and take into consideration the economic and financial consequences and strengthen capacities of staff in project design, tendering and implementation of contracts according to best international standards and procedures during the planning and evaluation of investments in the water and sanitation sector. The trainings will be organised by a long-term EU expert for key staff from central institutions like Ministry of Public Works and Transport, Ministry of Finance and the Water regulatory board.

- Staff certification

Assistance will be provided in the development of a transparent staff certification system for the water sector. The Technical Assistance will organise trainings for human resource officers from the Ministry in the aspects and use of such system. The input of a short-term EU certification expert is foreseen.

- Support to improve leak detection supervising

The Technical Assistance will provide assistance to General Directorate of Water Supply and Sewerage staff to develop skills on developing training and modules for the water supply and sanitation companies' staff in leak detection. To implement a lead detection campaign at national level, the General Directorate of Water Supply and Sewerage staff will be trained on leak detection supervision.

- Support to improve knowledge on sanitation

Support will be provided in the further improvement of knowledge on sanitation. Assistance will be provided to General Directorate of Water Supply and Sewerage in assessing the investment requirements needed in the framework of the approximation of the EU. The short term inputs of an EU water and sanitation economist and a EU sanitation expert are foreseen. In addition the Technical Assistance component will provide the possibility to expose key specialists of General Directorate of Water Supply and Sewerage and Ministry of Public Works and Transport to international examples of excellence in sanitation and waste water treatment in the form of study tour in other EU countries. It is foreseen that 10 employees from General Directorate of Water Supply and Sewerage and 10 from Ministry of Public Works and Transport to take part in this training.

- Support to increase knowledge about ability and willingness to pay for water services

Technical Assistance will assist the Ministry of Public Works and Transport in undertaking a survey to assess amongst urban and rural people their ability and willingness to pay for water.

- Support to improve data flow in water sector

The Technical Assistance will assist the General Directorate of Water Supply and Sewerage in the further development of their computerised bench mark system into a water supply and sanitation company interactive web-linked monitoring and evaluation system. This is a development in line with the 2007 decision of the Government to decentralise the ownership and responsibility of the sector management as the water supply and sanitation companies will be enabled to put the performance of their specific company against the overall performance of the sector. This tool will allow management to set up and monitor clear guidelines that will lead to improvements in the sector and eventually link them as guiding principles to their financial support to the municipalities and water supply and sanitation companies. An additional benefit

will be that at central level performance in the water sector can be assessed in a river basin manner which is an important requirement in the EC water framework directives.

- Support to improvement of public awareness

Assistance will be provided in the introduction and development of how to raise the awareness of the public as part of the functions of government in water sector development. The Technical Assistance will assist the Ministry of Public Works and Transport and particular the General Directorate of Water Supply and Sewerage in setting up an awareness campaign and to support at local level the public relation staff of a water supply and sanitation company in adjusting and implementing such a campaign in a format that matches with local conditions.

Sub-Activity 1.2: Capacity Building - Local level

- Management capacity building

The Technical Assistance will assist the municipalities in the development and upgrading of the management skills of the water supply and sanitation companies management and the members of the supervisory counsels. Trainings will be provided in water supply and sanitation companies' management aspects like, the interpretation and use of Project Cycle Management, the need and identification of public awareness raising activities, human resource management. It is foreseen that 1 employee from each water supply and sanitation company and 1 member from each Water Regulatory Board of water supply and sanitation company to be part of this training, in total 34 persons.

- Support in improvement of planning and implementation of investments

Technical Assistance will organise training in how to analyse and take into consideration the economic and financial consequences to strengthen capacities of water supply and sanitation companies' staff in project design, tendering and implementation of contracts according to best international standards and procedures during the planning and evaluation of investments in the water and sanitation sector.

- Support to improve administrative and technical skills

At water supply and sanitation companies level Technical Assistance will be provided in upgrading the administrative skills of the financial and technical staff. They will be trained in the use of the Project Cycle Management software, the principles of modern accounting, in ways and methods that lead to improvement in billing efficiency. International training expert together with a local certified accountant trainer will develop and provide trainings in these subjects. It is foreseen that 1 employee from each water supply and sanitation company to be part of this training, in total 17 employees.

- Support to improve monitoring and evaluation capacity of technical and financial performance of the company

Technical Assistance will assist the management of the water supply and sanitation companies selected in putting up and installation of a Project Cycle Management system at their companies. The two long term Technical Assistance experts will assist the company and the local software developer in the identification of the system requirements.

- Staff certification

The Technical Assistance will organise trainings for human resource officers from water supply and sanitation companies in the aspects and use of the transparent staff certification system that will be developed at the central level. The input of a ST EU certification expert is foreseen.

- Support to improve capacity to reduce leakage

The Technical Assistance will provide assistance to water supply and sanitation companies' staff to improve their capacity to undertake actions to detect and reduce physical leaks in the network. It is foreseen that 17 employees from water supply and sanitation companies will take part in this training.

- Support to improve knowledge on sanitation

While at central level Technical Assistance is proposed to assist General Directorate of Water Supply and Sewerage in assessing the investment requirements needed in the framework of EU approximation, at the local level Technical Assistance is proposed to assist water supply and sanitation companies management to include the financial consequences of such investments into their own budget planning. The short term input of EU water and sanitation economist and an EU sanitation expert is foreseen. In addition the Technical Assistance component will provide the possibility to expose key-specialists of the water supply and sanitation companies to international examples of excellence in sanitation and waste water treatment in the form of study tour in other EU countries. It is foreseen that 17 employees from water supply and sanitation companies to take part in this training.

Activity 2: Construction of Sewerage System and Waste Water Treatment Plant in Velipoja, Phase II

Contract 2.1: Works Contract

The works contract will be implemented through centralised management system and the Implementing Agency will be the European Union Delegation to Albania.

Phase I of the works is financed via IPA 2007 National programme for Albania. There will be one works tender launched for IPA 2007 and 2010 financing in the 2nd Quarter 2010 following the derogation granted by DG ELARG on 01 March 2010. The contract for IPA 2010 budget will be signed after the signature of the Financing Agreement IPA 2010.

The sewerage system and waste water treatment plant will be constructed in the central part of coastal area of Velipoja. Due to the fact that it is not reasonable to construct only a sewerage network without a waste water treatment plant and visa versa the above mentioned implementation modality was decided and the works for both IPA 2007 and IPA 2010 will commence at the same date after signature of the Financing Agreement IPA 2010 to ensure the infrastructure to be constructed are fully operational after works contract is finished.

Activity 3: Construction of Water Supply and Sewerage Systems in selected municipalities (Lushnje, Berat/Kucove, Fier, Saranda, Elbasan, and Korca)

Contract 3.1: Delegation Agreement

This activity will be implemented through indirect centralised management system and a Delegation Agreement will be signed with KfW. KfW will co-finance the project preparation phase – feasibility studies, detailed design and tender dossier - as well as the execution of works and supervision. The preparatory phase will include also economic-financial analyses and environmental impact assessment. Besides financing investments in the municipalities mentioned above, up to EUR 250,000 will be earmarked for institutional support of the utility in Lezha. The institutional support measures complement the investments funded under KfW's Municipal Infrastructure Programme I, which is also co-financed out of IPF-MW 2008 funds at the locations Gjirokaster and Fier.

3.5 Conditionality and sequencing

- The Ministry and the General Directorate and water supply and sanitation companies are properly staffed and trained staff maintained within the Ministry and water supply and sanitation companies for the period of at least three years;

- The Albania Government and the Beneficiary will assure adequate financial and human resources in order to allow proper maintenance and functioning of the facility/equipment provided in the context of the present project;

- Treatment of waste water is a long-term goal in all major Albanian municipalities. However, given the limited financial and technical capacities of most utilities as well as the substantial investment needs in water supply and sewage collection, it is advisable to first improve the performance of the water supply systems and thereby the financial situation of the utilities before investing in waste water treatment. IPA 2010 investments will, however, include improvement and extension of sewage collection (wherever appropriate) which is a precondition for future investments in waste water treatment plants. Municipalities benefiting from the present action shall identify appropriate locations in order to allow planning of future wastewater treatment plants. Locations have to be identified and fenced to avoid illegal building. Ownership of the concerned locations has to be proved.

- Activities planned by Austrian Development Agency should be implemented in time;

- The budget of the KfW should be made available in time;

- KfW (for drinking water supply and/or sanitation facilities for the city's of Elbasan, Lushnje, Fier, Saranda, Korca and Berat/Kuçova) should procure and prepare within 2011 or latest beginning of 2012 year the feasibility studies, detailed designs and tender documentations including financial – economic analyses and environmental impact assessment report;

- The investments, after finishing the works, should be taken over by the Beneficiary and the operation and maintenance should be secured;

- An important and crucial conditionality for introducing Project Cycle Management at water supply and sanitation companies' level is the full support and compliance of central and local political leaders in decisions that are required to make the water supply and sanitation companies more efficient and effective;

- A certification procedure for water supply and sanitation companies' staff needs to be accepted and applied at water supply and sanitation companies' level and eventually supported by central government;

- Construction permits and environmental permits shall be established before the signature of works contracts.

3.6 Linked activities

- The Master Plan on Water Sector financed by KfW is expected to be finished at the end of 2011. During the preparatory discussions with KfW and the Ministry of Public Works and Transport the municipalities shortlisted in this Project Fiche have been considered as priority for the future investments plan;
- The preparation of the feasibility studies, for Elbasan, Berat/Kucove, Fier, Saranda and Lushnje to be funded by KfW;

- Technical Assistance to Support Capacity Development in the Water and Sanitation Sector in Albania is planned to be also funded by Austrian Development Agency and German Agency for Technical Cooperation;
- Technical assistance funded by WB to support capacity development within the field of water resource management in Albania which is currently at the preparatory phase.
- Construction works in Lezha are financed under a separate KfW-Programme, therefore only institutional strengthening measures of up to EUR 250,000 have been earmarked out of IPA 2010.

3.7 Lessons learned

- Due to fragmentation in previous investments in municipalities it happened that after completion the impact of investment on services did not meet expectations. That is why, to avoid fragmentation, adequate funds need to be allocated for the full construction of the infrastructures;
- It has happened before that, local authorities refused taking ownership of the investments. For that reason all stake-holders have to be involved from the early stage of the preparation of feasibility studies and project designs and also during the implementation;
- Delays during construction often resulted in additional cost for consultancy services (supervision). This can be avoided by allocating a certain percentage of the budget for unforeseen situations.

1. Indicative Budget (amounts in EUR)

				SOURCES OF FUNDING								
			TOTAL EXP.RE	IPA EU CONTRIBUTION		NATIONAL/IFI CONTRIBUTION					PRIVATE CONTRIBUTI	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total (EUR) (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	Loan from KfW EUR (z)	EUR (d)	% (2)
Activity 1			**2 000 000**	**2 000 000**		**0**		**0**	**0**	**0**		
Contract 1.1 (One Delegation Agreement with Austrian Development Agency (ADA)) Technical Assistance to the Water Supply and Sanitation Sector	x		2 000 000	2 000 000	100%	0	0%	0	0	0		
Activity 2			**4 000 000**	**4 000 000**		**0**		**0**	**0**	**0**		
Contract 2.1 (Works Contract) Construction of Sewerage System, Velipoje II		x	4 000 000	4 000 000	100%	0	0%	0	0	0		
Activity 3			**40 000 000**	**20 000 000**		**20 000 000**		**0**	**0**	**20 000 000**		
Contract 3.1: (Delegation Agreement with KfW) Construction of Water Supply and Sewerage Systems in Selected Municipalities (Feasibility studies, detailed design, works execution)		x	40 000 000	20 000 000	50%	20 000 000	50%	0	0	20 000 000		
TOTAL IB			2 000 000	2 000 000	100%	0	0%	0	0	0		
TOTAL INV			44 000 000	24 000 000	54.55%	20 000 000	45.45%	0	0	20 000 000		
TOTAL PROJECT			**46 000 000**	**26 000 000**	**56.52%**	**20 000 000**	**43.48%**	**0**	0	**20 000 000**		

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV, (2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1: (Delegation Agreement with Austrian Development Agency) Technical Assistance for Water Sector	N/A	1st Quarter 2011	1st Quarter 2013
Contract 2.1: (Works Contract) Construction of Sewerage System Velipoje	2nd Quarter 2010*	1st Quarter 2011*	4th Quarter 2013
Contract 3.1 (Delegation Agreement with KfW) Construction of Water Supplies and Sewerage Systems in Selected Municipalities	1st Quarter 2012	3rd Quarter 2012	3rd Quarter 2015

**The works tender will be launched in the 2nd Quarter 2010: there will be one tender for IPA 2007 and IPA 2010 budget following the derogation granted on01 March 2010. The contract for IPA 2010 budget will be signed after the signature of the Financing Agreement IPA 2010. Works for both IPA 2007 and IPA 2010 will commence after signature of the Financing Agreement IPA 2010.*

All projects should in principle be ready for tendering in the 1st Quarter 2011 following the signature of the Financing Agreement.

6. Cross cutting issues

6.1. Equal Opportunity: N.A.

6.2. Environment: Environmental consideration is duly reflected as the project will have a positive impact on the environment because all activities aim at increasing efficiency in water-supply and sanitation though the strengthening of the institutions and construction of infrastructure which will lead to reduction in water losses and domestic pollution of water bodies.

6.3. Minorities: N.A.

ANNEXES

ANNEX I: Logical framework matrix

ANNEX II: Amounts contracted and Disbursed per Quarter over the full duration of Programme

ANNEX III: Description of Institutional Framework

ANNEX IV: List of ongoing investments in water sector in Albania

ANNEX V: Description of water supply and sewerage systems in municipalities/communes Velipoja, Lushnje, Berat/Kucove, Fier, Saranda, Elbasan, and Korca

ANNEX VI: Reference to laws, regulations and strategic documents

ANNEX VII: Details per EU funded contract

ANNEX I: Logical framework matrix

LOGFRAME		Programme name: **IPA 2010**		
		Contracting period expires: Two years following the date of the conclusion of the Financing Agreement		Disbursement period expires: One year following the end date for the execution of contracts
CRIS Number:		Total budget : **EUR 46 000 000**	IPA budget: **EUR 26 000 000**	
Overall objective	**Objectively verifiable indicators**	**Sources of Verification**		
Improved living conditions for the population of Albania by sustainable water supply and improved sewage disposal situation	The drinking water supply for the population is secured in terms of quantity and of good water quality. The protection of water bodies in terms of quantity and quality, to promote sustainable water use has improved. The principle of recovery of the costs of water services is taken into account in accordance with the polluter-pays principle.	Monitoring and Benchmarking unit of DGWS&S/Ministry of Public Works and Transport; Water companies Project Cycle Management reports; project progress reports		
Project purpose	**Objectively verifiable indicators**	**Sources of Verification**		**Assumptions**
Improvement of water sector management/efficiency of water services providing at two levels: at the level of ministry and selected municipalities. Improved living conditions for	1a. In 2013 at 17 water supply and sanitation companies Project Cycle Management systems installed and in operation. 1b. In 2013, at General Directorate of Water Supply and Sewerage 17 water supply and	Monitoring and Benchmarking unit of DGWS&S/Ministry of Public Works and Transport; Water companies P.C.M reports; project progress reports		Full collaboration of local authorities; Sufficient and timely financing; Good quality designs; timely environmental and construction permits; no delays in procurements.

the population of Albania in selected municipalities by sustainable water supply and improved sewage disposal situation	sanitation companies linked to its central monitoring system. 1c. In 2015, at DPMI 17 water supply and sanitation companies economic analyses of water services based on long-term forecasts of supply and demand for water. 1d. In 2015, at MCB an increasing number of water fees that recover cost of water services. 1e. in 2015, at CGCU the % increase of water supply and sanitation companies-budgets in line with the Ministry of Finance budget requirements. 2a. Where infrastructure has been upgraded, the % increase of population connected. 2b. Where infrastructure has been upgraded, the % reduction in water supply costs/m^3. 2c. Where infrastructure has been upgraded, the % increase in connections with 7x24h supply. 2d. Where infrastructure has been upgraded, the % increase in volume of waste water treated and disposed into the water body. 2e. Where infrastructure has been		Albanian Government allocates the funding and other resources required for the start and completion of the project.

	upgraded, the % reduction of pollutants in water bodies.		
Results/outputs	**Objectively verifiable indicators**	**Sources of Verification**	**Assumptions**
Transparency on the willingness and ability to pay for water amongst the population	1a. Percentage of urban population willing an able to pay 1b. Percentage of rural population willing and able to pay	Survey reports	The survey will be undertaken amongst a sample of respondents who are selected in a random manner. The results will be interpreted in a professional manner
Increased institutional ability at central and local level to improve the water and sanitation sector	2a. Number of water supply and sanitation companies with 5 years business plans 2b. Number of water and sanitation infrastructure investments 2c. Number of General Directorate of Water Supply and Sewerage and water supply and sanitation companies staff trained in leak detection 2d. Reduction in unaccounted for	water supply and sanitation companies business plans National plans on WS sector Technical Assistance reports	It is assumed that sufficient staff is given the opportunity to follow the trainings which should not extend more than 3 days each.
Project Cycle Management at local level introduced	3a. Number of water supply and sanitation companies management and Supervisory boards trained in Project Cycle Management	Technical Assistance reports Annual water supply and sanitation companies reporting.	It is assumed that water supply and sanitation companies are willing to have Project Cycle Management systems installed and do provide

	3b.Number of water supply and sanitation companies with transparent budgeting, monthly monitoring and evaluation information 3c. Number of water supply and sanitation companies with staff trained in modern accountancy 3d. Percentage in billing efficiency 3e. Number of water supply and sanitation companies with Project Cycle Management systems installed and running		reliable data to enable the presentation of the actual performance
National interactive web linked monitoring system installed and running	4a. Number of water supply and sanitation companies linked		
Staffing accreditation system installed	5a. Number of staff at central & local level trained in accreditation. 5b. Number of water supply and sanitation companies adapted to the accreditation system		It is assumed that the sector management will implement the accreditation system and does not ignore it in it staff management
Improved capability to raise awareness on good water use and the need for sanitation amongst the population	6a. Number of water supply and sanitation companies staff people trained in client awareness raising activities 6b. Number of awareness campaigns at central and local	Reports from General Directorate of Water Supply and Sewerage and Ministry of Public Works and Transport Water supply and sanitation companies reports	

	level 6c. Percentage of population expressing will to pay more for water		
Improved water supply and sanitation services in selected municipalities and communes	7a. Length of constructed water supply network 7b. Percentage of population provided by the water from public water supply network 7c. Decrease in "unaccounted for" water 7d. Number of metered connections 7e. Percentage of population connected to the sewerage system network 7f. Volume of waste water treated 7g. Decrease in water pollution.	Report from the Health Institute Report of analyses of discharged used water Report from the Ministry of Health regarding water related diseases Water enterprises reports Survey reports	Implementation of works is carried out according to schedule and technical standards required
Activities	**Means**	**Costs**	**Assumptions**
Activity 1: Technical Assistance to the Water Supply and Sanitation Sector Sub-Activity 1.1.: Capacity Building – Central Level Demand survey to assess	1 Delegation Agreement	2 000 000	Experts will be available Trained staff will remain available for the Water sector. Local contribution will be made to make needed

ability and willingness to pay Enhancement of a Web-linked monitoring and evaluation system Training in the economic aspects of proposals for investments in the Water sector Management Training Leak detection Staff certification Improvement of knowledge on sanitation Public awareness raising <u>Sub-Activity 1.2: Capacity Building – Local Level</u> Training in the economic aspects of proposals for investments in the Water sector Project Cycle Management development Management training Administrative and technical training Staff certification			hardware available. Local contribution will be made to make local offices safe to keep hardware.

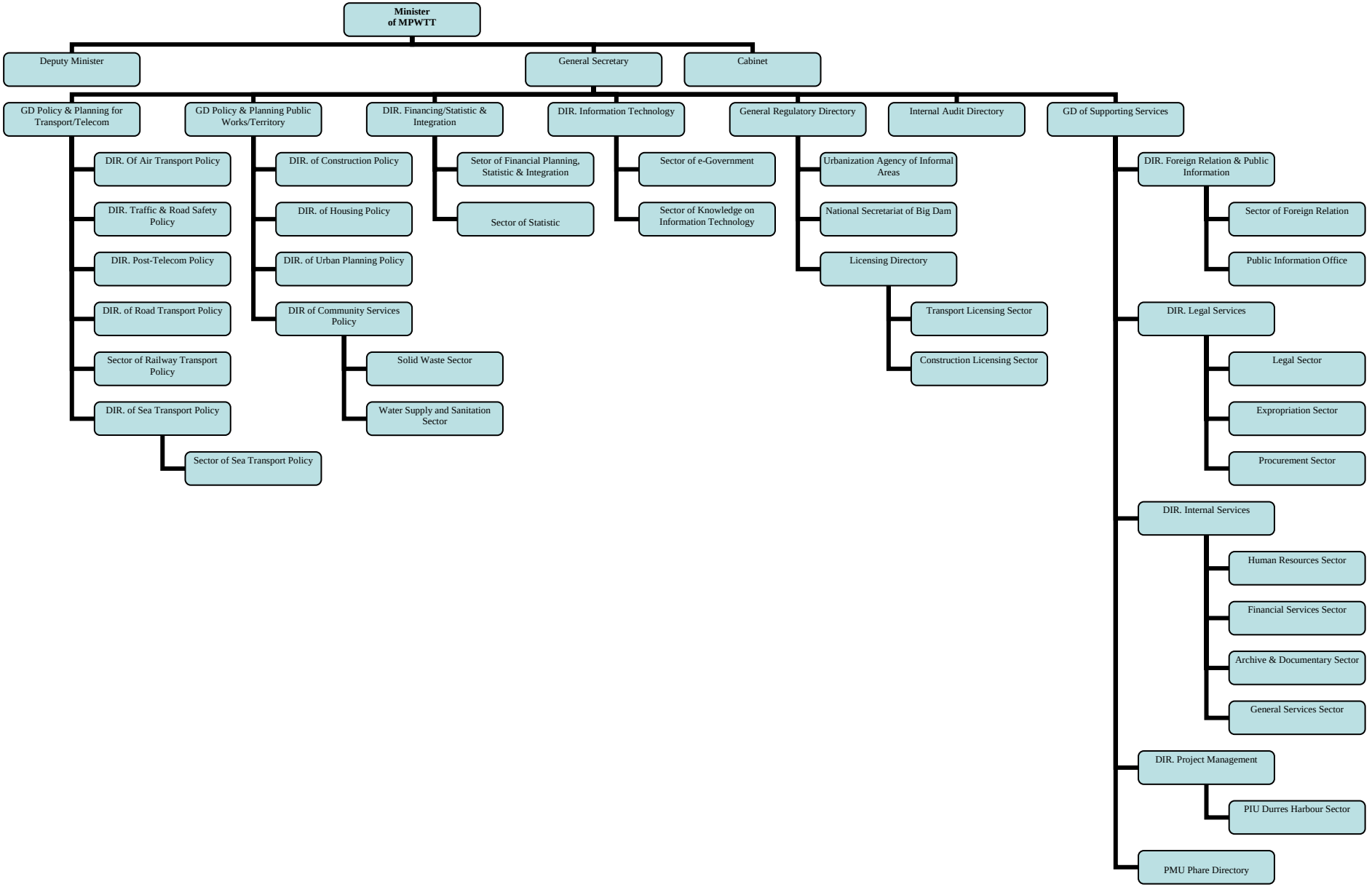
Improvement of knowledge on sanitation			
Activity 2: Construction of Sewerage system, Velipoje Activity 3: Construction of water supplies and sewerage systems in selected municipalities	1 Works contract for works execution 1 delegation agreement	EUR 4 000 000 EUR 20 000 000	Available funds as foreseen by Project Fiche Detail design is prepared on time Procurement process finished on time All necessary construction permits and expropriation issues are solved before starting the works.

ANNEX II: Amounts (in million EUR) Contracted and disbursed by quarter for the project

Contracted	1/4 2011	2/4 2011	3/4 2011	4/4 2011	1/4 2012	2/4 2012	3/4 2012	4/4 2012	1/4 2013	2/4 2013	3/4 2013	4/4 2013	1/4 2014	2/4 2014	3/4 2014	4/4 2014	1/4 2015	2/4 2015	3/4 2015	4/4 2015
Contract 1.1 (Delegation Agreement with Austrian Development Agency) Technical Assistance to Water Supply and Sanitation Sector	2.0																			
Contract 2.1 (Works Contract) Construction of sewerage system and waste water treatment plant Velipoje	4.0																			
Contract 3.1 (Delegation Agreement with KfW) Construction of water supplies and sewerage systems in selected municipalities	20.0																			
Cummulated	26.0																			

Disbursed	1/4 2011	2/4 2011	3/4 2011	4/4 2011	1/4 2012	2/4 2012	3/4 2012	4/4 2012	1/4 2013	2/4 2013	3/4 2013	4/4 2013	1/4 2014	2/4 2014	3/4 2014	4/4 2014	1/4 2015	2/4 2015	3/4 2015	4/4 2015
Contract 1.1 (Delegation Agreement with Austrian Development Agency) Technical Assistance to Water Supply and Sanitation Sector	1.2								0.8											
Contract 2.1 (Works Contract) Construction of sewerage system and waste water treatment plant Velipoje	0.8		0.4	0.4	0.4	0.4	0.4	0.4	0.4				0.4							
Contract 3.1 (Delegation Agreement with KfW) Construction of water supplies and sewerage systems in selected municipalities	12.0								8.0											
Cumulated	14.0	14.0	14.4	14.8	15.2	15.6	16.0	16.4	25.6				26.0							

ANNEX III: Description of Institutional Framework


Minister of MPWTT
Deputy Minister
General Secretary
Cabinet
GD Policy & Planning for Transport/Telecom
GD Policy & Planning Public Works/Territory
DIR. Financing/Statistic & Integration
DIR. Information Technology
General Regulatory Directory
Internal Audit Directory
GD of Supporting Services
DIR. Of Air Transport Policy
DIR. Traffic & Road Safety Policy
DIR. Post-Telecom Policy
DIR. of Road Transport Policy
Sector of Railway Transport Policy
DIR. of Sea Transport Policy
Sector of Sea Transport Policy
DIR. of Construction Policy
DIR. of Housing Policy
DIR. of Urban Planning Policy
DIR of Community Services Policy
Solid Waste Sector
Water Supply and Sanitation Sector
Setor of Financial Planning, Statistic & Integration
Sector of Statistic
Sector of e-Government
Sector of Knowledge on Information Technology
Urbanization Agency of Informal Areas
National Secretariat of Big Dam
Licensing Directory
Transport Licensing Sector
Construction Licensing Sector
DIR. Foreign Relation & Public Information
Sector of Foreign Relation
Public Information Office
DIR. Legal Services
Legal Sector
Expropriation Sector
Procurement Sector
DIR. Internal Services
Human Resources Sector
Financial Services Sector
Archive & Documentary Sector
General Services Sector
DIR. Project Management
PIU Durres Harbour Sector
PMU Phare Directory

Main activities of the Ministry of Public Works and Transport

Preparation and implementation of objectives and economical policy's of the Government of Albania for development of Public Works and Transport in all components (infrastructure, equipment, operation etc), in national and international scale; Preparation of development policy's for Public Works, road transport, railway, sea, water, air and follow-up of the implementation of this policies in the depending body's.

Determination of trends and tendency from analyses of different public works and transport based on statistical and information systems in construction and transport and preparation of Macro-Economic indicators of the general development of construction and transport short and long term; preparation, diffraction and follow-up of project indicators – economical and financial programs, of investments etc.

Gathering of annual projects-plans of government units under her dependency for preparation of project macro economic programs of construction branches and transport for supervising and reflecting of indicators and parameters of construction development strategy's and transport.

Coordination and negotiation of work with other ministries and international institutions.

Dealing and proposing of internal and foreign financial resources (foreign donors) in harmony with construction and transport economical resources in order to cover the need of developing of construction and transport, also their redistribution through different fields of the activity of Ministry of Public Works and Transport.

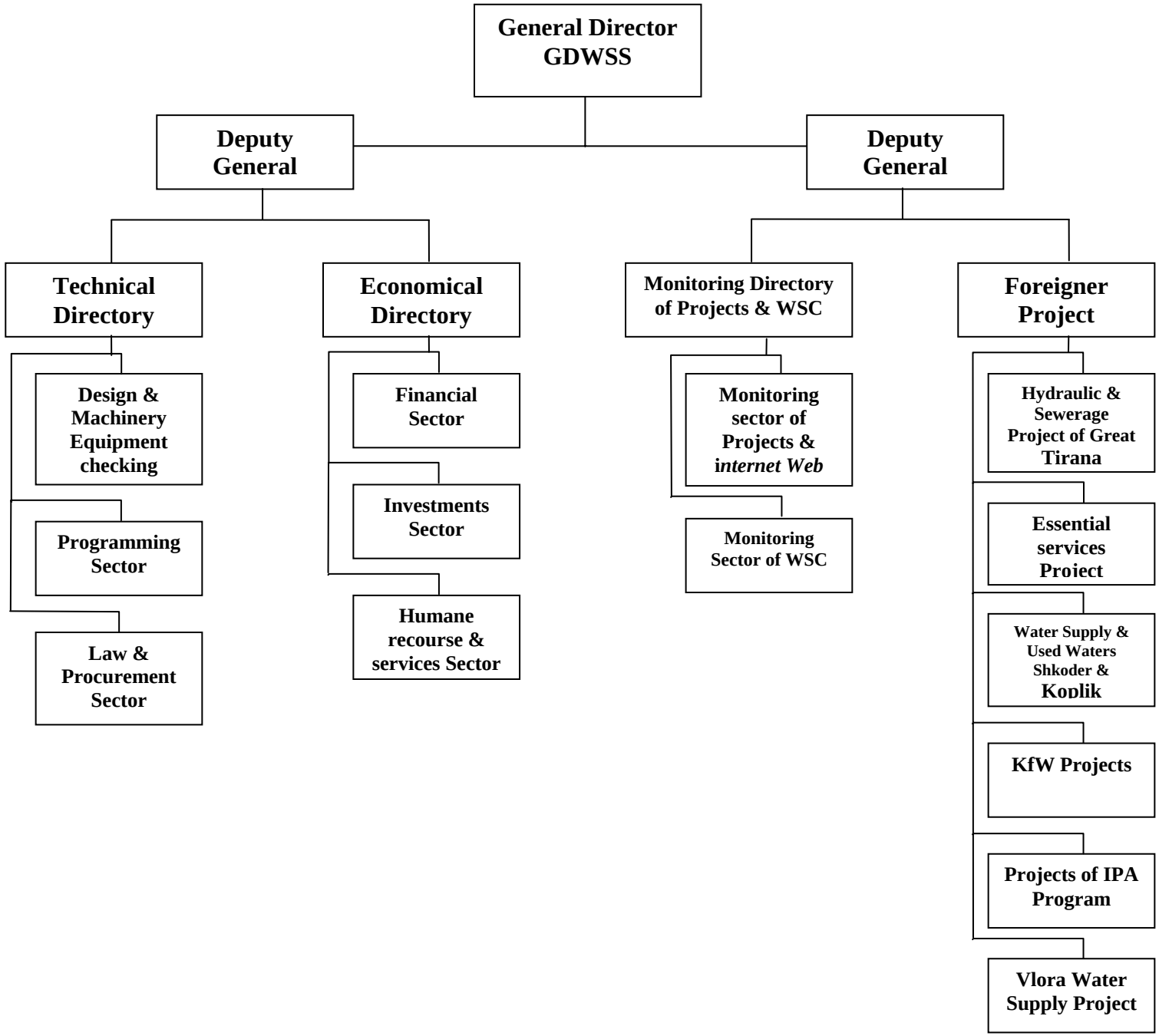
Preparation of a regulatory legal system, according to European requirements and standards.

Preparation of project laws and project act-laws for improving and developing of different construction and transport and spreading of new technology and standards in the field of construction operation and transport, of new regulations and standards of the production technical field, services and maintenance of construction equipments and transport.

Accomplishment, development and improvement of the institutional reform of the construction sector and transport, aiming preparation and transforming step by step of the institution mentioned in order to be as much as possible close to European standards.

Preparation of national policies in the field of urban planning that serves as bases for preparation of the complete legal frame and for further improvement. Coordinate the work in different fields of the economy and local governments. Have the responsibility of monitoring, programming and managing of all activities for implementing the Governmental territory planning, in compliancy with governing laws.

In the above organization structure chart of the Ministry of Public Works and Transport, with blue arrows are indicated the directory and sectors that deals with water supply and sanitation.


General Director
GDWSS
Deputy General
Deputy General
Technical Directory
Economical Directory
Monitoring Directory of Projects & WSC
Foreigner Project
Design & Machinery Equipment checking
Programming Sector
Law & Procurement Sector
Financial Sector
Investments Sector
Humane recourse & services Sector
Monitoring sector of Projects & internet Web
Monitoring Sector of WSC
Hydraulic & Sewerage Project of Great Tirana
Essential services Project
Water Supply & Used Waters Shkoder & Koplik
KfW Projects
Projects of IPA Program
Vlora Water Supply Project

General Directorate of the Water Supply and Sewerage Systems

General Directorate of Water Sewerage is the only state body specializing in the field of drinking water supply, sewage sanitation and surface (rain) water and their treatment (water infrastructure). It technically supports the policies of the Ministry of Public Works and Transport in this field in accordance with Government legislation and policies spelled out in sector strategies.

General Directorate of Water Supply and Sewerage role in its field of activity is to perform through its legal authority and technical coordination and monitoring of activities for providing water supply, sewerage and used water and them treatment for all the country's population, in collaboration with local governments and entities of water management infrastructure. To fulfill its mission in support of the general framework of activity Ministry, General Directorate of Water Supply and Sewerage:

- Develop strategic framework for developing and managing water and sanitation sector in our country;

- Proposes annual investment planning by the state budget being based on needs that represent Local Government Units / Sh.a Water and Sewerage companies and submits for approval to the Minister of Public Works and Transport;

- Support with funding, through the Ministry of Public Works and Transport, the needs for local costs, customs duties and VAT refund, for approved contracts financed by foreign donors;

- Proposes standards and technical specifications for water supply and sanitation, and sends for approval of relevant authorities;

- Drafts and prepares draft legal acts and regulations related to the field of management and distribution of potable water, organized removal and used water treatment;

- Organizes and directs work for the identification of new projects in water sector infrastructure;

- Follow-up the reforms undertaken by the Government to improve the management, operation and improvement of sector indicators supporting Local Government Units and infrastructure management water entities;

- Prepares documentation and follow the progress of the development of alternative forms of management in the Water Sanitation Sector;

- Cooperates with central and local institutions, foreign donors, local NGOs or foreign, interested in developing water infrastructure sector.

- Cooperates with the Secretariat of National Council of Water and Water Basin agencies for efficient management of water resources especially those used for drinking water;

- Organizes and directs work for the procurement of investment (studies, design, maintenance, rehabilitation, new construction) according the legislation in force;

- Track progress of projects with foreign donors through implementation units in her dependence of its projects and responsible for their progress. Coordinate with Project Management Directorate at the Ministry of Public Works and Transport for water infrastructure projects;

- Promote and implement appropriate realistic policies in water and sanitation sector in Albania, through implementation to monitoring program effectiveness;

- Organizes and directs the data collection from all water and sewerage companies operating in the territory of the country, reviews and evaluates the data periodically, preserves their integrity, developing realistic standards for comparative evaluation within the sector, monitors the progress of companies analyzed to improve their performance, all these indicators based on the work;

- Cooperates with the Sector for Civil Emergencies and institutions interested in developing and implementing programs for the provision of water infrastructure facilities;

- Follows and develops relations organizations and international institutions for water sector infrastructure;

- Organizes and directs personnel qualification of General Directorate of Water Supply and Sewerage and water and sewerage enterprises through courses and seminars that develop within and outside the country;

- Follows and monitors service level of water supply and disposal of water used by identified problems, giving them ways to resolve that in any case informing the heads of the Ministry.

- Enable the public awareness campaigns to promote new techniques of collaboration with the community in the service of resolving problems of water and wastewater enterprises to increase the level of payment of water by consumers, reducing the abuse of drinking water, etc..

- Track the progress of campaigns organized by companies and General Directorate of Water Supply and Sewerage.

ANNEX IV: List of ongoing investments in water sector

The General Directorate of the Water Supply and Sewerage is a body under the Ministry of Public Works and Transport and it is responsible for the management of three specific budgeted funds as follows:

Annual Investments from the state budget (Detailed table for Albanian State Budget projects that will be financed in 2010);

No.	Project Title	Contracted Amount 000/ALL	Investment Institution	Contracting Authority
ONGOING PROJECTS, CONTRACTED IN 2009				
	Shkodra Region			
1	Velipoja Water Supply System, II-nd Phase	140,190	Albanian State Budget	GDWSS
2	The outer Water Supply System of Bajram Curri town	369,626	Albanian State Budget	GDWSS
3	The outer Water Supply System of Bajram Curri town (Additional Contract)		Albanian State Budget	GDWSS
4	Water Supply of Puke town, the outer and interior network	163,886	Albanian State Budget	GDWSS
5	Reconstruction of the Rrjoll water supply system, Shkodra	135,852	Albanian State Budget	GDWSS
6	Water Supply in Rural areas, distribution network in Malesi e Madhe, II-nd Phase, 6 villages	70,106	Albanian State Budget	Kastrat Commune
7	The encirclement of Shkodra water supply sources	19,591	Albanian State Budget	Urban Water Company of Shkodra
8	Construction of regional water supply system for Kosmac, Stajke, Plezhe villages, Bushat Commune, Shkodra		Albanian State Budget	Bushat Commune
9	Construction of the storm water main collector in the "Parruce - Teater" area, L = 387 lm, in the city of Shkodra	29,334	Albanian State Budget	Shkodra Municipality
	Diber Region			
1	Construction of Sopanika water supply system (gravity system), Project under implementation	25,017	Albanian State Budget	Dibra District Council
2	Construction of water supply system in Klos town	133,538	Albanian State Budget	Klos Municipality
3	Interior network of the Bulqiza water supply system	21,376	Albanian State Budget	Bulqiza Water Company
	Lezhe Region			

1	Shengjin Water Supply System, II-nd Phase	159,788	Albanian State Budget	GDWSS
2	Shengjin Water Supply System, II-nd Phase (Additional Contract)		Albanian State Budget	GDWSS
3	Reconstruction of the interior water supply & sewerage system in Lac town	57,652	Albanian State Budget	Lac Municipality
4	Water Supply & Sewerage in Mamurras	82,474	Albanian State Budget	Mamurras Municipality
5	Sewerage System in Koder Marlekaj, Lezha Municipality	98,715	Albanian State Budget	Lezha Municipality
6	Water Supply system of Balldre i Ri area: Torovice, Kolalkaj, Shkami i Kuq villages, Balldre Commune	72,928	Albanian State Budget	GDWSS
	Kukes Region			
1	Water Supply of Kukes city and 14 villages around it	437,152	Albanian State Budget	GDWSS
2	Reconstruction of the interior network of Kruma Water Supply system	99,329	Albanian State Budget	Kruma Commune
	Durres Region			
1	Water Supply of the Keneta area, Durres (8 - 14 area)	192,029	Albanian State Budget	GDWSS
2	Water Supply of the villages in Sukth Municipality	90,853	Albanian State Budget	Sukth Municipality
3	Reconstruction of the ring water supply system, Durres Municipality	22,740	Albanian State Budget	Durres Water Supply & Sewerage Company
	Tirane Region			
1	Construction of the water supply network in Sauk resident area, Plepa street	10,445	Albanian State Budget	Tirana Water Supply & Sewerage Company
2	Reconstruction of water supply system in Petrela village, Petrela Commune	36,255	Albanian State Budget	Petrela Commune
3	Sewerage system in Lunder, Farka Commune	48,593	Albanian State Budget	Farka Commune
4	Sewerage and Used Water system of the "National street - Mjull Bathore" street, Farka Commune	16,648	Albanian State Budget	Farka Commune
5	Sewerage system in "Ura e Beshirit" resident area, Ndroq Commune, Tirana	53,748	Albanian State Budget	Ndroq Commune
6	Sewerage system in Mullet Vila area, Petrela Commune, Tirana	31,627	Albanian State Budget	Petrela Commune
7	Water Supply of the residential area, Petrela Commune	13,069	Albanian State Budget	Tirana Water Supply & Sewerage Company
8	Sewerage system of Marqinet - Gerdec villages, Vora Municipality	91,100	Albanian State Budget	Vora Municipality
9	Reconstruction of water supply system in Gerdec, Marqinet 2 and Marqinet 1 villages, Vora Municipality	89,301	Albanian State Budget	Vora Municipality

	Elbasan Region			
1	Water Supply of Peqin town	189,334	Albanian State Budget	Peqin Municipality
2	Reconstruction of interior network in the water supply system of Cerrik, Cerrik Municipality, II - nd Phase	67,440	Albanian State Budget	Cerrik Municipality
3	Construction of sewerage system in Prrenjas village, Prrenjas Municipality	17,403	Albanian State Budget	Perrenjas Municipality
4	Water supply system of Korre village, Funar Commune, Elbasan	9,542	Albanian State Budget	Funar Commune, Elbasan
5	Reconstruction of water supply system in Hotolisht - Qender village, Hotolisht Commune, Librazhd	4,965	Albanian State Budget	Hotolisht Commune
6	Construction of regional water supply system for Bradashesh, Fikas, Shijon, Karakullak villages, Bradashesh Commune	60,000	Albanian State Budget	Bradashesh Commune
7	Supply and installation of Bulk Flowmeters	20,940	Albanian State Budget	Rural Water Company of Elbasan
	Korce Region			
1	Water Supply system of Arza village, Miras Commune, Korca	18,000	Albanian State Budget	Miras Commune, Korca
	Berat Region			
1	Reconstruction of the distribution network, pumping station, Poshnja, Berat	18,944	Albanian State Budget	GDWSS
2	Construction of the water supply system in Ura Vajgurore and villages around it, civil works in source	3,669	Albanian State Budget	GDWSS
3	Construction of the regional water supply system of Agim - Kuc - Hinge villages, Poshnje Commune, Berat	23,981	Albanian State Budget	Poshnja Commune
4	Reconstruction of the water supply system Water Tank no.1 - elliptical manholes in Clirimi quarter, Berat Water Supply & Sewerage Company	12,371	Albanian State Budget	Berat Water Supply & Sewerage Company
5	Reconstruction of the water supply system, pomping station, Ciflik - Water tank "1 Maji", Kucova	16,126	Albanian State Budget	Kucova Water Supply & Sewerage Company
	Fier Region			
1	Reconstruction of Clirim water supply system, Qender Commune, Fier	24,225	Albanian State Budget	Qender Commune, Fier
2	New sewerage system in Mbrostar village - Ura (I-st Phase), Mbrostar Commune, Fier	56,927	Albanian State Budget	Mbrostar Commune, Fier
3	Reconstruction of Agim water supply system, Libofshe Commune, Fier	58,923	Albanian State Budget	Komuna Libofshe
4	Water Supply by wells of Divjaka beach and the extention of Divjaka network, Divjaka Municipality		Albanian State Budget	Divjaka Municipality
5	Construction of water supply system in Kasnica village, Ruzhdie Commune, Fier	13,513	Albanian State Budget	Ruzhdie Commune

	Vlore Region			
1	Ksamil Water Supply System, II-nd Phase	264,336	Albanian State Budget	GDWSS
2	Aliko regional water supply system, Aliko Commune, Saranda	97,922	Albanian State Budget	Aliko Commune
3	Secondary and tertiary sewerage system in Vlora city	92,355	Albanian State Budget	Vlora Municipality
4	Construction of water supply system in Selenica town, Selenica Municipality	82,120	Albanian State Budget	Selenica Municipality
	Gjirokaster Region			
1	Water Supply system of villages Serrile, Bylysh, Mirine, Memaliaj Commune	33,753	Albanian State Budget	Memaliaj Commune
2	Interior network of Bularat water supply system (II-nd Phase), Dropull i Siperm Commune, Gjirokastra	23,064	Albanian State Budget	Libofsha Commune
NEW PROJECTS TO BE CONTRACTED IN 2010				
	Shkodra Region			
5	Construction of water supply system in Bardhas Village, Rrethina Commune, Shkoder		Albanian State Budget	GDWSS
	Diber Region			
10	Peshkopi springs - sources encirclement water tank, and wells in Radomira	13,240	Albanian State Budget	Peshkopi Water Company
	Lezhe Region			
6	Water Supply of Rural areas, distribution network in Rreshen, II-nd Phase		Albanian State Budget	GDWSS
	Kukes Region			
4	Construction of regional water supply system Novosej - Shishtavec - Borje, Shishtavec Commune, Kukes		Albanian State Budget	GDWSS
	Durres Region			
1	Construction of the outer water supply system for the beach area of Kavaje - Durres from the Rrogozhina Wells		Albanian State Budget	GDWSS
8	Construction of the water supply network in Perroi Agait - Plepa, Durres		Albanian State Budget	GDWSS
	Fier Region			
2	Reconstruction of Delvina water supply system (Interior network)	38,400	Albanian State Budget	Delvina Municipality
9	Rehabilitation of wells in Kafaraj, supply system		Albanian State Budget	GDWSS
	Vlore Region			
3	Construction of the water supply distribution lines no.1, 2, 3 in Saranda	26,608	Albanian State Budget	Saranda Municipality
7	Construction of the waste water main Collector in Saranda, effluent discharge in Waste Water Treatment Plant		Albanian State Budget	GDWSS
	Gjirokaster Region			
11	The Outer water supply system in Lazarat village, Lazarat Commune	30,528	Albanian State Budget	Lazarat Commune

Middle term investments budget financed from multilateral and bilateral donors

Donor/Name of Project	Value	Project Start	Project Estimated end date	Location
European Union				
IPA 2007 project - Support for the construction and/or rehabilitation of the Water and Sewerage Systems: - Continuation of the KfW project in Shkodra - Construction of the Sewerage System and the Waste Water Treatment Facilities in Velipoja - Shkodra region - Construction of the Sewerage System of the Shengjin - Lezha region - Construction of the Sewerage System of the Golem-Durres - Kavaja region	€ 24 000 000			
IPF (2nd round) – Upgrading of Kavaja waste water treatment plant and competition of the sewage network for Golemi	€ 350 000			
IPF (2nd round) – waste water sanitation in Lezha and Shengjin	€ 180 000			
IPF (2nd round) – project of water supply and sewage of Kamza	EUR 450 000			
IPA 2009 project - Support for the construction and/or rehabilitation of the Water and Sewerage Systems in Kamza. Kavaja, Lezha and Shengjin, Vlora and the coastal area of Ksamil.	€ 23 100 000			
IPF (3rd round) – detail design for water supply and sewage systems for Elbasan city	€ 500 000			
WORLD BANK				
Municipal Project of Water Supply & Sewerage *for Lezha city*	$ 3,000,000	2003	2009	LEZHA
Municipal Project of Water Supply & Sewerage for Durres city	$ 3,700,000	2003	2009	DURRES
Municipal Project of Water Supply & Sewerage for Saranda city	$ 3,000,000	2003	2009	SARANDA
Municipal Project of Water Supply & Sewerage for Fieri city	$ 4,570,000	2003	2009	FIERI
ITALIAN GOVERNMENT				
Urban periphery of Tirana	€ 3,000,000	2006	2009	TIRANA
Urban Waste of Tirana	€ 6,400,000	2005	2010	TIRANA
Intervention in Water Supply and Sewerage in Tirana city	€ 27,300,000	2001	2011	TIRANA
Pre-feasibility study of South Albanian source	€ 800,000	2008	2010	

Intervention in Water Supply and Sewerage in Tirana city	€ 13,000,000	_	_	TIRANA
NETHERLAND GOVERNMENT				
Rehabilitation of Water Supply in Vlora city	€ 26,500,000	2008	2010	VLORA
AUSTRIAN GOVERNMENT				
Rehabilitation of Water Supply in Shkodra City	€ 2,600,000	2002	2008	SHKODRA
Water Supply & Sewerage in Koplik	€ 1,390,000	2006	2009	KOPLIK
Water Supply and waste water of Shkodra City	€ 1,900,000	2008	2011	SHKODRA
GERMAN GOVERNMENT				
The Ohri Lake Protection	19.700.000	2000	2010	POGRADEC
Water Supply & Sewerage in Kavaja	7.500.000	2003	2009	KAVAJA
Water Supply & Sewerage in Kruja	2.556.496	2004	2008	KRUJA
Kanalizime Korce (financim i KfW)	€ 5,000,000	2003	2008	KORCA
Korça IV	€ 15,000,000			KORCA
Water Supply and Sewerage system in Berat and Kucova city	€ 6,640,000	2004	2009	BERAT, KUCOVA
Water Supply and Sewerage system in Lushnja city	€ 4,970,000	2005	2009	LUSHNJA
Water Supply and waste water of Shkodra City	€ 7,500,000	2008	2011	SHKODRA
ISLAMIC BANK				
Water Supply & Sewerage Fushe Kruje-Peshkopi	$ 6,530,000.00	2002	2008	FUSHE KRUJE, PESHKOPI
Water Supply system and Sanity in Orikum	$ 1,340,000.00	2008	2011	ORIKUM
GEF FUNDS				
Integrated Management of Water & Ecosystem (Durres)	$ 9,759,000	2004	2010	DURRES
Integrated Management of Water & Ecosystem (Lezha)	$ 5,306,500	2004	2010	LEZHA
Integrated Management of Water & Ecosystem (Saranda)	$ 4,879,505	2004	2010	SARANDA
EUROPIAN INVESTMENT BANK BEI				
Korce Sewerage (financed by BEI)	€ 14,500,000	2008	2011	KORCA
SWITZERLAND GOVERNMENT				
Water Supply and waste water of Shkodra City	€ 6,000,000	2008	2011	SHKODRA
JAPANESE GOVERNMENT				
The Sewerage of Greater Tirana	€ 113,000,000	2008	2014	TIRANA

ANNEX V: Description of water supply and sewerage systems in the selected municipalities/communes

Velipoja Commune

Velipoja lies along the Adriatic coastline in the North – West of Albania, near Buna River, which is the only navigable river in Albania. River Buna discharges at the Adriatic Sea close to Montenegro boarder. The coastal area of Velipoja is characterized by a sandy shore and covers approx 694 ha. The Commune (i.e. the administrative unit) of Velipoja has a population of approx 10,000 people. During the tourist session, the number of population increases rapidly, reaching to 80,000 people during the peak session of July – September.

Recently, a water supply system in Velipoje is constructed with funds of the Albanian government in a value of MEUR 2.7. This water supply is totally completed and operational, therefore not other improvements under IPA 2010 are required. On the other hand, considering almost non-existence of the sewerage network, this leads to an immediate need for the construction of a sewerage system and waste water treatment plant.

The construction of such sewerage system and waste water treatment plant is in line with the Albanian Government Decision No. 682, dated 2.11.2005 that includes Velipoje in a designated area of Protected Water and Terrestrial Landscape. For that reason, the construction of the sewerage network and waste water treatment plant was foreseen under IPA 2007, Lot 4. At the beginning of 2010 a consultant company hired by the General Directorate of Water Supply and Sewerage completed the feasibility study, which analyses and identifies potential solutions of the wastewater in Velipoje. It has become clear that the budget of MEUR 7 originally planned and decreased to EUR 4.7 million due to the result of tendering for other 3 Lots within IPA 2007 is not enough to complete the entire network and the waste water treatment plant. Therefore Velipoje Commune is included under IPA 2010, to complete the construction of the sewerage system and waste water treatment plant.

Velipoje wetland area provides both ecological and economic benefits on fishing and wildlife habitats, supporting the complex food web, absorbing water to reduce flooding, providing erosion control and last but not least provide good water quality. The unplanned urban development on Velipoje and Viluni natural wetland, with the increased number of tourists has caused the pollution of the area. River pollution is also a major cause of contamination in the coastal areas, and this adversely affects recreation and fishing resources. Therefore the need of protecting biodiversity and natural resources imposes the removal of nutrients from the untreated wastewater discharged into the natural system.

Lushnje Municipality

Lushnja, a typical middle-sized industrial lowland town, is situated in one of the very few agricultural lands with a population of 50,000 people. The river of Shkumbini runs through the district of Lushnje, at Divjake town at its confluence with the Adriatic Sea.

Water supply in Lushnja is provided from a mechanical system that is pumping water from water basin of Konjati which is located approximately 8 km northwest of Lushnja. Through KfW investments six wells are constructed at depth of approximately 50 m and also the pumping station is rehabilitated. Furthermore about 4 km of the main pipeline, three reservoirs of water in town with a capacity from 500-2000 m^3 and some main lines in distribution network have been rehabilitated.

The water losses are very high because of the poor condition of the water distribution network, illegal connections etc.

The sewerage system of Lushnja is 29.4 km of concrete pipes and connects only 75 % of the population. Others not connected are discharging into the open road ditches and irrigation channels. Lushnja disposes today of only an old and rudimentary sewer collection and storm water drainage system. The wastewater is discharged untreated from many outfalls to the open road drains or streams, causing pollutions of environment. The benchmarking department at the General Directorate of Water Supply and Sewerage, reported 610 blockages of the sewerage system for last six months of 2009. There hasn't been any investment to upgrade the sewerage system, yet.

Aiming to improve the water supply situation, to protect the environment and to provide reliable water quality in accordance with EU regulations for a sustainable development, under IPA 2010, it is envisaged to include investments in the water supply and in the sewage system.

The exact amount of investments will be determined by in depth feasibility study which elaboration will start in second quarter of 2010. The final investment sum will be contracted in accordance with the debt service capacities of the water and sanitation company and/or the municipality.

Berat and Kuçove Municipalities

Berat with approx 51,600 inhabitants lies on the right bank of the river Osum, at the confluence of River Molisht. This is a well-preserved ottoman city, with historical and architectural buildings of a medieval Balkan city.

Kuçova is one of the oldest petrol oil industry areas of the country, since 1925. The city is a typical medium-sized Albanian town with a population of approx 30,200 people.

Recently the water supply and sanitation companies of these two towns have merged into one unit.

Water supply of Berat town is provided by gravity from Bogova Spring situated 37 km awa at 343 m at Tomorri Mountain. The spring structure is in a good condition with no need of repairs. The rehabilitation of water supply system didn't keep pace with the growth of the city over the years. Water losses are high mainly because of poor condition of the distribution network.

Both the quantity and the quality of water supply of Kuçova are certainly worse than these of Berat. Currently the existing water supply is a mechanical system from Ciflik and Devoll' wells but the groundwater quantity is insufficient providing only 85 % of the water demands.

The sewerage system of Berat is partly of combined sewers, partly served by separate sewers and storm water channels, all discharging untreated into the river Osum. 85 % of the population is connected to the main sewerage system. The length of sewerage pipes is approx 60 km of concrete pipes with mortar collar mostly built before 1980.

The sewerage system of Kuçova was initially planned as a separate waste and storm water system however; meanwhile a lot of storm water is discharging into the sewerage system. The total length of the sewerage pipes is 46.8 km with diameters ranging from DN 150 to 1000. This system is built before 1980, as concrete pipes with mortar collar. Only 70% of the population is connected to the main sewerage system, while the unconnected buildings are discharging sewers into open road ditches, irrigation channels or to the River Osum.

Both towns haven't received any investment to upgrade the sewerage system. By including the construction of a sewerage system for Berat-Kuçove, under IPA 2010, this will improve people living conditions and improvement of the sewage disposal situation will significantly reduce the environmental pollution of the River Osum.

A project, aiming to improve water supply systems for both towns, is currently funded by KFW. The main works include the construction of the pipeline to supply water to Kuçova by Bogova spring and to disconnect the current supply from Çiflik and Devoll' wells.

The exact amount of investments will be determined by in depth feasibility study which elaboration will start in second quarter of 2010. The final investment sum will be contracted in accordance with the debt service capacities of the water supply and sanitation companies and/or the municipality.

Fier Municipality

Fier lies in the western region of the country, in the southern part of Myzeqeja field, on the banks of the Gjanica River a tributary of the Seman River and about 120 km south west of Tirana. Fier is an important industrial city as the centre of the oil, bitumen and chemical industries in Albania. The present population of Fier is around 90,000 inhabitants. The Fier Water and sewage company is responsible for water supply and sewage disposal in the municipality Fier and in the communes Levan, Frakuli and Quender. 96 % of the population in the service area is served by the piped water supply and 55 % have access to the sewerage system. The percentage of metered connections is low with 25 % of the total connections .The daily water supply is still intermittent and varies from zone to zone.

Of concern are the high losses in the old transmission and in the distribution system (50 % and more). They result mainly from leakages and pipe burst due to deterioration of old pipes that are of poor quality with a high corrosion and illegal service connections in particular along the old transmission main.

The discharge of untreated waste water directly to Gjanica River within the urban area and to the canal imposes a substantial health risk for people living along these water courses. Also, occasional flooding due to blocked sewers creates a health hazard especially for children.

Under the Programme Municipal Infrastructure I (funded by Germany and EU IPA funds) as a first step it is planned to connect 10,000 inhabitants of Afrim and Bishanak as new customers to the water supply system, reduce water losses in the centre of Fier und to increase the connection rate to the sewerage system.

Since there remains an urgent need for additional investments both in the water and the sewage disposal system IPA 2010 funds are foreseen for the next investment phase in the water supply and sewage disposal system. The exact amount of investments will be determined by in depth

feasibility study which elaboration will start in second quarter of 2010. The final investment sum will be contracted in accordance with the debt service capacities of the water supply and sanitation company and/or the municipality.

Saranda

Saranda is situated on the south cost of Albania, on the slopes of three hills. With a coastline of 7.5 km, Saranda has become a preferred tourist destination over the last two decades. Whereas the population of Saranda increased to around 35,000 people in addition about 300,000 tourists visited the city in 2008 (an increase of 40 % from 2007).

Saranda water supply and sanitation company provides retail water supply and sewerage services to the municipality of Saranda, including rural areas within the administrative boundary of the municipality, and bulk services to the Communes of Dhiver, Finiq, Mesopotam and Aliko.

Saranda service area is supplied with water from two supply sources Navarica Spring (25-125 l/s) located approximately 13 km from Saranda and Vrioni Well Field (175 l/s) located approximately 3.5 km from Saranda. The production and consumption varies considerably between summer and winter and is about 40% higher during the summertime. In addition to the high number of tourist during that time, the communes withdraw high quantities of water using it for garden irrigation since service connections are not metered. The situation is worsened by the decrease of the yield of Navarica spring in summer. As the result, very little or no water from this spring reaches the terminal reservoir in Saranda in summer and most of the water for Saranda town must be pumped from the Vrioni well field which leads to increased costs. The average supply time per day is 14 hours. Physical losses in the transmission systems are currently high and also of concern are the very high losses in the distribution system (54 %).

Wastewater is collected from a lateral sewer pipe running in the east-west direction and carried from sewer lines running in the north-south direction. There are six main lateral sewer lines that discharge wastewater to the collector pipe. Four of the laterals originate from the town centre and two originate from the Koder area. A new waste water treatment plant is under construction. Sewage will be pumped from Chuka canal to the plant. But the sewerage system serves only about 60% of the population. Especially the higher new areas of Saranda town and part of the villages have not been provided with a sewerage system. Areas along the shore in Saranda town are also not connected to the sewerage system since floor levels of most of the houses are below the sewer collector, or located at the sewer pumping main and cannot discharge their sewage to the pipe system by gravity. Sewage from these houses is discharged untreated directly to the sea (10% of sewage generated).

Under the Programme Municipal Infrastructure I (funded by Germany and EU IPA funds) as a first step it is planned to increase the supply time of water for up to 16,000 inhabitants and tourists, reduce water losses in the centre of Saranda und to increase the connection rate to the sewerage system. To support these measures, EUR 0.25 million are required for institutional strengthening measures.

Furthermore in order to allow for sustainable water supply and sewage disposal additional investments are needed.

Therefore IPA 2010 funds are foreseen for the next phase for investments in water supply and sewerage disposal.

The exact amount of investments will be determined by in depth feasibility study which elaboration will start in the second quarter of 2010. The final investment sum will be contracted in accordance with the debt service capacities of the water supply and sanitation company and/or the municipality.

Elbasan Municipality

Elbasan one of the biggest cities of Albania is well-known for its industrial metallurgic factories with a population of ca.125,000.

The water supply of Elbasan is a mechanical system, pumping water from the River Shkumbin basin. This basin is located few kilometres in the North-East of the city and has an average flow of 60 m^3/sec. The overall production is 900-1,000 1/s and less than half reaches the consumers. The former private operator of the Elbasan Water and Sewerage Enterprise, Elber ltd. with funding provided by KFW, carried out a partly reconstruction of the system. Works involved the construction of wells, pumping stations, main pipeline, storage reservoirs, reconstruction of a part of distribution water pipes and the installation of some water meters. However, because of the poor condition of the water distribution network, water is still supplied during 3-5 hours/day, while water losses reached 85 %.

Elbasan sewerage system was built in 1950. Since then only sporadic improvements were made. The existing system is planned as a combined sewer network. Elbasan sewerage system discharges the wastewater into the river Shkumbin, without any treatment through several outfall sewers. The sewerage system has frequent sewer obstructions because of blockages or serious damages that mainly occur after heavy rainstorm. The discharge of the untreated sewers into the river presents a severe environmental problem and has already affected the biodiversity of this area.

IPA funds are foreseen to improve the service of water supply by completing and rehabilitating the water distribution network including the installation of the water meters.

The exact amount of investments will be determined by an in depth feasibility study which forms an update of the existing prefeasibility studies that will be supported by KfW within 2010. The final investment sum will be contracted in accordance with the debt service capacities of the water and sanitation company and/or the municipality.

Korça Municipality

Korca is the main town of the eponymous district in the south-east of the country with a population of about 90,000 inhabitants. In the east it borders on Greece and in the north on the Former Yugoslav Republic of Macedonia. Korca itself is 115 km (linear distance) from the capital, Tirana, and 25 km from the Greek border at the foot of the Pindos mountain range, which runs to Greece. During the Hoxha regime, Korca was developed as one of southern Albania's main industrial bases. When the country opened up, many of the generally unprofitable state-owned factories had to close down. The stable economic growth of over five percent per annum enjoyed by the country as a whole has, however, also improved the economic situation in Korca.

In addition to jobs in the textiles and food processing industries, jobs have been created recently above all in the construction sector. In spite of this economic upswing, however, unemployment remains high; official figures put it at 29 percent. About one-fifth of the urban population of Korca is living below the national poverty line.

Wastewater in Korca is handled by a dilapidated system, which mixes rainwater and sewage. About 76 percent of the population are connected up to the system. The existing sewage network consists in part of stonework channels, some of which have collapsed as they were uncovered during construction work. Proper maintenance was formerly quite out of the question, because there were not nearly enough inspection shafts, quite apart from the financial constraints. The wastewater from the homes in the French Quarter and the Cemetery Area is collected in open ditches. This is extremely unhygienic and means that the mainly poor population of these parts of town are subjected to a constant health risk.

Because the town is built on a slope, the existing sewage channels flow into open ditches in the south-west of the town which then feed the untreated sewage directly into the Dunaveci River, which in turn flows into the Adriatic Sea. Farmers use some of the sewage to irrigate their fields, exposing themselves to the risk of infection and jeopardising the consumers of vegetables irrigated with contaminated river water.

In Albania, KfW Entwicklungsbank aims to help protect water resources and reduce the health risk to the population. In Korca the aim is to ensure ecological and hygienic sewage disposal at affordable prices. Measures to improve the town's sewage system benefit all inhabitants of the town. The population of the French Quarter, which is home to a large number of poorer families will reap particular benefit, since they will, for the first time, be connected to a sewage system. Investment costs for the secondary sewerage network in the French Quarter are estimated at 5.72 MEUR.

The KfW-financed project is helping to achieve the goal of the Albanian Government to connect up 85 % of the urban population to the sewage network and 30 % to sewage treatment facilities by 2015. This project also represents a first step on the way to achieving EU standards, according to which 100 % of urban wastewater must be treated.

The project builds on the various water supply projects and programmes financed by the German Government, and implemented over the period 1998-2003. These made Korca the first Albanian town to enjoy round-the-clock water supply. The originally planned sewage measures had to be postponed because of rising costs. Now, however, these measures, too, are being undertaken, frequently in cooperation with the European Investment Bank (EIB) and Lux-Development.

Under IPA 2010 it is foreseen to finance measures in the sewerage network of the French Quarter of Korca, which will result in increasing the connection rate to the new main sewerage system (the used waters generated in this area will be collected, main collectors already constructed and treated in the waste water treatment plant of Korca that is under construction and expected to be finished within the beginning of next year, 3^{-rd} phase of KfW investments). Such measures will be closely linked to the ongoing projects in the city so that based on the existing detailed design, implementation could commence already in 2010.

ANNEX VI: Reference to laws, regulations and strategic documents

The legal framework for water resource management consists of the following:

- Law No. 8934 dated 05.09.2002 "On Environmental Protection";
- Law No. 9115 dated 24.07.2003 "On Environmental Training for Polluted Waters";
- Law No. 8093 dated 21.03.1996 "On Water Reserves";
- Law No. 9103 dated 10.07.2003,"On the Protection of Trans-boundary Lakes";
- Law No. 890, dated 06.06.2002 "On the Protection of Coastal Areas from Pollution and Damage";
- Law No. 8875 dated 04.04.2002 "On Albanian Coast Guards";

The following subordinate legal acts have been approved for its implementation:

- DCM No. 1304, dates 11.12.2009 “Water Supply and Sewerage Code”;
- DCM No. 177 dated 31.03.2005 "On the Allowed Norms for Liquid Emissions and the Criteria for Water Environment Zoning";
- DCM No. 103 dated 31.03.2002 "On Environmental Monitoring in the Republic of Albania";
- DCM No. 775 dated 28.10.1996 "On the Establishment of a National Water Council";
- DCM No. 240 dated 10.04.1998 "On the Establishment of the NWS Secretariat";
- DCM No. 635 dated 21.11.2001 "On the Establishment of a Government Commission for Water Problems with Neighbouring Countries";
- DCM No. 63 dated 26.01.2001 "On the Procedures for the Request, Consideration and Supply of Water Reserve Usage Authorisations, Permits and Concessions";
- DCM No. 313 dated 21.05.2004 "On the Approval of Water Usage Tariffs";
- DCM No. 362 dated 11.06.2004 "On Staff Bonuses for NWS and the Technical Consultative Councils;

National Water Council Decisions:

- NWCD No. 1 dated 23.09.1994 "On the Permit Approval Procedures for Confectionary Water Usage";
- NWCD No. 2. dated 23.09.1994 "On the Permit Approval for the Partial Usage of the ‘Cold Tepelena Water’ Source";
- NWCD No. 1 dated 20.02.1997 "On the Approval of the Kalivac Dam Construction, above the Vjosa River";
- NWCD No. 1 dated 04.06.1998 "On the Usage Permit Approval for Several Sources and Dam Constructions for Drinking Water";
- NWCD No. 4 dated 04.06.1998 "On the Creation of an Activity Control Working Group for the Usage of Gravel and Sand as Materials";
- NWCD No. 2 dated 04.06.1998 "On the Authorisation Approval of Digging for Underground Water for the purposes of Public Water Supply";
- NWCD No. 5 dated 16.04.2004 "On the Division of the Republic’s Territory into Water Basins and for the Establishment of Water Agencies for such Basins";

Reference to AP /NPAA / EP / SAA

Albania is taking the relevant actions to improve the surface and ground waters and living and sanitary environment in the in Tirana region and the costal tourist areas based on:

- The Stabilisation and Association Agreement states in Article 108 that "the Parties shall develop and strengthen their cooperation in combating environmental degradation with the view of promoting environmental stability".
- The National Action Plan for the Implementation of the Stabilisation and Association Agreement which foresees midterms activities to provide a full rehabilitation of the water supplies and sewage network and at the same further extend these services into poor areas.

Reference to MIPD

This project is part of the European Standards priorities, in Section 2 of the MIPD for the period 2009 – 2011, "Multi-annual planning by component", which foresees support in the Environment sector "*Strengthen administrative capacity; support the implementation of the environmental legislation in line with the acquis; address environmental hot spots; improve water and sanitation infrastructure in municipalities on a large scale as a possible."* The MIDP 2009-2011, puts also emphasis on supporting structural reform, in particular in the area of regional development of the water sector

Reference to National Development Plan

The need to implement the identified projects is based on the requirements and plans defined in the following country's major documents:

- National Strategy for Social and Economic Development,
- National Environmental Strategy,
- National Strategy of Water Supply and Sanitation for Albania which will be finalised by March 2009;
- Policy Paper for the Water Sector of the Albanian Government;
- Action Plan for Development of the Water and Sanitation 2007-2010;
- Reform on Water Supply and Sewerage Sector after the Transfer Process of Water Supply and Sewerage Companies to Local Government Authorities (Two years Plan, 2007-2009);

More specifically, the Government of Albania has established water sector policies that are aimed at improving the reliability and sustainability of water supply and sewerage services. These include the following specific policies:

- Decentralisation of Authority for Public Services to Local Government
- Decision on the Transformation of Water/Sewerage Enterprises into Commercial Companies
- Liberalisation of Tariff Setting to Encourage Financial Sustainability on Commercial Terms
- Enabling Legislation for Private Sector Participation

Reference to national / sectoral investment plans

The selected components of project are in line with the priorities of the Public Investment Programme and part of the MID Term Budget prepared by Ministry of Public Works and Transportfor 2009-2011.

Furthermore, the following documents address the priority needs in the water supply and sewerage sector:

- National strategy of water supply and sanitation

- The reform on water supply and sewerage sector after the Transfer Process of Water Supply and Sewerage Companies to Local Governments Authorities-Two Years Plan.
- The policy paper for the water sector of the Albanian Government.
- The future masterplan for priority investments in the water supply and sewerage sector of the Government of Albania.

ANNEX VII: Details per EU funded contract:

Feasibility Studies:

Feasibility study for Velipoja was elaborated in 2009 and funded by the Albanian Government

The Feasibility Studies for Lushnje, Berat/Kucove, Fier, Saranda, Elbasan, and Korca will be finalised in 3Q of 2010 and are funded by the KfW.

Indirect Centralized Management:

The project will be partly implemented by the European Union Delegation through indirect centralized management in co-operation with Kreditanstalt für Wiederaufbau (KfW) (investment) and Austrian Development Agency/German Agency for Technical Cooperation (technical assistance) following Article 56 of the Financial Regulation and the corresponding provisions of the Implementing Rules.

Contracts:

Regarding the different service and works contracts, please see above paragraph 3.4 for more details.

Execution of contracts:

The execution of contracts is in principle at the latest two years following the date of contracting. However, the date of execution of works contracts, contracts for the assistance for the supervision of the works may end beyond this period. As this project foresees relatively large infrastructure projects with several sub-components, it is considered as justified to prolong the execution period to four years.

Co financing:

The Albanian Government will finance 43.48 % of the total value of the project in form of the loan from KfW.

The costs of land expropriation and the VAT will be also covered by the Government of Albania.