



Brussels, 17.2.2020
C(2020) 424 final

COMMISSION IMPLEMENTING DECISION

of 17.2.2020

adopting an Annual Action Programme for Albania for the year 2020

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THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹, and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012², and in particular Article 110 thereof,

Whereas:

- (1) In order to ensure the implementation of the Annual Action Programme for Albania for the year 2020, it is necessary to adopt a financing decision, which constitutes the annual work programme, for 2020. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing decisions.
- (2) The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU³.
- (3) Regulation (EU) No 231/2014⁴ lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (4) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.

¹ OJ L 77, 15.3.2014, p. 95.

² OJ L 193, 30.7.2018, p.1.]

³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

⁴ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

- (5) The Commission adopted a revised indicative strategy paper for Albania for 2014 - 2020 on 3 August 2018, which provides indicative allocations for the sectors for pre-accession assistance.⁵
- (6) Considering the proposals for action submitted by the beneficiaries concerned, the Annual Action Programme for Albania for 2020 aims at providing assistance for actions in the following sectors: i) democracy and governance and ii) rule of law and fundamental rights.
- (7) The Commission should authorise the launch of a call for proposals and of a call for tender by means of a suspensive clause before the adoption of this Decision.
- (8) Pursuant to Article 4(7) of Regulation (EU) 236/2014, indirect management is to be used for the implementation of the programme.
- (9) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the conclusion of a Financing Agreement. In accordance with Article 154(3) and (4) of Regulation (EU, Euratom) 2018/1046 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014⁶, the Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management and, if necessary, to take appropriate supervisory measures in accordance with Article 154(5) of the Regulation (EU, Euratom) 2018/1046 before the relevant agreement can be signed.
- (10) The Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management as provided for in Article 154(3) of Regulation (EU, Euratom) 2018/1046. To this end, such entities and persons are to be subject to an assessment of their systems and procedures in accordance with Article 154(4) of Regulation (EU, Euratom) 2018/1046 and, if necessary, to appropriate supervisory measures in accordance with Article 154(5) of Regulation (EU, Euratom) 2018/1046 before a contribution agreement can be signed.
- (11) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046.
- (12) In order to allow for flexibility in the implementation of the programme, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046.
- (13) The action programme provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014.

HAS DECIDED AS FOLLOWS:

Article 1

The programme

⁵ C(2018) 5027

⁶ Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) (OJ L 132, 3.5.2014, p. 32).

The Annual Action Programme for Albania for the year 2020 , as set out in the Annex, is adopted.

Article 2

Union contribution

The maximum Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 75,300,000 and shall be financed from the appropriations entered in the following line of the general budget of the Union for 2020.

The appropriations provided for in the first sub-paragraph may also cover interest due for late payment.

The implementation of this Decision is subject to the availability of the appropriations provided for in the draft general budget of the Union for 2020, following the adoption of that budget by the budgetary authority or as provided for in the system of provisional twelfths.

Article 3

Methods of implementation and entrusted entities or persons

The implementation of the actions to be carried out by way of indirect management, as set out in the Annex, may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in the Annex.

Article 4

Flexibility clause

The following changes shall not be considered substantial, within the meaning of Article 110(5) of Regulation (EU, Euratom) 2018/1046, provided that they do not significantly affect the nature and objectives of the actions:

- a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- c) extensions of the implementation and closure period;

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 17.2.2020

For the Commission

Olivér VÁRHELYI

Member of the Commission

ANNEX

to the Commission Implementing Decision adopting an Annual Action Programme for Albania for the year 2020

1 IDENTIFICATION

Beneficiary	Albania
Basic Act	Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)
CRIS/ABAC Commitment references	2020 /042-009
Total cost	EUR 76,421,991
EU Contribution	EUR 75,300,000
Budget line	22.02.01.01
Methods of Implementation	Direct management by the European Commission; Indirect management with Albania; Indirect management with the entity (ies) to be selected in accordance with the criteria set out in section 2.2(3)(a);
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2021
Final date for contracting, including the conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement
Indicative operational implementation period	6 years following the date of conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

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

The Indicative Strategy Paper for Albania (2014-2020)¹ states that pre-accession assistance for the period 2014-2020 will focus on the following sectors: i) democracy and governance, ii) rule of law and fundamental rights, iii) environment climate action and energy, iv) transport, v) competitiveness, innovation, agriculture and rural development vi) education employment and social policies, vii) territorial cooperation and regional cooperation.

The IPA 2020 programme has four actions in the following sectors: i) democracy and governance and ii) rule of law and fundamental rights.

The EU for good governance action aims to contribute to a more capable and responsive public sector towards citizens' needs and businesses as well as to advance and respond to the demands of the EU integration process. It will improve public administration to become more efficient, accountable, transparent, inclusive and effective at national and local level. Key results include improved domestic revenue mobilisation; fiscal autonomy of local government units; planning, budgeting and coordination; strengthened commitment controls and reduced arrears; improved human resource management; strengthened public investment management; increased integrity of public institutions; enhanced transparency and access to information for the citizens; and improved quality of services for citizens and businesses.

The EU support for participation in Union Programmes and Agencies action will facilitate and enable the participation of Albanian institutions in Union Programmes and Agencies. It will promote the further alignment of Albania with European Union policies and working methods and it will increase Albania's active participation in and commitment to the Union Programmes. The Action will contribute to achieve the objectives of the Stabilisation and Association Agreement (SAA), in particular those related to education and training, cooperation in research, and technological development.

The EU for rule of law action seeks to contribute to the fight against organised crime and corruption and strengthening the rule of law through improving the capacity of the Justice Institutions, the General Prosecutor's Office, the Albanian State Police and the specialised bodies to fight high level corruption and organised crime, the Special Prosecutor for Anticorruption and the National Bureau for Investigation. The Joint Action Plan on Counter-Terrorism for the Western Balkans has been finalised and foreseen to be signed soon.

The EU for property rights action will support the land sector reform, which is among the top five priorities of the Government of Albania. The overall objective of the action is to contribute to strengthening the protection of the right to property in Albania and Albania's capacity to guarantee in practice the right of ownership, as one of the fundamental human rights. It will be provided through a regulated system of harmonised real property, which offers clear and safe property titles for everyone, in line with the priorities identified in the National Strategy for Development and Integration 2015-2020. The specific objective of the action is to develop a dynamic land market through the establishment of a clear property rights framework in Albania.

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

¹ Commission Implementing Decision C(2018) 5027 of 3 August 2018

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

For **rule of law** previous IPA assistance focused on key institutional reforms and capacity building of the various judiciary actors, primarily through assistance to the modernisation of the justice system. A number of infrastructure projects have increased the capacity of the judicial and penitentiary system to comply with international standards. The sector budget support programme for the implementation of the Justice Strategy has just started. It is complementary to this assistance. Support for the international monitoring operation for the revaluation of judges and prosecutors is in place. On the side of law enforcement, earlier support focused on consolidation and capacity building for law enforcement capacities as well as on the fight against organised crime.

List of Actions foreseen under the selected Sectors/Priorities:

Sector/Priority/Action	Direct management	Indirect management	
		With entrusted entity	With IPA II beneficiary
<i>Democracy and Governance</i>			
Action 1 - EU for good governance	EUR 45,600,000	EUR 2,500,000	0
Action 2 - EU support for participation in Union Programmes and Agencies	0	0	EUR 1,500,000
<i>Rule of law and fundamental rights</i>			
Action 3 - EU for rule of law	EUR 1,000,000	EUR 9,000,000	0
Action 4 - EU for property rights	EUR 15,700,000	0	0
TOTAL	EUR 62,300,000	EUR 11,500,000	EUR 1,500,000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU².

SECTOR	DEMOCRACY AND GOVERNANCE		EUR 48,100,000
Action 1	EU for Good Governance	Direct management budget support	EUR 36,000,000
		Direct management (complementary assistance)	EUR 9,600,000
		Indirect management with UNDP	EUR 2,500,000

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

- Description of the action and objectives

The overall objective is to contribute to a more capable and responsive public sector towards citizens' needs and businesses as well as to advance and respond to demands of EU integration processes.

The specific objective is to improve public administration to become more efficient, accountable, transparent, inclusive and effective at national and local level.

- Expected results and key performance indicators

The expected results of the action are:

- Improved domestic revenue mobilisation;
- Improved fiscal autonomy of local government units;
- Well integrated and efficient planning, budgeting and coordination of policies;
- Strengthened commitment controls
- Improved human resource management;
- Improved public investment management;
- Increased integrity of public institutions;
- Enhanced transparency and access to information for the citizens;
- Improved regulatory framework and capacities at local government;
- Improved service delivery to citizens;

² www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Key performance indicators (for the specific objective):

- Score on fairness and efficiency of administrative procedures;
- Score on transparency;
- Score on public consultation;
- Open budget index score on budget oversight;
- Score on citizen-oriented service delivery;
- Score on accessibility of public services;

(2) Assumptions and conditions

The assumptions for the action include i) continued political commitment to the implementation of the good governance reforms and the EU accession agenda and ii) the presence and further build-up of management and technical capacities at the central and local administration.

The conditions of the action include:

The revised extended sector strategies and action plans until 2022/2023 are adopted for public administration reform (PAR), public financial management (PFM), fight against corruption (AC), Digital Albania (DA), Decentralisation and Local Governance (LG) (including costing, medium term budget information, and gender mainstreaming following EU OECD Sigma requirements) in the framework of the Integrated Policy Management Group (IPMG) Thematic group after consultation with development partners and civil society organisations by the end of 2019.

The adoption of the Action Plan for the implementation of recommendations on the 'matrix of competences of local self-government' including the revision of legislation to address gaps and overlaps with regards to clear assignment of responsibilities between central and local government authorities by end of 2019.

The central government shall provide a co-financing of at least 10% of the amount of each sub-grant included in the EU grant scheme for municipalities.

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

(3) Implementation modalities

(3)(a) Direct management through Budget Support

a) Eligibility for budget support

Public Policy

Good Governance policy is anchored in several interrelated sectoral and cross-sectoral strategies. The coordination and monitoring of these are envisaged with the IPMGs and its respective thematic working groups for Good Governance which covers policy making and systems, PAR, PFM, Anti-Corruption, Justice, Local Government/Decentralisation, the Digital Agenda, Public Services, and Statistics. The design and implementation of this programme is based on the credibility and relevance as well as satisfactory progress for the implementation of the two "core" strategies, i.e. PAR and PFM. In addition in order to demonstrate relevant policy monitoring capacity will be provided for the implementation of "complementary" strategies, i.e. Anti-Corruption, Local Government and the Digital Agenda.

The cross-cutting PAR strategy 2015-2020, the PFM reform strategy 2014-2020, as well as the other complementary strategies of the good governance reform framework - the inter-sectoral strategy against corruption 2015-2020, the National Cross Cutting Strategy for Decentralisation and Local Government 2015-2020 and the strategy for a Digital Albania 2015-2020 - together form the wider public administration reform framework – also in line with the strategic framework for PAR. All related strategies are under review for a two-year extension. The PAR strategy as the main public policy document - as well as other complementary strategies for good governance - continues to be *relevant* in the sense that they are aligned with other primary national planning documents, namely NSDI, address the principal problems in the sector and accord with Albania’s EU accession policy commitments. The PAR strategy, coordinated by the Prime Minister’s Office and Department of Public Administration (DoPA), addresses key weaknesses: (i) policymaking and the quality of legislation; (ii) organisation and functioning of public administration; (iii) civil service: human resource management; (iv) administrative procedures and oversight. The PAR strategy is also consistent with SIGMA’s six core areas of Public Administration³ and reflects priorities set out under “governance for development” of the South East Europe Strategy 2020⁴. With regards to the other complementary strategies for good governance:

The six main pillars of the PFM strategy, coordinated by the Ministry of Finance and Economy, address key weaknesses related to (i) sustainable and prudent fiscal framework; (ii) well integrated and efficient planning and budgeting of public expenditure; (iii) efficient execution of the Budget; (iv) transparent government reporting; (v) effective internal control; and (vi) effective external oversight of public finances.

The anticorruption strategy (AC), coordinated by the Ministry of Justice (MoJ) in its role as the National Coordinator against Corruption, combines 18 rather complex objectives linked to prevention, repression, and awareness raising with 97 measures in the action plan 2018-2020 in a multi-institutional setting. The strategy directly responds to the key priorities set out in the European Integration agenda but lacks financial planning and sustainability. In 2018, the Council of Ministers (CoM) approved two new internal AC monitoring structures: an inter-ministerial committee as a decision making body composed by the 12 Deputy Ministers and an inter-institutional anti-corruption task force as a technical level-working group led by the National Coordinator against Corruption.

The National Cross Cutting Strategy for Decentralisation and Local Government 2015-2020, coordinated by the Ministry of Interior, addresses identified weaknesses: (i) efficiency of LG structures; (ii) fiscal and financial autonomy; (iii) sustainable economic development; and (iv) good governance. The division of responsibilities needs to be clarified and the existing de-link between objectives and activities/indicators needs to be revisited. The strategy could also be enriched by considering linkages between decentralisation and regional policy; role of regions; national and local prerogatives in financing national/regional local development or further direction on the intergovernmental grant system (primarily conditional grants). The management structures for the decentralisation strategy are not streamlined. The Agency for Support to LGs has been established in January 2018 and is committed to the process, but line ministries have not been involved in an equally active way.

The cross-cutting strategy "Digital Agenda for Albania 2015-20", coordinated by the Prime Minister's Office, focuses on: (i) development of electronic governance and delivery of interactive public services for citizens and businesses; (ii) development of electronic communications in all sectors; (iii) establishment of the National Geospatial Data Infrastructure.

³ SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the European Union and the Organisation for Economic Co-operation and Development (OECD).

⁴ <https://www.rcc.int/pages/62/south-east-europe-2020-strategy>

The strategy aims to address some of the main challenges in terms of e-government, public service delivery, and electronic communication infrastructures' needs.

The design of relevant strategies and their mid-term reviews underwent consultation processes with relevant stakeholders including state and non-state actors. While the track record in implementing the strategies is overall positive despite a slow-down following the 2017 elections and the consequent government restructuring, the original strategies suffered from poor costing and at times inadequate inclusion in the medium term budget. Risks for the sustainability of reforms relate to political commitment and palpable ownership of some pillars as well as to low human resource capacity by several public administrations in terms of staff numbers and skills. The opportunity to coordinate those interlinked strategies has now been revitalised at the end of 2018. Considering all aspects and recent developments regarding design, implementation track record and sustainability, the PAR strategy can be considered credible. The CoM adopted the revised PAR action plan 2018-2020, which is almost fully-costed (90%) and 96% of the identified costs are included in the Mid Term Budget Planning (MTBP). In addition, the revision of the PFM strategy, including costing for the period 2019-2022, is foreseen to be completed by mid-2019. The AC Action Plan 2018-2020, including recommendations of the Group of States against Corruption (GRECO) and MONEYVAL, was approved without prior consultation and proper costing. Within the framework of the decentralisation strategy, new laws on local self-governance and on the territorial and administrative division of Albania were adopted. These acts lay the foundation of the system of local self-governance, aiming to increase the direct contact with the municipalities and the citizens. In addition, a new law on local finance was adopted in 2017, determining clear rules, principles and procedures of local government finance from their local and state budget sources; as well as setting out rules for PFM at the local level. A specific costing of the strategy is needed since an initial costed action plan was approved in 2015 but its link with the MTBP is not clear. According to the latest (2018) annual monitoring report on the implementation of the Decentralisation and Local Governance Strategy, implementation is satisfactory and, as of 31 December 2017, 36% of the actions are completed, 49% are in progress, 13% are delayed, and 2% are to start beyond 2017. Progress in the Digital Agenda (DA) Strategy's implementation is visible in the area of e-services. There is political will to move the digital agenda forward, but this responsibility was transferred to the National Agency for Information Society (AKSHI) in 2017 and the absence of a strong coordination mechanism hinders progress and sustainability.

Monitoring and evaluation have continuously improved since the adoption of the PAR and other good governance strategies, now featuring corresponding action plans and indicators with targets; except for DA for which the recently appointed coordinating institution, the National Agency for Information Society, should soon produce a new action plan until 2022. While the first annual reports were heavily supported or even drafted by external consultants, each monitoring round was characterised by stronger ownership by GoA. Monitoring reports are slowly moving from rather descriptive activity-focused monitoring to a more substantiated analysis of indicator target achievements. So far, reports were prepared by Department of Public Administration (DoPA) for Public Administration Reform, by Ministry of Finance and Economy for Public Finance Management, by Ministry of Justice for Anti-corruption and by external experts for the Ministry of Interior for Local Governance⁵. For the Digital Agenda, the Minister of Innovation and Public Administration was in charge of reporting until the dismantling of this function in 2017. Since then, the National Agency for Information Society has been in charge but has not yet produced a monitoring report. All available progress reports have been published.⁶ Moving forward, the operationalisation of the Integrated Planning System

⁵ For 2016 and 2017 the previous Minister of State on Local Issues/National Coordinator Against Corruption received support from OSCE to the report drafting

⁶PAR: http://dap.gov.al/images/DokumentaStrategjik/PAR_Strategy_2015-2020_English.pdf (in EN); PFM: <http://financa.gov.al/raportet-e-monitorimit-2/> (in AL and EN); LG: <https://amvv.qeverisjavendore.gov.al/> (in AL); AC:

Information System (IPSIS), the Albanian Financial Management Information System (AFMIS) is expected to improve data availability for monitoring. The strategies discussed in this chapter are all *coherent* in terms of linkages to the national policy priorities. In terms of PAR mainstreaming across government policies, the capacity of the PMO to ensure the alignment of the quality of draft policies prior to submission to the Council of Ministers (CoM) for adoption, is limited. Templates exist for drafting policies and strategies, but they are rarely used, thus the CoM has adopted policies and strategies without action plans or with un-costed action plans. In 2018, 14 laws were subject to a Regulatory Impact Assessments (RIA). The introduction of RIA is expected to further contribute to harmonisation and improvements of standards over the next years. On the basis of the assessment, the PAR strategy is considered relevant and credible as underlying sector strategy for this Sector Reform Performance Contract.

Macroeconomic policy

As noted in the European Commission 2019 report⁷, Albania remained committed to strengthening macroeconomic stability and fiscal consolidation during 2018 and is moderately prepared in developing a functioning market economy. Economic growth increased to 4.1%, overall unemployment decreased to 12.8% and youth unemployment also declined by almost 3 pp. to 23.1%, even though it remains high as does informal employment. The high public-debt-to-Gross Domestic Product (GDP) ratio (debt including public guarantees) continued to fall to 67.3% but decreased more than expected to 67.2% in 2018, helped by the strong currency appreciation and under-execution of budget expenditures, but is still relatively high and associated with significant rollover and interest rate risks. The general government deficit fell from 4.1% in 2015 to 1.5 % of GDP in 2018 on account of lower expenditure and higher revenues. Inflation only increased slightly from 2.0% in 2017 to 2.2% in 2018. Exports of both goods and services grew solidly and the current-account deficit narrowed to 6.3% of GDP in 2018 from its 2010-2015 average of 11.6%. The real-effective-exchange-rate index (REER) climbed 9% by the end of 2018, reflecting the recent acceleration in the appreciation of the Albanian currency. Remittances inflows remained strong but recorded a slightly decreasing share in GDP from 5.8% in 2015 to 5.2% of GDP in 2018. Foreign Direct Investment (FDI) inflows softened from 8.6% to 7.9%, as the construction of two large energy projects is nearing completion, but remained high and still financed most of the current account deficit. Foreign reserves continued to cover 6.5 months of imports and 37% of total external debt in 2018, providing an adequate safeguard against adverse shocks.

The stability of the financial sector improved, as banks continued to reduce non-performing loans. However, lending to the private corporate sector remained muted and the high use of foreign currency in the domestic market persisted. Progress on judicial reforms have not yet resulted in a significantly more favourable business and investment environment as the new Bankruptcy Law still awaits the adoption of accompanying regulations, and the implementation of the amended Private Bailiffs Law is hampered by disputes.

In its Economic Reform Programme (**ERP**) 2019-2021⁸ Albania projects economic growth to accelerate to 4.5% by 2021 based on strong private domestic demand due to greater employment, rising wages and favourable lending conditions for households. Private investment activity is projected to pick up significantly in this period, driven by emerging capacity constraints and favourable financing conditions. Net exports are expected to make only a marginal contribution to the economic expansion. The growth outlook appears optimistic in light of a worsening external environment, continued low levels of lending to businesses, and

<https://drejtesia.gov.al/wp-content/uploads/2018/07/2017-Monitoring-Report-for-Strategy-Against-Corruption-1.pdf> (in EN). LG: <http://www.bpe.al/al/publikime>

⁷ <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-albania-report.pdf>

⁸ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/albania_erp_2019-2021.pdf

enduring weaknesses in the business environment. The European Commission forecasts (Spring 2019) growth to remain slightly below 4% over the period.

Albania confirmed its commitment to cut public debt from 67.2% to below 60% of GDP by 2021 by reducing current expenditure and stabilising tax revenue. The 2018 budget deficit has turned out with 1.5% of GDP lower than the planned 2% of GDP, because capital spending – although growing strongly- remained below the very ambitious budget plan. The fiscal framework targets a total fiscal deficit of 1.9% of GDP for 2019; 1.2% of GDP in 2020; and 0.5% in 2021 but the ERP does not provide details of a fiscal consolidation strategy. At the same time, it is continuously pursuing a positive and growing primary balance for the years 2019-2021, respectively 1% in 2019 from 0.6% targeted in the 2018 budget; 1.5% in 2020; and 2.2% in 2021. The relatively low public expenditure ratio does not allow for significant expenditure cuts which partly explain the moderate pace in debt reduction. A broader tax base, reduced informality and an increase in social contributions from increased formal employment helped to increase revenue in recent years. The recent multiplication of Value-added Tax (VAT) exemptions will complicate attempts to broaden the tax base and improve the efficiency of tax collection. For the medium-term, the still relatively low tax revenue is planned to stabilise at a slightly lower level. Overall, tax revenue is likely to remain below potential, mainly due to informality but also due to tax evasion in the formal economy. At the same time, new arrears emerged due to: (i) weaknesses in budget planning and implementation; (ii) policy-coordination issues between government levels (local-government arrears); and (iii) slow tax-refund procedures (arrears of VAT refunds).

As noted in the European Commission 2019 report for Albania: Public financing is not sufficient to bridge the large infrastructure gap, so the government is seeking to mobilise private capital - mainly through public-private partnerships (PPPs). Public investment grew on average 6.2% per year in 2013-2018, and accounted for about 18% of total public expenditure on average. The increasing reliance on PPPs generates contingent liabilities and therefore fiscal risks. The newly established Fiscal Risk Unit does not have sufficient capacity to monitor these risks. Infrastructure financing could be made more efficient by taking advantage of the potential for synergies in the planning and execution of both PPPs and conventional public investment. Public investment is set to increase to over 6% of GDP by 2021, but achieving this increase could be difficult due to weaknesses in the planning and management of capital expenditure. At the same time, public financing is not sufficient to bridge the large infrastructure gap, so the government is seeking to mobilise private capital - mainly through public-private partnerships (PPPs). The increasing reliance on PPPs generates contingent liabilities and therefore fiscal risks. Although required by law, value-for-money analysis is still not systematically carried out before approval of all PPPs. Furthermore, there is no regular reporting on PPPs. The technical skills and capacity to design and assess concessions and PPP projects need to be further developed.. Moreover, more than 90% of PPPs in Albania are based on unsolicited offers, which are not based on government's own feasibility studies and often outside the scope of national and sectoral strategic priorities. Projects do not undergo an assessment regarding the most appropriate financing and implementation structure but are a-priori defined as PPPs or conventional public investment

Despite Albania being the most competitive among the WB6 group for 2018, there are still structural obstacles to growth and competitiveness. They include unclear land ownership and insufficient enforcement of property rights, a high level (though decreasing) of informality and corruption despite progress achieved through judicial reform, an excessive regulatory burden and unpredictability in the judiciary system, which act as a discouragement to both foreign and domestic investment. In addition, Albania still exports low value-added products. Enterprises need to innovate, invest more in technologies, and internationalise their businesses.

With a view to improving the investment climate, Albania has to continue strengthening the justice system by implementing the justice reform and improving the provision of technical support services for micro, small and medium-sized enterprises, including the development of a support network to help them upscale, invest, innovate, digitalise and export. To increase investments in tourism in particular, Albania has to adopt the tourism strategy and start its implementation, focusing on sustainability through natural resource management. It has to provide vocational education and training in line with the investment needs of SMEs and the tourism sector. The Economic Reform Programme (ERP) structural measures foreseen in the ERP 2019-2021 include, inter alia to i) reduce regulatory burden to businesses, ii) reduce red tape and increase the efficiency of the institutions offering services to citizens and entrepreneurs iii) provide a single and transparent investment legal regime in the country.

The overall macroeconomic policy mix has been broadly appropriate and Albania has complied with fiscal rules. The main fiscal rule — to keep the public-debt-to-GDP ratio declining until the limit of 45% is reached — has been complied with. Budget implementation and public financial management (PFM) should be strengthened to avoid arrears and manage fiscal risks. Increasing tax revenues could help speeding up the path to the 45%-debt-to-GDP limit, thus strengthening debt sustainability. The government could do more to support efforts for lowering the use of the euro and the number of non-performing loans. Maintaining a loose monetary-policy stance has been appropriate for promoting a sustained rise in inflation towards the 3% target. Overall, the eligibility requirement indicate that a credible and relevant stability-oriented macroeconomic policy is met.

Public financial management

The Government completed the fourth year of the implementation of the **Public Financial Management (PFM) Strategy for 2014-2020** and related Action plan, whose goal is to improve the fiscal framework, budget process, enforcement of rules and procedures and prudent management of public funds, as well as to strengthen transparency and accountability mechanisms. Annual monitoring reports⁹ demonstrate progress, but several key weaknesses identified in 2014 are still relevant as reconfirmed during the mid-term review of the PFM strategy. Lack of control measures resulted in over-commitment; as well as de-link between medium-term budget programme and annual budget planning; not well integrated strategic planning process; weak expenditure control leading to arrears; weak tax collection and compliance; tax evasion; weak capacity and application of Public Internal Financial Control (PIFC), internal audit policies and procedures; external oversight of public finances not fully in line with international standards; weak oversight mechanisms and analytical capacity of relevant Parliamentary committees. The latest 2017 Public Expenditure and Financial Accountability (PEFA) assessment¹⁰ indicates mixed performance with 15 out of 31 indicators reflecting strong performance while the other 16 indicators reflect weak performance. The aggregate comparison with the previous assessment in 2011 shows no change in performance for sixteen indicators, an improvement for five indicators, and a lower score for seven indicators. Of those seven indicators, three scores did not relate to a change in performance but to an over-optimistic interpretation of the framework in 2011.

⁹ EN language: <https://financa.gov.al/wp-content/uploads/2018/08/2017-PFM-Strategy-Monitoring-Report.pdf>

AL language: <https://financa.gov.al/wp-content/uploads/2018/08/2017-Raporti-i-Monitorimit-t%C3%AB-Strategjis%C3%AB-s%C3%AB-MFP-s%C3%AB.pdf>

¹⁰ PEFA reference: <https://pefa.org/assessments/albania-2017>

The midterm review of the PFM strategy was completed with a consultation workshop in March 2019, including the identification of priorities to be addressed during the **extended period until 2022**. Among others: public investment management, including fragmented approval, appraisal, selection, and monitoring processes for public investment projects, PPPs and concessions; analysis of monitoring, reporting and mitigating fiscal risks; re-accumulation of arrears¹¹ at local and central government levels following the clearance of all pre-2014 arrears; improving the follow-up of internal and external audit recommendations; strengthening of internal control standards across government in line with a comprehensive PIFC policy; online access to the treasury for all budget institutions; and the creation of a separate pillar for Domestic Revenue Mobilisation. The implementation of the PFM reform progressed but slowed down; it is expected that the revision and extension of the strategy by two years until 2022 give fresh impetus to all implementing partners. The strategy revision, including performance indicators and costing, should be completed by June 2019. Overall, the eligibility requirement for a credible and relevant programme to improve public finance management is considered to be met.

Budget transparency and oversight of the budget

Information regarding Albania's budget transparency as well as oversight mechanisms is generally available. The minimum requirement of 2019 budget publication is met by the publication of the budget on the Ministry of Finance and Economy (MoFE) website¹². The Government of Albania published the 2019 budget (Executive's budget proposal and the enacted budget) in a timely manner for the general public on the Ministry of Finance and Economy (MoFE) website¹³ and in printed form in the Official Gazette¹⁴. Therefore, the entry level requirements are considered to be met, as both the Executive's budget proposal and the enacted budget were published within the legal time limit.

Overall, **budget transparency has improved** in recent years in terms of quantity and relevance of information at both central and local level with the implementation of the PFM reform and the transparency road map. Government now publishes all key budget documents¹⁵ in a timeframe consistent with international standards. However, in line with the Albanian Organic Budget Law, the mid-year report, first published in 2017¹⁶, covers five instead of six months;. Most recent achievements in 2018 relate to the first time publishing of key information in the MTBP 2019-2022¹⁷: (i) a list of approved PPP contracts and the proposals in an advanced stage with an preliminary positive opinion from MoFE with/without financial impact in the MTBP 2019-2022; and (ii) analysis of major sources of fiscal risk in the short to medium term and their respective likelihood for the future. The **BOOST initiative** improved public access to budget data¹⁸ and MoFE established in collaboration with Co-Plan a **transparency portal on Local Finances**¹⁹. A key issue is the varying level of transparency across government, which needs to be systematically addressed. The 2017 budget implementation report was published²⁰ but its structure remains weak in reporting on state assets and possibility of comparison with the original budget. The most recent Open Budget Index score available is 50 (2017) compared to

¹¹ <http://www.financa.gov.al/al/raportime/shlyerja-e-detyrimeve-te-prapambetura>

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

¹³ <https://financa.gov.al/buxheti-2019/>

¹⁴ <http://www.qbz.gov.al/>

¹⁵ Including Citizen budget <https://financa.gov.al/buxheti-i-qytetarit-2/>

¹⁶ <http://financa.gov.al/buxheti-2017/>

¹⁷ <http://www.financa.gov.al/buxheti-2019/>

¹⁸ <https://financa.gov.al/boost/>

¹⁹ <http://www.financatvendore.al/>

²⁰ <https://financa.gov.al/buxheti-faktik-2017/>

38 (2015)²¹, and expected to further improve also supported by an ongoing EU-funded Technical Assistance project (until April 2020). According to the PEFA 2017, most indicators did not change in terms of performance vis-à-vis overoptimistic PEFA 2011 scores, with the exception of budget documentation (PI-5). Monthly budget execution reports are timely issued, but data coverage and classification does not allow direct comparison to original budget, and expenditure is captured at payment stage (PI-28). Annual financial reports are submitted for external audit in a timely manner but do not present a comparison between original budget and actual execution, and differences between national and international standards are not disclosed (PI-29).

Gaps exist with regard to adequate attention by Parliament and follow-up of audit recommendations (PI-30 and PI-31). The legislature issues recommendations on actions to be implemented, but does not monitor them. Hearings are conducted in public with a few exceptions. External audit coverage is extensive but the implementation of recommendations is low. Albanian State Audit Institution is developing a system to track the implementation of recommendations. In 2018 ALSAI issued for the first time an opinion on the 2017 budget execution report. Oversight scores 69 out of 100 points in the 2017 Open Budget Survey.

The 2017 Open Budget Survey concluded with 2 out of 100 points that Albania provides few opportunities for the public to engage in the budget process. The revision of the Organic Budget Law in 2016 included consultation with civil society as a legal requirement to formalise previously voluntary initiatives. The official budget consultation was conducted in June 2018, where also the online consultation process on the 2019 budget was launched. Further improvements are expected because of enhanced engagement and dedicated support through a component under the ongoing EU-funded PFM Technical Assistance.

Aid coordination related responsibility was transferred from the Prime Minister's Office (PMO) to MoFE and a specific structure within the Ministry has been set up. The External Assistance Management Information System (EAMIS) went live in January 2018 and the uploading of donor support related data is ongoing. EAMIS' future effectiveness is linked to its ability to import International Aid Transparency Initiative data. The integration of the Treasury System with the MTBP module, EAMIS and the Strategic Planning (IPSIS) will automate the information flow through all stages of policy development. The benefit would be improved performance monitoring at operational and at policy level, measuring outputs and outcomes of policy goals or objectives. The success of the system depends on business processes to be aligned with the Chart of Accounts, institutional arrangements and operational procedures in the public administration.

A New Financial Planning Tool for local units for the MTBP and related Manual for Financial Planning Toolkit were approved in 2018 and rolled-out as part of staff training and capacity building measures. The new standard MTBP preparation instruction will strengthen its role as an instrument for the budget (preparation) process and strategic resource allocation purposes. MoFE publishes LG budget monitoring reports quarterly.²² Over the medium-term perspective a significant challenge - particularly for LGs – will be to adhere to the two-step approach of costing and budgeting resources.

The **International Monetary Fund Fiscal Transparency Code assessment**²³, published in 2016, noted that ten of the Code's 36 principles are rated as either "good" or "advanced," and 14 principles rated as "basic". However, in eight areas the basic requirements of the Code are "not met." The IMF Transparency assessment from 2016 has not been updated and hence it does not reflect any of the progress in the last two years.

²¹ <https://www.internationalbudget.org/open-budget-survey/results-by-country/country-info/?country=al>

²² <https://financa.gov.al/buxheti-i-pushtetit-vendor/>

²³ <http://www.imf.org/external/np/sec/pr/2016/pr1611.htm>

Albania is committed to the Extractive Industries Initiative (**EITI**), having published annual reports for 2013, 2014 and 2015.²⁴ GoA publishes information on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these incomes. In December 2016, EITI published Albania's beneficiary roadmap. Albania was found to have made meaningful progresses against the EITI standards as confirmed by the Board on 13 February 2018. The long term objective is to reach at "Beneficial Ownership Disclosure" by 2020. Overall, the eligibility requirement for budget transparency and oversight is considered to be met.

b) Objectives

The overall objective is to contribute to a more capable and responsive public sector towards citizens' needs and businesses as well as to advance and respond to demands of EU integration processes.

The specific objective is to improve public administration to become more efficient, accountable, transparent, inclusive and effective at national and local level.

c) Expected results

The expected results are:

- Improved domestic revenue mobilisation;
- Improved fiscal autonomy of local government units;
- Well integrated and efficient planning, budgeting and coordination of policies;
- Strengthened commitment controls
- Improved human resource management;
- Improved public investment management;
- Increased integrity of public institutions;
- Enhanced transparency and access to information for the citizens;
- Improved regulatory framework and capacities at local government;
- Improved service delivery to citizens;

d) Main budget support activities

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

- Engagement in policy dialogue around conditions and government reform priorities, the verification of conditions, targets and the payment of budget support;
- Transfer of EUR 36 million to the beneficiary country over the fiscal years 2021, 2022 and 2023 with disbursements of fixed and variable tranches;
- Support to reinforce Government's institutional capacities to implement the Public Administration reform and related strategies;
- Enhancing donor and policy coordination through capacity building for the good governance and public administration on central and local level by budget support as well as technical assistance;
- Monitoring and evaluation for tracking implementation of the public administration reform and other related reforms;
- Regular monitoring of budget support eligibility criteria.

e) Complementary actions

²⁴ <https://eiti.org/albania>

This part of the action is partially a continuation of the Sector Reform Programme under IPA 2014 to support Public Financial management reform, IPA 2015 for Public Administration Reform and IPA 2016 support to the fight against corruption. It aims at further advancing the reforms in the areas of public administration reform, public financial management as well as related reforms under the scope of good governance to fight against corruption and decentralisation as well as Digital Albania.

Indirect management with entrusted entity

A part of this action may be implemented in indirect management with the United Nation Development Programme (UNDP). This implementation entails further support to the decentralisation agenda, which will contribute to achieving the following expected result: strengthened municipalities and improved services with standardised delivery of public services.

This part of the action is a continuation of the IPA 2015 intervention called Support to Territorial and Administrative Reform. UNDP has been selected using the following criteria: (i) experience, and function of the entity for supporting the decentralisation reform ii) continuity; (ii) technical expertise, logistical & management capacities especially at local level; (iii) comparative advantage due to synergies with other activities in Albania in which the entity is involved; (iv) impact, results, leverage effects of cooperation with other donors (as the entity has been managing this multi-donor partnership mechanism in support of the decentralisation process since 2013)

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

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

Direct management (project approach)

Procurement

The procurement will contribute to the following results:²⁵

- Enhanced good governance policy making and implementation;
- Improved capacity of budget institutions to implement public internal financial control policy;
- Improved capacity of municipalities on EU related governance and delivery of public services;
- Improved public participation and public consultation coverage and mechanisms at national and local level;
- Improved transparency and accountability for reform implementation through independent institutions;
- Budget support eligibility criteria are independently monitored;
- Enhanced visibility, awareness raising and acceptance of good governance reforms.

The global budgetary envelope reserved for procurement: EUR 7,100,000.

Grants

a) Purposes of the Grant:

²⁵ These results are linked to the specific objective of improving public administration for it to become more efficient, accountable, transparent, inclusive and effective at national and local level.

The grant will contribute to achieving the following expected results: strengthened municipalities and improved services with standardised delivery of public services. The grantee will manage support to municipalities in the form of sub-grants.

The call for proposals was launched on 13 September 2019 under a suspensive clause prior to the adoption of this decision. The launch of the call for proposals prior to the adoption of the decision ensures that the technical assistance for the local communities is in place before, or at the latest when the budget support is made available. Thus, the capacity building for the absorption of the EU funds can start without further delay.

b) Type of Applicants targeted: In order to be eligible for a grant, the applicant must be a non-governmental organisation and/or a competent association of sub-national (regional or local) authorities, public body, or relevant mandated body of a Government Department of a European Union Member State.

c) Direct grant award: N/A

d) Exception to the non-retroactivity of costs: N/A

The global budgetary envelope reserved for grants: EUR 2,500 000

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply. Furthermore, in accordance with Article 10(2) of Regulation (EU) No 236/2014, the Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	DEMOCRACY AND GOVERNANCE		EUR 1,500,000
Action 2	EU support for participation in Union Programmes	Indirect management with Albania	EUR 1,500,000

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

- Description of the action and objectives

The overall objective is i) to enhance the ability of Albania to effectively participate in the EU as a full member in the future and ii) to closely associate actors of Albanian society, economy and

institutions with the implementation of EU policies in such a way as to facilitate the country's accession process

The specific objectives are i) to increase the number of Union Programmes and Agencies in which Albania effectively participates and ii) to enhance Albania's capacity to successfully participate in Union Programmes and Agencies as a means to promote exchanges with EU Member States, the dissemination within the country of relevant know-how and good practices, and further alignment of Albania with European Union policies and working methods.

- Expected results and key performance indicators

The expected results of the action are:

- Reduced cost to the Albanian budget, and thereby support, the participation of interested actors of Albanian society, economy and institutions in Union Programmes and Agencies;
- Increased exposure of the Albanian beneficiaries to, and experience with, Union Programmes.

Key performance indicators:

- Number of Programmes for which an International Agreement has been concluded;
- Number of applications received for participation in the different Union Programmes;
- Number of successful applications for participation in the different Union Programmes.

(2) Assumptions and conditions

The conditions of the action include:

Albania must not only provide the co-financing but also the funds necessary for the payment of the total entry ticket, prior to receiving the partial reimbursement from IPA II. The reimbursement will be paid as a grant to the Albanian National Fund.

The implementation by the National IPA Coordinator (NIPAC) of an action plan for Albania's future participation in Union programmes continues to be the basis for a policy to make full use of the various Union programmes. This policy should notably ensure proper coordination between all the Albanian institutional actors involved. The publicity necessary to attract academics, ministry representatives and municipalities, and the private sector (particularly SMEs) also needs to be ensured. The line ministries and agencies need to earmark adequate budgetary resources to ensure that National Contact Points can participate in Programme Meetings/Information Days outside of Albania.

The NIPAC shall regularly monitor the participation rates and report on them in the context of IPA monitoring committees, as well as on co-financing trends and on how programme implementation was made responsive to the gender and social inclusion dimensions (minorities, persons with disabilities, etc.). The NIPAC will ensure that gender-disaggregated data are collected on a regular basis by the final beneficiaries with respect to participation in each individual Union programme.

The relevant programme managing entity shall be responsible for monitoring of the visibility activities. The NIPAC office shall make sure that the national institution participant of the respective Union programme establishes direct contacts with the EU Delegation in order to plan and implement together visibility actions linked to the implementation of the respective Union programme.

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

(3) Implementation modalities

(3) (a) Indirect management with Albania

This action will be implemented under indirect management with Albania, which shall be responsible for carrying out all the tasks relating to the implementation of the action. This solution, already used in the IPA 2014, 2015, 2016 and 2018 country action programmes, presents the advantage of streamlining the EU contribution and the national contribution. It is based on previous experience in ensuring the payment of the entry tickets.

The Operating Structures responsible for the execution of the actions are the Ministry for Europe and Foreign Affairs (Office of the National IPA Coordinator) and the Ministries (including relevant agencies) benefiting from participation in Union Programmes and Agencies (Ministry of Justice, Ministry of Finance and Economy, Ministry of Education, Sports and Youth; and Ministry of Culture).

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

The participation of Albania in Union programmes, including payment by the country of the entry ticket/participation fees, shall follow the specific terms and conditions set out for each Programme in the relevant International Agreement. Co-financing rates from previous participation shall be taken into account, and in line with the principle of increasing Albania's ownership and responsibility IPA funding rates shall decrease over the years in real or relative terms.

(4) Scope of geographical eligibility for procurement and grants

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

SECTOR	RULE OF LAW AND FUNDAMENTAL RIGHTS		EUR 10,000,000
Action 3	EU for Rule of Law	Direct management	EUR 1,000,000
		Indirect management with entrusted entity²⁶	EUR 9,000,000

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

- Description of the action and objectives

The overall objective is to contribute to the strengthening of the rule of law

The specific objectives are i) to enhance the capacity of the Albanian State Police (ASP), the General Prosecutor Office (GPO), Special Prosecutor for Anticorruption (SPAK) and the National Bureau for Investigation (NBI) and relevant agencies to provide trust, safety and a secure environment to the Albanian citizens and ii) to improve the analytical and legislative

²⁶ The entity (ies) to be selected in accordance with the criteria set out in section 2.2(3)(a).

capacities of the Ministry of Justice and to increase the capacity of the justice independent institutions and of the School of Magistrates.

- Expected results and key performance indicators

The expected results of the action are:

- Improved performance, investigation, prosecution and final judgment capacity of SPAK, NBI, ASP and GPO and courts, as well as all other law relevant enforcement bodies, supervisory authorities and reporting entities;
- Enhanced analytical and legislative capacities of the Ministry of Justice;
- Improved capacity of the High Judicial Council (HJC), High Prosecutorial Council (HPC) High Justice Inspector (HJI) for applying standard rules and practices for career development decisions in compliance with EU standards and best practice;
- Improved teaching and training methods applied by the School of Magistrates with new improved alternative curricula and variety of subjects.

Key performance indicators:

- Number of investigations, indictments and final convictions based on the use of the tools for the proactive intelligence led investigations on organised crime, drugs trafficking and corruption, prosecutions and final convictions;
- Number of laws approved based on the new methodology with alignment to the EU *acquis*;
- Number of appointments, promotions, and evaluations conducted, in line with EU best practices and standards;
- Number of new quality curricula adopted.

(2) Assumptions and conditions

The assumptions for the action include: i) political and economic stability of Albania and the region remains at the same level, ii) sufficient national funding for law enforcement and prosecutors is in place, iii) Special Prosecutor for Anticorruption and the National Bureau for Investigation are established iv) effective cooperation and coordination between all relevant institutions in Albania is in place v) the number of staff of the School of Magistrates is increased based on merit based recruitment.

The conditions of the action include:

The Justice Sector Steering Committee and the Home Affairs Sector Steering Committee have concluded at least two meetings on the implementation of sector reforms and key challenges and finalised the relevant operational conclusions in 2019.

The vacancies of the IPA Coordination Units of the Ministry of Justice and the Ministry of Interior are filled in and the Ministry of Justice set up and staffed its Statistical Unit by mid-2020.

The High Judicial Council, the High Prosecutorial Council, the General Prosecution Office and the Albanian State Police shall increase their IT capacities by filling in all the vacancies by mid-2020.

Each beneficiary institution appoints a responsible person for the design and implementation of the actions by the signature of the Financing Agreement and provide sufficient working space for the implementation of the action.

In addition, since results should be sustained, the beneficiary should describe in their budget planning (Medium-Term Business Planning) that necessary resources ensuring operation and maintenance of the equipment as well as adequate human resources are planned.

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

(3) Implementation modalities

(3) (a.1) Indirect management with a Member State organisation, third donor country agency, or international organisation.

Part of this action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria: (i) mandate of the entrusted entity covering the nature of the action; (ii) experience of the potential entity in particular in the context of the European Union and in Albania or in the Western Balkans; (iii) operational capacity/technical expertise, as well as logistical & management capacities; (iv) impact, results, leverage effect of cooperation with other entities/donors, also covering effectiveness of the delegation of tasks, included in Albania or in the Western Balkans; (v) reduced transaction costs (vi) transparency and absence of conflict of interest and (viii) potentially the capacity of the entity for possible co-financing

The implementation entails mainly capacity building, mentoring and operational support, including provision of relevant equipment in the fight against serious/organised crime, with special focus on drug cultivation and trafficking; fight against high level corruption; assistance in the structuring of the organisation of human resources, logistics, budgeting and strategic planning of the SPAK, NBI ASP and GPO; border management with particular focus on the challenges of irregular migration and asylum seekers; community policing; road safety and traffic police. The key activities are the delivery of assistance and relevant equipment to increase the professional capacity of law enforcement institutions and prosecutions offices in compliance with best EU practices.

The action to be entrusted to the entity will contribute to achieving improved performance and investigation, prosecution and proactive investigations of SPAK, NBI, ASP and GPO and courts, as well as all other relevant law enforcement bodies, supervisory authorities and reporting entities.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

If negotiations with the above-mentioned entity(ies) fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).

(3) (a.2) Indirect management with a Member State organisation, third donor country agency, or international organisation.

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission services using the following criteria: (i) mandate of the entrusted entity covering the nature of the action; (ii) experience of the potential entity in particular in the context of the European Union and in Albania or in the Western Balkans; (iii) operational capacity/technical expertise, as well as logistical and management capacities; (iv) impact, results, leverage effect of cooperation with other entities/donors, also covering effectiveness of the delegation of tasks, included in Albania or in the Western Balkans; (v) reduced transaction costs (vi) transparency and absence of conflict of interest. and (viii) potentially the capacity of the entity for possible co-financing

The implementation by this entity entails advisory support training and capacity building for the HJC, HPC and HJI as well as the School of Magistrates. The key activities include assistance to all new governance institutions, support the capacity building of the HJC/HPC and the setting of standards and procedures for the management of magistrates' careers, support the HJC and HPC to develop efficient case management tools, support to the School of Magistrates to set-up of new training tools; study visits and exchanges of best practices and support the set-up of coordination mechanisms and peer to peer advice on operational managerial matters.

The action to be entrusted to the entity will contribute to achieving improved capacity of the High Judicial Council, High Prosecutorial Council, and High Justice Inspector for applying standard rules and practices for career development decisions in compliance with EU standards and best practice and to achieving improved teaching and training methods applied by the School of Magistrates with new improved alternative curricula and variety of subjects.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

If negotiations with the above-mentioned entity (ies) fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).

(3) (b) Direct management (project approach)

Procurement:

The procurement will contribute to achieving enhanced analytical and legislative capacities of the Ministry of Justice.

The global budgetary envelope reserved for procurement: EUR 1,000,000.

As mentioned above, if under the indirect management negotiations with the above-mentioned entity (ies) fail, that part of the action may be implemented in direct management, Therefore, the overall budgetary envelope reserved for procurement will be increased to EUR 10, 000,000.

(4) Scope of geographical eligibility for procurement and grants

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

Furthermore, in accordance with Article 10(2) of Regulation (EU) No 236/2014, the Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

SECTOR	RULE OF LAW AND FUNDAMENTAL RIGHTS		EUR 15,700,000
Action 4	EU for Property Rights	Direct management	EUR 15,700,000

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

- Description of the action and objectives

The overall objective is to contribute to strengthening the protection of the right to property in Albania and Albania's capacity to guarantee in practice the right to ownership, as one of the fundamental human rights, provided through a regulated system of harmonised real property, which offers clear and safe property titles for everyone.

The specific objective is to develop a dynamic land market through the establishment of a clear property rights framework in Albania.

- Expected results and key performance indicators

The expected results of the action are:

- Re-engineered State Cadastral Public Services are in place
- Developed regulatory framework for modernised property rights registration and integrated land management procedures and technology
- The reformed institutional framework is operational
- Central Integrated Land Management system is designed and developed enabling the re-engineered business procedures
- Property rights and land management data digitalised (spatial and legal), and only digitally updated
- Improved Data Quality: the spatial and legal property rights and land management data is corrected, up to date, and publicly accessible
- Improved capacities for the preparations for setting up the land parcel based agricultural monitoring system according to EU standards

Key performance indicators:

- Number of steps through the property registration;
- Number of documents a citizen needs to provide to register a property acquired through sale contract;
- Number of supporting regulations and bylaws drafted and adopted;
- The State Cadastre Agency transition from the 3-predecessor institutes is completed;
- Number of officials are trained/ coached at State Cadastre Agency;
- Number of days property registration processed; A specific unit for finalising first registrations according to the project methodologies is operational and its capacities built;
- Number of land and property related databases harmonised and integrated into central system;
- Number of government units accessing central integrated Land Information System;
- Number of cadastral zones where data fully digitised (scanned and georeferenced);
- Percentage of parcels with incorrect property rights data
- Corrected data is available through the national Geoportal
- Number of persons trained on EU standards for Land Parcel Identification System;

- Existence of technical specifications for LPIS

(2) Assumptions and conditions

The assumptions for the action include: i) continued commitment of the Government of Albania to the property rights reform agenda ii) the relevant institutes are available for processing the legal changes and the development/ acceptance of enforcement tools; iii) the Government implements the planned institutional changes iv) the participating institutes fully engage in change management processes v) the relevant institutes are available for processing/ implementing the changes and for trainings. vi) all relevant government units endorse the system unification process and support the systems' integration steps vii) all relevant government units endorse the digitalisation/scanning process and support the integration steps. viii) the legal enforcement for exclusively digital maintenance is in force. ix) The methodologies and technologies are accepted and adopted by the participating institutes. x) data correction process is fully endorsed by the central and local level. xi) the Ministry for Agriculture and Rural Development and the Paying Agency staff are available for the implementation.

The conditions of the action are that the Government of Albania:

- maintains its commitment to fulfil its obligations under the international agreements and conventions during the entire project implementation;
- by the start of the project implementation commits to provide the necessary infrastructure, environment and participating staff for the project implementation;
- throughout the entire implementation ensures a permanent, clear communication channel, and decision-making structure for the project issues; and ensures that the communication and decision-making response will be in timely manner, without delays;
- ensures that the necessary amendments to the relevant legislation (including secondary legislation, if relevant) will be drafted and, when appropriate, revised to enable the implementation of the technical side of the reform, e.g.: enforcement for central database usage, for only digital updates for legal and spatial data maintenance, taking into account, when applicable, the opinions and recommendations provided by competent international organisations;
- develops a plan to fight corruption in the property right field during the first two years of implementation;
- confirms a mechanism for consultation and assessment of legislation (by-laws included) in the field of property (plus all the legal recruitment for it) before the program implementation starts;
- finalises the core necessary setup of the State Cadastre Agency (staff, legal basis, premises, contact points etc.) before the program implementation starts; and the State Cadastre Agency appoints a permanent Programme Manager, with decision making mandate, for the implementation of the support and to cooperate with the EU Delegation and Property rights support team.

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

(3) Implementation modalities

(3) (b) Direct management (project approach)

Procurement:

The procurement will contribute to achieving all the seven expected results of the action as described above.

The global budgetary envelope reserved for procurement: EUR 15,700,000.

A call for technical assistance services and a call for services for the preparation of detailed tender specifications for IT systems are expected to be launched in October 2019 under a suspensive clause prior to the adoption of this decision. By this, it will be ensured that the State Cadastre Agency, which has been established in June 2019, will get the legislative, regulatory and technical support to implement the complex technical assistance in a very early stage of the project.

(4) Scope of geographical eligibility for procurement and grants

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

Furthermore, in accordance with Article 10(2) of Regulation (EU) No 236/2014, the Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE – ANNUAL ACTION PROGRAMME FOR ALBANIA FOR 2020

		Indirect management		Direct management	Total EU contribution (EUR)	IPA-II beneficiary or other third party contribution (EUR)	Total (EUR)
		with IPA-II beneficiary	with entrusted entity				
		EU contribution (EUR)	EU contribution (EUR)	EU contribution (EUR)			
Objective 1	01. Democracy and governance	1,500,000	2,500,000	45,600,000	49,600,000	1,121,991	50,721,991
	Action 1 EU for Good Governance	0	2,500,000	45,600,000	48,100,000	194,444	48,294,444
	Action 2 EU support for participation in Union Programmes and Agencies	1,500,000	0	0	1,500,000	927,547	2,427,547
	02. Rule of law and fundamental rights	0	9,000,000	16,700,000	25,700,000	0	25,700,000
	Action 3 EU for rule of law	0	9,000,000	1,000,000	10,000,000	0	10,000,000
	Action 4 EU for property rights	0	0	15,700,000	15,700,000	0	15,700,000
	TOTAL	1,500,000	11,500,000	62,300,000	75,300,000	1,121,991	76,421,991

4 PERFORMANCE MONITORING ARRANGEMENTS

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

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

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

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

5. EVALUATION

Having regard to the importance and the nature of the action, final and/or ex-post evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

A final and/or ex post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the implementation of the budget support for social inclusion as well as the implementation of the support to circular economy.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.