

ANNEX

National Programme for Albania under the IPA - Transition Assistance and Institution Building component for the year 2011

1. IDENTIFICATION

Beneficiary	Albania
CRIS number	2011/ 23-035
Year	IPA 2011
Cost	EUR 82 million ¹
Implementing Authority	European Commission, apart from the following projects: Project 6 - United Nations Development Programme (UNDP) by joint management with European Commission. Project 7 - Gesellschaft für Internationale Zusammenarbeit (GIZ) (former Gesellschaft für Technische Zusammenarbeit (GTZ)) by indirect centralised management. Project 8 – European Bank for Reconstruction and Development (EBRD) by joint management with European Commission.
Final date for concluding the financing agreements	At the latest by 31 December 2012.
Final dates for contracting	2 years following the date of conclusion of the Financing Agreement. No deadline for audit or evaluation projects covered by this programme, as referred to in Article 166 (2) of the Financial Regulation. These dates apply also to the national co-financing.
Final dates for execution	2 years following the end date for contracting (with the exception of projects 1, 3, 4 and 8, where the works on large infrastructure projects justify four years). These dates apply also to the national co-financing.
Sector Code	11330, 14020, 15111, 15130, 15160, 21020, 31110, 43040, 91010
Budget line(s) concerned	BGUE-B2011-22.02.02-C1 ELARG
Programming Task Manager	Unit C4, DG Enlargement
Implementation Task Manager	European Union Delegation in Albania

¹ In addition to the IPA contribution to the National Programme, the amounts of EUR 2.000 million allocated for Tempus and EUR 0.300 million for Nuclear Safety and Radiation Protection, will be adopted through different financing proposals under the Multi-beneficiary IPA Programme.

2. PRIORITIES FOR EU ASSISTANCE

The overall objective of EU financial assistance to Albania is to support its efforts for reform and towards compliance with EU law in order that it may become fully prepared to take on the obligations of membership to the European Union. The priorities of EU assistance for the period 2011-2013 are in line with the objectives set out in the Multi-Annual Programming Document (MIPD) covering the period 2011-2013.

The MIPD is based on needs identified in the European Partnership with Albania, as well as those identified in the 2010 Enlargement Strategy and Opinion. The MIPD also takes into account Albania's own strategies, in particular the National Strategy for Development and Integration (NSDI) 2007-2013 as well as the 2010-2014 National Plan for the Implementation of the SAA. The MIPD has been drawn up in consultation with the Government of Albania, EU Member States and other donors. Its priorities are in line with the Copenhagen Criteria with the aim of contributing to their achievement.

2.1. Priorities selected under this programme

The priorities of the IPA 2011 National Programme for Albania are in line with those of the Multi-Annual Indicative Planning Document 2011-2013, which are:

Strengthen rule of law, ensuring the independence, efficiency and accountability of judicial institutions and enhance the fight against organised crime.

Support the public administration reform, with a view to enhancing professionalism and de-politicisation of public administration and to strengthening a transparent, merit-based approach to appointments and promotions and strengthen the fight against corruption at all levels.

Reinforce the protection of human rights, notably for women, children and persons belonging to minorities, and to effectively implement anti-discrimination policies.

To support *acquis*-related issues, in particular, administrative capacity, adoption and enforcement of legislation and related investments in the transport sector, social sector, as well as in the environment, climate change and agriculture sectors.

The Commission has taken a number of steps to enhance the strategic nature of the IPA instrument over the last few years and to strengthen the link between the priorities established in the Enlargement Package and the programming of assistance. To better illustrate this focus, and to strengthen ownership by the beneficiary countries, the Commission will increasingly use a more sector-based² logic in its planning of pre-accession assistance. To increase the impact of IPA assistance and to give greater focus to achievable results, the Commission has decided to concentrate its efforts on targeted sectors.

² Or programme-based approach where the selected priorities span across sectors

2.2. Sectors selected under this programme and donors' coordination

In addition to the assistance identified in this programme, EUR 2.000 million is provided to support the Tempus programme and EUR 0.3 million is foreseen for the Nuclear Safety and Radiation Protection. These projects are coordinated and implemented under the relevant Multi-beneficiary programme and will be adopted by separate financing decisions. Consequently, the 2011 National Programme for Albania amounts to EUR 82million.

To achieve the priorities selected for support in the programming period 2011-2013, the Commission will focus its assistance for Albania according to the MIPD primarily on the following sectors:

Justice and Home Affairs

Public Administration Reform

Transport

Environment and Climate Change

Social Development

Agriculture and Rural Development

The choice of the above mentioned sectors has also been influenced by the well-developed and government-led donor coordination process in Albania. All sectors are mirrored by sector-specific working groups (SWG), which bring together the relevant line Ministries and active or interested donors in a specific sector under the leadership of the Department for Strategy and Donor Coordination in the Council of Ministers (DSDC). Donor focal points and EU lead donors are identified for all of these sectors.

Under the IPA 2011 Programme, all sectors as reflected in the MIPD 2011-2013 are covered by the suggested projects.

Justice and Home Affairs:

Justice and Home Affairs (JHA) is of crucial importance to Albania's EU integration. This sector is one of the most important areas where Albania needs to improve according to the Commission Opinion on Albania's application for membership of the European Union. Furthermore, this is an area where other stakeholders like Member States, European Parliament and other Donors want to see progress. Improvements in this field will have a positive effect on many other sectors. However, a sector strategy to reform the judiciary does not yet exist. Part of the reform of the sector and rated as one of the ambitious plans of the Ministry of Justice is the drafting and approval of the Justice Sector Strategy.

Other donors in the area of Justice and Home Affairs are international donors such as OSCE and UNICEF as well as bilateral donors, among them Austria, France, Italy, Spain, Sweden, the UK and the US.

One project (Shkodra prison and pre-trial detention Center) will be supported under this programme in the JHA area, with the aim of strengthening the rule of law. This is also in

line with one of the 12 identified key priorities in the Opinion, which requests from Albania to "Take additional measures to improve treatment of detainees in police stations, pre-trial detention and prisons."

Public Administration Reform:

This sector is one of the most important areas where Albania needs to improve according to the Opinion conclusions. Improvements in this sector will have a potential cross cutting effect on the overall functioning of state institutions, including socio-economic development of the country as well as progress towards EU accession.

Donor coordination in this sector is organized through a SWG, where the donor focal points are WB and UNDP. The EU is the lead donor under the FTI-Initiative and can count on other active European donors, notably the Netherlands, Sweden, Germany and Switzerland. Further main donors in this sector are: OSCE, USAID and UNICEF. One project is foreseen under this programme, which will improve the performance of the Albanian Customs Administration according to European standards.

Transport:

This sector is part of the preparations of IPA Component III. Furthermore, it is one of the sectors, where the European Commission has been involved continuously over the last years and where still further improvement is necessary.

There are many donors active in the transport sector, the WB being the leading donor and Donor Focal Point of the sector working group on transport. Other donors active in this sector are, amongst others, the Czech Republic, Italy and Germany (mainly through KfW). Significant support also comes from European IFIs, namely EBRD, CEB and EIB.

This programme foresees one major infrastructure project, which is the construction of the Vlora By-Pass.

Environment and Climate Change:

Environment is part of the preparations of IPA Component III (as transport above). It is also one of the sectors, where the European Commission has been involved continuously over the last years (in particular in the water supply and sewage sector) and where urgent and continuous improvement is necessary.

Sweden is the lead donor for general environmental protection aspects, in particular for administrative capacity building, and is the European lead donor and the SWG focal point. The EU has long-standing experience in the field of water and sanitation, partly in cooperation with Austria and Germany (KfW). Austria is the European lead donor and SWG focal point in the water and sewage sector. Other main donors in this sector are Italy, EIB, EBRD, Switzerland, Japan, USAid, WB, UNDP, OSCE and IDB.

The IPA 2011 programme includes one project, which will finance the last phase of the Velipoja sewerage and waste water treatment system.

Social Development:

This sector is part of the preparations of IPA Component IV. This sector focuses also on an important part of the Europe 2020 Strategy and is in particular relevant for Albania as one of the poorest countries in Europe. Albania has a Strategy on Employment and Vocational Training (2007-2013), which was adopted in 2007 and which represents an important step forward in the development of an employment policy framework. The Albanian authorities have also taken significant steps during recent years to protect the rights and promote the social inclusion of the Roma minority. The Government adopted in September 2003 a National Strategy to improve Roma living conditions, aiming to upgrade the status of this community while preserving its own ethnic identity. However, the implementation of the Roma national strategy has been slow, due to insufficient human and financial resources.

There are three SWG active in the Social/ Human Resource Development Sector. The first one addresses "Social Protection and Inclusion", the second one concerns "employment and VET" and the third one covers "education". For the first SWG the UN is the lead coordinating donor while Switzerland, Austria and the EU lead the European Donors under the FTI. The lead donor for the second SWG is Switzerland, where the other active European donors are Austria, Germany, Italy and the EU. Finally, the third SWG is headed, on the donor side, by the WB. Italy and the EU are the closely associated European partners under the FTI. Overall, many other donors are active in this field.

One project under IPA 2011 foresees the construction and rehabilitation of Vocational Education and Training (VET) schools. And another project will aim to improve the social inclusion of most vulnerable communities (Roma and Egyptians) in Albania.

Agriculture and Rural Development:

This sector is part of the preparations of IPA Component V and has been identified with the beneficiary, Member States and DG AGRI as the one where a possible sector wide or programme based approach could be tested as most of the pre-conditions are in place. The sector comprises the main features for such an approach, namely the existence of a sector strategy, an action plan, multi-annual budgeting, donor coordination and a relatively strong capacity (including the political will) of the main beneficiary Ministry. The main donors active in this sector are the World Bank/IDA, USAid, UNDP, Italy, Germany (GIZ) and Switzerland.

Another advantage is that the preparations for the IPARD programme have produced a series of good analyses of the different parts of the sector, which give a good description of the current situation. They show the disparities, shortcomings and potential for the agriculture and rural development in Albania.

A comprehensive project will be financed with IPA 2011 in order to increase awareness and capacity of actors involved in rural development and facilitate the development of the agro-food sector and quality farming through implementing IPARD-like measures. Another project will focus on the further improvement of the rural and secondary road system.

Other horizontal activities

With the view to assist Albania to participate in Union Programmes, the 2011 National Programme will also support a specific project aimed to cover parts of the entry tickets.

The planned allocation per sector under the 2011 National Programme is as follows:

	Total IPA in EUR million	
Justice and Home affairs	18.500	23%
Public administration reform	3.000	4%
Transport	19.360	24%
Environment and Climate Change	10.500	13%
Social Development	3.700	4%
Agriculture and rural development	24.500	30%
Other horizontal activities	2.435	3%
TOTAL	82.000	100%

The IPA 2011 programme foresees in the different sectors to a large extent investments and to a lesser extent institution building projects. This is merely due to the fact that a significant number of institution building projects, in particular in the area of rule of law and public administration reform from earlier programmes³ are currently under implementation and/or will start soon. These projects are for example "Support to the Albanian State Police" (IPA 2007), "Support to the Public Procurement System" (IPA 2008), "Support to the alignment of Customs Procedures" (IPA 2008), "Project Against Corruption" implemented by the Council of Europe (IPA 2008), "Support for Anti-Money Laundering and Financial Crime Investigation Structures (IPA 2009), "Support to the Ministry of Justice and for the development of a probation system" (IPA 2009), "Support to the Witness Protection System" (IPA 2009), "Improvement of Industrial Property Rights" (IPA 2009), "Support to the Personal Data Protection Commissioner" (IPA 2009), "Improvement of the information system of the prosecution offices" (IPA 2010) and "Strengthening the Assembly of Albania" (IPA 2010). Several technical assistance support is also given in the other sectors.

³ For more information on the different IPA national programmes and specific project fiches see: http://ec.europa.eu/enlargement/potential-candidates/albania/financial-assistance/index_en.htm

2.3. Description of projects and/or other implementation modalities under each sector

Sectors	IPA support (in EUR million)	Project Description
Justice and Home Affairs	18.500	
1. Construction of a new pre-detention centre and prison in Shkodra	18.500	<p>Purpose: The project purpose is to further improve functioning of the penitentiary system in Albania.</p> <p>Implementation: It is foreseen to launch one works contract for an indicative amount of EUR 17.600 million and one service contract for the supervision for an indicative amount of EUR 0.900 million in Q1/2012.</p> <p>Link to MIPD: The main objective of this sector shall be to strengthen the independence, transparency and efficiency of the judiciary and enhance the rule of law. One of the specific objectives in this sector are the separation and balance between powers to increase independence, direct the court system towards best European practices, strengthen the status and professionalism of judges and prosecutors, achieve a sustainable increase in the level of execution of court decisions and improve the infrastructure in the judicial sector, i.e. the courts, prison and pre-detention systems.</p>
Public Administration reform	3.000	
2. Support to the Albanian Customs Administration	3.000	<p>Purpose: Improve the performance of the Albanian Customs Administration according to European standards.</p> <p>Implementation: One twinning* for an indicative amount of EUR 1.500 million and one supply contract for an indicative amount of EUR 1.500 million, to be launched both in Q1/2012.</p> <p>Link to MIPD: The overall objective of the sector is to improve the efficiency and effectiveness of the public administration, including Albania's customs administration.</p>

Transport	19.365	
3. Construction of Vlora Bypass	19.365	<p>Purpose: Improvement of road transport conditions in and around Vlora and in the Albania south coastal road by construction of the Bypass.</p> <p>Implementation: The project will be implemented through one service contract for an indicative amount of EUR 2.365 million and one works contract for an indicative amount of EUR 17.000 million to be launched in Q2/2012.</p> <p>Link to MIPD: According to the MIPD, IPA assistance aims to address the priorities identified in the Albanian transport strategy framework, focuses on the alignment of the Albanian transport sector with the EU acquis and facilitates the implementation of SAA obligations.</p>
Environment and Climate Change	10.500	
4. Construction of Sewerage System and Waste Water Treatment Plant in Velipoja area Phase III	10.500	<p>Purpose: Improving environmental conditions and sanitation services in Velipoja Commune (<i>which is located on the coast close to the border of Montenegro</i>).</p> <p>Implementation: The project will be implemented through one service contract for an indicative amount of EUR 0.890 million foreseen to be launched in Q2/2012 and one works contract for an indicative amount of EUR 8.900 million to be launched in Q4/2012. Furthermore, one supply contract for an indicative amount of EUR 0.710 million is foreseen to be launched in Q1/2013.</p> <p>Link to MIPD: This is one of the sectors, where the European Commission has been involved continuously over the last years (in particular in the water supply and sewage sector) and where urgent and continuous improvement is necessary. One of the specific objectives of the sector is to further improve the water supply and sanitation infrastructure, including the aspect of maritime pollution.</p>
Social Development	3.700	

<p>5. Rehabilitation of Vocational Education and Training (VET) schools in Leyha, Fier and Cerrik</p>	<p>2.200</p>	<p>Purpose: The project purpose is to improve the learning outcomes for VET students and graduates.</p> <p>Implementation: The project will be implemented through one works contract for an indicative amount of EUR 1.950 million and one service contract for an indicative amount of EUR 0.250 million for the supervision foreseen to be launched in Q1/2012.</p> <p>Link to MIPD: The specific objectives in the sector over the next three years will be to create better links between the education system, the research and innovation policy and the labour market. Furthermore, social integration shall be strengthened through employment and further training, in particular of women, youth and vulnerable groups.</p>
<p>6. Supporting Social Inclusion of Roma and Egyptian communities</p>	<p>1.500</p>	<p>Purpose: Improvement of social inclusion of most vulnerable communities (Roma and Egyptians) in Albania.</p> <p>Implementation: The project will be implemented in joint management through a contribution agreement for an indicative amount of EUR 1.500 million with UNDP according to Article 53 of the Financing Regulation and the corresponding provisions of the Implementing Rules.</p> <p>Link to MIPD: Another specific objective of the MIPD is to prevent social exclusion and to develop social inclusion policies/measures for the most vulnerable, notably the Roma population, inter alia, and other minorities such as Balkan Egyptians.</p>
<p>Agriculture and Rural Development</p>	<p>24.500</p>	
<p>7. Support to Agriculture and Rural Development</p>	<p>10.000</p>	<p>Purpose: Increase awareness and capacity of actors involved in rural development and facilitate the development of agro-food sector and quality farming through implementing IPARD-like measures and targeted information dissemination activities.</p> <p>Implementation: The project will be implemented by the European Union Delegation through indirect centralized management in co-operation with Gesellschaft für Internationale Zusammenarbeit (GIZ) former Gesellschaft für Technische Zusammenarbeit (GTZ) following Article 56 of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this extend a Delegation Agreement for an indicative amount of EUR 10.000 million</p>

		<p>will be signed with GIZ.</p> <p>Link to MIPD: The overarching priority for the European Commission is to properly prepare Albania to use Component V of IPA. According to the MIPD the main specific objective is to improve overall the competitiveness of the agricultural sector. Furthermore, the capacity of the administrative structures, responsible for the harmonised implementation of agricultural policy and rural development measures shall be improved. It is also important to improve the capacity of advisory and extension services for farmers, increase and facilitate the access to credits for farmers and to improve the quality of statistical data.</p>
8. Improvement of rural roads in Albania	14.500	<p>Project purpose: Improvement of secondary and local roads along the secondary network in rural areas of Albania as to facilitate access to essential services and economic markets, in the form of reduced user costs, for the resident population in rural areas in Albania.</p> <p>Implementation: The project will be implemented by joint management with the European Bank for Reconstruction and Development (EBRD) through a contribution agreement for an indicative amount of EUR 14.500 million to be signed in Q2/2012. The agreement will be concluded in accordance with Article 53(d) of the Financial Regulation.</p> <p>Link to MIPD: One of the main objectives of the MIPD is to improve the situation of the infrastructure as well as administrative capacities in all areas of the transport sector, namely road, aviation, maritime and railways. This project is also linked to the Agriculture and Rural Development Sector, which foresees to improve overall the competitiveness of the agricultural sector and where the improvement of the access to the markets play a crucial role.</p>
Other horizontal activities	2.435	
9. Support for participation to Union Programmes	2.435	<p>Purpose: The project purpose is to increase the Albanian active participation in and commitment to the Union Programmes.</p> <p>Implementation: Albania shall pay the entry tickets to the programmes according to the modalities and deadlines specified in the relevant Memoranda of Understanding. The IPA</p>

		<p>funds are transferred to the country as reimbursement after the entry-tickets have been paid.</p> <p>Link to MIPD: IPA may finance actions that fall outside the scope of these sectors such as, but not limited to: i) project/sector programme identification and preparation; ii) <i>acquis</i> related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework or NPAA); iii) participation in Union programmes to which the country becomes eligible, unless they are included in one of the sectors chosen above; iv) as well as support measures for the implementation, monitoring and audit of IPA programmes.</p>
TOTAL	82.000	

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

2.4. Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lessons learned and evaluations

Past and on-going assistance

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

Support provided through CARDS 2006, IPA 2007, IPA 2008, IPA 2009 and IPA 2010 is currently being implemented and there is a pipeline of projects in the areas of good governance and institution building, rule of law, civil society, education, employment, European standards, regional development, transport, environment, agriculture, rural development, SMEs, statistics, state aid, consumer protection and taxation.

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

Albania participates also in cross-border cooperation programmes, where the priorities include people to people projects, small infrastructure measures, socio-economic development as well as environmental protection in the relevant regions with an allocation of EUR 47.7 million for the period 2007-2011.

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

Lessons learned

Experience with the so far implementation of IPA assistance in Albania as well as findings of evaluations conducted by DG Enlargement suggest that planning and programming of IPA assistance need to consider the following lessons learned:

Ownership by the beneficiary is essential for the effective targeting of assistance and for achieving expected results. As a result, the Commission insists on the full involvement of Albania's institutions in the planning and programming of EU assistance. The Ministry for European Integration (MEI) has benefited from substantial institution and capacity-building support. The introduction of the function of Senior Programme Officers (SPO) within the European Integration Directorates in line ministries and the leading role of the MEI in the programming process has helped to increase ownership.

The absorption capacity of the authorities needs to be ensured. This largely depends on project maturity (in so far as, adequate staffing in the relevant institutions, mobilisation of civil society and a political consensus on key reform activities) and institutional capacity.

Timely planning of future assistance is essential to address key areas. Past experience with delays in implementation of CARDS and IPA has shown the need to ensure that projects do not become obsolete because of late implementation.

The link between EU assistance and sector strategies and action plans of the Albanian institutions needs to be ensured. The aim is to design assistance in relation to Albanian strategic plans, which in turn should address the requirements of the EU integration process.

Particular attention must be paid to the projects' **preparedness and maturity, and direct relevance to SAA and European partnership priorities.**

The above mentioned points have been raised with the beneficiary on several occasions and shall be taken into account as much as possible in the preparation of all IPA programmes.

IPA Mid-term evaluation:

The findings from an IPA mid-term evaluation, which was conducted during 2010, partly confirmed the above. It showed also that many of the prerequisites for sector-based approach exist in Albania. It concludes that given what has already been achieved and based on the ongoing targeted assistance, it seems that an attempt to launch sector-based approach could be operational in Albania, subject to the immediate establishment of a national monitoring system. At present the administrative capacity to adopt a sector-based approach is relatively low. However, with sufficiently well targeted assistance and continued effort to complete ongoing reforms (functional strategies and monitoring system) the Albanian administration has the potential to develop these necessary capacities in the immediate to short-term.

With view to key programming elements, such as objectives, project selection, sequencing, financial and time plans, link to national strategies and coordination with donor assistance, the evaluation concludes further that there has been much improvement since 2007 in the quality of all these elements. Sequencing of projects has been also assessed to be good. Furthermore, it demands that synergy among the donor assistance, national strategy and IPA programming is important if sector wide approach will be applied in future programming. The evaluation concludes also that programming takes adequate and relevant account of the beneficiary's policies, strategies and reform process.

With view to administrative capacity, the analysis clearly shows that there is often staff turnover at management and operational level in the line ministries and central level agencies. However, good staffing is essential for the achievement of the IPA programming objectives, the sector-based approach and the success of the European Integration process in general.

The evaluation reckons that outcome and results of IPA assistance are still in very early stage having few of the planned projects completed. It is recommended to strengthen the ownership of the national authorities on the programming process by making them more

involved in the whole process of programming and implementation. Furthermore, more efforts should be made to involve beneficiaries fully in implementation and monitoring of ongoing IPA assistance.

Finally, the evaluation concludes that it is too early to analyse the impact and sustainability as there are only a few completed IPA projects for the programming period 2007-2009. However, it became clear that increasing the ownership of the completed projects, and thus ensuring sustainability, could be achieved via the inclusion of post-implementation arrangement in project documents.

Donor Coordination

Albania has a rather well-developed and government-led donor coordination system in place. All sectors covered in the MIPD are mirrored by sector-specific working groups, which bring together the relevant line Ministries and active or interested donors in a specific sector under the leadership of the Department for Strategy and Donor Coordination in the Council of Ministers (DSDC).

The donors are organised via a Donor Technical Secretariat, including representatives of the European Commission, World Bank, Organisation for Security and Cooperation in Europe (OSCE), UNDP as well as other bilateral donors. Furthermore, the Fast Track Initiative of Division of Labour in line with the Paris Declaration and the Accra Agenda for Action is becoming more and more developed. In Albania, the Fast Track Initiative is led by the Government of Albania, through the DSDC. Fast Track Initiative arrangements are open to any European Donor willing to join and other Development and Integration Partners that could contribute to the coordination process in the context of division of labour and complementarity.

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

2.5. Horizontal issues

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

Civil Society is supported from previous CARDS programmes and from the European Initiative for Democracy and Human Rights (EIDHR) financial instrument from 2007 to 2010 (currently under implementation). IPA 2009 included a EUR 1.5 million project for local Civil Society organisations. Civil Society should be properly consulted by the government during the decision making process.

Environmental impact assessment is compulsory concerning new legislation and financing decisions for investments. At the same time, all relevant infrastructure projects will have to take into consideration the provision of the European Environmental Impact Assessment and nature conservation legislation.

Equal opportunities and non-discrimination will be respected as regarding gender at the programming and implementation stage, particularly in relation to socio-economic support programmes.

Minority and vulnerable groups' concerns will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development. Vulnerable groups are already being supported via EIDHR projects, notably the 2008 and 2009 ones.

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

2.6. Conditions

The programme includes the following conditionalities:

The Government formally endorses the projects described in the fiches, including the identified parallel co-financing and other relevant commitments.

The Government will ensure that the beneficiary institutions have adequate financial, material and human resources in order for EU financial support to be used in the most effective and sustainable manner.

Beneficiary institutions shall participate in the formulation of the design and tender documents, including terms of reference and shall formally endorse the documents before tendering. Beneficiaries shall also participate in the selection committees for procurement and grants as non-voting members.

The Government shall ensure the availability of land, free of ownership claims or disputes, for the construction of planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.

Beneficiary institutions shall organise, select and appoint members (taking account of gender and ethnic balance) of working groups, steering, monitoring and coordination committees, and seminars, as required by the project activities.

Additional project specific conditions are described in the project fiches. The project fiches are formally approved by Exchange of Letters between the Commission and the Government of Albania. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered by the implementing authority.

2.7. Benchmarks

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

	N		N+1 (cumulative)		N+2 (cumulative)	
	EU	NF	EU	NF	EU	NF
Number of tenders launched			6		10	
Number of calls for proposals launched						
Number of direct grants, contribution agreements and delegation agreements			3			
Number of twinnings			1			
Contracting Rate(%)			65%		100%	

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

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

On component I (Transition assistance and Institution Building), Albania followed and revised its Roadmap for decentralised management. It set-up the main structure in 2009 (stage 0), finalised its gap assessment report (stage 1) in May 2010, started the gap plugging phase (stage 2) in August 2010 and is currently undertaking the compliance assessment (stage 3). Currently, Albania's estimated timeframe for the accreditation for Component I is scheduled at the earliest for end 2011, or even early 2012. The key challenge will be to address the gap assessment recommendations in a solid manner, before entering the next step.

On component II (Cross Border Cooperation), the process of decentralised management started in January 2010 and is at stage 1 (gap assessment).

On components III (Regional development) and IV (Human resources development), Albania started to prepare necessary decentralised management structures, strategic coherence framework and operational programmes since January 2010. The Strategic Coordinator is the Deputy Minister of European Integration, while the Operating Structure for component III is the Ministry of Transport, Public Works and Telecommunications, and for component IV, it is the Ministry of Labour, Social Affairs and Equal Opportunities. The key challenges for these components are the strengthening

of the structure and the coordination mechanism as well as the drafting of the Strategic Coherence Framework and the Operational Programmes for components III and IV.

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

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

- Component V, Rural development strategy structures and strategy is supported under IPA 2008 technical assistance currently ongoing and implemented with the German Development Agency (GIZ).
- An IPA 2009 technical assistance will support the remaining tasks for the decentralised management process for all IPA components II, III, IV and if necessary fill the gaps for Component I identified during compliance assessment. It is envisaged to start during the first quarter 2011.

3. BUDGET (AMOUNTS IN EUR MILLION)

Indicative budget table

Centralised management	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution		
	Total expenditure	IPA EU contribution		National contribution*		Total expenditure	IPA EU contribution		National contribution*			EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% ⁽²⁾
		EUR (a)=(b)+(c)	EUR (b)	% ⁽¹⁾	EUR (c)		% ⁽¹⁾	EUR (d)=(e)+(f)	EUR (e)	% ⁽¹⁾				
<i>Sector 1. Justice and Home affairs</i>	0	0	0	0	0	22.060	18.500	84%	3.560	16	22.060	18.500	23%	
1. Construction of a new pre-detention centre and prison in Shkodra	0	0	0	0	0	22.060	18.500	84%	3.560	16	22.060	18.500		
<i>Sector 2. Public Administration Reform</i>	1.575	1.500	95%	0.075	5%	1.725	1.500	87%	0.225	13%	3.300	3.000	4%	
2. Support to the Albanian Customs Administration	1.575	1.500	95%	0.075	5%	1.725	1.500	87%	0.225	13%	3.300	3.000		
<i>Sector 3. Transport</i>	0	0	0	0	0	50.500	19.365	38%	31.135	62%	50.500	19.365	24%	
3. Construction of Vlora Bypass	0	0	0	0	0	50.500	19.365	38%	31.135	62%	50.500	19.365		

<i>Sector 4. Environment and Climate Change</i>	0	0	0	0	0	10.500	10.500	100%	0	0	10.500	10.500	13%
4. Construction of Sewerage System and Waste Water Treatment Plant in Velipoja area Phase III	0	0	0	0	0	10.500	10.500	100%	0	0	10.500	10.500	
<i>Sector 5. Social Development</i>	1.695	1.500	88%	0.195	12%	2.590	2.200	85%	0.390	15%	4.285	3.700	4%
5. Rehabilitation of Vocational Education and Training (VET) schools in Leyha, Fier and Cerrik	0	0	0	0	0	2.590	2.200	85%	0.390	15%	2.590	2.200	
6. Supporting Social Inclusion of Roma and Egyptian communities	1.695	1.500	88%	0.195	12%	0	0	0	0	0	1.695	1.500	
<i>Sector 6. Agriculture and Rural Development</i>	2.780	2.500	90%	0.280	10%	82.470	22.000	27%	60.470	73%	85.250	24.500	30%
7. Support to Agriculture and Rural Development	2.780	2.500	90%	0.280	10%	17.970	7.500	42%	10.470	58%	20.750	10.000	
8. Improvement of rural roads in Albania	0	0	0	0	0	64.500	14.500	22%	50.000	78%	64.500	14.500	
<i>Other horizontal activities</i>	3.256	2.435	75%	0.821	25%	0	0	0	0	0	3.256	2.435	3%

9. Support for participation to Union Programmes	3.256	2.435	75%	0.821	25%	0	0	0	0	0	3.256	2.435	
TOTAL	9.306	7.935	85%	1.371	15%	169.845	74.065	44%	95.780	56%	179.151	82.000	100%

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

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

(2) Sector rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the sector with reference to the total IPA EU contribution of the entire FP.

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

The IPA EU contribution, which represents 46% of the total budget allocated to this programme, has been calculated in relation to the **eligible expenditure**, which in the case of centralised management and joint management is based on the **total expenditure**.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10 % of the eligible expenditure of the project.

Through the different projects there is a national co-financing foreseen per sector as follows:

- Justice and Home affairs: 16%
- Public Administration reform: 9%
- Transport: 62%
- Environment and Climate Change: 0%
- Social Development: 14%
- Agriculture and Rural Development: 71%

The only project under the environment and climate change sector, which is the construction of a municipal Sewerage System and Waste Water Treatment Plant, exceptionally will be 100% financed through IPA funds because of the still problematic effect of the financial crisis on the public spending capacity and in particular with view to the limited budget of the local administration. However, important co-financing has been ensured for the other investment projects.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Implementation modalities

A part of the programme, in particular the projects 1, 2, 3, 4, 5 and 9 will be implemented on a centralised basis by the European Union Delegation to Albania, in accordance with Article 53a of the Financial Regulation and the corresponding provisions of the Implementing Rules

Projects 6 and 8 will be implemented by the European Commission by joint management with UNDP and the European Bank for Reconstruction and Development (EBRD) following Article 53(d) of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude contribution agreements with EBRD and UNDP. The joint management modus with EBRD has been chosen on the basis of the bank's broad experience in the transport sector in Albania and with view to pool different sources of finance in order to allow implementation of large infrastructure projects, which represent a priority for the beneficiary. This has to be seen also in the context of the European Commission's efforts to balance the impact of the financial crisis on the countries of the Western Balkans. UNDP has been chosen to implement the Social Development Project due to the long standing experience in Albania in this field.

Project n. 7 "Support to Agriculture and Rural Development" will be implemented in accordance with Article 54(2) (c) of the Financial Regulation by the European Commission

by indirect centralised management with Gesellschaft für Internationale Zusammenarbeit (GIZ) (former Gesellschaft für Technische Zusammenarbeit (GTZ)) by indirect centralised management. The indirect centralised management modus with GIZ has been chosen on the basis of the agency's broad experience in the rural development sector in Albania and on the successful cooperation during an IPA 2008 project "Capacity building for implementing the rural development strategy", which laid the foundations for the current project.

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

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

4.2. General rules for procurement and grant award procedures

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

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

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the website⁴ of DG Development and Cooperation at the date of the initiation of the procurement or grant award procedure.

The general rules for procurement and grant award procedures shall be defined in the Contribution Agreements between the Commission and the EBRD and the UNDP implementing such programme/activity, and in the respective Delegation Agreement between the Commission and GIZ.

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

⁴ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

4.3. Implementation Principles for Twinning Projects

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

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

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

The beneficiary country shall, as a rule, co-finance at least 5% of the eligible expenditure.

The twinning manual is available on the Website of DG ELARG at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.4. Environmental Impact Assessment and Nature Conservation

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

5. MONITORING AND EVALUATION

5.1. Monitoring

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

5.2. Evaluation

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

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

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁵.

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

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

8. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁶, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁵ OJ L 292; 15.11.1996; p. 2

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