



Brussels, 9.11.2012
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COMMISSION IMPLEMENTING DECISION

of 9.11.2012

**on adopting a National Programme for Albania under the IPA -Transition Assistance
and Institution Building component for the year 2012**

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THE EUROPEAN COMMISSION,

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

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14(2)(a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre accession assistance to candidate countries and potential candidates.
- (2) In accordance with Article 7 of Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all candidate countries and potential candidates. The Commission has adopted on 8 July 2011 a Multi-annual Indicative Planning Document (MIPD) 2011-2013 which presents indicative allocations for the main priorities for pre-accession assistance to Albania.
- (4) Having regard to the project proposals submitted by Albania, the National Programme for Albania under the IPA Transition Assistance and Institution Building Component for 2012 aims at strengthening the rule of law, supporting the public administration reform, reinforcing the protection of human rights, notably for women, children and Roma, and to effectively implement anti-discrimination policies. The programme also foresees support to acquis-related issues, in particular investments in the transport sector, social sector, as well as in the environment, climate change and agriculture sectors.
- (5) This Decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002 (hereafter: “Implementing Rules”) and constitutes thus a Financing Decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial

¹ OJ L 210, 31.7.2006, p. 82.

Regulation applicable to the general budget of the European Communities (hereafter: "Financial Regulation");

- (6) Project nr. 14 "Establishment of the Rural Credit Guarantee Fund" of this programme should be implemented by indirect centralised management with the Kreditanstalt für Wiederaufbau in accordance with Article 54(2) (c) of the Financial Regulation.
- (7) The measures provided for by this Decision are in accordance with the opinion of the IPA Committee

HAS DECIDED AS FOLLOWS:

Article 1

1. The National Programme for Albania under the IPA Transition Assistance and Institution Building Component for 2012, as set out in the Annex, is hereby adopted.
2. This Programme shall be implemented by direct centralised management except for Project nr. 14 "Establishment of the Rural Credit Guarantee Fund", which shall be implemented by indirect centralised management with the Kreditanstalt fuer Wiederaufbau.
3. The Programme shall be implemented by means of a Financing Agreement to be concluded between the European Commission and the Government of Albania in conformity with the Framework Agreement concluded between the same parties on 18 October 2007

Article 2

1. The maximum amount of European Union contribution shall be EUR 81 640 000, to be financed through budget line 22.02.02 of the general budget of the European Union for 2012.
2. These appropriations shall cover interest due for late payment

Done at Brussels, 9.11.2012

For the Commission
Štefan FÜLE
Member of the Commission

ANNEX:

**NATIONAL PROGRAMME FOR ALBANIA UNDER THE IPA TRANSITION
ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR 2012**

1 IDENTIFICATION

Beneficiary	Albania
CRIS decision number	2012/023 036
Year	IPA 2012
EU contribution	EUR 81.640.000 ¹
Implementing Authority	European Commission, apart from the following project: Project 14 – Kreditanstalt für Wiederaufbau (KfW) by indirect centralised management in accordance with Article 54(2) (c) of the Financial Regulation
Final date for concluding the Financing Agreement	at the latest by 31 December 2013
Final date[s] for contracting	3 years following the date of conclusion of the Financing Agreement No deadline for audit or evaluation projects covered by this Financing agreement, as referred to in Article 166 (2) of the Financial Regulation. These dates apply also to the national co-financing.
Final date for execution	2 years following the end date for contracting (with the exception of projects 2, 3, 4, 10, 11 and 12, where the works concerning infrastructures justify four years). These dates apply also to the national co-financing.
Budget line(s) concerned	22.02.02: national programmes (component Transition Assistance and Institution Building) for Potential Candidates
Programming Unit	Unit C4, DG Enlargement
Implementation Unit/ EU Delegation	European Union Delegation in Albania

¹ The IPA Component I allocation for 2012 is EUR 85 140 000. EUR 2 000 000 are allocated for Tempus and 1 500 000 for the Civil Society Facility that will be adopted through a different financing proposal under the Multi-beneficiary IPA Programme.

2 THE PROGRAMME

2.1 PRIORITIES SELECTED UNDER THIS PROGRAMME

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 Planning 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 Opinion and 2011 Progress Report. 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.

The priorities of the IPA 2012 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 Roma, 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 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.

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

- Justice and Home Affairs.
- Public Administration Reform.
- Transport.

² Or programme-based approach where the selected priorities span across sectors or cover only parts of a sector.

- Environment and Climate Change.
- Social Development.
- Agriculture and Rural Development.

Under the IPA 2012 Programme, all sectors are covered by the suggested projects.

2.2 SECTORS SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

The 2012 allocation for IPA Component I is EUR 85.14 million. In addition to the assistance identified in this programme, EUR 2 million is provided to support the Tempus programme and EUR 1.5 million is foreseen for the Civil Society Facility. These projects are coordinated (Civil Society Facility) and implemented (Tempus) under the relevant Multi-beneficiary programme and will be adopted by separate financing proposals. Consequently, **the 2012 National Programme for Albania amounts to EUR 81.64 million.**

The programming exercise for IPA 2012 started already early in 2011, based on the six sectors of the MIPD 2011-2013. Lessons learned, in particular regarding the maturity, timely planning, better links between EU assistance and sectoral strategies as well as sustainability have been taken into account during the programming of IPA 2012. Compared to the IPA programmes 2010 and 2011, which saw a high number of infrastructure projects, the 2012 programme pursues a more balanced approach between capacity building and investment. Some capacity building projects are clearly linked to give support in further developing the sector or sub-sector (e.g. technical assistance to justice sector, law enforcement sector or transport sector). Nevertheless, a full sector wide approach in any sector is still not seen as feasible under this programme as one or more of the main prerequisites are missing. It is foreseen to develop this approach further under the IPA 2013 programme.

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 2010 Commission Opinion on Albania's application for membership of the European Union, the 2011 Progress Report and the Action Plan to fulfil the 12 Key Priorities set out in the 2010 Opinion. 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. A sector strategy to reform the judiciary has been adopted last year. This is seen as a basis for a possible sector approach, however, earliest under the next IPA programme.

Two projects (Support to the implementation of the Justice Reform Strategy and the construction of the Justice Palace in Tirana) will be supported under this programme in the justice area, with the aim of strengthening the justice system. This is also in line with the Key Priority No. 7, which states: "Strengthen rule of law through adoption and implementation of a reform strategy for the judiciary, ensuring the independence, efficiency and accountability of judicial institutions." Furthermore, two projects are foreseen under this sector in the area of rule of law and integrated border management, notably the support to the Albanian State Police structures as well as the building/renovation of two border control points.

Public Administration Reform:

This sector is one of the most important areas where Albania needs to improve according to the 2010 Commission Opinion, the last Progress Report and the Action Plan to fulfil the 12 Key Priorities. 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. A major challenge related to this sector is the issue of property rights. A draft strategy has been presented by the Albanian government, but it is still under discussion with national stakeholders and the International Community.

Four projects are foreseen under this programme, which will support the civil service reform, improve the public financial management (including EU funds) and advance the performance of the Albanian Customs Administration towards European standards.

Transport:

This sector is part of the preparations of IPA Component III. A draft Operational Programme exists, but it is unrealistic that it will still be implemented under the current Financial Perspective. Nevertheless, it serves as guidance to the IPA programming of 2012 and 2013. The transport sector is also one of the sectors, where the European Commission has been involved continuously over the last years and where still further improvement is necessary.

This programme foresees two projects, which are a general technical assistance to further develop the Albanian Transport Sector and the construction of the Rrogozhina 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. An environmental strategy exists and the Ministry of Environment has recently produced with support of Sweden a budgetised Action Plan, which could serve in the future as a foundation for a move towards more sector approach in this area. However, for IPA 2012 it is still seen as too early.

The IPA 2012 programme includes one project, which will finance the last phase of Vlora sewerage and waste water treatment system.

Employment and Social Inclusion:

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 still 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. The implementation of the Roma national strategy should be improved through an ongoing IPA 2011 project, which aims to support the capacity of the Roma Secretariat and improve the social inclusion of most vulnerable communities (Roma and Egyptians) in Albania.

One project is included in this programme, which aims to improve of access to social services of vulnerable groups (including Roma) in the peri-urban areas of Tirana and Durres.

Agriculture and Rural Development:

This sector is part of the preparations of IPA Component V. It has potential where a possible sector wide or programme based approach could be tested as many 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 political will of the main beneficiary Ministry. However, the challenges are still multiple and further assessments will be undertaken to see if under IPA 2013 a sector approach could be foreseen. Another asset in this sector 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 of EUR 10 million is 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. Interventions under IPA 2012 will as much as possible be linked to this support.

One project is foreseen to fight zoonotic diseases (including rabies) and another to improve access of farmers to credits for investments (linked to the IPARD-like measures mentioned above).

Other horizontal activities

This programme foresees also a facility called "Strengthen European Integration Process", which combines a project preparation facility with the possibility to react to unforeseen circumstances, in particular with view to the political situation. It also includes a component to support the preparation of a dedicated project pipeline for projects linked to Component III and IV programmes. Finally, with the view to assist Albania to participate in Community Programmes, the 2012 National Programme will also support a specific project aimed to cover parts of the entry tickets.

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, administrative capacity building, economic and social development, and democratic stabilisation. In the period 2007-2011, the Instrument for Pre-Accession (IPA) has provided an additional EUR 405 million for institution-building, transition assistance, infrastructure improvement and cross-border cooperation in Albania.

Support provided through CARDS 2006 and IPA 2007 to IPA 2011 is currently being implemented and there is a pipeline of projects in all areas covered by the MIPD 2011-2013.

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, coordination is ensured with 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) and the relevant line Ministries have benefited from substantial institution and capacity-building support.

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 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. Specific lessons learned per sector have been integrated in the project fiches.

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.

A further interim evaluation on IPA Component I programmes is conducted in Albania and other Western Balkans countries in 2012. The purpose is to provide a judgment on the performance of EU pre-accession assistance based on the more completed projects than in the previously mentioned mid-term evaluation.

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.

2.3 DESCRIPTION

Sectors	IPA support (in EUR million)	Project Description
Justice and Home Affairs	23.000	
1. Support to the implementation of the Justice Reform Strategy	2.500	<p>Objective: support the implementation of the Justice Reform Strategy by strengthening institutional capacities for court and case management, improving enforcement systems for court rulings and further developing alternative dispute resolution mechanisms.</p> <p>Implementation: in accordance with Article 168(1)(f) of the Implementing Rules to the Financial Regulation, it is foreseen to implement this project partly with a direct grant with the Council of Europe (CoE) European Commission for the Efficiency in Justice, which is considered as one of the most accredited institutions for technical assistance in the justice sector in the CoE region. The direct grant is going to be signed in Q2/2013 for an indicative amount of EUR 1 000 000. Furthermore, there will be two twinings⁺ launched in Q1/2013 for an indicative amount of EUR 800 000 and 700 000 respectively.</p>
2. Construction of the Justice Palace in Tirana	12.000	<p>Objective: to improve the working conditions and efficiency of the Tirana District Court and Appeal Court and to increase their performance and efficiency by reducing the backlog of cases, increasing the trust of the public in the justice system and increasing the independence and visibility of justice.</p> <p>Implementation: in Q1/2013 it is foreseen to launch one works contract and one service contract for the supervision.</p>
3. Support to the Albanian State Police	5.500	<p>Objective: to improve the performance of the Albanian State Police in border management, fight against organized crime, anti-corruption and general traffic patrol and the coordination with general prosecutor office & other relevant agencies.</p> <p>Implementation: one grant with Member States to be signed in Q1/2013 for an indicative amount of EUR 3 000 000 (the grant contract is the result of a call for proposal⁺⁺ with an</p>

		overall budget of EUR 4 000 000, of which EUR 1 000 000 under IPA 2009 and the rest under this Programme). It is also foreseen to launch one supply contract in Q3/2013; one works contract in Q1/2013; one service contract for the supervision in Q1/2013.
4. Reconstruction of Hani i Hotit Border Crossing Point and completion of works at Morine Border Crossing Point	3.000	Objective: to ensure efficient and effective customs and border controls at the Hani i Hotit (Albania/Montenegro) and Morine (Albania/Kosovo *) Border Crossing Points. Implementation: it is foreseen to launch one works contract in Q2/2013, one works contract in Q1/2012 and one service contract for the supervision in Q2/2013.
Public Administration reform	9.000	
5. Support to Civil Service reform	1.800	Objective: support the implementation of the new Civil Service Law and the new General Law on Administrative Procedures. Implementation: one twinning ⁺ to be launched in Q2/2013.
6. Implementation of Modern Financial Management and Control System and Public Financial Inspection in Albania	2.500	Objective: to contribute to the effective, efficient, transparent and accountable use of public funds in order to set up a modern system of public internal financial control. Implementation: One service contract to be launched in Q1/2013.
7. Strengthening the capacity of the Central Finance and Contracting Unit (CFCU) for efficient implementation of EU funds	1.200	Objective: strengthening the capacity of the Albanian Administration, notably the CFCU within the Ministry of Finance, to manage EU financial assistance in a decentralised manner and in compliance with the relevant EU Regulations and with the principle of sound financial management. Implementation: one service contract to be launched in Q1/2013.
8. Modernisation of the Albanian Customs Administration	3.500	Objective: strengthening the capacity of Albanian Customs Administration by aligning the legislation and procedures with the EU <i>acquis</i> , ensuring the interoperability of the IT systems with those of the EU and providing appropriate instruments to tackle contraband.. Implementation: one twinning ⁺ to be launched in Q2/2013 for an indicative amount of EUR 1 800 000; one supply contract to be launched in Q1/2013; one service contract to be launched in Q3/2013.
Transport	9.300	

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

9. Technical Assistance to the Albanian Transport Sector	2.300	<p>Objective: To further strengthen the administrative, regulatory and technical competences of the Ministry of Public Works and Transport as well as the Albanian Civil Aviation Authority.</p> <p>Implementation: One twinning⁺ to be launched in Q1/2013 for an indicative amount of EUR 800 000 and one service contract to be launched in Q1/2013.</p>
10. Construction of the Rrogozhina bypass	7.000	<p>Objective: improving the road transport in and around Rrogozhina, which is a crucial crossing point for both North-South and East-West transport corridors. This investment connects the Adriatic ports of Durres and Vlore with their natural hinterlands and will divert the flow of heavy traffic from the centre of the town of Rrogozhine.</p> <p>Implementation: one works contract to be launched in Q1/2013 and one service contract for the supervision to be launched in Q2/2013.</p>
Environment and Climate Change	18.500	
11. Construction of Sewerage System in Vlora, Phase II	18.500	<p>Objective: improving environment, living and health conditions of the population in Vlora through alignment with EU standards regarding water quality and wastewater treatment.</p> <p>Implementation: one works contract to be launched in Q2/2013 and one service contract for the supervision to be launched in Q2/2013.</p>
Employment and Social Inclusion	6.200	
12. Improving local public social services and infrastructures for vulnerable groups in the peri-urban areas of Tirana and Durrës	6.200	<p>Objective: construction of nurseries, kindergartens, primary schools and a multi-functional community centre (MFCC) in order to increase social inclusiveness of vulnerable groups, including Roma minority.</p> <p>Implementation: one works contract and one service contract for the supervision, both to be launched in Q2/2013. One call for proposals⁺⁺ for an indicative amount of EUR 100 000 will be launched in Q4/2014 for a grant agreement with a NGO to define a long-term action plan of social activities for the MFCC.</p>
Agriculture and Rural Development	9.500	
13. Improve Consumer Protection Against Zoonotic Diseases	4.500	<p>Objective: to adopt efficient animal disease control strategies through improved disease surveillance systems.</p> <p>Implementation: one service contract to be launched in Q1 2013 in order to provide technical assistance to the Albanian Ministry of Agriculture and its agencies; one supply contract to be launched in Q1/2013; an additional supply contract to be launched in Q2/2013.</p>

14. Establishment of the Rural Credit Guarantee Fund	5.000	Objective: setting up an appropriate structure to facilitate crediting of agriculture activities by commercial banks. Implementation: the project will be implemented by indirect centralised management with KfW in accordance with Article 54(2)(c) of the Financial Regulation. It is foreseen that one delegation agreement with KfW will be concluded in Q1/2013.
Other horizontal activities	6.140	
15. Project Preparation and Strengthen European Integration Process Facility	3.706	Objective: effective and efficient management and absorption of EU pre-accession funds and strengthened technical and administrative capacity of the Albanian administration in relation to the EU integration process. Preparation of an adequate project pipeline for Component III and IV related projects, in order to prepare a smooth transition to the next Multiannual Financial Framework. Implementation: an indicative number of 20 service contracts to be launched as from Q1/2013 for an indicative overall amount of EUR 1 500 000; an indicative number of 5 specific contracts under existing framework contracts as from Q1/2013 for an overall amount of EUR 1 000 000; an indicative number of 5 supply contracts as from Q1/2013 for an overall amount of EUR 500 000; an indicative number of 10 twinning light to be launched as from Q1/2013 for an overall amount of EUR 706.000.
16. Union Programmes (including Custom 2013)	2.434	Objective: to increase the Albanian active participation in and commitment to the Union Programmes. 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 funds are transferred to the country as reimbursement after the entry-tickets have been paid.
TOTAL	81.640	

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

++ The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants as referred to in point 4.2 of this Financing Proposal.

2.4 CROSS-CUTTING 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 2011 (currently under implementation). IPA 2009 included a EUR 1.5 million project for local Civil Society organisations and IPA 2012 foresees another EUR 1.5 million for the

Civil Society Facility. 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. Disaster resilience and risk prevention and management should be also integrated in the planning, preparation and implementation of projects.

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 and by an IPA 2011 project.

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.

2.5 ASSUMPTIONS AND PRE-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.

2.6 ROADMAP FOR THE DECENTRALISATION OF THE MANAGEMENT OF EU FUNDS

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 over the last years.

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 undertook the compliance assessment (stage 3) during 2011. Albania has sent officially the accreditation application for Component I in February 2012, which will have to be assessed by DG Enlargement with view to the preparation of the conferral of management decision.

On Component II (Cross Border Cooperation), the process of decentralised management started in January 2010 and is still 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. 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 remain the strengthening of the structure and the coordination mechanism. During 2011 the draft Strategic Coherence Framework has been provisionally finalized and the Operational Programmes have been further elaborated. However, due to the open question of candidate status and the limited time, which will be available under the current financial perspective, it is very unlikely that these documents can be implemented before 2014

On Component V (Rural development), Albania has continued to adapt 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 has been prepared by the Albanian side on the basis of sectoral analyses. An IPA 2011 project has been foreseen to launch a pilot project to introduce "IPARD like" measures, in order to establish a grant scheme for farmers and make use of the already existing structures in accordance with IPARD rules. For Component V, the establishment of a farm and rural cadastre remained a crucial and challenging element for defining the scope of future rural beneficiaries.

An IPA 2009 technical assistance currently supports the Albanian government to address the remaining tasks for the decentralised management process.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE (AMOUNTS IN EUR MILLION)

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 (a)=(b)+(c)	EUR (b)	%⁽¹⁾	EUR (c)	%⁽¹⁾	EUR (d)=(e)+(f)	EUR (e)	%⁽¹⁾	EUR (f)	%⁽¹⁾	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	%⁽²⁾
<i>Sector 1. Justice and Home affairs</i>	4.433	4.000	89%	0.433	11%	25.656	19.000	74%	6.656	26%	30.089	23.000	28%
1. Support to the implementation of the Justice Reform Strategy	1.100	1.000	87%	0.100	13%	1.575	1.500	95%	0.075	5%	2.675	2.500	92%
2. Construction of the Justice Palace in Tirana	-	-	0%	-	0%	13.800	12.000	87%	1.800	13%	13.800	12.000	87%
3. Support to the Albanian State Police	3.333	3.000	90%	0.333	10%	6.831	2.500	37%	4.331	63%	10.164	5.500	54%
4. Reconstruction of Hani I Hotit BCP and completion of works at Morine BCP	-	-	0%	-	0%	3.450	3.000	87%	0.450	13%	3.450	3.000	87%
<i>Sector 2. Public Administration</i>	8.515	8.000	94%	0.515	6%	1.150	1.000	87%	0.150	13%	9.665	9.000	11%

Reform													
5. Support to Civil Service reform	1.890	1.800	95%	0.090	5%	-	-	0%	-	0%	1.890	1.800	95%
6. Implementation of Modern Financial Management and Control System and Public Financial Inspection in Albania	2.625	2.500	95%	0.125	5%	-	-	0%	-	0%	2.625	2.500	95%
7. Strengthening the capacity of the CFCU for efficient implementation of EU funds	1.340	1.200	90%	0.140	10%	-	-	0%	-	0%	1.340	1.200	90%
8. Modernisation of the Albanian Customs Administration	2.660	2.500	94%	0.160	6%	1.150	1.000	87%	0.150	13%	3.810	3.500	92%
Sector 3. Transport	-	-	0%	-	0%	10.760	9.300	86%	1.460	14%	10.760	9.300	11%
9. Technical Assistance to the Albanian Transport Sector	-	-	0%	-	0%	2.510	2.300	92%	0.210	8%	2.510	2.300	92%
10. Construction of the Rrogozhina bypass	-	-	0%	-	0%	8.250	7.000	85%	1.250	15%	8.250	7.000	85%
Sector 4. Environment and Climate Change	-	-	0%	-	0%	21.200	18.500	87%	2.700	13%	21.200	18.500	23%
11. Construction of Sewerage System in Vlora, Phase II	-	-	0%	-	0%	21.200	18.500	87%	2.700	13%	21.200	18.500	87%
Sector 5. Social	0.110	0.100	91%	0.010	9%	7.900	6.100	77%	1.800	23%	8.010	6.200	8%

<i>Development</i>													
12. Improving local public social services and infrastructures for vulnerable groups in the peri-urban areas of Tirana and Durrës	0.110	0.100	91%	0.010	9%	7.900	6.100	77%	1.800	23%	8.010	6.200	77%
<i>Sector 6. Agriculture and Rural Development</i>	4.500	3.600	80%	0.900	20%	5.900	5.900	100%	0.000	0%	10.400	9.500	12%
13. Improve Consumer Protection Against Zoonotic Diseases	2.500	2.100	84%	0.400	16%	2.400	2.400	100%	-	0%	4.900	4.500	92%
14. Establishment of the Rural Credit Guarantee Fund	2.000	1.500	75%	0.500	25%	3.500	3.500	100%	-	0%	5.500	5.000	89%
<i>Other horizontal activities</i>	5.517	4.940	90%	0.577	10%	1.200	1.200	100%	0.000	0%	6.717	6.140	7%
15. PPF/PPP	2.506	2.506	100%	-	0%	1.200	1.200	100%	-	0%	3.706	3.706	100%
16. Union Programmes	3.011	2.434	81%	0.577	19%	-	-	0%	-	0%	3.011	2.434	81%
TOTAL IPA National programme	23.075	20.640	89%	2.435	11%	73.766	61.000	82%	12.766	18%	96.841	81.640	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 PROGRAMME

The IPA EU contribution, which represents 84% 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 (i.e. the maximum rate of EU co-financing is 90 % of eligible costs), with the following exceptions:

- Project nr 1 "Support to the implementation of the Justice Reform Strategy" – national contribution up to 8%;
- Project nr. 5 "Support to Civil Service reform" – national contribution up to 5%;
- Project nr. 6 "Implementation of Modern Financial Management and Control System and Public Financial Inspection in Albania" - national contribution up to 5%;
- Project nr. 8 "Modernisation of the Albanian Customs Administration" - national contribution up to 8%
- Project nr. 9 "Technical Assistance to the Albanian Transport Sector" - national contribution up to 8%
- Project nr. 13 "Improve Consumer Protection Against Zoonotic Diseases" – national contribution up to 8%
- Project nr. 15 "Project Preparation and Strengthen European Integration Process Facility" - no co-financing is provided since this specific action aims at improving the implementation of on-going and future IPA projects (close cooperation between the beneficiary and the Delegation is envisaged).

There is a national co-financing foreseen per sector as follows:

- Justice and Home affairs: 24%
- Public Administration reform: 7%
- Transport: 14%
- Environment and Climate Change: 13%
- Social Development: 23%
- Agriculture and Rural Development: 9%

4 IMPLEMENTATION

4.1 MANAGEMENT MODES AND IMPLEMENTATION MODALITIES

The programme will be implemented on a centralised direct basis by the European Union Delegation to Albania, in accordance with Article 53a of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴ with the exception of project nr. 14.

³ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

⁴ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

Project nr. 14 "Establishment of the Rural Credit Guarantee Fund" will be implemented in accordance with Article 54(2) (c) of the Financial Regulation by the European Commission by indirect centralised management with the KfW. The Commission will conclude a delegation agreement with KfW. The indirect centralised management modus with KfW has been chosen on the basis of the bank's broad experience in setting up of guarantee funds, in particular with view to SME development. KfW as a development bank is also used to work with private banks in the financial sector.

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 Communities 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 DEVCO website at the date of the initiation of the procurement or grant award procedure. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants. They will help evaluate the applicants' financial and operational capacity to carry out the proposed action (selection criteria) and the quality of the action proposed in the application as regards its relevance to the set of objectives and priorities set out in the Calls for proposals, its effectiveness and feasibility, sustainability and budget cost-effectiveness (award criteria).

The general rules for procurement and grant award procedures shall be defined in the respective Delegation Agreement between the Commission and KfW.

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

4.3 IMPLEMENTATION PRINCIPLES FOR TWINNING PROJECTS

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

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as 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 Commission shall also use the procedural guidelines and standard templates and models provided in the twinning manual which is available on the Website of DG ELARG at the following address:

http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

The twinning manual (annex C8) indicates the substantial selection criteria, which refer to the operational capacity of the applicant Member State administration, and the award criteria: the relevance of the proposal in relation to the objectives set out in the Twinning Project Fiche, the methodology of the activities developed in the proposal and the overall sustainability of the proposal.

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.

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 EU Delegation to Albania.

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.

⁵ OJ L 292; 15.11.1996; p. 2

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.

⁶ In the case of procurement, these essential elements are for example the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.