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COMMISSION IMPLEMENTING DECISION

of 13.12.2016

adopting the Country Action Programme for Albania for the year 2016

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THE EUROPEAN COMMISSION,

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

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

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014³ lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I of Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for Albania for 2014 - 2020 on 18 August 2014, which provides indicative allocations for the sectors for pre-accession assistance.⁴
- (4) Considering the proposals for action submitted by Albania, the country action programme for Albania for the year 2016 aims at providing assistance for actions in the following sectors: (i) democracy and governance, (ii) rule of law and fundamental rights, (iii) environment, (iv) transport, and (v) agriculture.
- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012.⁵

¹ OJ L 77, 15.03.2014, p. 95.

² OJ L 298, 26.10.2012, p.1.

³ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

⁴ C(2014) 5770 of 18.08.2014.

⁵ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

- (6) The Commission should be able to entrust budget-implementation tasks under indirect management to Albania, subject to the conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014⁶ the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.

The entrusted entity is currently undergoing a complementary assessment of its systems and procedures. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Council Regulation (EC, Euratom) No 1605/2002⁷ and Commission Regulation (EC) No 718/2007⁸ and the entity's present compliance with the requirements of points (a) to (d) of Article 60 (2) of the Regulation (EU, Euratom) No 966/2012, budget implementation tasks can be entrusted to this entity. In accordance with Article 60(1)(c) of Regulation (EC, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.

- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.

These entities should comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.

In case that the entities are currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012, in anticipation of the results of this review, the authorising officer responsible deems that, based on the entities' positive assessment under Regulation (EU, Euratom) No 1605/2002 and on the long-standing and problem-free cooperation with them, budget-implementation tasks can be entrusted to this entities.

- (8) It is appropriate to authorise the award of grants without a call for proposals to the bodies identified in the Annex and for the reasons provided therein.

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

⁷ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

⁸ Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007, p.1).

- (9) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (10) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (11) The action programme provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Country Action Programme for Albania for the year 2016 under the Instrument for Pre-accession Assistance (IPA II), as set out in the Annex, is hereby approved.

Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 64,940,000.00 and shall be financed as follows:

EUR 28,240,000.00 from the budget line 22.02.01.01 of the general budget of the EU for year 2016 and

EUR 36,700,000.00 from the budget line 22.02.01.02 of the general budget of the EU for year 2016

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

This programme shall be implemented by direct and indirect management.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

A Financing Agreement shall be concluded between the Commission and the Government of Albania in conformity with the Framework Agreement concluded between the same parties on 16 April 2015.

Article 4

Grants without a call for proposals

Grants may be awarded without a call for proposals to the bodies identified in the Annex, in accordance with the conditions specified therein.

Article 5

Non-substantial changes

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;
- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

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

Done at Brussels, 13.12.2016

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

COUNTRY ACTION PROGRAMME FOR ALBANIA FOR THE YEAR 2016

1 IDENTIFICATION

Beneficiary	Albania
CRIS/ABAC Commitment references	2016/038-717 objective 1
Total cost	EUR 29,250,264.24
EU Contribution	EUR 28,240,000
Budget line	22.02.01.01
CRIS/ABAC Commitment references	2016/038-718 objective 2
Total cost	EUR 38,100,000
EU Contribution	EUR 36,700,000
Budget line	22.02.01.02
Total cost of the programme	EUR 67,350,264.24
EU Contribution to the programme	EUR 64,940,000
Management Mode/ Entrusted entities	<p>Direct management by the European Commission</p> <p>Indirect management with Albania for <u>Action 2: Support to participation in Union Programmes and Agencies.</u></p> <p>Implementation will consist of the payment of the IPA part of the financial contribution to the programmes by the National Fund.</p> <p>Indirect management with EU Member State Agencies for</p> <ul style="list-style-type: none"> • <u>Action 5: Support to water management</u>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2017
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation

Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement.
Programming Unit	Unit D4, DG NEAR
Implementing Unit/ EU Delegation	European Union Delegation to Albania

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

The Indicative Strategy Paper for Albania (2014-2020) states that pre-accession assistance for the period 2014-2020 will focus on two types of challenges: governance and the rule of law on the one hand, and competitiveness and growth on the other. As far as **governance and the rule of law** are concerned, the Commission has identified five key priorities in view of the opening of negotiations, for which the Albanian Government has devised a roadmap:

1. Reform of the public administration with a view to enhancing its professionalism and de-politicisation;
2. Comprehensive reform of the judiciary to reinforce its independence, efficiency and accountability;
3. Fight against corruption with a view to establishing a solid track record of proactive investigations, prosecutions and convictions;
4. Fight against organised crime with a view to establishing a solid track record of proactive investigations, prosecutions and convictions;
5. Effective measures to reinforce the protection of human rights, including of Roma, and anti-discrimination policies, as well as implement property rights.

The IPA 2016 programme continues to support the implementation of the roadmap. With respect to key priority 1, the EU integration facility will strengthen the capacity and accountability of the Albanian public administration and support the Government during the preparations for the EU membership. Civil servants of line ministries will also benefit from the participation of Albania in a number of EU Programmes, where they will be dealing with best practices in the implementation of EU sector legislation.

With a view to furthering key priority 2, the IPA 2016 programme will support the judicial reform effort with two grants aiming to consolidate the Albanian justice system. These aim to strengthen the independence, transparency, efficiency, accountability, professionalism of the Albanian justice system, as well as public trust in it.

In order to fulfil key priority 3, the IPA 2016 programme includes a specific sector reform contract for the fight against corruption, which is expected to raise awareness of this issue in the country, and to accelerate changes on the fronts of both prevention and repression.

The IPA 2016 programme also aims to support the Government's reform effort in the areas of **competitiveness and growth**, as expressed in the Government's Economic Reform Programme 2016-18, in the National Strategy for Development and Integration 2015-2010, and in sector strategies. In doing so, the programme targets sectors identified in the Indicative Strategy Paper as relevant to both Albania's accession process and its socio-economic development. In addressing these sectors, the IPA 2016 programme also capitalises on pre-accession assistance already provided, and it addresses by mainstreaming in all the sectors identified a number of issues relevant to the key priorities, in particular good governance, rule of law, public administration reform, and public financial management, at central, sector and local level.

In the environment sector, the IPA 2016 programme includes an action on water which capitalises on the experience built through previous IPA supported interventions in the

sector, and this by focussing on two priorities, namely integrated water management on the one hand, and waste water management and treatment services on the other. The aim is to ensure that the water sector is managed in an integrated and sustainable way, in line with EU policies and legislation. The action directly affects the indicators identified by the Indicative Strategy Paper for Albania for the sector, namely progress made towards meeting accession criteria, and population connected to waste water collection systems.

With regard to transport, the IPA 2016 programme includes a specific sector reform contract, which will focus on the road transport section of the wider transport strategy for Albania. This action, in line with the provisions of the Indicative Strategy Paper for Albania, is expected to support the administrative capacity and good governance in managing transport policies, to improve the sustainability of investments through the establishment of realistic maintenance programmes, better involvement and awareness of stakeholders. Finally it will result in improved road safety, a key priority for Albanian citizens.

In the sector of agriculture and rural development, the IPA 2016 programme comprises one action on support for food safety and veterinary and phytosanitary standards and another one on fisheries. These actions are identified to contribute to the achievement of the results mentioned in the Indicative Strategy Paper for Albania: the improved application of food safety standards in the entire agro-food chain and the management and protection of fishery resources improved in line with the EU Common Fishery Policy. In the area of food safety, veterinary and phytosanitary standards, the capacity of the administration, and the awareness and capacity of consumers and consumer organisations will be raised, and the legal-institutional framework improved, resulting in safer food for all. As concerns fisheries, the action envisaged will raise the awareness of key stakeholders and curb illegal fishing, contributing to a more sustainable exploitation of fishery resources, while the economic performance of the marine fishing fleet will also be improved.

List of Actions foreseen under the selected Sectors/Priorities:

Sector 1 - Democracy and governance

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 1 – European Union integration facility	4,740,000
Action 2 - Support to participation in Union Programmes and Agencies	1,000,000	N.a.	N.a.
TOTAL	1,000,000	TOTAL	4,740,000

Sector 2 - Rule of law and fundamental rights

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 3 - Sector reform contract for the fight against corruption in Albania	10,000,000
N.a.	N.a.	Action 4 - Consolidation of the justice system in Albania	12,500,000
TOTAL	N.a.	TOTAL	22,500,000

Sector 3 – Environment and climate action

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action 5 - Support to water management	4,000,000
TOTAL	N.a.	TOTAL	4,000,000

Sector 4 - Transport

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Action – 6 Sector reform contract to support transport with focus on roads	24,000,000
TOTAL	N.a.	TOTAL	24,000,000

Sector 7 – Agriculture and rural development

INDIRECT MANAGEMENT WITH ALBANIA (EUR)			OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.		Action 7 – Support to food safety, veterinary and phytosanitary standards	5,000,000
N.a.	N.a.		Action 8 - Support to the fishery sector	3,700,000
TOTAL	N.a.		TOTAL	8,700,000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	DEMOCRACY GOVERNANCE	AND	EUR 5,740,000
Action 1	European Union Integration Facility	Direct management	EUR 4,740,000
		Total	EUR 4,740,000

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

The overall objective of this action is to strengthen the capacity and accountability of the Albanian administration to guarantee a sustainable role of Government of Albania in the preparation for EU membership. The specific objective is to support effective implementation of actions to strengthen EU integration capacities, and to improve the planning, implementation and monitoring of national sectors reforms.

To this end, the EU integration facility will provide *ad hoc* expertise to support EU accession-related reforms, including the fulfilment of the five key priorities for the opening of accession negotiations, and to support the preparation and implementation of actions under IPA, including sector reform contracts. More specifically, activity 1.1 will provide support for Albanian authorities in order to prepare EU accession-related documents (documentation, analysis, surveys, reviews, assessments, studies), to facilitate alignment with the *acquis* through capacity-building in line with priorities indicated in the annual report, and to evaluate EU-funded projects and actions. Activity 1.2 will support preparing and implementing IPA actions and support for actions needed to implement reforms and strategies related to sector reform contracts, as well as technical support for preparatory studies, and assistance for programming and implementation under IPA II.

The first expected result is that national sector programmes/strategies and related actions are developed in key sectors, supporting alignment with, and implementation of, the *acquis* of the Union, as well as evaluation of EU-funded projects and actions completed. The second expected result is that preparatory documents for the use of EU funds are prepared in accordance with EU procedures and sector approaches, enhancing the quality of the programming and implementation of IPA actions, including sector reform contracts.

Key performance indicator:

- Number of draft laws and by-laws aligned with EU legislation

(2) Assumptions and conditions

The potential of the facility can be fully exploited under the condition that (i) the Ministry of European Integration (MEI) and Albanian authorities maintain high-level commitment to the EU accession process, by undertaking all reforms and commitment agreed, and (ii) the MEI continues to have sufficient administrative capacity and authority to play a pro-active role during facility implementation and speeds up the implementation of actions foreseen in the EU integration facility 2014/2015.

There are three main conditions to be fulfilled while the IPA 2016 assistance is provided that will contribute to the efficient implementation of the action. These are (i) effective communication and active involvement of all stakeholders, (ii) no fundamental changes in priority setting, and (iii) sufficient ownership, motivation and support from all stakeholders to effectively and actively implement and monitor sector reform. Failure to comply with these requirements may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR_4,740,000
- b) the indicative number and type of contracts:
Activity 1.1: 10 service and/or framework contracts;
Activity 1.2: 5 services/framework and/or supply contracts.
- c) indicative time frame for launching the procurement procedure: Q2 2017

Action 2	Support to participation in Union Programmes and Agencies	Indirect management with Albania	EUR 1,000,000
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(1) Description of the action, objective, expected results and key performance indicators

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

The results expected from the implementation of activities are: 1) Enhanced participation of Albanian institutions in Union Programmes and Agencies, including increased exchanges with EU Member States; 2) Strengthened ownership and responsibility of Albanian institutions (including in financial terms, i.e. partial payment

of entry tickets) for participation in Union Programmes and Agencies; 3) Enhanced capacities of MEI and other Government institutions to co-ordinate participation in Union Programmes; 4) Enhanced capacities of Albanian beneficiary organisation to apply and successfully participate in Union Programmes.

These results are related to the effective participation by relevant stakeholders in the following Union Programmes:

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

Key performance indicators:

- Number of Programmes for which an International Agreement has been concluded
- Albanian institutions' participation rates in the different Union Programmes.

(2) Assumptions and conditions

The Government is expected to sign the participation agreement for each Union Programme/Agency in due time and allocate in the annual budget the necessary amounts to finance the annual cost of participation (entry ticket), which this action intends to partially co-fund. Indeed Albania must not only provide the co-financing but also the funds necessary for the payment of the total entry ticket, prior to receiving the partial reimbursement from IPA II.

(3) Implementation arrangements for the action: indirect management by IPA II beneficiary

Entity entrusted with budget implementation tasks

The beneficiary country will be entrusted with the budget implementation tasks for this action. This solution, already used in the IPA 2014 and 2015 country action programmes, presents the advantage of streamlining the EU contribution and the national contribution. It is based on previous experience in ensuring the payment of the entry tickets.

Short description of the tasks entrusted to the entity

Implementation will consist of the transfer to line ministries of the IPA part of the financial contribution to the programmes by the National Fund.

SECTOR 2	RULE OF LAW AND FUNDAMENTAL RIGHTS	EUR 22,500,000
Action 3	Sector Reform Contract for the Fight against Corruption in Albania	Direct management
		EUR 9,600,000 (budget support) EUR 400,000 (complementary technical assistance)
		Total
		EUR 10,000,000

Sector Budget Support

a) Eligibility for budget support

Macroeconomic Stability

Albania preserved macroeconomic stability and **is moderately prepared in developing a functioning market economy**. Some progress was made in improving macroeconomic stability, growth prospects have improved and a public finance management reform is in place. However, challenges remain. Albania should in particular pursue fiscal consolidation, improve the budget management framework, tackle the high-level of non-performing loans, and improve the business environment by strengthening the rule of law. The level of unemployment and informal employment remains high. In line with the Economic Reform Programme (ERP) recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to: i) sustaining fiscal consolidation and strengthening the budget management framework; ii) tackling the high level of non-performing loans; and iii) improving the business environment by implementing regulatory reforms and adopting

the new bankruptcy law. The implementation of the three-year financing arrangement with the International Monetary Fund remained on track. The European Commission assessment of Albania's ERP 2016-2018 confirms that the macroeconomic framework presented in the ERP in January 2016 is coherent, consistent and sufficiently comprehensive, and provides an adequate basis for policy evaluation and discussions. The ERP commits Albania to an ambitious fiscal consolidation path to tackle vulnerabilities stemming from high public debt. Overall the eligibility requirement, that there is a credible and relevant stability-oriented macroeconomic policy, is met.

Public Finance Management

The Government completed the first year of the implementation of the PFM Strategy for 2014-20 and a related Action plan, whose goal is to improve the fiscal framework, budget process, enforcement of rules and procedures and prudent management of public funds, as well as to strengthen transparency and accountability mechanisms. The PFM annual report for 2015 was presented and endorsed by the PFM Steering Committee on 23 March 2016 and published in May 2016. It noted that out of 80 actions/activities for 2015-2020, 18% were completed, 65% of the activities are in progress, and 17% have not yet started. An action plan for 2016 was updated. The development of a comprehensive performance assessment framework with SIGMA's support is ongoing. The related engagement of IMF and World Bank programmes also progressed. The implementation progressed in most key areas although with delays in some areas. The coordination framework and monitoring structures were set up, although its operation and Technical secretariat requires to be strengthened in the number of policy staff to efficiently coordinate and monitor the reform implementation. The Ministry of Finance (MoF) Functional review, the Public Procurement review, and the Public Investment Management assessment took place. A reinforcement of the MoF structure to reach 293 positions was approved and actual recruitment is progressing slowly, with still 80 vacancies in August 2016. There are risks related to fraud and corruption. Overall, the eligibility requirement, i.e. the presence of a credible and relevant programme to improve public finance management, is met.

Budget transparency and oversight

Information regarding Albania's budget transparency as well as oversight mechanisms is generally available. The minimum requirement of 2016 budget publication is met by the publication of the budget on the MoF website. The Government published a Citizen's budget for the draft 2016 budget and the requirement for publication of additional information has been incorporated in the organic budget law. The Government published a 2016 Budget at Glance document for the Parliament in Albanian and English. The Government published a comprehensive public investment list attached to the medium term budget 2016-2018. The Extractive Industries Transparency Initiative (EITI) Annual Report for the years 2013- 2014, published in December 2015 notes that Albania stands among those 49 countries which comply with the EITI. Overall, the eligibility requirement for budget transparency is met.

Policy credibility and relevance

The fight against corruption is among the key priorities of the Albanian government, and at the same time included among the five key priorities for opening the EU accession negotiations, in line with the "new approach" that the European Council adopted in 2011, which stresses the importance of countering corruption in justice and public

administration in the context of an overall promotion of citizens' fundamental rights, good governance and the rule of law. Therefore, corruption needs to be counteracted with a comprehensive anti-corruption policy, including adequate legislation and administrative and institutional frameworks. In line with the main international conventions in the field, such policy must include both preventive and repressive elements, and an involvement of civil society in anticorruption policies also in terms of awareness raising.

Corruption in Albania is widespread. The overall number of investigations, cases referred for prosecution and final convictions remains low at all levels, with investigations mostly having a reactive nature, rather than a proactive one. A number of obstacles to effective prevention and sanction are still present, due to weaknesses in the overall institutional set-up, in the legislative framework, in the available human resources, and in the cooperation between law enforcement agencies. Proactive investigations, systematic risk assessments and the independence of institutions involved in the fight against corruption need to be enhanced, as they remain vulnerable to political pressure and other undue influence. These are essential elements for Albania to progress to the next integration stages. The issue of corruption and fraud is a challenge linked to social and economic factors deeply engraved in parts of the Albanian society, undermining the potential impact of any reforms and ultimately the efficient use of public resources for effective service delivery for its citizens. Due to the complexity and sensitivity of the sector, further support is needed to bring the Albanian system fully in line with European standards.

Policy dialogue for the fight against corruption has been taking place between the EU and Albania in the framework of the High-level Dialogue which was launched in 2014 for the purpose to move forward towards implementation of the five key priorities to open accession negotiations. The High-Level Dialogue has set out the requirements by defining deliverables regarding fight against corruption (track record, human resources, statistics gathering, and inter-institutional cooperation). An ambitious judicial reform process has been launched in November 2014, including fight to judicial corruption.

The Government has adopted in March 2015 an Inter-Sectoral Strategy against Corruption 2015-2020 and an Action Plan for 2015-2017, with an initial costing until 2017 of EUR 12.3 million. The inter-institutional Integrated Policy Management Group for Good Governance and Public administration, including anticorruption as a thematic group, was set up in February 2016 and is currently co-chaired by the Minister of State for Innovation and Public Administration and the Minister of State for Local Issues (MSLI) to formally monitor and review the implementation and the action plan for the Strategy. The action plan will undergo a yearly review. Reporting, policy coordination and monitoring at central level are currently managed by the National Anti-Corruption Coordinator (NCAC), who is the MSLI.

The sector reform contract (SRC) for anti-corruption intends to support the implementation of the anti-corruption strategy over the next four years with intensive policy dialogue aiming at accompanying the reform process. The SRC will increase the political attention to the anti-corruption effort; it will trigger the implementation of major reforms envisaged under the strategy, and ensure that its core objectives are duly and timely achieved.

The Anti-corruption (AC) Strategy 2015-2020 takes into account assessments, challenges and priorities highlighted in previous assessments and studies in the sector, the Country Strategy Paper and Report on Albania. The Strategy has three pillars:

prevention, repression and awareness-raising on corruption. The annual report for 2015 has been prepared. Intensive high level policy dialogue in the area of AC is in place. The Action Plan for 2015-2017 comprises 191 measures, of which 143 of preventive nature, 26 with the major objective of punishing corruption, and 22 awareness-raising measures. An update to the Action Plan to reflect findings from the first year implementation and will aim to address pending Anti-Corruption Framework Assessment project recommendations.

The current action plan 2015-2017 includes a comprehensive costing, and the budget identified by source of funding. The estimated financing need for 2015 - 2017 is EUR 12.3 million whereof the financial gap until 2017 is around EUR 3 million. The costing for the action plan for 2018-2020 will be radically higher since new anti-corruption institutions will be created and/or will see major increased capacity needs. An estimate of Euro 15 million for the Action Plan 2018-2020 has been considered, however, this is subject to review and assessment. Expected changes include among others the creation of the special anti-corruption prosecutor, along with specialised anti-corruption judicial police and specialised anti-corruption court, the new whistle-blowing protection competences given to the High Inspectorate for the Declaration and Audit of Assets and Conflict of Interests to be implemented in the public and private sector, increased capacity needs for the commissioner for data protection and access to public information to implement the new law on access to public information. The financing gap for the action plan 2018-2020 is estimated at least EUR 6 million. There is a need to ensure that the mid-term budgetary programme sufficiently supports the implementation of the strategy and annual action plans. Financial sustainability remains to be further examined and ensured through intensive policy dialogue. Overall, the eligibility requirement, that there is a credible and relevant public policy, namely the Anti-corruption Strategy, is met.

b) Objectives

The overall objective of this Sector Reform Contract is to assist the Government of Albania in implementing the inter-sectoral strategy against corruption with the aim to create transparent and high-integrity Albanian institutions that enjoy citizens' trust and ensure a quality and incorruptible service.

The specific objectives are to:

- Improve framework for corruption prevention, in particular through increasing transparency and detection of corruption, improving handling and follow up of corruption reports, and strengthening the controlling regime for political parties' financing.
- Improve framework for corruption repression, in particular through improving efficiency and effectiveness of criminal investigations against corruption; and supporting a good track record of investigated cases submitted to the prosecution services.
- Improve framework for awareness of corruption, in particular through encouraging civil society and the general public to report corruption cases.

c) Expected results

The expected results are:

- Improved prevention of corruption, in particular through increased transparency and inspection of state activities, in particular related to public procurement, improved handling and follow up of corruption reports, and strengthened controlling regime for political parties' financing;
- Improved repression of corruption, in particular through improved efficiency and effectiveness of criminal investigations against corruption; and good track record of investigated cases submitted to the prosecution services;
- Improved public awareness of corruption, in particular increased public intolerance of corruption and use of the complaints mechanisms to report corruption.

d) Main sector reform contract activities

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

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

Transfer of EUR 9.6 million to the beneficiary country in fiscal years 2017, 2018, 2019 and 2020 when disbursements are indicatively expected;

Continued effort to reinforce Government's institutional capacities to implement the anti-corruption reform, including new institutions and mandates resulting from changes to the legislative framework;

Enhancing donor coordination;

Strengthening of monitoring and evaluation systems for anticorruption strategy implementation;

Regular monitoring of budget support eligibility criteria.

e) Complementary action (under direct management)

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

The objective of the first complementary action in direct management mode is to coordinate and deliver communication and anti-corruption awareness raising campaigns. This first complementary action shall support the legal and institutional development for the fight corruption. It should be coordinated with support from World Bank, EBRD, OSCE and United Nations Development Programme (UNDP) and focus on the education of the public about the government's responsibility to be corruption-free, the awareness of the public, media and government about the costs of corruption for key services such as health and education, and the necessity to foster economic stability by enforcing zero-tolerance practices towards corruption. This will support perception that fight against corruption is “work in progress”, that there is active commitment from the

government and a pressure from the international community, and that the margins of tolerance are consequently decreasing over time.

The expected result is that the citizens' perceptions and awareness of anti-corruption efforts and achievements are improved. The key performance indicator relates to the level of citizen's perception and awareness of government's anti-corruption efforts.

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

The expected result is that payment requests are complete and submitted in line with the indicative payment schedule. The key performance indicator relates to the quality and timeliness of payment requests.

Assumptions and conditions

It is assumed that the anti-corruption strategy coordination and monitoring structure will monitor the implementation of the strategy and will annually report on implementation and performance against set indicators and targets.

Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR_400,000
- b) the indicative number and type of contracts:
This part of the action will be performed via an indicative number of 2 service (possibly framework) contracts for communication and awareness-raising, and for monitoring, respectively.
- c) indicative time frame for launching the procurement procedure: Q2 2017

Action 4	Consolidation of the Justice System in Albania	Direct management	EUR 12,500,000
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(1) Description of the Action, objective, expected results and key performance indicators

This action will provide support to the Albanian Ministry of Justice (MoJ) and other judiciary institutions, and to the implementation of the first phase of the judicial reform process following the adoption of key constitutional amendments in July 2016 by the Albanian Parliament. Its overall objective is to align the Albanian justice system with European standards and the EU *acquis*. Its specific objectives are (i) to support the improvement of the independence, accountability, transparency, professionalism, efficiency and effectiveness of the Albanian justice system pursuant to a clear and comprehensive reform strategy developed by the MoJ and other actors in the system, and (ii) to increase the professional quality of judges and prosecutors, reduce the impact of organised crime, politics and corruption in the delivery of justice, and enhance the integrity and accountability of judiciary institutions.

The expected results are:

For specific objective 1:

- The Action plan of the Justice sector strategy 2017 —2022 for enhanced professionalism integrity and accountability of the judicial institutions, for more effective case management and increased access to justice is implemented in line with EU *acquis* and best practices.

For specific objective 2:

- The re-evaluation of judges and prosecutors with the support of the international monitoring operation is completed.

Key performance indicators:

- Share of actions implemented as per Action plan of the justice sector strategy 2017 —2022;
- Share of judges and prosecutors re-evaluated by the "Independent Qualification Commissions".

(2) Assumptions and conditions

The assumptions are as follows: (i) the constitutional reforms package is approved and the Government has a clear political will to enhance the justice system; (ii) relevant institutions are committed and supported by the Government; (iii) institutions of the justice system, in particular the MoJ, the High Council of Justice and the General Prosecutor's Office, are involved; (iv) the Government allocates necessary human,

operational and budgetary resources; and (v) a Memorandum of Understanding for the International Monitoring Mission is signed.

The action is subject to the condition that the legal framework necessary for the re-evaluation of judges and prosecutors is changed in accordance with the constitutional reform. Failure to comply with this requirement may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Grant – call for proposal (*Strengthening of the Justice System*):

- a) Objectives and foreseen results: see result for specific objective 1 above
- b) The essential eligibility criterion: European Union Member State body
- c) Maximum rate of EU co-financing: The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out because it is in the interest of the Union to be the sole donor for this component (strengthening of the justice system) so as to better ensure EU visibility, and to allow for participation by all interested Member States in the call for proposals.
- d) Indicative amount of the call: EUR 7,500,000
- e) Indicative date for launch of the call for proposals: Q2 2017

Grant - call for proposal (*International Monitoring Operation in support of re-evaluation of judges and prosecutors*):

- a) Objectives and foreseen results: see result for specific objective 2 above
- b) The essential eligibility criterion: European Union Member State body
- c) Maximum rate of EU co-financing: The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out for this component (international monitoring operation), so as to better ensure EU visibility, and to allow for participation by all interested Member States in the call for proposals.
- d) Indicative amount of the call: EUR 5,000,000
- e) Indicative date for launch of the call for proposals: Q1 2017

• The essential selection and award criteria for grants:

- The essential selection criteria are operational capacity of the applicant, as well as relevant experience in the sector and past experience in the country and the region.
- The essential award criteria are relevance, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

SECTOR 3	ENVIRONMENT		EUR 4,000,000
Action 5	Support to Water Management	Indirect management with EU Member State bodies	EUR 4,000,000
		Total	EUR 4,000,000

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

This action is designed to provide support to the water sector institutions with a view to improving integrated water management and waste water management and treatment services in Albania. The overall objective of this action is to enhance the implementation of the National Water Reform and the progress of Albania towards EU water legislation requirements. It focuses on two priority areas, namely (i) integrated water management and (ii) waste water management and treatment services. In the area of integrated water management, a first specific objective is to strengthen capacities for managing the sector in line with EU policies and to consolidate earlier efforts in that direction. In the area of waste water management and treatment services, a second specific objective is to reduce pollution of the Adriatic coastal water through strengthened capacities and proper operation and maintenance of wastewater infrastructure along the coast, particularly in selected municipalities.

The expected results are:

For priority area 1 - Integrated Water Management:

- Legal framework in the field of water management is improved in an inclusive and evidence-based manner and implemented and enforced in line with the EU requirements;
- River Basin Management Plans are implemented for selected river basins, in line with EU requirements;
- Institutional capacity at river basin level, to implement Integrated Water Management, is enhanced;
- The budgetary framework and economic analysis of water extraction and water use at basin level is improved in line with Water Framework Directive principles, the tariff structure is reviewed and enforced.

For priority area 2 - Waste Water Management and Treatment Services:

- Performance of the selected waste water utilities along the coast of Albania is improved;
- The new National Agency for Water Supply & Waste Water and Solid Waste (AKUKMN) is strengthened with particular focus on the waste water sub-sector

- Existing coastal waste water treatment plants (WWTPs) are operated and maintained adequately;
- The awareness and participation of all stakeholders in the sector is increased in line with the EU acquis requirements and the Principles of Public Administration.

Key performance indicators:

For specific objective 1 (Priority area 1 - Integrated Water Management):

- Staffing and performance of the General Directorate of Water Administration and the River Basin Agencies

For specific objective 2 (Priority area 2 - Waste Water Management and Treatment Services):

- Sewer treatment coverage from treatment plants
- Quality of coastal waters

(2) Assumptions and conditions

It is assumed that (i) the National Plan on European Integration 2016-20 and National Sector Programme on water is adopted; (ii) the IPMG/TS water, chaired by Prime Minister, guides the implementation of the NSP; and (iii) that Strategies on IWRM and Water and Sewerage Services (WSS) are adopted / still in force.

With reference to priority area 1 – integrated water management, it is assumed that the Government displays continued willingness to support and implement integrated water management, that the Medium-Term Budget Programme (MTBP) is harmonised between line ministries through sub thematic groups recommendations, and that budget allocated for the water sector to local government, harmonised with national sector programme. Active stakeholders participation is equally assumed, as is the full involvement of the local governmental representatives in the river basin council and decision making process for water management issues. It is also assumed that the Water cadastre is completed / tested and bylaws are prepared on its maintenance / updating, and that RBMPs are prepared for the river basins Drin-Buna, Semani, and Shkumbini by 2018. Finally it is assumed that several acts/bylaws are prepared by 2018: on “national strategy for water, river basin management plans, flood risk management plans”, and on “marine waters”.

With reference to priority area 2 – Waste Water Management and Treatment Services, it is assumed that the Master Plan on water supply and sewerage will be adopted, that a draft DCMs on “urban wastewater treatment” will be prepared by 2018, and that a financing model for water supply and sewerage will be available by 2017. It is also assumed that Technical Standards on water supply and sewerage are available, as well as a National registry for trainings and a Benchmarking system. Finally, it is assumed that there is sufficient staffing, willingness and involvement in the key beneficiary entities, including at management level, and that stakeholders including civil society are represented at the national level in the IPMG thematic groups responsible for dealing with water-related issues. As regards wastewater treatment plants, it is assumed that operations and maintenance staff are available, and that relevant documents (feasibility and final design report, operation manual, as-built drawings) are available.

In order for this Action to be properly implemented, the following conditions must be in place:

- The first condition for an effective implementation of the action is the continuation of the water reform through the legal and institutional framework. This is expected to be measured notably through the continuation of the IPMG process and the NSP elaboration, good progress in the preparation of key by-laws, and the legal and organisational setting up of key institutions in the sector, in particular the new Agency for water supply, sewerage and waste (organigram; business plan, job descriptions, budgets...). These requirements shall be in place by the time the action effectively starts, as the action aims at assessing the gaps and complementing/enhancing the frameworks and the key sector institutions to further speed up the transposition process of the EU directives and consolidate the responsibilities and operations of these stakeholders.
- An additional condition with regards to component 2 of the action is the sufficient establishment of the new Agency for water supply, sewerage and waste after its setting up, otherwise any capacity building activity would be at risk. The same applies to the water and sewerage utilities and their contractual relations with key stakeholders, mainly the municipalities, the new Agency for water supply and sewerage, and the regulator. In order to be sufficiently established, the new agency of water supply and sewerage should have a proper legal status, contractual relations, key organisation functions, systems and tools, and sufficient personnel in place and it should ideally have been operational for no less than 1 year.

The above conditions shall be assessed by the Water Technical Secretariat and shall be reported regularly (6 months intervals) to the NIPAC/ministry of EU integration and the EU Delegation, starting from December 2016. In general terms, the activities under this action are expected to also contribute to the horizontal PAR agenda and support Albania meeting the relevant Principles of Public Administration.

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

(3) Implementation arrangements for the action: indirect management with EU Member State body (or consortium of Member State bodies)

Integrated water management (priority area 1)

Entity entrusted with budget implementation tasks

The part of the action related to priority area 1, with an overall amount of EUR 1,600,000 as EU contribution, will be implemented under indirect management through a Delegation Agreement with the Austrian Development Agency or, if negotiations fail, the German Society for Development Cooperation ([Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH](#)). This implementation modality has been selected to increase donors' coordination and aid effectiveness and benefit from donors' comparative advantage and expertise developed in the sector. The reason for choosing a Member State body is that the beneficiary needs hands-on support from a peer institutional partner with relevant project management experience in the sector. The selection criteria were (i) international mandate of the potential delegatee entity; (ii) presence and experience of the potential delegatee entity in the water sector, in particular

in Albania (including the volumes of assistance in the sector and projected assistance in the near future); (iii) technical expertise, logistical & management capacities of potential delegatee entity, including at the local level; (iv) impact, results, leverage effect of cooperation with other entities/donors, also covering effectiveness of the delegation of tasks, included in Albania; (v) added value of actions in the water sector under implementation by the potential delegatee entity or planned in the near future, and synergies envisaged or proposed with the IPA2016 project; and (vi) reduced transaction costs level by the potential delegatee entity.

Short description of the tasks entrusted to the entity

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

Wastewater management & treatment services (priority area 2)

Entity entrusted with budget implementation tasks

The part of the action related to Priority area 2, with an overall amount of EUR 2,400,000 as EU contribution, will be implemented under indirect management through a Delegation Agreement with the German Society for Development Cooperation ([Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH](#)) or, if negotiations fail, the Austrian Development Agency. This implementation modality has been selected to increase donors' coordination and aid effectiveness and benefit from donors' comparative advantage and expertise developed in the sector, as well as from performance-based approaches universally recognised as successful in the wastewater sector management in Albania. The reason for choosing a Member State body and the selection criteria are the same as under priority area 1.

Short description of the tasks entrusted to the entity

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

SECTOR 4	TRANSPORT		EUR 24,000,000
Action 6	Sector Reform Contract to Support Transport with Focus on Roads	Direct management	EUR 21,000,000 (budget support) EUR 3,000,000 (complementary twinning and technical assistance and supply of equipment; monitoring and evaluation, communication and visibility)
		Total	EUR 24,000,000

Sector Budget Support

a) Eligibility for budget support

Macroeconomic stability, PFM and budget transparency and oversight

See above (sector 2, action 3).

Policy credibility and relevance

The quality of transport impacts all areas of society. Albania considers the transport sector as a key priority, multi-dimensional and vital to socio-economic development and a strong wheel for Albania in its path to the European Union Integration. After the entry in force of the Stabilisation and Association Agreement (SAA), attention was focused on priority areas related to the transport acquis, as well as upgrading and construction of road transport infrastructure, particularly in the area of the Trans-European Transport Network (TEN-T), in accordance with Article 106 and Protocol 5 of the SAA.

Roads and motorways represent the predominant mode of land transportation in Albania and provide essential links for freight and personal mobility in the country. Most of the investments in transport infrastructure have been directed towards roads, which in Albania constitute one of the highest value assets, estimated at about \$6 billion, with substantial increases over the last decade.

These large investments have contributed significantly also to the development of the Balkans infrastructure network, with a view to a future integration with TEN-T and in

addition, have improved transport services and provided a more efficient connectivity to business and citizens, with relevant gains in terms of transport costs and travelling time.

However, the emphasis on new roads has not always been supported by quality construction work. Inadequate procurement and contract management, budget tightness and limited transparency, with sometimes unrealistically discounted prices, coupled with weak quality control, have led to the use of lower quality materials, which hampers the infrastructure quality. In addition, major investment projects have not been properly planned, implemented, monitored, and maintained. Among the signs of poor quality are (i) premature deterioration of new pavement and structures; (ii) development of projects according to different design standards on adjacent sections; (iii) poor and contradictory signalling and other failures to ensure safety; and (iv) non-repair of electrical fixtures and fittings. The generally low quality of new constructions in turn implies an increase in the cost of maintenance and thus leads to poor value for money from capital expenditures. Frequently the lifespan of the investments is considerably limited.

In addition roads maintenance has not been addressed systematically as a process to preserve public investment. Because of the under-investment in maintenance during the past decades, currently only 42% of the national road network is considered in a good or very good condition. While the primary network is well-defined and information on road condition is available, the condition of 45% of secondary roads is not known. Only 16 % of the secondary network is in good condition.

Limited road safety is another major problem for Albania, as the number of accidents with either fatal casualties, or serious or light injuries, has increased significantly over the last 10 years. The number of fatalities remains high taking into account European standards and the Government of Albania's (GoA) aim to decrease it by half by 2020, using 2009 as a baseline.

The World Bank's Public Finance (PF) Review⁹, puts a special emphasis on the weakness of the technical design of the contract documents, on implementation and quality control of the investments in road infrastructure, namely with domestic investment as compared to external donors' intervention. Furthermore the external audit of arrears clearance process¹⁰ revealed numerous shortcomings in relation to public procurement and contract management practices at ARA and confirmed the findings of the above mentioned report of WB PF review.

In addition, the World Bank a major stakeholder is expected to publish in April 2016, a draft report on public procurement efficiency and contract management quality control and enforcement, using the transport sector as a sample.

The main challenges in the road sector could be summarised as: (i) improvement of road network conditions via reliable maintenance practices and balanced investments; (ii) progressing proper implementation of construction, re-construction and safety standards and (iii) enhancing quality and reliability of the transport system governance, including better planning and prioritisation of the investments in line with national and regional policy within the limits of available fiscal space.

⁹http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/09/24/000470435_20140924134316/Rendered/PDF/820130v2GRAY0COVER0Box385323B00PUBLIC0.pdf

¹⁰ A requirement set out in the IMF programme funded by the EU – which was concluded in July 2015.

In August 2015, the GoA adopted the Road design and construction standards, which will contribute to improvements of the quality of planning, design and construction of roads' infrastructure.

The Albanian Road Authority and the Ministry of Finance have developed an action plan for addressing these challenges. The Transport strategy and the related Action Plan aim at addressing and focussing on these challenges in view to strengthen the management of public funds in the transport sector, which, representing a very relevant part of public investment, can definitely contribute to increased efficiency and quality of public spending.

The sector reform contract (SRC) for transport intends to support the implementation of the transport strategy over the next four years with intensive policy dialogue aiming at accompanying the reform process. The budget support operation will increase the political attention to the transport sector reform; it will trigger the implementation of major reforms envisaged under the strategy, and ensure that its core objectives are duly and timely achieved.

The overall objective of the National Transport Strategy and Action Plan 2016-2020 is to (i) further develop Albania's national transport system, and in addition (ii) to significantly improve its sustainability, interconnectivity, interoperability and integration with the international and European wider transport system and region. The Transport strategy includes the Transport Action Plan 2016-2020. The priorities are designed to address the main challenges as well as the weaknesses in the sector. Furthermore the strategy responds to the strategic priorities for the regional developments in the sector regarding the EU Enlargement perspective.

The Road section of the Transport Strategy and related Action Plan is the main priority for the sector and serves as a sector policy base for this program which covers:

- Create the adequate legal and governance conditions for an efficient transport system,
- Complete and modernise Albania's primary and secondary road network,
- Strengthen the regional cooperation via road connections
- Ensure the functioning of the road transport market in line with EU standards

The draft road section of the Transport strategy is in line with the connectivity agenda and is aligned with the South East Europe Transport Observatory (SEETO) analysis. The Strategy is also in line with the European Union Strategy for the Adriatic and Ionian Region (EUSAIR) of 2014, which in relation to Transport highlights that the Region has significant infrastructure deficits, notably between long-established EU Member States and the other countries, resulting in poor accessibility. According to the assessment made by EUSAIR, the Western Balkans road network needs urgent rehabilitation, removal of bottlenecks and missing links, intermodal connections, traffic management systems and an upgrade in of capacity. The strategy, also in line with the Vienna Summit of August 2015, identified 'soft' measures on transport as medium-term Regional Actions (2020 Goals). The Road Transport strategy includes findings and recommendations made under Road Safety Strategy concerning improvements in design, implementation and maintenance of road infrastructure which has an impact on decreasing the number of accidents especially in relation with identification and elimination of road black spots.

The focus is on road maintenance practices, prioritising public sector investments, as well as targeting significant gaps in institutional and public financial management capacities and good governance of the road sector.

The Integrated Policy Management Group (IPMG) is responsible for the coordination of sector policy preparation, monitoring of implementation of the National Transport Strategy 2016-2020 and the Road Transport Strategy.

The Road Transport strategy contains a list of indicators which assess progress towards achieving the goals of the National Transport Sector Strategy for the Road Sector. The Strategy identifies capacity weaknesses of the implementing agencies and targets the addressing of related capacity building activities.

The total budget for road sector during 2016-2020 is estimated to be EUR 875.3 million for 5 years, which is at an average of EUR 175.06 million per year. According the MTBP 2016-2018 the forecasted budget for roads is EUR 336.6 million for 3 years, which is at an average EUR 112.2 million per year. This presents a gap of EUR 60 million per year for the implementation. This means that the implementation will require additional funding from the budget or alternatively the annual action plan will have to be updated in light of prioritization of maintenance related costs, inclusion of ongoing and stalled investments, descriptions of scenarios for fiscal space over the medium term and proposed timeframe of implementation in the medium term budget. Overall the eligibility requirement, that there is a credible and relevant public policy, namely the Road section of the Transport Strategy is met.

b) Objectives

The overall objective of the programme is to contribute to an efficient transport system, integrated in the region and in the EU network, which will promote economic development and citizens' quality of life, focusing on road transport.

The specific objectives of the programme are therefore (i) to create adequate legal and governance conditions for an efficient transport system established by aligning the Albanian transport legislation to the EU acquis (Pillar I of the Road Transport Strategy), and (ii) to modernise and upgrade Albania's primary and secondary road network (Pillar II of the Road Transport Strategy).

c) Expected results

Through the budget support methodology of disbursement of tranches against reform achievements, the SRC is expected to generate the following expected results:

- Overall improved design and implementation of road transport policies;
- Improved alignment of the Albanian transport legislation to the EU acquis;
- Improved quality of public spending / value for money for road transport;
- Modernised and upgraded primary and secondary road network;
- Improved road safety conditions;
- Improved road maintenance performance.

d) Main sector reform contract activities

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

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

A transfer of EUR 21 million to the beneficiary country in fiscal years 2017, 2018, 2019 and 2020 when disbursements are indicatively expected;

Continued effort to reinforce Government's institutional capacities to implement the transport reform strategy;

Enhancing donor coordination;

Strengthening of monitoring and evaluation systems for transport strategy implementation;

Regular monitoring of budget support eligibility criteria.

e) Complementary actions under direct management

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

The objective of the complementary action, under direct management, is to strengthen the Government's capacity to coordinate and implement its Transport sector reform strategy, to monitor and report on performance and ensure coordination, inclusive policy making and transparency. There are two complementary action components.

The first complementary component will:

- Strengthen the capacity of the Albanian Road Authority (ARA), notably with a view to ensuring that ARA staff are better at implementing transport policies and legislation, and at carrying out public procurement and contract implementation in line with applicable procedures and sound financial management principles;
- Assist and train relevant staff of the Ministry of Transport and Infrastructure and ARA on Public Private Partnerships (PPP) schemes;
- Provide equipment to the road works quality laboratory (materials) laboratory of the ARA.

The second complementary component will be implemented via technical assistance for monitoring and evaluation as well as communication and visibility.

As part of the first component, the expected result of the accompanying twinning and technical assistance is that ARA and Ministry of Transport and Infrastructure (MoTI) staff is trained and capacities upgraded with regard to issues related to public investment assessment feasibility study, quality control processes, procurement, monitoring implementation and maintaining the road assets in line with the adopted standards, as well public private partnership policies and practices. The expected result of the supply of equipment is that the ARA has adequate means for checking and controlling the quality and compliance with the standards of the works undertaken for construction and maintenance of the Albanian national roads network. The expected result of the second complementary component is that the sector budget support action is properly monitored and evaluated, and that it benefits from proper communication and visibility.

Key performance indicators of the accompanying technical assistance / twinning are (i) number of ARA staff better at implementing transport policies and legislation, (ii) public procurement and contract implementation by ARA staff carried out in line with applicable procedures and with sound financial management, and (iii) good quality Public Private Partnerships (PPP) schemes prepared and implemented by ARA/MoTI trained staff. Key performance indicators of the supply of equipment are (i) increased number of on the spot checks by ARA with regard to the quality of works performed by the contractor and certified by supervisors, and (ii) quality of works contracted by ARA implemented in line with standards and technical specifications. The key performance indicator second complementary component is the Albanian population's awareness of the action and the related issue area.

Assumptions and conditions

It is assumed that the National Transport Plan will be updated including updated costing, reflection of the financing in the 2017 budget and in the 2017-2019 MTBP and other succeeding annual and multiannual budget programs. It is assumed that the transport sector strategy coordination and monitoring structure will monitor the implementation of the strategy and report on implementation and performance against set targets annually.

Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 2,200,000
- b) the indicative number and type of contracts: One service contract for assisting and training relevant ARA/MoTI staff on Public Private Partnerships (PPP) schemes, one supply contract to provide equipment to the road works quality (materials) laboratory of the ARA, and one service contract for monitoring and evaluation as well as communication and visibility.
- c) indicative time frame for launching the procurement procedure: Q2 2017

Grant – Twinning – Call for proposal (Strengthening the capacity of the ARA):

- a) Objectives and foreseen results: strengthening the capacity of the ARA, notably with a view to ensuring that ARA staff are better at implementing transport policies and legislation, and at carrying out public procurement and contract implementation in line with applicable procedures and sound financial management principles
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU

funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

- f) Indicative amount of Twinning contract: EUR 800,000
g) Indicative date for launching the selection procedure: Q2 2017

SECTOR 5	AGRICULTURE		EUR 8,700,000
Action 7	Support to Food Safety, Veterinary and Phytosanitary Standards	Direct management through a grant contract with a MS authority	EUR 5,000,000

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

This action will provide capacity building support to the institutions involved in food safety, veterinary and phytosanitary standards in Albania. Its overall objective is to contribute to an increased protection of human, animal and plant health at every stage of the food production process, through the establishment of institutional and administrative capacities in line with the overall public administration reform agenda. The action has three specific objectives. A first one is to assist the restructuring of the relevant administrative structures and ensure the building of appropriate capacities to implement policy measures and achieve strategic objectives in the sector in line with general public administration reform efforts and the EU membership requirements. A second specific objective is to raise public awareness to ensure that consumers are adequately informed about their choices, roles and responsibilities, and increasingly demand safe and high-quality food products. The last specific objective is to help develop the necessary legal and institutional framework and design and to help implement the required policy measures to ensure the progress toward strategic objectives in the field of food safety, veterinary and phytosanitary standards.

The expected results are:

For specific objective 1:

- The skills of a reorganised and adequately staffed administration established in line with the public administration reform agenda have been increased;
- The administrative capacity to adopt, integrate and implement the EU acquis and standards in the food safety, veterinary and phytosanitary fields is ensured in an inclusive and evidence-based manner.

For specific objective 2:

- Awareness of consumers and active participation of consumer-related organisations are improved in policy and legislative development;
- The safety and quality of the marketed food is improved due notably to the increased role of consumers.

For specific objective 3:

- The legal and institutional framework related to the EU acquis for food safety and veterinary and phytosanitary standards is in place;
- Appropriate EU acquis and standards related policy measures are designed and efficiently implemented and monitored, in consultation with stakeholders and civil society.

Key performance indicators:

For specific objective 1:

- Number of staff of the food safety, veterinary and phytosanitary services in place in accordance with the organigramme

For specific objective 2:

- Number of civil actions taken by consumers and their organisations

For specific objective 3:

- Number of national legislation in the field of food safety, veterinary and phytosanitary standards aligned with the acquis

(2) Assumptions and conditions

It is assumed that the government is committed to establish consolidated structures covering issues related to food safety veterinary and plant protection, that legislation regarding the right and role of civil society and consumers is in place, and that an appropriate number of staff is assigned in accordance with policy objectives.

The identified conditions below need to be taken into account and be fulfilled to ensure the efficient implementation of the project. The Commission retains the right to recover funds under this programme and/or to reallocate future funding if objectives of the project are not achieved due to missing the fulfillment of the following conditions:

- The reform covering food safety and veterinary is supported by the establishment of sustainable administrative structures with staff recruited on merit-basis with adequate competences for their jobs. The activities under this action are expected to contribute to the horizontal PAR agenda and support Albania meeting the relevant Principles of Public Administration. Specifically, activities under this action will need to advocate inclusive and evidence based policy and legislative development on food safety, veterinary and phytosanitary issues. Where applicable, legislative development will also need to ensure compliance with the new Code of Administrative Procedures, and it will avoid promoting special administrative procedures, which risk undermining transparency, predictability and legal certainty in decision-making. Where activities support the

establishment of new administrative structures such as agencies, special attention will need to be paid to establishing appropriate accountability lines between the new structures and responsible parent institutions. Finally, capacity building, training and human resources management activities under this action will need to be coordinated with the central institution responsible for coordination of human resources and professional development in order to ensure sustainability of training and capacity-building activities.

- Animal registration and movement control and food quality information systems are functional and effective.

(3) Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Grant – Call for proposal (*Food safety, veterinary and phytosanitary standards*):

- a) Objectives and foreseen results: as above
- b) The essential eligibility criteria:
Be a competent Government Department, Public body, or relevant mandated body of a Government Department or public body authority of a European Union Member State in the fields related to this action and be directly responsible for the preparation and management of the action with their partners, if any, not acting as an intermediary.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out because it is in the interest of the Union to be the sole donor so as to better ensure EU visibility, and to allow for participation by all interested Member States in the call for proposals.
- f) Indicative amount of the call: EUR 5,000,000
- g) Indicative date for launch of the call for proposals: Q2 2017

Action 8	Support to the	Direct	EUR 300,000
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	Fishery Sector	management	(preparation of a pilot fishing port development plan and design)
		Direct management with a MS body	EUR 3,400,000 (support to fishery administration, supply of equipment, and grant scheme)
		Total	EUR 3,700,000

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

This action will support the Albanian fishery administration, help upgrade the fishing fleet and related infrastructure, and develop a pilot fishing port development plan as well as a detailed design. Its overall objective is to increase the contribution of the fishery sector to the economic development of Albania by improving management and protection of fishery resources in line with the EU Common Fishery Policy. A first specific objective of the action is to develop the capacity of the fishery administration to design, implement, enforce and monitor the relevant policy measures and regulations. A second specific objective is to improve the sustainability of the exploitation of the fishery resources and the performance of marine fisheries.

The expected results are:

For specific objective 1:

- The fisheries' strategic documents and legislation are aligned with the budgetary plan and government priorities, they are implemented and monitored through performance indicators;
- A sufficiently staffed fishery administration disposes of the appropriate systems and capacity to implement and monitor the policy measures as drawn in the strategic documents.
- The capacity of inspection services to combat illegal, unreported and unregulated fishing is improved, in coordination with other involved agencies.

For specific objective 2:

- The exploitation of the fishery resources is more sustainable.
- The public awareness of fishery stakeholders including fishermen and their organisations, fishing community, local government, Civil Society Organisations and schools regarding the protection of natural resources is increased.
- The economic performance of the marine fishing fleet is improved.

Key performance indicators:

- For specific objective 1: Existence of fishery statistics on catch weight over estimated biomass of stock and on catch per unit of effort;
- For specific objective 2: Economic performance expressed as net profit/total earnings.

(2) Assumptions and conditions

It is assumed that the Government (i) is willing to carry out institutional and administrative changes in the fishery sector, (ii) creates the appropriate environment to encourage investments in the sector, (iii) is committed to reform the fishery sector, (iv) allocates the necessary budget and means to sustain the structures dealing with enforcement of laws in the sector, and (v) is willing to support and facilitate the investments in the sector. It is further assumed that a clear legal and administrative framework is in place to ensure full coordination among bodies dealing with inspections, that laws and regulations are properly enforced, and that the public has access to information and is duly informed. Finally, it is assumed that the Vessel Monitoring System set up under IPA 2008 programme is fully functional.

There are two main conditions to be fulfilled while IPA 2016 assistance is provided that will contribute to the efficient implementation of the action:

- The Government has endorsed the new fishery strategy prepared under the IPA 2012 programme.
- The Government is committed to allocate necessary financial resources and establish appropriate administrative structures in the sector respecting merit-based recruitment and career development and building a professional public service.

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

(3) Implementation arrangements for the action: direct management by the EU Delegation

Essential elements of the action

Procurement (Pilot fishing port development plan and detailed design; relevant result: improving the economic performance of the marine fishing fleet):

- a) the global budgetary envelope reserved for procurement: EUR_300,000
- b) the indicative number and type of contracts: 1 service contract for preparation of a pilot fishing port development plan and detailed design
- c) indicative time frame for launching the procurement procedure: Q2 2017

Grant – Call for proposal (Support to fishery administration, supply of equipment, and sub-granting scheme):

- a) Objectives and foreseen results:

This component relates to all the abovementioned results expected from the action.

- b) The essential eligibility criteria: Member State body (or consortium of Member State bodies)
- c) The essential selection criterion is the operational capacity of the applicant, as well as relevant experience in the sector and past experience in the country and the region.
- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) The maximum possible rate of EU co-financing for the grant under this call is 71 %¹¹ of the eligible cost of the action. Implementation of the indicative activities under this component includes a sub-granting scheme for restructuring the fishing fleet. For individual investment projects funded under this scheme the sub-grantees are expected to contribute at least 50%.
- f) Indicative amount of the call: EUR 3,400,000, of which the indicative maximum EU allocation foreseen for the sub-granting scheme is EUR 1,400,000.
- g) Indicative date for launch of the call for proposals: Q2 2017

¹¹ The total contribution under this grant will be EUR 4.8 million. The EU will contribute EUR 3.4 million, out of which EUR 1.4 million for the sub-granting scheme (see details below). The sub-grantees will contribute at least another EUR 1.4 million to this sub-granting scheme. The maximum rate of EU co-financing for the grant will therefore be EUR 3.4 million out of EUR 4.8 million, i.e. 71%.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR ALBANIA

		Indirect Management with the IPA II beneficiary			Other implementation arrangements				
		EU Contribution	IPA II beneficiary Co-financing	Total expenditure	EU Contribution	IPA II beneficiary Co-financing	Total expenditure	MM	Total programme
Objective 1	Sector 1 Democracy and Governance	1,000,000	1,010,264.24	2,010,264.24	Sector 1 Democracy and Governance	4,740,000	0	4,740,000	
	Action 1 EU integration facility	0	0		Action 1 EU integration facility	4,740,000	0	4,740,000	direct
	Action 2 Support to participation in Union Programmes and Agencies	1,000,000	1,010,264.24	2,010,264.24	Action 2 Support to participation in Union Programmes and Agencies	0	0	0	
	Sector 2 Rule of Law and Fundamental Rights	0	0	0	Sector 2 Rule of Law and Fundamental Rights	22,500,000	0	22,500,000	
	Action 3 Sector Reform Contract for the Fight against Corruption in Albania	0	0	0	Action 3 Sector Reform Contract for the Fight against Corruption in Albania	10,000,000	0	10,000,000	direct - BS

	Action 4 Consolidation of the Justice System in Albania -	0	0	0	Action 4 Consolidation of the Justice System in Albania -	12,500,000	0	12,500,000	direct	
Objective 2	Sector Environment 3	0	0	0	Sector Environment 3	4,000,000	0	4,000,000		
	Action 5 Support to water management	0	0	0	Action 5 Support to water management	4,000,000	0	4,000,000	IM with MS body	
	Sector Transport 4	0	0	0	Sector Transport 4	24,000,000	0	24,000,000		
	Action 6 Sector reform contract to support transport with focus on roads	0	0	0	Action 6 Sector reform contract to support transport with focus on roads	24,000,000	0	24,000,000	direct incl. BS	
	Sector Agriculture 5	0	0	0	Sector Agriculture 5	8,700,000	1,400,000	10,100,000		
	Action 7 Food safety and veterinary standards	0	0	0	Action 7 Food safety and veterinary standards	5,000,000	0	5,000,000	direct (grant contract to MS authority)	
	Action 8 Support to the fishery sector	0	0	0	Action 8 Support for the fishery sector	3,700,000	1,400,000	5,100,000	direct	
TOTALS	1,000,000	1,010,264.24	2,010,264.24		63,940,000	1,400,000	65,340,000		67,350,264.24	

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

• DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

Twinning:

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 IPA II beneficiary as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management by Albanian Government in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Part of this programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

- The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

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5 PERFORMANCE MONITORING ARRANGEMENTS

- As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress

reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

- The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.
- In the specific context of indirect management by IPA II beneficiaries, National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.
- The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.