

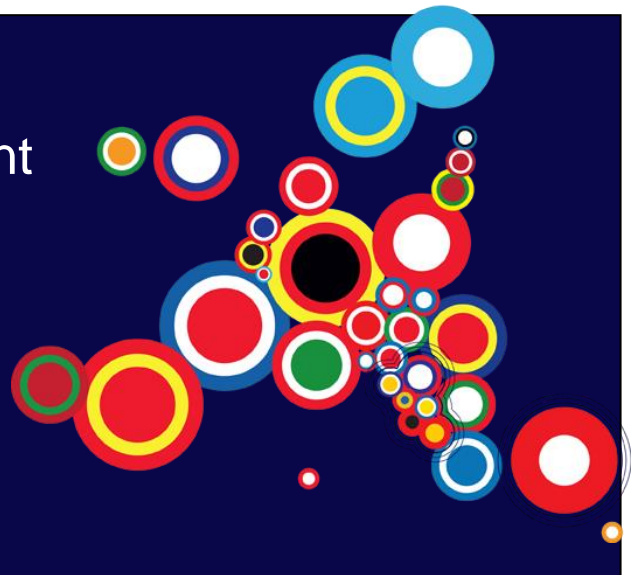


INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

ALBANIA

EU for a cleaner Environment

- Support for Wastewater Treatment



Action summary

The overall objective of the action is to support economic, social, environmental and territorial development of Albania as well as tourism attractiveness. This will be achieved by enhancing water quality and population sanitary conditions through the increase of access to municipal wastewater collection and treatment and the enhancement of the sustainability of wastewater utilities.

The sector programme will target the implementation of affordable municipal wastewater infrastructure in priority areas (based on performance and other priority criteria), together with efficiency gains of Utilities in the management and operation of infrastructure; and the improvement of decentralized wastewater infrastructure planning towards compliance with EU acquis legislation, in particular the Urban Wastewater Treatment Directive (UWWT).

The Action will co-finance/blend other donor/IFI loan and grants, thus increasing EU leverage on the sector development. The direct beneficiaries will be the municipalities/Utilities at the local level, the Ministry of Energy and Infrastructure and the National Agency for Water Supply, Sewerage (AKUK) responsible for water supply and sewerage at central level.

Action Identification	
Action Programme Title	Annual Action Programme for Albania 2018
Action Title	EU for a cleaner Environment – Support for Wastewater Treatment
Action ID	IPA 2018/40210 /ALB/EU for a cleaner environment
Sector Information	
IPA II Sector	3. Environment, Climate Action and Energy
DAC Sector	140. Water Supply and Sanitation
Budget	
Total cost	EUR 80.8 million
EU contribution	EUR 24.1 million
Budget line(s)	22.02.01.02
Management and Implementation	
Management mode	Indirect management through delegation agreement to Kreditanstalt für Wiederaufbau (KfW)
<i>Indirect management:</i> National authority or other entrusted entity	Entrusted entity: KfW
Implementation responsibilities	Ministry of Energy and Infrastructure (MEI) National Agency for Water Supply and Sewerage (AKUK) Selected Municipal Water Supply and Sewerage Utilities
Location	
Zone benefiting from the action	Albania
Specific implementation area(s)	Selected areas of Albania
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2019
Final date for contracting, including the conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the 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

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	x
Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	x	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The **Water Supply and Sewerage (WSS) sector** is faced by a number of problems, starting with a low level of alignment with EU acquis on water supply services and water quality as well as wastewater collection, treatment and disposal especially in urban areas. Legislation regarding drinking water, urban wastewater treatment and groundwater directives and bylaws are at best incomplete and in some cases still lacking. Overall there is also a weak administrative capacity for water management. River basin management is at initial stage, with weak basin authorities, only one existing river basin management plan (River Mati, however not implemented), and three river basin management plans expected to be produced by 2018 (Drini-Buna, Semani, Shkumbini). In the field of Water Supply and Sewerage (WSS), the sector is characterized by poor planning and programming capacity resulting in an overall low level of investment in water supply and wastewater collection and treatment systems, compared to the large demand estimated in the WSS Strategy 2011-2017 (868 million EUR for capital investment plus immediate replacement of defective infrastructure).

With regards to the management of WSS services, only 28 of the 57 water utilities registered by the Water Regulation Authority (ERRU) offer comprehensive services. Many utilities are not able to cover their operational costs (less than 70% of Direct Operating Costs (DOC) costs on average), not last due to the low tariffs for water supply and sewerage applied to customers. This hampers progress toward full cost recovery of services provided. At the utility level, capacity is low in terms of technical skills and qualified personnel especially in overall management, system operation and maintenance and assets sustainable management. High staff volatility exacerbates the problem.

Overall across the country, water supply services are rather incomplete, with water supply coverage for both urban and rural areas remaining at 81% in 2015. There are a large remaining number of illegal water connections, low levels of water meters (flat rates applied widely) and water supply service continuity remained in average at 12 hours per day in 2015. Moreover, Non-Revenue water was 65% and collection rate was 78.84% in 2017 according to the 2017 report. Wastewater management services are also inadequate. Sewerage coverage in urban areas was 50.2% in 2017 (75.4% for urban areas and 12.2% for rural) and only 8 Wastewater Treatment Plants (WWTPs) have been constructed, of which seven are operational, serving only about 13% of the population. Four WWTPs are under construction and/ or being rehabilitated or expanded. Water quality monitoring undertaken by the National Environment Agency does not include reporting of drinking water and groundwater quality. Bathing water quality is partially reported with water quality not satisfactory and in several cases deteriorating with about 40% of coastal water quality stations classified as poor under the revised EU Bathing Water Directive based on 2012-2015 data.

The main bodies responsible for coordination, planning, programming, budgeting, financing and monitoring of water issues include the National Water Council and the Agency for Water Resources Management (AMBU)¹, the Ministry of Energy and Infrastructure (MEI), the Ministry of Tourism and Environment (MTE), the National Agency for Water Supply, Sewerage (AKUK). Other stakeholders include other line ministries (i.e. Ministry of Health), the municipalities and water utilities and the population benefiting from WSS services as well as the private sector and civil society representatives. Fragmentation of duties and responsibilities, competition for authority among several agencies, limited decision making capacity and weak management remain prevailing among these organizations affecting the capacity of the sector to improve services efficiently and align itself to the EU acquis.

At the national level there is a need to upgrade / expand key sector strategic documents such as the Water Supply and Sanitation Strategy 2011-2017 and the Master Plan for Sewerage and Wastewater 2013. There is also a need to properly implement the Integrated Water Resources Management Strategy 2017-2027 as well as adopt and implement the overarching National Sector Programme for Water 2018-2030. At the regulatory level there is a need to align further the laws and regulation with the EU acquis in particular with regards to Urban Wastewater Treatment (UWWT), Drinking Water (DW) and Groundwater (GW) Directives.

The sector also needs to improve infrastructure planning and programming at both the national and the local levels for WSS infrastructure and accelerate the development and future implementation of river basin management plans, together with functional implementation bodies. The development of a fully established

¹ In March 2018 the amendments to the law nr. 111/2012 on "integrated water resources management" entered into force (Law nr. 6 / 2018). Based on this, the Agency for Water Resources Management has been established by DCM 221 of 26.03.2018 and will be responsible for water resource management policy and administration once its final structure is approved by Prime Minister Order. In the transition phase, responsibility for water resource management stayed with the Ministry of Agriculture and Rural Development.

and functional water electronic cadaster is also a priority. At the local level there is a strong unmet demand to improve the connection of population to wastewater treatment plants especially in urban, coastal and touristic areas.

An additional challenge is due to the recently Law on national Territorial and Administrative Reform which transfers the competence of water supply and sewerage management to municipalities, which however face financial and administrative constraints in carrying out the entrusted tasks. The reform also aggregates previously independent rural communes into municipalities, which seriously affects the population perimeter of municipal utilities responsible for WSS services. In this context, new strategies and instruments are needed at the national and local level to enable the progressive delivery of WSS services aligned with the EU acquis to municipal peri-urban and dispersed rural populations, including strengthening of utilities and provision of financial resources and administrative support to municipalities.

OUTLINE OF IPA II ASSISTANCE

The main problems and challenges identified above will be addressed by IPA assistance through support to water and sewerage infrastructure development, investment and performance. Increased connection of the population to waste water treatment facilities is expected, as well as enhanced water bodies quality.

Support for infrastructure planning and programming will address the weakness of WSS infrastructure foresight planning, through the development of selective regional Master Plans for municipal clusters to complement the priority urban areas covered in the existing national WSS master plan. This will contribute to the alignment to the UWWT directive, and provide tools for long term planning and the progressive development of coherently structured priority projects at both national and municipal levels.

Substantial support to sewerage collection and treatment infrastructure development will address the low sewerage coverage (50% of population) and wastewater treatment capacity (currently covering about 13% of the urban population). It will contribute to improving water quality in coastal waters and other priority areas, enhancing aesthetic, public health, and tourism attractiveness, and alignment with EU environmental acquis.

Support to water utilities performance will be linked to investment and address key shortcomings of utilities linked to operational and financial performance to guide them towards sustainable operation, including limited capacity to cover operational costs, inefficiencies (NRW, energy, etc.), and inadequate management and information systems, reporting / monitoring of WSS municipal utilities.

Key activities will target the municipalities/utilities as well as the national agency in charge of WSS planning and programming at the national level (AKUK). It will advance the high level of investment needed in the sector through the leveraging of IFI loan with EU and other donors grant for water and sewerage infrastructure financing in priority areas.

The direct beneficiaries of the action will be the Ministry of Energy and Infrastructure (MEI), the National Agency of Water Supply, Sewerage (AKUK) and the Municipal Water Supply and Sewerage Utilities (UKs). The main indirect beneficiaries will include the Water Regulatory Entity (ERRU), the Ministry of Tourism and Environment (MTE), and the Agency for Water Resources Management (AMBU). The final beneficiaries are the urban and peri-urban Municipal populations, businesses, CSOs... accessing improved infrastructure and enhanced sanitary conditions and water bodies quality.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The IPA II Indicative Strategy Paper for Albania 2014-2020 (ISP) recognises that investment needs in the water sector are substantial and management capacity constraints exist. ISP objectives include (a) build capacities for managing the sector in line with EU policies while consolidating earlier efforts; (b) operate and maintain existing and new public infrastructure in a sustainable and efficient way. Additional objectives include preparing a pipeline of feasible, mature, and implementable environmental infrastructure investment, and providing additional support for actual investments in priority areas.

ISP results most relevant to the action include: sound funding for operating and maintenance expenditures; Wastewater collection and treatment increased, in line with the EU legislation, the largest agglomerations and environmentally sensitive areas will be prioritized; and a functioning single selection mechanism for identifying priority investments.

This action will indeed provide support towards WW investments in priority areas through blending loan and grant, strengthening planning and preparation of investments in line with EU requirements, and improving utilities operational and financial performance, thus contributing directly to ISP objectives and results.

In the context of the Stabilization Association Agreement (SAA) and the Enlargement Strategy 2014, this action will contribute to the objective of alignment to water directives, **notably the UWWT directive** through regional/municipality master plans, increased coverage and levels of wastewater treatment, and expected improved water quality status. Bathing water quality (40 % of coastal stations classified poor under the EU Bathing Water Directive based on 2012-2015 data), and insufficient wastewater treatment capacity with attention on coastal, urban and touristic areas were concerns highlighted in the 2016 EU Progress Report.

The action is linked to the **National Strategy for Development and Integration (NSDI) 2015-2020** in the **Water for people pillar**: achieving coverage of sewerage network in urban and rural areas; increase the number of households connected to wastewater treatment; applying the principle of full cost recovery; reviewing and adjusting water tariff structure; and construction of WWTPs in accordance with the National Master Plan for Water Supply and Sewerage. Investments will be linked with the existing Master Plan on Water Supply and Sewerage.

The action is also linked to the **national WSS strategy 2011-2017** objectives to expand sewerage services - increasing connection to sewerage collection and treatment, to orient water utilities toward principles of cost control and full cost recovery, to improve water governance through the national agency on Water Supply and Sewerage, and training and certification for staff of water utilities. The Action is linked to the **Integrated Water Resource Management strategy 2017-2027** with regards to water quality strategic objective and related measures. Finally, the action will also be linked to the (draft) **NSP 2018-2030** strategic measures of: strengthening managerial structures at all levels; establishing efficient operational structures at the municipal level; and prioritizing investment and aligning adequate funding, together with the sectoral strategic priority of delivery of wastewater service aimed at ensuring full coverage in urban and rural areas.

The action will contribute as well to **donors' coordination** through the reinforcement of planning and programming of wastewater collection and treatment projects, which will contribute to further consolidation of the sector investment plan / single project pipeline and planning, preparation and implementation of wastewater related infrastructure.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Previous support included various technical assistance, equipment and investments in order to align the country with the extensive and complex environmental and water EU regulatory framework and improve policy development. The assistance has included a series of infrastructure projects to build wastewater collection and treatment facilities along the Adriatic and Ionian coasts with the purpose of safeguarding coastal waters quality. Overall, EU assistance to the water sector over the period 2007-2013 amounted to more than 110 million EUR. Various donors provide resources to support the sector; among them IFIs with loans and grants from the World Bank (WB), the European Investment Bank (IEB), the European bank for reconstruction and development (EBRD), and other donors such as Germany including through KfW, Italy, Japan, Austria, Sweden, Switzerland and the United Nations (UN).

The action will build on IPA2016 assistance² and expand it further. Capacities enhanced under IPA2016 support for better managing the sector and operating and maintaining infrastructure will be further reinforced, as the IPA 2018 action will span over a longer timeframe. IPA2018 support to planning and operational performance will be tailor made to priority areas for investment, and will build upon the IPA2016 activities and outputs, ensuring complementarity and avoiding overlap.

An external evaluation (2006-2015) of IPA interventions in the water sector was carried out at the end of 2015. A key conclusion was that the operation and sustainability of several wastewater investments financed were not at a satisfactory level, however, projects delegated to German Financial Cooperation through KfW showed a more robust strategic underpinning of project programming and development and the use of a "utilities performance based approach" led to better results.

² https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2016-038718-5_support_to_water_management.pdf

The evaluation confirmed that IPA projects were well aligned with sectoral objectives in the relevant EU strategies (i.e. ISP 2014-2020), and had positive outcomes across the sector. The following sector issues hampering further alignment with EU requirements were identified: (i) deficient number of high quality professional staff at central and local levels, (ii) inadequate water quality monitoring especially in WWTP effluent, (iii) lacking implementation of EU Water Framework Directive (WFD) river basin approach, (iv) deficient strategic planning and programming of water infrastructure without robust investment prioritisation and project selection methodology, (v) suboptimal engineering and design review capacity during the project approval process.

The action will contribute to several recommendations of the evaluation:

A. Institutional framework:

1. Strengthening alignment of WSS infrastructure planning with EU WFD (based on River Basins) and EU UWWT Directive;
2. Creating/evolving a robust WSS planning agency with modern governance and management culture;

B. Technical planning and implementation

1. Development of regional WSS Master and Implementation Plans aligned with the EU UWWTD;
2. Development of national guidelines for infrastructure project feasibility study development and approval aligned with EU rulebooks;
3. Development/ updating national norms for forecasting and planning of WSS infrastructure compatible with EU practices;
4. Implement job development and competence & skill certification schemes for utilities staff (managerial, operative), building on existing initiatives (ADA, GIZ, USAID);
5. Test and disseminate good practices about low cost and efficient artificial wetland WWTP technologies; and

C. Financial framework

1. Study to assess public affordability and preferable funding sources and mix of funds for WSS infrastructure development along the EU acquis, building on existing assessments and initiatives;
2. Development / updating of mechanisms for transparent WSS projects pipeline planning, development, funding, monitoring and evaluation.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE (OO) / IMPACT	OBJECTIVELY VERIFIABLE INDICATORS / IMPACT	SOURCES OF VERIFICATION	
OO: To contribute to economic, social, environmental, and territorial development, as well as tourism attractiveness <i>(Aligned with Indicative CSP objectives: (b) support for economic, social and territorial development, and (c) strengthening the ability of the beneficiaries listed in Annex I to fulfil the obligations stemming from Union membership by supporting progressive alignment with, implementation and adoption of, the Union acquis; and with NSDI objective "Water for People pillar").</i>	Economic, social, environmental and territorial development indicators/impact Progress made on implementation of EU <i>acquis</i> and towards meeting EU accession criteria (chapter 27 -environment)	National statistics (INSTAT), country reports (WB, IMF, etc.) UNDP Human development Report EU/DGNEAR progress reports;	
INTERMEDIATE OBJECTIVE (IO) / IMPACT			
To enhance water quality in Albania and population sanitary conditions	Percentage of water bodies with identified good water quality status	National statistics ; NEA and NWC reporting	
SPECIFIC OBJECTIVES (SO) / EXPECTED OUTCOMES (EO)	OBJECTIVELY VERIFIABLE INDICATORS / OUTCOME	SOURCES OF VERIFICATION	ASSUMPTIONS
SO1: to enhance sustainability of municipal utilities, with improved planning and operation, management SO2: to increase access to waste water collection with centralised treatment systems, monitored in accordance with EU directives	Coverage in % of Operation Costs (TOC collection) in targeted WSS utilities Total population effectively connected to operational waste water collection with centralised treatment systems (urban /rural), monitored in accordance with EU directives	Utilities statistical data, National statistics / RBMPs/ NEA reporting MEI and ERRU Water Regulatory Authority, and SHUKALB reports;	<ul style="list-style-type: none"> National Sector Program adopted, Integrated Water Resource Management Strategy; Water and Sewerage Sector (WSS) Strategy enforced Involvement and commitment of the stakeholders is maintained, as well as inter-ministerial coordination related to water sector is effective Responsibility between the Agency for Water Resources Management ,the Ministry of Energy and Infrastructure, the Ministry of Agriculture and Rural Development with regards to waste water is clarified. Continued engagement to support the implementation of integrated water management and the development of WSS infrastructure. Municipal administration and Utilities' management has appropriate staff capacities) Beneficiary population and municipal government pay for water and wastewater services in line with the polluter pays principle.
RESULTS / OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS

<p>Result 1: Strengthened management of the WW infrastructure at the municipal level applying affordable combined water supply and sewerage cost recovery tariff systems</p>	<p>Number of certified (or equivalent) Managerial, operational and administrative/financial Staff in WSS utilities</p> <p>Number of regional or cluster sanitation / waste water treatment master plans based on the National Masterplan and aligned with UWWTD, developed and approved</p> <p>Number of new Municipal WSS infrastructure projects prioritized in the single sector project pipeline being approved for investment..</p>	<p>Implementaiton report</p> <p>Government report</p>	<p>Sufficient capacities are in place in direct beneficiary institutions in cluding qualified financial management staff is in Utilities and AKUK capacity in planning and programming at the central level is established and functional</p> <p>Decree on urban wastewater treatment is adopted and implemented.</p>
<p>Result 2: Improved sewerage networks and WWTPs</p>	<p>% of total population covered by installed operational sewer networks (urban /rural)</p> <p>Installed operational WWTP capacity at secondary level or more, in Population Equivalent (P.E)</p>	<p>Utilities statistical data, National statistics, approved WWTP action plans</p> <p>AKUK / ERRU yearly report; WWTP project completion reports</p>	<p>Strategically relevant single project pipeline priority projects available and approved for financing</p> <p>Approved feasibility studies and designs are available,</p> <p>Land ownership, planning and utility agreements in place and permits for construction are granted</p> <p>Waste Water treatment plants operation and maintenance staff is appointed/available</p>

DESCRIPTION OF ACTIVITIES

The action will build on donor's coordination / aid effectiveness goals and various donors programming in the Water Sector. It will encourage a higher leverage of IPA funds in the sector through adequately blending of loan and grant under the "Water sector Investment and Performance Programme" (WPIP) under preparation by the German Financial Cooperation through KfW.

In support to the national sector reform, the action will develop and look to advance on the national level a municipality driven approach/mechanism for municipal wastewater infrastructure projects. Such approach is being tested for small schemes on the rural water supply programmes III and IV co-financed by German Financial Cooperation through KfW and EU and under implementation by Albanian Development Fund (ADF). Additional support will develop regional or municipality cluster master plans / feasibility studies, compliant with EU water directives, to prepare medium/long term Water Supply and Sanitation (WSS) investment needed and support local capacity in WSS planning and programming. This will help Albania prepare future negotiations under the EU Accession Chapter 27.

A progressive implementation of investment is envisaged. In an early phase, investment will address pre-selected municipalities according to set criteria, including Berat-Kucova, Elbasan, Fier, Gjirokastra, Lezha, Lushnja, Saranda, Shkodra, Kamza and Vlora. Final project locations and scope will be established based on the on-going feasibility studies. In a follow-up phase potentially also requiring additional funding, a nationally coordinated municipality level driven mechanism for municipal water sector infrastructure projects selection, development and implementation will be applied. The aim will be to develop an open and effective mechanism which can channel additional funding into the municipalities for sustainable investments into the sector.

In line with the IPA objective on improving coastal water quality, investment under IPA2018 will target sewerage networks and wastewater treatment plants (new or/and extensions), including works, supervision, including accompanying institutional support to support improved utilities performance.

Indicative foreseen activities identified for each of the action results documented in the log-frame are as follows:

SO1: to enhance sustainability of municipal utilities, with improved planning and operation management

Result 1: Strengthened management of the WW infrastructure at the municipal level applying affordable combined water supply and sewerage cost recovery tariff systems

Planned (indicative) activities:

This may cover accompanying measures that German Financial Cooperation through KfW provides systematically to municipalities / Utilities benefiting from loans provided for the improvement of their WSS infrastructures. This may include among other the development or updating of multi-annual business plans, the management of financing cost (loan repayment with interest), the improvement of billing and collection, the revision of tariff, the increase and unification of tariff into a combined WS and WW system, the reduction of commercial losses, the increase of connections to the sewerage systems, customer care, and the assessment of the willingness to pay and the ability to pay especially for lower household deciles, and possible operational measures fostering operational performance (energy efficiency..).

Municipalities may be supported to improve the quality (scope, accuracy, quality assurance) of their WSS management information system (MIS) in order to improve the reporting of key indicators needed to be documented, reported centrally and aggregated nationally to demonstrate progress toward national strategic indicators and targets and the alignment with EU water acquis. Data reporting to be improved may include environmental impact data, energy use efficiency, customer relation and satisfaction, Non-Revenue Water reduction, water metering, pressure zoning, peri-urban population outreach, asset inventory and management system, customer base, and more. Support may also cover improving monitoring systems in accordance to EU directives relative to water and wastewater treatment facilities and service delivery.

It is crucial to conduct awareness raising activities related to issues of wastewater management and citizens' duties as responsible consumers; the need to regularly pay water bills; the importance of improved health, hygiene and sanitation and promotion of good practices through various behavioral changes, etc.

Moreover, activities may cover assistance to strengthen the institutional framework, technical planning and implementation at municipal and central levels, as well as the financial planning framework, in complementarity / additionally to other donors capacity building actions, which may include indicatively:

- Supporting the alignment of WSS infrastructure planning with EU WFD (based on River Basins) and EU UWWT Directive, and robust WSS planning with modern governance and management culture;
- Supporting the implementation and improvement of utility service delivery performance contracts between AKUK - municipalities and between municipalities - utilities;
- Supporting the development of regional sanitation / waste water treatment Master and Implementation Plans aligned with the EU UWWTD and based on the National Masterplan. Three (3) regional/cluster sanitation / waste water treatment master plans may be developed in accordance with the UWWTD requirement to provide human settlements recommended "agglomeration" settings, investment volume, location of key infrastructure (main sewers and WWTPs), preferred WWTP technology for life cycle cost efficiency and methodology for future municipal project prioritization. The choice of areas for clusters master plans will try to maximizing national coverage of human settlements in urban and peri-urban context;
- Supporting the harmonization of national guidelines for infrastructure project feasibility study development and approval with EU rulebooks, including updating national norms for forecasting and planning of WSS infrastructure compatible with practices in the EU;
- Developing complementary selective municipal WSS infrastructure Feasibility Studies and funding mobilization, within and beyond the first batch of priority projects selected in the programme. The support may include among others the development of application to other sources of funding, the development of Cost Benefits Analysis (CBA) studies for infrastructure aligned with EU requirement for funding, including the estimation of the financing gap justifying the grant element of a project beyond the tariff affordability of the beneficiary population, the development of complete EIA including the estimation of the improved water quality in the receiving water bodies and related coastal areas;
- Supporting Municipal capacity development for programming and prioritization of municipal WSS infrastructure toward an alignment with the EU water and environmental acquis, which may be nurtured through a strengthening of the planning and programming capacity of AKUK at national level and the establishment of demand driven mechanisms (municipal application) and incentives (financial support for preparatory studies) to enable municipalities to take a driving seat in the development of WSS infrastructure fostering the municipal ownership of such infrastructure. This may include the establishment of a national system allowing municipalities to submit application for the development of WSS infrastructure and a methodology for the prioritization of such requests for funding mobilization for preparation and implementation. This may also include the development of guidance tools and methodologies for the progressive integration of peri-urban rural areas in existing urban WSS system in line with the new territorial administrative reform which has redefined the territorial responsibility of municipalities and related utilities;
- Supporting the implementation of job development and competence & skill schemes for utilities staff (managerial, operative), building on existing initiatives and schemes (certification or equivalent); Support to assessing good practices about low cost and efficient WWTP technologies (such as artificial wetland...) during feasibility studies, and where relevant, for testing, implementation and dissemination; and
- Supporting the continuous improvement of subsidies schemes to water and sewerage utilities, notably to target them better (un-affording poor; link to service performance and improvement requirements and targets);

SO2: to increase access to waste water collection with centralised treatment systems, monitored in accordance with EU directives

Result 2: Improved sewerage networks and WWTPs

Planned (indicative) activities:

The activities are linked to the construction of infrastructures, and thus expected to capture majority of the EU financing.

- Support to the construction and/or upgrading of climate proofed sewer networks including house connections in priority areas. This may include the rehabilitation, extension or new development of sewerage networks including design works and construction supervision. The proposed infrastructure will be taking into account flash flood or flood risk protection in vulnerable areas considering climate change impact and the progressive balancing of combined and separated sewer systems including reduction of storm water overflow to minimize risk of unintended pollution reaching the receiving water bodies.
- Support to the construction and/or upgrading of affordable WWTPs including sludge management in priority areas. This may include the rehabilitation, extension or new construction of WWTPs aligned as much as feasible with the requirements of the UWWTD including design works and construction supervision.
- Particular attention will be given in selecting affordable and complete (including biological treatment level) process favoring low cost nature near extensive constructed wetland technologies balancing life cycle cost (including operation and maintenance (O&M) and sludge management cost) with availability and cost of land for construction to maximize the affordability of the treatment cost by the beneficiary population and therefore the early alignment with the requirement of the UWWTD. Attention will also be paid to adequate monitoring systems in accordance to EU directives, to be in place upon works completion.
- Communication and visibility measures related to the investments also form part of the activities and will include outreach activities and flagship events for which a separate budget communication and visibility plan shall be established.

RISKS

Key risks include:

Risk	Level	Mitigation measures
<ul style="list-style-type: none"> - Lack of willingness of the main stakeholders to implement the national water sector reform, sector policies/action plan, and regulatory obligations - Delay in the process of approval and adoption of NSP / update of WSS strategy, and Policy / legislative development not sufficiently in inclusive and evidence-based manner due to lack of capacities, time pressure to adopt legislation, or unwillingness of administration to engage into stakeholder consultations at right time of process. - Insufficient quality of data and baselines for Indicators.chosen to measure results - Delays in the implementation of actions on which IPA2018 is expected to build upon (IPA2016). Objectives, results or activities may overlap with other donor’s actions. 	<p>Moderate</p>	<ul style="list-style-type: none"> - Strong ownership and leadership by the National Water Council, Key Ministries (MEI, MARD & MTE), AMBU, AKUK and Municipalities and UKs. - Project activities/results not directly affected by delays in NSP approval. In view of project duration keeping some flexibility to enable the adaptation of the scope of activities before procurements are launched as well as at various stages of implementation. - Before implementation, feasibility studies will be done or updated and indicators baselines will be verified to fix realistic targets in each Utility selected for infrastructure investment - Adequate coordination with donors and other WSS actions in the selected municipalities to ensure complementarity and adaptation to circumstances affecting actions. Water coordinating and monitoring NSP and monitoring sector programmes IPA2016 and 2018.

- Key staff in water and sewerage utilities and in AKUK not in place and/or not sufficiently qualified		- IPA2016 action will provide some capacity building. In addition, dedicated capacity development measure adapted to the need to be deployed.
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CONDITIONS FOR IMPLEMENTATION

The implementation of the action requires the completion of the selection methodology and its thorough and transparent application for the approval of municipalities / utilities. The selection are taken from the priority list of investments of the national Masterplan, they have already undergone a prioritisation that was approved by all relevant stakeholders in the sector. In addition, specific criteria and “performance filter” will be applied. Ten priority utilities have been pre-selected on the basis of two fact finding missions commissioned by KfW and according to the selection methodology and the maturity of projects (including Berat-Kucova, Elbasan, Fier, Gjirokastra, Lezha, Lushnja, Saranda, Shkodra, Kamza and Vlora) the final project locations and scope will be established based on the on-going feasibility studies.

The transparent selection mechanism and key selection criteria shall be further elaborated in close cooperation with the relevant Albanian institutions as well as in close consultations with funding institutions (German Financial Cooperation through KfW, SECO, EU) for the preparation of the programme.

Key criteria for selecting additional beneficiary municipalities from a list of potential beneficiary municipalities extracted from the National WSS Master Plan priority list of projects will cover multiple aspects and will be specified in the Delegation Agreement. Key aspects to be taken in account may include:

- Location in coastal clusters of municipalities³ (engine of economic development);
- Complementing / upgrading past municipal EU or other donors WSS investment which are partially ineffective due to incompleteness of systems;
- Vulnerability / state of environmental situation / public health in particular municipality/ town and capacity to impact positively on water quality in Adriatic and Ionian coastal waters;
- Minimum acceptable tariff collection efficiency and Direct Operation Cost (DOC) coverage;
- Acceptable affordability of tariff including for vulnerable groups / poorer population;
- Contribution to utility model of excellence (performance oriented; internalisation of territorial reform / utilities aggregation, municipal drive / ownership;

The documentation of the selected municipalities/ utilities shall provide evidence on (i) the level of treatment and treatment processes / technology to be deployed to balance affordability of investment and sustainable operation with the need to advance at least cost the requirements of the UWWT directive, (ii) the expected abatement of water pollution discharged into water bodies and (iii) the anticipated improvement of water quality, (iii) the calculation of the resulting CAPEX financing gap to underpin the justification of the grant funding amount, and the repartition of grant funding from funding sources (EU, SECO, German Financial Cooperation through KfW, others).

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The action will be implemented under the portfolio of the Ministry of Energy and Infrastructure responsible for development and implementation of strategies and policies for water supply and sewerage. The main institutional stakeholders for the implementation of the action are the

³ including areas such as Velipoja, Lezha/Shengjin, Durrës, Kavaja, Vlora, Ksamil and Saranda, Orikum, but also Divjaka, Spille, and Ionian sea Riviera from Dhermi to Saranda.

municipalities/WSS Utilities, and the MEI/AKUK including the National Water Council and the Agency for Water Resources Management which will monitor the implementation.

The KfW will be the financier implementing the whole WPIP programme and will sign financing and loan agreements with the Government to this purpose. Works will be contracted by the utilities selected; preparatory and supervision services as well as institutional support will be contracted by AKUK. Other services will be contracted by KfW, including for monitoring and evaluation.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The method of implementation will be indirect management with a Member State Organisation through one Delegation/Contribution Agreement with KfW. KfW is the main IFI financing the implementation of the action. This IFI / EU member state agency passed the pillars assessment required by EU. The choice of the implementation method reflects art 58.1 and art 58.3 of the FR applicable to the general budget of the Union.

This implementation modality has been selected to increase donors' aid effectiveness and leverage of EU funds in the sector through blending of loan and grant for investment financing, and benefit from KfW's comparative advantage and expertise in municipal infrastructure and performance-based implementation approaches. . Moreover, the advancement of a sectoral approach and Albania's interest in increasing the loan with German Financial Cooperation through KfW will foster infrastructure development in the sector and leverage wider results, adding value to EU funding effectiveness.

The activities will be financed through blending of EU grant, SECO grant and grant and loan of German Financial Cooperation through KfW. A first tranche of loan and grant in the amount of up to EUR 42 million has already committed by the German Government. It is foreseen that potentially an additional operation by KfW will bring the total amount of the operation up to EUR 130 million in line with the ambition of the "financing policy and implementation measures report and action plan" approved by MEI in 2017, which sets the sector's revised targets and investment needs.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

According to the IPA II regulation Article 4.2, the responsibility for the monitoring of the IPA implementation is ensured through the National Instrument for Pre-Accession Assistance Coordinator (NIPAC) and the NIPAC secretariat, under the umbrella of the Ministry of European Integration. The competent Specialized Operations (SPOs) will submit data on a regular basis.

The NIPAC should ensure the streamlining of the IPA actions with the national strategies and priorities. The monitoring of the implementation of the sector strategies included in the integrated water sector will be monitored by the Government's policy and donor coordination mechanism. The selection of indicators for monitoring results and outcomes are aligned as much as possible with national strategic indicators.

German Financial Cooperation through KfW as the entity that will be entrusted with IPA budget implementation tasks shall be responsible for conducting evaluations of the programme managed.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines on linking planning/programming, monitoring and evaluation⁴ for evaluations. In

⁴ https://ec.europa.eu/neighbourhood-enlargement/tenders/monitoring-and-evaluation_cshttps://ec.europa.eu/neighbourhood-enlargement/tenders/monitoring-and-evaluation_cs

addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

INDICATOR MEASUREMENT

Indicator	Baseline (5) (value + year) (2)	Target 2020 (3)	Final Target (2025) (4)	Source of information
(OO) To contribute to economic, social, environmental, and territorial development, as well as tourism attractiveness				
Progress made on implementation of EU <i>acquis</i> and towards meeting EU accession criteria (chapter 27 –environment)	Some level of preparation (2018)	Progress	Moderately prepared	EC Country Report Albania
(IO) To enhance water quality in Albania and population sanitary conditions				
Percentage of water bodies with identified good water quality status”	2016 0%	20 %	40 %	National statistics / RBMPs/ NEA reporting (IWRM strategy indicator - water quality strategic objective)
SO1: to enhance sustainability of municipal utilities, with improved planning and operation management				
Coverage (percentage) of the operation costs of WSS services (TOC collection by WSS Utilities measured on collections) (6) (7)	2014: 73% (7)	90 % (7)	97% (7)	ERRU Water Regulatory Authority reports.
Number of regional/cluster sanitation / waste water treatment master plans aligned with the UWWTD and based on the National Masterplan, developed and approved in selective regions	2016: 0	2	3	National Gazette; MPs published
Number of new Municipal WSS infrastructure projects prioritized in the single sector project pipeline being approved for investment	2016: 1	5	9	MTB 2017-19 SSPP; Financing agreements donors / GoA
Number of (certified or equivalent) Managerial, operational and administrative/financial Staff in WSS Utilities (8)	2016: 0	800 (8)	2000 (8)	ERRU Water Regulatory Authority, and SHUKALB reports; Report under (8)
SO2: To increase access to waste water collection with centralised treatment systems, monitored in accordance with EU directives				
% of Total population effectively connected to operational wastewater collection with	2013 - Collection 49% (1) 2014 Collection/Treatment	Collection only: 77% (1) Collection plus Treatment	None Collection plus Treatment	Reference: EU Indicative Strategy Paper 2014-2020 (ISP) (1)

centralized treatment systems monitored in accordance with EU directives (6) (7) (10)	Total 5% (7) (10) Urban: 13% Rural: 0%	Total 22% (7) Urban: 50% Rural: 15%	Total 32% (7) Urban: 70% Rural: 25%	Final Report of the Albania WSS Sector Financing Strategy, June 2016 ERRU and AKUK Annual Reports
Installed operational WWTP capacity at secondary level or more in Population Equivalent (P.E) (6)	2015: 580.000 P.E.	1.016.000 P.E.	1.316.000 P.E. Nota: 140.000 P.E. mini thereof by WPIP (up to 250.000 P.E if Vlora stage 2 included)	AKUK / ERRU yearly report; WWTP project completion reports

- (1) This is the related indicator as included in the Indicative Strategy Paper (for reference). Letter MEI to EUD dated 02/10/2014
- (2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".
- (3) The target year CANNOT be modified.
- (4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.
- (5) Data are sector wide average published from reports from AKUK and ERRU; Values may not be totally accurate.
- (6) For each city selected under the programme a baseline of the respective indicators will be prepared as part of the preparatory activities and city-specific targets defined, and these will be aggregated to measure the results of the programme and the contribution of the programme to the national sector objectives and targets
- (7) According to the "HOW TO" scenario 3 from the Final Report of the Albania WSS Sector Financing Strategy, June 2016; Page 70, Table 11 Access to (piped) water supply and sanitation in Albania as of end 2014; Page 155, Table 47 Summary for Scenario 3 ("How To").
- (8) Conservative figures based on the data of the Supporting Document to the Technical Manual on the Test-Based Certification Programme for WSS in Albania under the Working Group of MEI supported by SCHUKALB, February 2017.
- (9) To be documented in RBMPs and defined as good ecological and chemical status as per WFD and National EQSs taking into account (i) biological quality, (ii) hydro-morphological quality, (iii) physical-chemical quality, (iv) chemical quality.
- (10) values for the baseline (2014) may not fully take into account that in several cities the wastewater flow reaching the WWTP is much below design capacity because missing house connections and tertiary sewer systems. Urban population practically connected to sewers may be less than 13 %

5. SECTOR APPROACH ASSESSMENT

The National Strategy for Development and Integration 2015-2020 (NSDI) approved in 2016 sets the overarching water policy based on four key sub-thematic themes of water for people, water for food, water for environment and water for industry. The national water sector policy strategic framework is partly in place with the 2011-2017 National Strategy on Water Supply and Sewerage (WSS strategy 2011-2017, needing updating), a Master Plan on Water Supply and Wastewater dated 2011, an Integrated Water Resources Management Strategy 2017-2027 approved in January 2018, as well as a draft National Sector Programme for Water (NSP 2018-2030) developed and awaiting approval. In addition, the national water reform phase 2 (2018-20) was launched end of 2017 with a focus on fighting illegality and restoring accountability and financial sustainability in the sector. Overall, there is a need to clarify and consolidate the strategic framework and institutional set up in the sector, and weak accountability and monitoring of the implementation of the existing WSS strategy. The main strategic documents relating to Water supply and sewerage (WSS strategy 2011-2017; draft NSP 2018-2030) have indicators of service levels in water supply and wastewater management to be achieved at defined target years, however, monitoring data for achievement of the indicators are incomplete; the programme of investment appears to be behind schedule.

The overview in the sector is ensured by the National Water Council (NWC), assisted by the Agency for Water Resources Management (AMBU). Other key actors are the Ministry of Energy and Infrastructure (MEI), Ministry of Agriculture and Rural Development (MARD), Ministry of Tourism and Environment (MTE), the National Agency for Water Supply, Sewerage AKUK, etc.), as well as the local municipalities and water utilities. Although coordination between planning, programming, budgeting, financing and monitoring has improved, the water sector faces a fragmentation of duties, responsibilities, decision making authorities and management tasks. Planning and programming for new investments is particularly weak. Capacities are also generally weak across the sector. Water utility services delivery is progressing slowly and still has a poor and inefficient cost recovery policy with few exceptions. In view of the new administrative territorial reform which lowered the number of local territorial units (to 61 municipalities), the utilities still need full consolidation and delivery of quality and affordable water and sanitation services, particularly in context of integrating peri-urban and rural areas, previously served by communes.

Regular dialogue between the donors and with the national authorities takes place. Donors are represented in four sub-thematic groups, with Germany/German Financial Cooperation through KfW representing donors in the "Water for People"; Sweden/SIDA representing donors in the "Water for Environment" and the World Bank representing donors in the "Water for Food" and "Water for Industry. Of particular relevance are activities associated with the Water for People group and the good links with IFIs (German Financial Cooperation through KfW) and donors, including Austria-ADA, Germany-GIZ, Switzerland-SECO, Sweden-SIDA, Italy and the WB. Overall in the sector, whilst a donor coordinating mechanism exists, it needs to be implemented more formally. This mechanism is also directly linked to development and need for full implementation of the Single Project Pipeline mechanism.

The Medium Term Budget Framework is in place, covering the overall sector and funds specifically allocated to the responsible line ministries; however in the sector, budgets are either constant or decreasing, which is not aligned with the capacity needs of the sector in view of water reform, including increasing performance and implementing the legal requirements and progressive alignment with EU water directives and not in line in reaching targets of national strategies. On a mid-term budget perspective, a significant proportion is funded through foreign IFI and donor sources. The national Single Project Pipeline sets out a medium and long term investment needs list – (twelve WSS projects totaling 648 million EUR proposed), but the projects are not mature, time bound and lack a clear link to national targets and budgets, as well as to national absorption capacity and foreign financing availability.

The national water sector policy relative to water supply and sewerage is relevant with significant efforts made to address key constraints and weaknesses, particularly through sector coordination and monitoring mechanism. The sector reform process in terms of institutional arrangements, track record and political commitment is credible, further efforts are required with regards to investment planning and coordination, building up capacities of the main actors at both national and local levels, improving governance at all levels and improving water utilities to control costs and full cost recovery of operations, and improving sector performance monitoring.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Albania faces significant challenges regarding equal opportunities and gender with only one third actively employed and a significant number of women in the informal sector. Deficiencies in water supply and waste water systems impact on female population in a differentiated and unequal manner. The burden of limited water availability and caring of sick dependents as a result of water-borne diseases disproportionately falls on women, resulting in considerable loss in time, energy, productivity and income, further impacting negatively on women's status in the economy and society, particularly for poor women and women in rural areas.

Equality in the freedom and rights of citizens is stipulated in Article 18 of the Albanian Constitution. Government considers "Gender equality and women's rights" among the main key national priorities. Albania ratified the Convention on Elimination of all forms of Discrimination Against Women (CEDAW) and passed anti-discrimination and anti-domestic violence laws. The National Strategy on Gender Equality 2015-2020 is about to be adopted. Overall, awareness of the need to address gender inequality has increased, but the nexus between gender issues and water governance, administration, and management has to be better established. Gender mainstreaming is part of the IWRM approach and policy dialogue. Better anchoring gender expertise in the IWM and its Thematic Groups is also foreseen in Operational Guidelines. Mainstreaming gender into the water sector focusses on several areas:

- a) Embedding gender knowledge and skills in capacity development activities, including in gender-responsive policy making, planning and dialogue related to water governance in general. The project activities will seek to disaggregate employment in the Utilities selected for investment.
- b) In line with Albanian Gender Equality legislation (Law No.9970), UN ECOSOC, Eurostat, and Recommendation CM/Rec(2007)17, project activities will seek to support the collection, analysis, and use of sex- and age-disaggregated data and gender statistics to better build the basis for monitoring and assessing the impact of measures and investments on female and male population. Attention will be paid in the design of any awareness raising activity and the public targeted.
- c) Gender-sensitive consultation mechanisms during project selection will seek to ensure women's equally legitimate voice, views and needs related to planning and implementation of investment.

It is to be noted that an IPA2015 support to the Gender Equality Facility will contribute to strengthen capacities to implement and mainstream gender into programs cycle, reporting, monitoring and evaluation. Coordination will take place during implementation of the project to promote synergies.

EQUAL OPPORTUNITIES

EU principle of equality between women and men will be reflected in the design and implementation of the action, in line with Directive 2004/113/EC on equal access to -and supply of- goods and services, with the Sustainable Development Goals SDG 6.3 "by 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally", and SDG 6.8 "Support and strengthen the participation of local communities in improving water and sanitation management". Equality in the freedom and rights of citizens are stipulated in Article 18 of the Albanian Constitution.

During the implementation of the action, equal opportunities will be guaranteed. Human resources, strategic plans and policies will reflect contemporary working practices that take into account gender and equal opportunities issues. An appropriate man and women balance will be encouraged on all the managing bodies and activities of the project.

MINORITIES AND VULNERABLE GROUPS

The Roma and Egyptian communities are the main minorities and vulnerable groups in Albania. One third of dwellings inhabited by Roma and one fifth of those inhabited by Egyptians do not have adequate access to potable water. A 2012 UNDP survey by the Centre of Economic and Social Studies (CESS) showed that lack of indoor water and sanitation is typical for Roma settlements. Close to 38.8% of Roma population do not have indoor running water while 43.4% have no sanitary facilities. There is an equal division between dwelling who have toilets inside (34%) and those who have toilets outside (37.4%). A similar situation prevails for drinking water supply, although a higher majority of the interviewed report drinking water inside dwelling (61.2%), compared to those who do not have drinking water inside (38.8%). For sewage, 56.6% of

the interviewed report positively, while 43.4% report to not have sewage in their dwellings. The Government has prepared a 2015-2025 Strategy on Social Housing aiming at solutions to this national concern.

In the context of the action, the situation and needs of minorities and vulnerable groups, in particular poorer households, in the selected municipalities will be taken in account in the new investments in wastewater collection and treatment. New wastewater networks and treatment facilities in priority areas (urban, coastal, touristic areas..) will result in better health, hygiene and overall life conditions for all including vulnerable groups. Support will also be provided to utilities for reviewing cost recovery tariff systems affordable to all, in combination as needed to existing incentives schemes for vulnerable groups...

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The active engagement of the civil society has been institutionalized through the National Council for European Integration, where Civil Society Organisations (CSOs) are duly represented and involved in policy and implementation matters. The National Council for Civil Society is another relevant forum for dialogue between governmental authorities and CSOs, also in definition of investment priorities and implementation. Civil Society has a crucial role in raising awareness and educating citizens on water related issues, including environment protection.

Government of Albania considers the CSOs as important actors during the policy making in the water sector. The programmes' activities will ensure that CSOs and community based organisations are consulted at different phases: during planning and design of wastewater collection and treatment infrastructures, including service coverage and levels, tariffing and any incentive schemes for vulnerable groups. These organisations will also be associated in project awareness raising activities.

It is to be noted that IPA support to the Civil society organisations Facility will also contribute to strengthen capacities. Coordination will take place during implementation of the project to promote synergies.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

This action is directly linked to the EU environmental acquis, as it aims at improving water quality through supporting planning, preparation and implementation of collection and treatment infrastructures, sustainable operations by utilities, and regulatory, monitoring and reporting enhancements. Energy efficiency considerations will be part of utilities operational performance targets, and energy efficiency / use of renewable energy will be considered in the design requirements for new investment, particularly in wastewater pumping and treatment.

Climate proofing will also be considered in design and operation of wastewater investments, particularly related to treatment. Climate change may cause more intense flooding and drought episodes, greater both in scope and duration and these may impact new investments. Hence, adaptation measures to respond to climate vulnerabilities will need to be proposed, such as appropriate design of infrastructures to cope with extreme rainfall events, prevent infiltration of wastewater to groundwater as well as storm water entering sewers, etc. Impacts from new investments related to greenhouse gas emissions, particularly in wastewater treatment will also be addressed. This action will contribute to the National Plan for Adaptation to Climate Change (NAP), and the Climate Change Strategy and action plan.

7. SUSTAINABILITY

The development of regional WSS Master Plans for municipal clusters will provide the elements needed by municipalities to apprehend and plan in a sustainable way the infrastructure they will need to align to EU water acquis, and the type of projects they could emulate. Feasibility Studies in line with EU guidance requirements (including Cost Benefit Analysis and Environmental Impact Assessment) will allow municipalities to better understand the implications of proposed infrastructure projects in terms of financial commitment, tariff increase and system efficiency to ensure sustainability. Support at the national level (AKUK) for putting in place demand driven mechanisms, incentives, and best practices geared towards municipal WSS infrastructure development and implementation, will contribute to sustainable progress towards implementation of EU water acquis.

The construction and/or upgrading of climate proofed sewerage networks including house connections in selective priority municipalities, will address environmental concerns (evacuation and overflowing of stormwaters by sewers, low pollution loads reaching WWTPs due to lack of tertiary sewers or house

connections etc.). The construction and/or upgrading of affordable wastewater treatment infrastructure, that may include promotion of low cost lagoons/wetlands where suitable, should warrant better sustainability of WWTP operations, whilst allowing reaching high levels of treatment.

Sustainability is embedded in Government's commitment to the overall public administration reform agenda (2015-20 PAR strategy) and meeting the Principles of Public Administration. The support to WSS utilities for increasing operational costs recovery and applying affordable cost recovery oriented tariffs will contribute to their sustainable operation and effective maintenance of the infrastructure assets on the long term. The improvement of utilities management information systems will strengthen and sustain the national monitoring and reporting mechanisms by the water regulator and AKUK.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given a high importance during implementation of the action, and will be funded from the amounts allocated to the project. All necessary measures will be taken to publicise the fact that the action has received funding from the EU, in line with the "Communication and Visibility Requirements for EU External Actions - 2018", and any additional or updated guidelines developed by the Commission (DG NEAR) will have to be followed.

As a contractual obligation, a strategy and plan for communication and visibility will have to be developed by the delegatee implementing the action (KfW) and agreed between the parties (Albania, EU and delegatee). An outline shall be part of the delegation agreement between EU and KfW. This strategy and plan will set out the measures to be taken by the delegated institution and Albanian authorities to publicise (i) the assistance activities of the EU, (ii) the various milestones of the programme, (iii) the specific outputs, outcomes and impacts achieved, and shall include specific flagship activities and best practices or success stories. The delegatee institution and the beneficiary shall inform –and report to- regularly the EU Delegation and Commission on the planning and implementation of all visibility and communication activities.

Visibility and communication activities shall be given high attention in relation to construction of infrastructures (visibility events during or after the construction of infrastructure...) and shall demonstrate how the action contributes to IPA objectives and to the accession process, and how it benefits to targeted populations and overall to Albania sector goals. The activities shall also strengthen target groups and public awareness and highlight the added value and impact of EU's interventions and promoting transparency and accountability in the use of funds and include for dissemination of project materials and success stories.

The action also includes activities fostering public participation, for instance during investment preparation studies, such as Environmental Impact Assessment process. Awareness and communications activities will also relate to tariff development (through studies associated with “willingness to pay” and ability to pay”).