



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

## ALBANIA

### EU for Economic Recovery

#### **Action Summary**

Sector Reform Performance Contract

**Overall objective:** To mitigate the impact of the COVID-19 crisis in Albania

**Specific Objectives:** (i) Macro-economic effects and disruptions of the economy are reduced and (ii) vulnerable businesses and unemployed people have access to economic relief

<b>Action Information</b>	
<b>Action Programme Title</b>	Annual Action Programme for Albania for the year 2020
<b>Action Title</b>	EU for Economic Recovery in response to COVID-19
<b>Action ID</b>	IPA 2020/042-915/AL/EU for Economic Recovery
<b>Sector Information</b>	
<b>IPA II Sector</b>	Democracy and governance
<b>DAC Sector</b>	15142 Macroeconomic Policies
<b>Budget</b>	
<b>Total cost</b>	Euro 26 000 000
<b>EU contribution</b>	Euro 26 000 000
<b>Budget line(s)</b>	BGUE-B2020-22.020101-C1-NEAR DELALB
<b>Management and Implementation</b>	
<b>Method of implementation</b>	Direct Budget Support: Sector Reform Performance Contract
<b>EU Delegation</b>	Albania
<b>Implementation responsibilities</b>	Ministry of Finance and Economy (MoFE) General Directorate of Taxation (GDT) Minister of State for Coordination of COVID-19 Response Prime Minister's Office (PMO) Bank of Albania (BoA)
<b>Location</b>	
<b>Zone benefiting from the action</b>	Albania
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2021
<b>Final date for concluding contribution/delegation agreements, procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
<b>Final date for operational implementation</b>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement

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

## **1. BACKGROUND AND CONTEXT DESCRIPTION**

### **1.1.A CONTEXT AND PROBLEM DESCRIPTION**

The EU response to the devastating effects of the COVID-19 crisis calls for a new budget support programme in support of Government's measures, in addition to the adaptation of existing EU budget support programmes.

### **1.1.B COVID-19 POLICY RESPONSE/ROADMAP FOR RECOVERY**

The Government of Albania (GoA) has established a phased approach to reopen the economy following overall lock-down measures, which became effective in mid-March. The first response package focused on immediate needs of vulnerable groups, medical needs in the health sector, some employees in private sector and self-employed, and a sovereign guarantee loan for large businesses in need of liquidity to pay salaries of employees. The second response package addressed a larger category of employees in the private sector and liquidity needs for business operation. The Minister of State for Recovery, a role established following the 2019 November earthquake, is in charge of coordinating the COVID-19 response in close cooperation with the Ministry of Finance and Economy and other key stakeholders.

The policies underpinning this budget support programme are both the GoA's COVID-19 response package and the corresponding normative acts<sup>1</sup>, and the ERP policy guidance recommendations. Under the structural reform "Business environment and reduction of the informal economy" the Government is committed to improving MSME financing (Reform measure n. 9), which will in turn increase their contribution to economic growth, and to promote the intensive use of modern cash-less payments instruments to reduce informal economy (Reform measure n. 10). Policy analysis and dialogue will include actions and reforms to enable business environment beyond the short-term COVID-19 response in support of achieving the specific objectives.

## **1.2. OTHER AREAS OF ASSESSMENT**

### *1.2.1. Fundamental values*

Albania has demonstrated commitments to fundamental values. Nonetheless, the following issues call for regular dialogue and monitoring: justice system reform, electoral reform, and public administration reform.

### *1.2.2. Macroeconomic policy*

Albania has been implementing stability-oriented policies. However, based on the latest available estimates, the COVID-19 crisis is expected to have the following impact on the country:

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<sup>1</sup> Act No. 6 dated 21.03.2020, CoM Decision No. 254 dated 27.03.2020, CoM Decision No. 277 dated 06.04.2020; Act No. 15 dated 15.04.2020, CoM Decision No. 305 dated 16.04.2020 (amended by Council of Ministers Decision No 13, dated 22.4.2020 and 28.04.2020)

- Initial estimates indicated a negative impact on GDP in the range of -1.46%-points to -3.58%-points in the absence of any measures taken. **Forecasts** made by different international organisations, although under very unpredictable circumstances, point to a **recession** in the range of **5% of GDP in 2020**.
- **Falling tourism arrivals** in the Western Balkans are estimated to cut 1.9%-points to 2.2%-points of GDP growth, even under a lower stress scenario.
- According to a recent Standards and Poors report, Albania is listed as the 13<sup>th</sup> most at risk country out of 179 countries due to the shortfall of tourists, after Montenegro (6<sup>th</sup>) and Croatia (10<sup>th</sup>) in the region. A recent study published by the Joint Vienna Institute on the economic impact of COVID-19 also lists these three countries as **vulnerable to external financing pressures**, due to their widening **fiscal deficits**.
- The stop of employment growth in tourism and manufacturing, the likely **rise of unemployment**, and loss of informal income will strongly depress growth. According to Institute of Statistics, during the first quarter of 2020 the unemployment declined to 11.9%, and youth unemployment to about 20% as compared to the same period of 2019. Employment growth has concentrated in services, mainly tourism and manufacturing, the sectors most strongly affected by the pandemic. **Private consumption**, the key growth driver over the last three years, will **drop severely**, because income compensation and social protection are very limited: (i) only 2% of unemployed receive unemployment benefits; (ii) about 30% of employment is estimated to be informal, without contract, self-employed and/or in smallholder agriculture, (iii) a large number of Albanians live below the poverty line (14%) or are at risk of poverty without savings (23.4%).
- Following the November 2019 earthquake, the 2020 budget had already been revised to accommodate additional fiscal costs related to reconstruction, **increasing the planned fiscal deficit** from originally foreseen 1.6% to 2.2% of GDP. Due to COVID-19 the outlook worsened with the fiscal deficit expected to rise above 5% of GDP.
- Albania is also at risk due to its **exposure to trade with EU member states**, namely Italy, in both exports and imports (48% of exports accounting for about 20% of GDP). The most affected large companies are those related to transport and tourism, and to exporting/re-exporting of merchandise goods to Italy as the main trading partner and to other EU member states.
- At the end of December 2019, gross international **reserves** were at EUR 3 360 million, or about 24.5% of GDP. Reserve adequacy indicators were above critical levels, enough to cover 6.6 months of imports of goods and services and 155% of short-term external debt.
- Albania's **high public debt** gives limited fiscal space for manoeuvre. Following the November 2019 earthquake public debt was 66.2%, but is now predicted to temporarily rise to about 75% of GDP in 2020. The earthquake and COVID-19 pandemic, and the planned fiscal expansion to help cushion these shocks have created urgent fiscal and external financing needs. In addition to its operations in the domestic financial market and external support, Albania managed to successfully issue a EUR 650 million Eurobond in the international financial markets in June.

- In **2019 fiscal revenue growth was limited** by lower GDP growth and by increased repayment of VAT refund arrears. The revenues-to-GDP ratio declined from 27.6% of GDP in 2018 to an estimated 27.4% in 2019.
- During January-May 2020 the total revenues fell by 7% or -€6.6 million as compared to the 2020 target.

The authorities have announced and approved through Normative Acts and other decisions<sup>2</sup> the following **measures to cope with the crisis**:

- Budget amendment to include a ALL 23 billion support package (ca. EUR 182 million or 1.5 % of GDP) to businesses, households and the health sector, foreseeing a budget deficit of 3.9% of GDP and a public debt ratio of 68.8%. The growth forecast for 2020 was halved to 2%, which is still very optimistic.
- Support measures include: (1) ALL 3.5 billion (EUR 28.2 million)\*<sup>3</sup> for the medical equipment and materials, ALL 11 billion (EUR 88.7 million) sovereign guarantees for companies in difficulty to pay salaries, ALL 6.5 billion (EUR 52.4 million) for social support to households and small businesses in need, ALL 2 billion (EUR 16.2 million) for humanitarian emergency interventions, and ALL 1 billion (EUR 8.1 million) to top up the reserve fund for unforeseen events. (2) ALL 7 billion (EUR 56.4 million) for a one-off transfer to employees of small businesses, and ALL 15 billion (EUR 120.9 million) for a sovereign guarantee to provide loans for all tax-compliant private companies solvent before the pandemic, in need of liquidity for business operations.
- Penalties for delayed electricity payments were waived, estimated at around ALL 15 billion (EUR 120.9 million) impact on the state budget, and temporary delays of reporting 2019 annual balance sheets until July.
- Exemption of profit tax for small businesses with turnover up to ALL 14 million (EUR 112,903). Rescheduling of profit tax until January 2021 in the sectors of tourism, apparel and footwear, and until October 2020 for all other sectors (except banking, pharmaceuticals, food retail, and telecommunications).
- The Bank of Albania (BoA) cut the key interest rate to 0.5%. The rate was already set at a record low of 1% for over two years in view of the below-target inflation rate . The BoA also reduced its overnight lending rate from 1.9% to 0.9%, while leaving the overnight deposit rate unchanged at 0.1%.
- In cooperation with the banks and as agreed with the Prime Minister and the Governor of BoA, businesses and individuals benefited from temporary liquidity for 6 months through postponement of their debt service payments till the end of August.
- Government suspended non-essential public procurement procedures and halved salaries of ministers, and decided to suspend the financial benefit of members of different institutional board structures.

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<sup>2</sup> Act No. 6 dated 21.03.2020, CoM Decision No. 254 dated 27.03.2020, CoM Decision No. 277 dated 06.04.2020; Act No. 15 dated 15.04.2020, CoM Decision No. 305 dated 16.04.2020 (amended by Council of Ministers Decision No 13, dated 22.4.2020 and 28.04.2020).

The March budget revision only adjusted expenditures in view of COVID-19 response measures, not revenue and growth figures. A second budget revision should reflect changes in assumptions such as -5% GDP growth and the shortfall in revenues during the first five months of 2020 (almost -15% compared to the same period last year and -7% compared to 2020 target).

The wage guarantee does not buffer income losses for informally employed and self-employed. Potential losses of the upcoming tourism season still need to be addressed.

The authorities received additional support from the IMF through a rapid financing instrument (RFI) to address Albania's urgent balance of payments need. The EUR 174 million support was approved by the IMF board on 10 April 2020. The European Commission adopted on 22 April 2020 a proposal for a EUR 3 billion macro-financial assistance (MFA) package to ten enlargement and neighbourhood countries, to help limit the economic fallout of the Covid-19 pandemic. The loan allocation for Albania is EUR 180 million. Government requested a loan from the World Bank amounting to EUR 14 million to support the health sector, including widespread COVID-19 testing. Close monitoring of the situation will be performed in coordination with the IMF and other partners such as the World Bank. In conclusion, the response to the crisis is assessed as relevant and credible to restore key macroeconomic balances.

### *1.2.3. Public Financial Management (PFM)*

Albania has demonstrated progress in PFM and Domestic Revenue Mobilisation (DRM) through the following key reforms:

- **Fiscal stability** through introduction of fiscal rules in the organic budget law and regular reporting on the adherence to these rules. As a result, the debt-to-GDP ratio fell from 70.5% (2013 baseline) to 63.5% (2019).
- The **tax administration improved** in some areas leading to an increased share of revenues to GDP of 27.3% (2019) compared with the baseline 26.4% (2014).
- The World Bank **government effectiveness** indicator **improved** from -0.33 (2013 baseline) to +0.11 (2018).
- **Legal and fiscal framework improved** with budget spending institutions largely respecting multiyear budget ceilings, and the adoption of a law and sublegal acts on local finance.
- **Planning and budgeting of public expenditures improved** as the medium term budget planning (MTBP) now includes alternative macro-fiscal assumptions, a list of public investments and public private partnerships (PPPs) with budgetary implications, a basic fiscal risks assessment, key fiscal ceilings, and expenditure priorities. Following the approval of new public investment management guidelines (2018) and amendments to the law on concessions / PPPs, the prioritisation and appraisal of government capital investment projects still need to be improved.

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<sup>3</sup> \* 1 EUR= 124 ALL

- The **public procurement administration** and the independence of the **review systems** were **strengthened**. Following new instructions and close monitoring, the number of negotiated procedures without prior publication significantly decreased from 2 706 in 2015 to 192 (2019). The centralised procurement body in the Ministry of Interior was turned into an agency in 2018, and the use of framework agreements increased.
- **Transparency** was **substantially strengthened** through the annual publication of the citizen's budget for the first time in 2016, and subsequent improvements to the format and consultation process. Other initiatives comprise the online finance portal and the BOOST database, as well as information and data included in the annual budget documents.
- **External audit was strengthened** through updated manuals and pilot audits in line with the standards for financial audit and compliance/regularity audit. The Albanian Supreme Audit Institution also approved its strategic development plan 2018-2022, which is currently under implementation.
- The MoFE set up **intra- and inter-ministerial consultation mechanisms** to conduct the midterm review of the PFM reform strategy 2014-2022, and to develop and consult the revised and extended PFM strategy for 2019-2022. The strategy revision marks a shift from action-orientation to **focusing on results and outputs**, including performance indicators and costing. MoFE also set up and staffed a coordination unit to facilitate and monitor the implementation of reform actions and indicators. The **PFM Steering Committee**, the formalised government coordination and dialogue mechanism, meets at least twice a year as part of the overall integrated policy management group structure.

The PFM reform strategy 2019-2022 remains relevant and credible. The crisis context will however require to revisit 2020 policy targets as well as reform activities, and to closely monitor emergency procurement procedures and impact of COVID-19 related measures on PFM systems.

#### *1.2.4. Transparency and oversight of the budget*

The entry point is met. The 2020 budget was published (Executive's budget proposal and the enacted budget) in a timely manner for the general public on the Ministry of Finance and Economy (MoFE) website<sup>4</sup>, and in printed form in the Official Gazette<sup>5</sup>. Budgetary information is generally accessible, timely, comprehensive, and sound. External audit and control are also performed. The crisis context will however require close monitoring of use and impact of funds for measures under the crisis response packages.

## **2. RISKS AND ASSUMPTIONS**

Risks are monitored through policy dialogue and documented through annual updates. The following table lists the main risks.

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<sup>4</sup> <http://www.financa.gov.al/buxheti-2020/>

<sup>5</sup> <http://www.qbz.gov.al/>



<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
<i>Political:</i> Conclusion of electoral reform in an inclusive manner and in due time ahead of parliamentary elections; and full functioning of independent judiciary.	M	Political dialogue, including via high level meetings, and ongoing EU assistance in support of justice reform implementation; dialogue on filling-in the vacancies in the Constitutional Court / the High Court and newly created bodies to fight corruption and organised crime.
<i>Macroeconomic:</i> Disruption of growth and fiscal consolidation outlook due to direct and indirect impact as well as responses to the 2019 earthquake and COVID-19.	M	Financial transfers under the proposed programme to support funding of response measures alongside other crisis-response EU assistance.
<i>Developmental:</i> Readiness of the public administration to operate in a teleworking and crisis-response situation; and continuation of implementation of reforms in each sector.	M/L	Establishing of strong coordination mechanisms between key stakeholders; use of IT systems, e-services and development of online training modules. Regular monitoring and reporting as well as review of reform actions and targets for 2020.
<p><i>PFM:</i> Credibility of the budget may be negatively impacted due to multiple reallocations as the COVID-19 crisis continues in addition to previous risks related to state owned enterprises, PPPs and new Albanian Investment Corporation.</p> <p>Timely and regular information on actual budget implementation, including for COVID-19 and post-earthquake measures.</p> <p>Inadequate competition, value for money, transparency and accessibility for SMEs are possible risks related to public procurement, further intensified in cases of emergency procurement procedures.</p> <p>Public investment management processes do not ensure the selection and execution of projects with the highest economic and social returns.</p>	M	<p>Policy dialogue, monitoring of PFM related conditionality, and close cooperation regarding policy issues jointly with IMF and World Bank.</p> <p>Ongoing mitigating measures (such as strong link of procurement plans with the budget; continuous implementation of standard templates and instructions; and increased use of framework contracts) need to be complemented by dedicated monitoring and transparent reporting of procurements conducted through emergency procedures.</p> <p>Preparation of a consistent approach for public investments; until then implementation of the 2018 public investment management guidelines and amendments to the law on concessions/PPPs with a stronger role of MoFE for approval and monitoring of projects.</p>
<i>Corruption:</i> Weaknesses in the public sector, low staff capacities in MoJ vis-a-vis complex anti-	M	Policy dialogue, communication and awareness raising of good governance, close follow up on the

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
<p>corruption reform, highly complex legislative framework, and gaps in the cooperation between law enforcement agencies.</p> <p>Legal, regulatory and institutional framework is complex and not effectively enforced.</p>		<p>completion of the anti-corruption institutional framework; and continued implementation of the justice reform.</p>
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• No further reform packages during 2020.</li> <li>• Finalisation of the medium term revenue strategy (MTRS) with a view to predictability of tax policies.</li> <li>• Publication of existing, newly occurred and cleared spending arrears at central and local government in a timely manner within the following quarter.</li> </ul>		

### **3. LINK TO PREVIOUS/OTHER FINANCIAL ASSISTANCE AND INTERVENTIONS BY OTHER COOPERATION PARTNERS**

In the EU response to the crisis, synergies are sought between this programme and the following operations:

- EU for Social Inclusion
- EU for Good Governance
- EU MFA

In the response of the international community, close coordination will be ensured between the EU and the following entities:

- IMF
- World Bank

For the purpose of ensuring complementarity, synergy and coordination, the Commission may sign or enter into joint donor coordination declarations or statements and may participate in donor coordination structures, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

### **4. DESCRIPTION OF THE ACTION**

The Action consists of a new budget support contract.

<b>Results chain</b>		<b>Indicator</b>	<b>Source of data</b>
<b>IMPACT</b>	Impact (overall objective)	To mitigate the economic and social impact of the COVID-19 pandemic in Albania	<ul style="list-style-type: none"> <li>• GDP growth rate</li> </ul> <p>MoFE, INSTAT, BoA</p>

Results chain			Indicator	Source of data
OUTCOME(S)	Outcome 1 (specific objective)	1. Macro-economic effects and disruptions of the economy are reduced	<ul style="list-style-type: none"> <li>Revenue as % of GDP</li> <li>Private consumption as % of GDP</li> <li>Private / public investment as % of GDP</li> </ul>	MoFE, INSTAT, GDT
	Outcome 2 (specific objective)	2. Businesses' resilience and safety net for unemployed people are strengthened in the short to long term	<ul style="list-style-type: none"> <li>Unemployment rate</li> <li>Number of active businesses</li> </ul>	MoFE, INSTAT, GDT National Business Centre
INDUCED OUTPUT(S)	Induced Output(s) related to Outcome 1	1.1 Informal/cash economy is reduced	<ul style="list-style-type: none"> <li>Number of newly opened bank accounts where COVID-19 salary/bonus is paid into</li> <li>Increase of card-payments in retail</li> <li>Businesses that implemented the new e-invoicing system by October 2021</li> </ul>	MoFE, GDT, BoA
		1.2 Domestic revenue mobilisation increased	<ul style="list-style-type: none"> <li>Adoption of the MTRS and approval of roadmap for implementation of MTRS</li> <li>Backlog of arrears related to capital expenditures</li> <li>Implement repayment schedules for VAT arrears of large taxpayers and pay timely all other VAT refunds arising</li> </ul>	MoFE, GDT
	Induced Output(s) related to Outcome 2	2.1 Active Labour Market Programme (ALMP) approved to support self-employed and unemployed people	<ul style="list-style-type: none"> <li>Number of unemployed people employed through the Active Labour Market Programme (<i>gender disaggregated data</i>)</li> </ul>	MoFE, GDT
		2.2 Businesses are supported with liquidity / access to financing	<ul style="list-style-type: none"> <li>Number of businesses benefiting from the rescheduling/postponement of the deadline for payment of loan instalments at the banks</li> <li>Number of businesses benefiting from reimbursement of expenses (masks, sanitizers, etc) incurred for applying red protocol health measures against Covid 2019</li> </ul>	MoFE, BoA, Albanian Association of Banks

For that purpose, the budget support contract will assist Albania through financial transfers, policy dialogue, performance and capacity development.

## **5. IMPLEMENTATION ARRANGEMENTS**

### **5.1. FINANCING AGREEMENT**

In order to implement this action, it is foreseen to conclude a financing agreement with the Republic of Albania.

### **5.2. INDICATIVE IMPLEMENTATION PERIOD**

The indicative operational implementation period of this action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 18 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3. IMPLEMENTATION MODALITIES FOR BUDGET SUPPORT**

#### *5.3.1. Rationale for the amounts allocated to budget support*

The amount allocated for the budget support component is EUR 26 000 000. This amount stems from the most recent forecasts, though under very unpredictable circumstances, of the fiscal impact of the crisis, which could result in shortfall of revenue and additional spending. In the first five months of 2020 revenues were 7% (or EUR 67 million) below target. The outlook for the remainder of 2020 foresees an overall recession at the margins of 5% of GDP.

#### *5.3.2. Criteria for disbursement of budget support*

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the COVID package<sup>6</sup> and ERP policy guidance recommendations with specific reference to COVID-19 policy response and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme ;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches will aim at promoting actions and measuring their effects in the response to the COVID-19 crisis. They measure use of digital services by the businesses, revenue management, support to businesses and employment.

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<sup>6</sup> Act No. 6 dated 21.03.2020, CoM Decision No. 254 dated 27.03.2020, CoM Decision No. 277 dated 06.04.2020; Act No. 15 dated 15.04.2020, CoM Decision No. 305 dated 16.04.2020 (amended by Council of Ministers Decision No 13, dated 22.4.2020 and 28.04.2020)

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, the National IPA coordinator (NIPAC) may submit a request to the Commission for the targets and indicators to be changed.

Any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

*5.3.3. Budget support details*

The budget support component consists of a fixed tranche (EUR 10 million) to be disbursed indicatively in the 4<sup>th</sup> quarter of 2020 upon signature of the financing agreement; and a fixed (EUR 3 million) and a variable (EUR 13 million) tranche in the second half of 2021.

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Albanian LEK will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

**5.4. IMPLEMENTATION MODALITIES FOR COMPLEMENTARY SUPPORT TO BUDGET SUPPORT**

No complementary support to the proposed budget support is foreseen due to the short-term nature of this programme.

**5.5 SCOPE OF GEOGRAPHICAL ELIGIBILITY FOR PROCUREMENT AND GRANTS**

Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
<b>Budget support</b>	26 000 000	N/A
<b>Evaluation-Audit/expenditure verification</b>	N/A	N/A
<b>Communication-visibility</b>	N/A	N/A

**5.6. ORGANISATIONAL SET-UP AND RESPONSIBILITIES**

For the purpose of this programme the Ministry of Finance and Economy will be responsible for regularly reporting on indicators as set out in the intervention logic. The same Ministry is also responsible for reporting on other relief packages such as the MFA.

The Minister of State for Recovery, a role established following the 2019 November earthquake, is in charge of coordinating the COVID-19 response in close cooperation with the Ministry of Finance and Economy and other key stakeholders.

The Commission relies on the existing sector governance structures for policy dialogue and to safeguard the financial interests of the Union.

### **5.7. MONITORING AND REPORTING**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system and elaborate regular progress reports (not less than annual) reports. Every report shall provide an accurate account of implementation of the reform, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details. The final report, narrative and financial, will cover the entire period of the action implementation.

The Ministry of Finance and Economy will provide all data necessary to assess progress against indicators as set out in the intervention logic on a quarterly basis upon the signature of the Financing Agreement. These will inform programme reviews and be used as a basis to assess disbursement conditions. The Commission may choose to initiate independent compliance review missions to assess credibility of information used for disbursement.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.8. EVALUATION**

Having regard to the nature of the action, separate evaluations will not be carried out for this action or its components.

In case an evaluation is not foreseen, the 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 evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

## **5.9. COMMUNICATION AND VISIBILITY**

Communication and visibility are tools for implementation of sector reforms and will be given high importance during the implementation of the Action. All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the EU communication and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process, as well as the benefits of the action for the general public. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

Communication shall be considered as an integral part of the dialogue with the main stakeholders and beneficiaries and shall play an important role in explaining and reporting about the national strategy and the results of the actions (and not on the technicalities of the modality). All communication and visibility actions shall have prior consultation and approval of the EU Delegation.

Visibility and communication aspects shall be complementary to the activities implemented by DG NEAR and the EU Delegation in the field. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.