

## **Standard Summary Project Fiche – IPA centralised programmes**

### **Project 2: Preparation of the Albanian authorities for the Decentralisation of Management of EU Assistance**

#### **1. Basic information**

**1.1 CRIS Number:** 2007/19353

**1.2 Title:** Preparation of the Albanian Authorities for the Decentralisation of Management of EU Assistance

**1.3 Sector:** 01.32

**1.4 Location:** Tirana, Albania

#### **Implementing arrangements:**

**1.5 Contracting Authority:** EC Delegation in Albania

**1.6 Implementing Agency:** EC Delegation in Albania

**1.7 Beneficiary:** Ministry of Finance

**1.8 Overall cost:** Euro 1.0 million

**1.9 EU contribution:** Euro 1.0 million

**1.10 Final date for contracting:** 3 years following the date of conclusion of the Financing Agreement.

**1.11 Final date for execution of contracts:** 2 years following the end date for contracting

**1.12 Final date for disbursements:** Disbursements will continue for up to one year after the end date for the execution of contracts

#### **2. Overall Objective and Project Purpose**

##### **2.1 Overall Objective**

The overall objective of the project is to adequately prepare Albanian authorities for absorbing EU financial assistance, putting into place efficient structures and strengthening the capacities of key institutions for technical management of decentralised programmes in order to ensure sound management of DIS.

##### **2.2 Project Purpose**

Develop administrative capacities within the Albanian administration to effectively coordinate, manage and implement EU assistance, specifically in order to move to DIS in the future.

Support the establishment of sound financial management and internal control systems for implementation of EU funds.

### **2.3 Link with AP/NPAA/EP/SAA**

This project is in line with the EC intention to increase ownership and build capacities for EU aid management in beneficiary countries, through fully decentralising aid management and gradual transfer of responsibilities of aid coordination and management to national authorities, as provided in the relevant Financial Regulation. The Action Plan for SAA implementation and the draft Strategy of Public Finance provide for the improvement of financial management.

### **2.4 Link with MIPD**

Political Requirements Priority: Contributing to the **Reform of the Public Administration** in order to obtain a reformed, streamlined, harmonised, effective, transparent and service oriented public administration, capable of leading Albania through the Stabilisation and Association Process.

*Programme to be implemented:* Support to the development of a public internal and external financial control strategy and the preliminary steps of the relevant services for the preparations of the decentralisation of community assistance.

### **2.5 Link with National Development Plan**

The National Strategy for Development and Integration (to be drafted by the end of 2007).

### **2.6 Link with national/sectorial investment plans**

N/A

## **3. Project Description**

### **3.1 Background and justification**

Along with the other countries of the Western Balkans, since 1999 Albania has been participating in the Stabilisation and Association Process. It benefits from national and regional financial assistance under the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme and a far-reaching contractual relationship with the EU, including trade preferences, through the Stabilisation and Association Agreement (SAA). Regional dialogue and cooperation are also important elements of this process. Following the Commission's November 2005 Enlargement Strategy Paper which stressed that Albania's reform progress paved the way for the conclusion of the negotiations, the SAA was signed on 12 June 2006 in Luxembourg. The SAA will enter into force following its ratification which is expected to take approximately 2 years. Meanwhile, an SAA/Interim Agreement entered into force in December 1, 2006 initiating the gradual creation of a free trade zone between Albania and the EU.

Since 2001, Albania is a beneficiary of the CARDS programme which supports the participation of Western Balkans countries in the SAP. The main priorities for CARDS assistance for Albania are justice, freedom and security, administrative capacity building, economic and social development, environment and natural resources and democratic stabilisation.

The support provided through CARDS in 2005 and 2006 focuses on European Partnership priorities, and takes into account the political and economic situation in Albania and the requirements Albania must fulfil in order to be able to implement the SAA.

According to the Council Regulation no.1085/2006 of July 2006 the CARDS programme for Albania is replaced by the new Instrument for Pre-Accession Assistance (IPA) as of 2007. The major objective of IPA is to streamline all pre-accession assistance in a single framework, and to unite under the same regulation both candidate and potential candidate countries, thereby assisting them in progressive alignment with the standards and policies of the European Union. The instrument consists of five components, the first two of which will be open to both

potential candidate and candidate countries: The Transition Assistance and Institution Building component and the Cross-Border Cooperation component.

The IPA Regulation foresees preparation for the decentralisation of assistance management in potential candidate countries, in order to increase ownership and build capacities for managing EU funds. Under the Decentralised Implementation System, the responsibility for programme preparation and implementation lies primarily with the national institutions. For that purpose, a central Finance and Contracting Unit (CFCU) will be established in the Ministry of Finance of Albania responsible for the implementation of EU assistance, including tendering, contracting, payments, monitoring and reporting implementation of all EU projects. The Commission will still exercise a systematic ex-ante control over tendering and contracting of projects and retain the overall responsibility for general budget execution.

The MIPD provides that support might be given for the establishment and capacity building for agencies and institutions implementing sectorial policies.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact**

The project will help establishing a new agency in Albania, the center for contracting, payments and monitoring of all EU-funded projects. It will ensure full responsibility of EU aid management undertaken by the Albanian authorities as a preparatory phase for major responsibilities arising from future EU accession (management of structural, cohesion funds, etc).

It will provide the appropriate grounds for implementing EU assistance in accordance with European standards and *acquis*.

The Albanian authorities will ensure the inclusion of the new structure of CFCU within the MoF functions, and equip it with the appropriate staff. The relevant legal procedures will be applied to their recruitment and dismissal. The first phase of the project, conducting a study of the administrative capacities to receive CFCU in the MoF, will require cooperation of several departments in the Ministry of Finance such

as the Treasury Department, Internal Audit Department, Accounting Department etc. which are duly staffed and will provide on-going cooperation.

### **3.3 Results and measurable indicators:**

- An assessment of the current administrative capacities within the Albanian public administration to take over the responsibilities of the decentralised implementation system;
- Determination of the extent to which the conditions for DIS are currently in place and identification of the specific actions, changes and improvements that will be required for DIS accreditation

### **3.4 Activities:**

Activities will be implemented by technical assistance, administered through one single service contract.

**Activity 1:** Provision of an in depth assessment of the current administrative structures in the Ministry of Finance and main line ministries involved in EU aid and their readiness to assume the responsibilities of the decentralized management of assistance.

- International expertise (EU) required for determining the existing gaps that need to be filled before DIS can take place, as well as the identification of needs for additional structure, equipment or human resources.

**Activity 2:** Training and exchange of experience with other countries that have implemented the DIS.

- Identification of the training needs for various staff assigned to the DIS structures, as well as sponsoring of study tours of a core group of experts from MoF and line ministries to accession countries that have implemented the DIS.

A re-adjustment of the assistance mainly for activity 1) will be necessary following DG ELARG missions to be carried during 2007 and recommendation to be provided on the accreditation process.

Based on the recommendation received, the MoF will be then responsible to carry out a pre- assessment that will be used as reference for the IPA 2007 assistance.

### **3.5 Conditionality and sequencing**

- Albania remains committed to fulfilling the obligations deriving from the SAA and the Stabilization and Association Process and effectively assumes the responsibilities for the aid management (A memorandum between Albania and EC on establishment of CFCU has to be signed).
- Adequate institutional capacities in the Albanian administration are ensured to assume the responsibilities required, i.e. the Albanian Ministry of Finance establishes the structure of CFCU and recruit the necessary staff. The agreed legal framework should be implemented by the MoF authorities in recruitments and dismissals of CFCU staff.
- Given that European Integration is the main political commitment of Albania, which has affirmed its will to take over the responsibilities deriving from the Decentralized Implementation System, all efforts will be done to overcome any weakness in the administration.
- The Ministry of Finance will approve the amendment in the MoF structure and budget to accommodate the new CFCU.
- The MoF and line ministries will appoint PAO and CFCU staff, as well as SPOs.
- The MoF will provide the premises where CFCU will be located.

### **3.6 Linked activities**

The project will be implemented in close coordination with the activities within the Integrated Planning System (IPS) World Bank trust fund and other donors assistance provided to the Ministry of Finance.

### **3.7 Lessons learned**

Increasing local ownership is essential for the effective targeting of the support and achieving the agreed results in line with EU standards. Significant efforts have been undertaken to involve Albania's institutions in the planning and programming process

for EC assistance. The Ministry for European Integration (MEI) benefited from substantial CARDS institution and capacity building support. The introduction of the function of Senior Programme Officers (SPO) within the European integration units in line ministries and the leading role of the MEI in the programming process should provide the framework for transferring the responsibilities to the Albanian authorities.

However, decentralising aid management is a highly complex process that requires full commitment by the beneficiary country. Past experiences in Albania and other regional countries involved in SAP have shown that decentralisation of assistance management must be well prepared. This is a long and difficult process which needs planning and preparation and exchanging experiences with other countries that have implemented the system before.

According to the financial regulation, before EC assistance will be decentralised, the European Commission will perform a verification audit in order to ensure that the appropriate structures and regulatory framework are in place to efficiently manage the assistance. This should be done in close cooperation with the EC services.

#### 4. Indicative budget

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1 – Gap analyses	0.7 ME	0.7 ME	100	0.7 ME	0	0	0	0	0	0	0	0
Activity 2 – Training and Study Tour	0.3 ME	0.3 ME	100	0.3 ME	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1.0 ME</b>	<b>1.0 ME</b>	<b>100</b>	<b>1.0 ME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* expressed in % of the Total Cost

#### 5. Indicative Implementation Schedule

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	1 <sup>st</sup> quarter 2008	2 <sup>nd</sup> Quarter 2008	4 <sup>th</sup> Quarter 2009

#### 6. Cross cutting issues

##### 6.1 Equal Opportunity

The CFCU observes equal opportunity rules in its recruitment and human resources development policy.

## **6.2 Environment**

N/A

## **6.3 Minorities**

N/A



## ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3 - Reference to laws, regulations and strategic documents:

### Reference to MIPD

Political Requirements Priority: Contributing to the **Reform of the Public Administration** in order to obtain a reformed, streamlined, harmonised, effective, transparent and service oriented public administration, capable of leading Albania through the Stabilisation and Association Process.

*Programme to be implemented:* Support to the development of a public internal and external financial control strategy and the preliminary steps of the relevant services for the preparations of the decentralisation of community assistance.

- 4- Details per EU funded contract (\*) where applicable:

For *TA contracts*: account of tasks expected from the contractor

- International expertise (EU) required for determining the existing gaps that need to be filled before DIS can take place, as well as the identification of needs for additional structure, equipment or human resources.
- Identification of the training needs for various staff assigned to the DIS structures, as well as sponsoring of study tours of a core group of experts from MoF and line ministries to accession countries that have implemented the DIS.

Technical assistance will be implemented by one service contract through a procurement procedure of €1 million expected to be launched in the 1<sup>st</sup> quarter of 2008.

For *twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts

N/A

For *grants schemes*: account of components of the schemes

N/A

For *investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (\*\*)

N/A

For *works contracts*: reference list of feasibility study for the *constructing works* part of the contract as well as a section on

investment criteria (\*\*); account of services to be carried out for the *service part* of the contract

N/A

(\*) non standard aspects (in case of derogation to PRAG) also to be specified

N/A

(\*\*) section on investment criteria (applicable to all infrastructure contracts and constructing works):

- Rate of return: N/A
- Co financing: N/A
- Compliance with state aids provisions: N/A

Ownership of assets (current and after project completion):

Ministry of Finance and all other relevant structures of the Albanian Government responsible for the Decentralised Implementation System.

## ANNEX I

### Log frame Matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number <b>Preparation of the Albanian Authorities for the Decentralization of Management of EU Assistance</b>	
	Contracting period expires <b>3 years following the date of conclusion of the Financing Agreement</b>	Disbursement period expires <b>One year after the end date for the execution of contracts</b>
	Total budget : <b>1.0 ME</b>	IPA budget: <b>1.0 ME</b>

Overall objective	Objectively verifiable indicators	Sources of Verification	
Prepare the Albanian authorities for the decentralized management of EC assistance.	- Achieving CFCU accreditation by the EC	EC accreditation report	
<b>Project purpose</b> Develop administrative capacities within the Albanian administration to effectively coordinate, manage and implement EU assistance. Support the establishment of sound financial management and internal control systems for implementation of EU funds.	<b>Objectively verifiable indicators</b> Effective and timely management of EU funds  CFCU Sound financial management and Internal Control procedures in place	<b>Sources of Verification</b> CFCU periodic financial reports  EC accreditation report	<b>Assumptions</b> -CFCU fully staffed and operational -Commitment to support implementation of programs and projects



**ANNEX II:** amounts (in €) Contracted and disbursed by quarter for the project

<b>Contracted</b>	1 <sup>st</sup> Quarter 2008	2 <sup>nd</sup> Quarter 2008	3 <sup>rd</sup> Quarter 2008	4 <sup>th</sup> Quarter 2008	1 <sup>st</sup> Quarter 2009	2 <sup>nd</sup> Quarter 2009	3 <sup>rd</sup> Quarter 2009	4 <sup>th</sup> Quarter 2009
Contract 1.1		1.0 M						
<b>Total</b>		<b>1.0 M</b>						
<b>Cumulated</b>		<b>1.0 M</b>						
<b>Disbursed</b>								
Contract 1.1			300.000			600.000		100.000
<b>Total</b>			<b>300.000</b>			<b>600.000</b>		<b>100.000</b>
<b>Cumulated</b>			<b>300.000</b>			<b>900.000</b>		<b>1 M</b>

