

IPA 2009 National Programme for Albania
Project Fiche N°5
Improvement of the Albanian's preparedness for Decentralised Management

1 Basic Information

1.1 CRIS Number: 2009/021-642

1.2 Title: Improvement of the Albania's preparedness for Decentralised Management.

1.3 DGELARG statistical code: 01.32

1.4 Location: Tirana, Albania.

Implementing arrangements:

1.5 Implementing Agency: Delegation of the European Commission to Albania.

1.6 Contracting Authority: Delegation of the European Commission to Albania.

1.7 Beneficiary:

Key beneficiaries: CFCU/NAO/NF/PAO (Ministry of Finance)/NIPAC (Ministry of Integration) /SPOs (Line Ministries).

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1.8 Overall cost: EUR 1.5 million

1.9 EC contribution: EUR 1.5 million

1.10 Final date for contracting:

Two years following the date of the conclusion of the Financing Agreement.

1.11 Final date for execution of contracts:

Two years following the end date of contracting. These dates apply also to national co-financing.

1.12 Final date for disbursements:

One year following the end date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

The objective of this project is to have the Albanian Administration ready to manage EU financial assistance and resources in a decentralised manner and in compliance with the IPA Implementing Regulation no 718/2007 of 12 June 2007 and especially its article 10(1).

Through the provision of technical assistance, the main activities foreseen are to prepare the Government of Albania for all necessary steps until the submission of application for conferral of decentralised management for EU financial assistance and IPA national accreditation, as regards IPA Components II, III, IV and V. This will include identification of management institutions/structures that will be responsible for preparations for decentralised management of IPA funds, assessment of needs, development relevant structures/procedures and staff training.

2.2 Project Purpose

The project purpose is to build on the technical assistance provided under IPA 2007 project concerning Decentralised Management for IPA Component I that already started in January 2009 and to ensure further development of the Decentralised Management process in order to prepare the Albanian Government for accreditation to manage IPA support for all Components, especially Components II to IV and – if necessary - Component V, under a decentralised system as soon as the appropriate structures are operational and funds available. The main institutions involved in the exercise are the CFCU, NAO and NF (Ministry of Finance) and the SPOs (sectoral ministries) which will become responsible in the future for the Decentralised Management of EU funds.

For this purpose, it is necessary to develop further administrative capacities and prepare the legal framework for the Albanian central administration to effectively coordinate, manage, implement EU assistance and support the establishment of sound financial management, procurement and internal control systems for proper use of EU assistance.

2.3 Link with AP/NPAA/EP/SAA

This project is in line with the EC's principles to increase ownership and build capacities for EU fund management in beneficiary countries, through fully decentralised aid management and gradual transfer of responsibilities related to aid coordination and management to national authorities.

National Plan for the Implementation of SAA 2008-2014 and the Draft Strategy of Public Finance provide the need of improvement of the financial management and internal control.

EU financing will be centrally managed by the Ministry of Finance, which is the main responsible body for managing the national funds and all foreign financing, and implementation of EU projects will become smoother through an appropriate planning and allocation of the local cost as well as old problems linked with VAT reimbursement etc.

The main **SAA priorities** are:

- to ensure that the administration sectors for implementation of the SAA provisions and those involved in implementation of the EC financial assistance are adequately trained and equipped to carry out their duties;
- to introduce results-oriented management and training for civil servants;

- to ensure the sustainability of reforms in the public administration.

2.4 Link with MIPD

The 2009-2011 MIPD specifies under its political requirements priorities the need to "(...) support the implementation of the public administration reform, strengthen the capacity of key institutions and therefore contribute to develop good governance. In this context, IPA shall also strengthen European integration structures, contribute to establishing financial control and help to prepare the decentralised management of EU funds". Therefore, "(...) the preparation for decentralised management of EC assistance requires also intensive support". The programme to be implemented shall "(...) also strengthen European integration structures, contribute to establishing financial and help to prepare the decentralised management of EU funds" and therefore support the development of public internal and external financial control strategy and the preliminary steps of the relevant services for the preparations for accreditation for Decentralised Management of EU funds under IPA instruments. The 2009-2011 MIPD furthermore provides under point 1.2.3. that: "(...) the preparations for the Decentralised Implementation System (DIS) need to be based on previous experience with decentralised management under Phare. The Albanian authorities decided in 2007 to stop working with the previous decentralised set-up under Phare, for the Local Community Development Programme, and instead started preparations for the full decentralisation of the EU funds. The capacities previously developed in the Programme Management Units under Phare need to be integrated into the new set-up of DIS structures in Albania. IPA 2007 is supporting the introduction of DIS".

2.5 Link with National Development Plan

NA

2.6 Link with national/sectoral investment plans

Albania benefits from national strategies and policies, that include:

- National Strategy for Development and Integration (NSDI, formerly NSSD) of March 2008 and various national sector strategies, such as:
- National Action Plan associated to the European Partnership,
- Anti-Corruption Plan,
- Medium Term Budget Programme and particularly the Integrated Planning System (IPS), a framework which should ensure that the Government of Albania's core processes (among which European integration and management of international assistance play a prominent role) and financial processes function in a coherent, efficient and integrated manner, supported by the Multi-donor TF for the IPS (2008-2010);
- National Roadmap for DIS (prepared by SIGMA).

3. Description of Project

This project regards the provision of technical assistance to the Albanian institutions that will be involved in the management of EU assistance and financial resources under IPA Components I - V. This project is focused mainly on Components II – IV. However, activity 1 of this project is focused on IPA Component I, in order to cover the shortcomings potentially detected during the compliance assessment exercise that will take place when the ongoing project under IPA 2007 will be finished.

Activity 5 is focused on IPA component V. This is to carry out the activities that are not covered by the IPA 2008 project Capacity Building for Implementing the Rural Development Strategy that is expected to start in September 2009.

3.1 Background and justification

IPA Implementing Regulation no 718/2007 of 12 June 2007 provides for terms and conditions of the process for decentralised management of financial assistance. It is completed by the Roadmap for decentralised management developed by DG Enlargement of the European Commission and the Albanian Roadmap for decentralised management developed in December 2008.

While decentralised management shall be with ex-ante control by the EC Delegation for IPA Components I, II, III and IV, it aims at being without ex-ante control under Component V. Decentralised management requires the set-up of proper operating structure and management control system, with strong involvement and leadership needed by the Albanian authorities from the beginning.

First steps on the road towards decentralised management of IPA assistance in Albania have been taken. It has been decided by the Albanian Authorities that the first preparations for Decentralised Management will be focused on IPA Component I, i.e. transition assistance and institution building.

For Component I, structures have been set-up: the key actors for Decentralised Management have been appointed by a Government Decree: NIPAC, CAO, NAO and PAO (Council of Minister's Decree no. 596 of 5 September 2007).

- The National Fund (NF) is not yet established within the Ministry of Finance but two persons are nominated in charge of all issues for the NF in this preparatory stage for the years 2008-2009. The National Fund (NF) shall be a body located within the General Treasury Department in the Ministry of Finance (MoF), which will act as a central treasury and be in charge for tasks related to financial management of assistance financed under IPA programme. The NF will be under the responsibility of the National Authorising Officer (NAO). It shall be in charge of organising the bank accounts, requesting funds from the European Commission, authorising transfers of funds received from the Commission to the operating structures or to the final beneficiaries, and financial reporting to the Commission.

- The Contract and Finance Coordination Unit (CFCU) was first established within the structure of the Ministry of Finance by Decree No. 93 of 13 June 2007 and it was restructured in July 2008. The CFCU currently has the status of general department and will be responsible for tendering/procurement, contracting, payments, monitoring and reporting regarding the implementation of all the IPA financed programmes, under Components I - IV, and some other donor financed projects. The European Commission still will carry out systematic ex-ante controls over tendering and contracting of funds and retains the overall responsibility for general budget execution.

- According to a draft "Council of Ministers Decision on designation of functions, responsibilities and relations among the authorities and the structures of decentralised management of the Transition Assistance and Institution Building component of IPA" that is currently being prepared, the Audit Authority will be established as an independent body within the State Supreme Authority.

The Audit Authority will be responsible for verifying effective and sound functioning of the management and control systems that also have to be established. It will be used for all IPA Components.

- Senior Programme Officers (SPOs) for IPA Component I in line ministries have already been appointed on 30 December 2008.

- A Steering Committee (SC) for Decentralised Management preparations for IPA Component I is established and chaired by the NAO. The SC is in charge to follow up the process towards Decentralised Management preparations and monitoring progress, review and approve the procedural manuals and advice the CAO (the Minister of Finance) and NIPAC (MOI) for measures to be taken in this regard. By the government order dated 7 September 2007, the Minister of European Integration is nominated NIPAC undertaking all responsibilities linked to programming and monitoring of IPA programmes on national and regional levels on behalf of the beneficiary country.

In January 2009 a TA, financed under IPA 2007, to support the Albanian administration started. This technical assistance aims at assuring a regular progress towards the fulfilment of conditions allowing Decentralised Management for IPA funds under Component I. The inception report and the review of the existing structure and legal basis were presented. The national roadmap to DIS will be gradually refined according to the development of the project.

As Component I is covered by a project under IPA 2007 programme, the preparation for Decentralised Management for IPA funds Component II to IV shall be further prepared under the present project fiche.

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

The project will have positive impact on fulfilment of commitments with regard to the SAA. Efficient management of EU and public funds is an indication of readiness to benefit from the existing support mechanisms in the EU and implement development policies in favour of the citizens.

The project will set up, develop and enhance technical and administrative capacities of other actors and management/operating structures concerning management of EU funds under IPA Components (II-IV), in order to bring all management and control systems in line with the Decentralised Management requirements and prepare for accreditation.

At present, capacity building actions related to establishment of structures for IPA component V are in progress under financing IPA 2008 via a delegation agreement with GTZ.

3.3 Results and measurable indicators

Activity 1: Capacity building and training of the target bodies for management of the decentralised Management for IPA (Component I).

Results:

- The administrative and financial management for IPA Component I is carried out by the National Fund (NF), CFCU, SPOs, MEI in the professional manner in full compliance with all relevant EU regulations and procedures;

- Administrative and technical capacities within the target bodies for the decentralised management of the IPA Component I are further improved and enhanced.

Measurable indicators:

- Manuals of operations for NF, CFCU, SPOs, MEI are updated (if any shortcomings/findings detected by compliance assessment audit);
- Training programme developed and relevant staff trained.

Activity 2: Technical assistance for the establishment of the framework for the management and control system for Component II-IV (Roadmap, stage 0)

Results:

- Review of the current administrative, organisational and legal structures in the relevant Ministries concerning operating structures (OS), for IPA Components II-IV;
- A system of internal controls and procedures for IPA Components II-IV is designed and established;
- The institutional framework for Decentralised Management is set up for IPA Components II-IV;
- The principles of decentralised managerial accountability and internal control are developed and implemented;
- Comprehensive practical knowledge and know how of the EU funds management system, procurement and irregularity procedures in similar institutions in other countries have been passed to relevant officials.

Measurable Indicators:

- A report on administrative, organisational and legal structures in the relevant Ministries concerning operating structures (OS), for IPA Components II-IV prepared;
- Structures set-up;
- Manuals of internal controls and procedures for IPA Components II-IV are drafted and approved officially;
- Procedural manuals and administrative capacities to ensure effective protection of the EU financial interests are developed and enhanced;
- Relevant members of staff from ministries and regional institutions trained in financial management including procurement (e.g. seminars, ad hoc team training, study visits etc).

Activity 3: GAP assessment for Components II, III and IV (EC Roadmap, stage 1)

Results:

- In depth assessment of the current administrative, organisational and legal structures in the relevant Ministries concerning operating structures (OS), for IPA Components II-IV;
- Assist the Competent Authorising Officer (CAO) to prepare a description of the existing operating structures;
- Assist CAO to describe all existing procedures, including internal financial control procedures and national procurement procedures in a report that should be considered the draft version of the description of the management and control system in Albania.

Measurable indicators:

- Gap assessment report on administrative, organisational and legal structures in the relevant Ministries concerning operating structures (OS), for IPA Components II-IV prepared;
- Description of the existing operating structures prepared;
- Description of the existing procedures, including internal financial control procedures and national procurement procedures prepared.

Activity 4: Gap plugging for Components II, III and IV (EC Road map, stage 2)

Results:

- Assist national authorities to prepare a work programme and work flow charts of actions, responsibilities and deadlines setting out actions and timetable for recommendations in the Gap Assessment Report;
- Assist national authorities to implement the above-mentioned work programme;
- Provide complementary training, seminars, study-visits for relevant staff responsible for the management of IPA Components II - IV;
- Assist MoF, MEI, relevant line ministries and designated implementing agencies to develop financial management and control procedure manuals;
- Assist the external and internal audit bodies to develop manuals.

Measurable Indicators:

- A work programme setting out actions and timetable for recommendations in the Gap Assessment Report prepared;
- A work programme implemented;
- Relevant staff trained;
- Financial management and control procedure manuals developed;
- External and internal audit manuals prepared.

Activity 5: Technical assistance for IPA component V

Results:

- Component V structures prepared for compliance assessment.

Measurable indicators

- Positive compliance assessment regarding the accreditation of Component V.

3.4 Activities

In the context of the process towards the accreditation for decentralised management of EU financial assistance by Albania, this project will constitute the follow up of the ongoing TA activities financed by IPA 2007 further described under point "3.6. Linked activities" of this project fiche.

A technical assistance team will be put in place to carry out the following activities:

Activity 1: Capacity building and training of the target bodies for management of the Decentralised Management for IPA (Component I).

In accordance with the results of the TA provided under the IPA2007 action, that will be finalised in 2010, the following activities may be foreseen:

- Provide systematic coaching, support in problem solving and on the job training;
- Update and further improve operational manuals of target bodies in response to newly detected shortcomings during compliance assessment;
- Develop training program for the new staff in the target bodies and advanced training for senior / experienced staff;
- Arrange team training for the staff in National Fund (NF), Central Financing and Contracting unit (CFCU), Internal Control for EU funds.

Activity 2: Technical assistance for the establishment of the framework for the management and control system for Components II, III and IV (EC Roadmap, stage 0)

- Provision of an in depth review and set-up (insofar as possible and practicable at this stage) of the administrative and organisational structures necessary in the relevant Ministries concerning operating structures (OS) and internal control standards, for decentralised management with ex-ante control for IPA Components II to IV;
- Design and establish a system of internal controls and procedures with ex-ante control for IPA Components II to IV;
- Training on internal control, procedures, management, procurement and irregularity procedures for EU funds.

Activity 3: GAP assessment for Components II, III and IV (EC Roadmap, stage 1)

- Assistance to the Competent Authorising Officer (CAO) to prepare a description of the existing operating structures;
- Assistance to the CAO to describe all existing procedures, including internal financial control procedures and national procurement procedures in a report, that should be considered the draft version of the description of the management and control system in Albania.

Activity 4: Gap plugging for Components II, III and IV (EC Road map, stage 2)

- Assistance to the national authorities to prepare a work programme setting out actions and timetable and workflow charts of actions, responsibilities and deadlines for recommendations in the Gap Assessment Report;
- Assistance to the national authorities to implement the above mentioned work programme;
- Provide complementary training, seminars, study-visits for the relevant staff for the management of IPA Component II – IV;
- Assist MoF, MEI, relevant line ministries and designated implementing agencies to develop financial management and control procedure manuals;
- Assistance to the internal and external audit bodies to develop manuals.

Activity 5: Technical assistance for IPA component V

In accordance with the results achieved by the project "Capacity Building for Implementing the Rural Development Strategy" a capacity building TA support will be provided to the Ministry of Agriculture and other relevant structures in order to satisfy the possible

recommendations of the compliance assessment and to assist the Government to finalise the set up of the structures involved in component V.

The project will be implemented through 2 service contracts:

- Contract 1: Service – will be financed 100% by IPA funds and will cover activities 1, 2, 4 and 5.
- Contract 2: Service through framework contract – will be financed 100% by IPA funds and will cover activity 3.

3.5 Conditionality and sequencing

The present project will provide support for the preparation of Albania for Decentralised Management. It will be the follow up of the ongoing IPA 2007 project 'Preparation of the Albanian Authorities for the Decentralisation of Management of EU assistance' and IPA 2008 project 'Capacity Building for Implementing the Rural Development Strategy'

It is foreseen that ongoing projects will provide the structure respectively for component I and component V. The structure for component I, after minor modifications, can serve also for Components II, III and V.

According to the Albanian national Roadmap for decentralised management of IPA of December 2008, the results of the ongoing support for Component I shall be assessed through a compliance assessment to be carried out in the first quarter of 2010. The compliance assessment report will present a final set of recommendation.

The assistance to be provided under the present project fiche will start (contract signed) under the condition that the overall structures for Decentralised Management for IPA Component I are in place, manuals of procedures drafted, staff hired and trained, and procedures in place.

The Government of Albania should take the decision what bodies/organisations within the Line Ministries/or agencies will be appointed/set up for carrying out management roles as operating structure for management of the IPA Components II-IV.

The indicative timetable for the period 2009-2011 as regards some of the key activities planned as part of the steps indicated in the Albanian roadmap document under ongoing IPA 2007 Technical Assistance project) "Preparation of the Albanian Authorities for the Decentralisation of Management of EU Assistance" is the following:

- February 2009, elaborating a work programme for Decentralised Management preparations.
- End 2009, National Fund (NF) structure approved and staff hired;
- End 2009, Audit Authority (AA) structure approved and staff hired;
- 4th quarter 2009, manuals of operations and written procedures for all target bodies involved for IPA Component I developed;
- 4th quarter 2009/1st quarter of 2010 – gap assessment performed;
- At the latest by 2nd quarter 2010, preparation of the national legal system for the management of IPA;

- 2009-2010, training provided for all target bodies including the SPOs in the Line Ministries.

At the end of the ongoing IPA 2007 related project:

- A compliance assessment audit will be carried out. This exercise will comprise full financial and system audit by external auditor and will be financed in the framework of the IPS project mentioned in chapter 3.6.2.

In accordance with audit results the activities presented in this project fiche shall be carried out in 2010-2011.

The request for accreditation of Albanian Institutions for Decentralised Management of IPA funds for Component I is indicatively scheduled during the third quarter of 2010 according to the national Roadmap for decentralised management of IPA in Albania.

3.6 Linked activities

3.6.1 Projects financed by the European Union

1. CARDS 2001 project "Public Financial Internal Control I"

Under the assistance of the European Union, during the period 2005-2006, have been undertaken a number of activities for enforcement of the Public Internal Financial Control (PIFC) under the project 'PIFC I'. The most important outcomes achieved during this period were contributing towards the improvement of the Public Internal Financial Control and the Law for Internal Audit. In 2008 a new Directorate for the Harmonisation of Financial Legislation was established in the General Treasury Department in the Ministry of Finance.

2. CARDS 2005 project "PIFC II"

This first project was followed by a 'PIFC II' project, presently ongoing until 2010 and implemented by the UK National Audit Office together with its partner, the Polish Ministry of Finance.

The project is mainly focused on strengthening the internal audit structures in the state institutions.

The other aims of this PIFC II project are the introduction a new Financial Management Control Law which should set clear roles and responsibilities in the public sector regarding the use of public funds, a Financial Management Control Manual to explain how the use of public funds can be controlled, an updated Internal Audit Law and related Manual to PIFC environment. In addition a number of seminars will be held in order to raise awareness and training will be given to public administration.

3. IPA 2007 project: "Preparation of the Albanian Authorities for the Decentralisation of Management of EU assistance".

The overall cost is 1 M EUR. The project started on 15 January 2009 for duration of 18 months. The overall objective of the project is to adequately prepare Albanian authorities for Decentralised Management of IPA Component I 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 public financial management.

The beneficiary is the Ministry of Finance (CFCU, NAO, PAO, NF), the Ministry of European Integration, Sectoral Programme Officers (SPOs) in line ministries and internal and external audit structures.

- **As a condition for the start of the IPA 2007 project on Decentralised Management: SIGMA project from June-Dec. 2008**

In the period June-December 2008, the Ministry of Finance was assisted by the OECD/SIGMA experts for ToRs preparation for the TA project, financed under IPA 2007, for Decentralised Management preparation in Albania, drafting the road map for Decentralised Management for the IPA Component I, arrangements of two seminars concerning Decentralised Management for high/senior level (September 2008) and operational level (December 2008).

Furthermore, a TAIEX Seminar on Decentralised Management took place in Brussels on 24 March 2009, with participation of the Albanian high level officials responsible for the implementation of decentralised management.

The IPA 2007 TA support will be followed in 2010 by a compliance assessment of the preparation to Decentralised Management for IPA Component I that will be financed by the Integrated Planning System (IPS) project, managed by the World Bank and financed also by the EC under CARDS 2006 (see chapter 3.6.2).

This assessment will provide the recommendations to accomplish the last phase to get the accreditation of the Albanian Institutions for Decentralised Management.

One of the activities of the project presented in this project fiche will be to support the Albanian Institutions in fulfilling the recommendations provided by the assessment mentioned above.

4. IPA 2008 Project "Further improvement of the Albania's administrative capacity to manage and coordinate the SAA implementation process".

Beneficiary: Ministry of Integration, Council of Minister's services, Ministry of Finance (CFCU), line ministries, NGOs. Overall cost: EUR 2 million.

The project purpose is to strengthen the Ministry's of Integration (MoI) administrative capacity to manage the SAA implementation, to perform the NIPAC's responsibilities, to improve the legal coordination process and to ensure the sustainability of EU related reforms.

Component 1: Supporting law approximation with *acquis communautaire*.

Component 2: Improving EU assistance management capacities.

Component 3: Supporting implementation of MEI IT strategy.

Component 4: Support to the implementation of the Ministry of Integration Communication Strategy and Raising Awareness on EU Integration process.

5. Support to the implementation of cross-border programmes in Albania, in the framework of IPA Component II Cross Border Cooperation.

Project's duration is 16 months and the implementation started on 24 April 2008. The cost of the project is EUR 520,000 and has been financed from **CARDS Regional 2005-2006 contribution.**

The overall objective is to support the implementation of the programmes and related structures at national level - Operating Structure, Joint Monitoring Committees, Joint Technical Secretariats (JTS) and antenna- and local level (local and regional authorities as

well as the potential applicants) for an efficient and timely implementation of the cross-border programmes in which Albania participates under IPA Component II.

Some of the specific objectives are:

- To set up the joint management structures of the cross-border programmes of Albania - through covering the financial costs of their establishment and operations;
- To assist and train the JTS staff them so that they can start operating;
- To increase awareness and knowledge of final beneficiaries to prepare and implement cross-border projects;
- To offer support to the Albanian OS, JTS and beneficiaries through cost support, technical and administrative assistance, HRD and capacity building.

The target groups of the project are:

- The OS;
- The national and joint structures in charge of the management of the cross-border programmes (i.e. JTS);
- The potential applicants in the eligible regions.

6. Cross-Border Institutional Building (CBIB)

Beneficiary countries: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia, Montenegro as well Kosovo under UNSCR 1244/99.

The overall objective is to strengthen the capacities of the relevant management structures to programme and implement IPA CBC programmes at borders between candidate/potential candidate countries, strengthen the capacity of stakeholders within the eligible areas to prepare and implement joint cross border cooperation projects within the framework of IPA CBC Programmes and to enhance prosperity and good neighbourly relations through improved cooperation in the border regions of the beneficiary countries.

Component 1: Institutional Capacity for IPA CBC

Component 2: Project Preparation Capacity.

The CBIB project is financed under **CARDS Regional Programme 2006**.

First phase of the project (CBIB I) was implemented during 27 months (June 2006 - October 2008). It has a total budget of EUR 1,8 million. Office locations of the project CBIB I were in Belgrade (central office), Tirana, Skopje, Sarajevo.

Second phase of the project (CBIB II) started on November 24th 2008, with the planned duration of 18 months. The total budget to implement the project is EUR 1,55 million. Office locations of the project CBIB I are planned to be located in Tirana, Belgrade, Struga, Sarajevo, Zagreb and Kotor.

7. Capacity Building for Implementing the Rural Development Strategy.

This project will be implemented on the basis of a delegation agreement by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

The purpose of the project is to establish and strengthen the institutional and administrative capacities in the Ministry of Agriculture, Food and Consumer Protection to design, develop

and implement the correct policies and the appropriate supporting means for the development of agriculture and rural areas in the framework of EU pre-accession assistance programmes for IPARD.

The main expected results of the project are:

- to improve and consolidate the capacity of the Ministry of Agriculture, Food and Consumer Protection to undertake intermediate policy analysis;
- to establish a Basic Agricultural Information System (AIS);
- to create and make functional IPARD-Like operating structure for the management of funds available under IPA component V;
- to design and establish Information and Communication Technology (ICT) infrastructure.

The duration of the project is 28 months (09/2009 – 12/2011). The total budget of the project is EUR 5 million; EU financial contribution is EUR 2 million.

7. Project against Corruption in Albania - IPA Programming 2008

Overall cost: EUR 2.15 million. Beneficiary institution is the Council of Ministers of Albania:

- Department of Internal Administrative Control and Anti-corruption;
- Ministry of Education and Science of Albania;
- Ministry of Justice;
- Ministry of Finance (Department for Money Laundry Prevention).

The purpose of this project is to support Albanian government in strengthening its anti-corruption measures as set in the Anti-corruption Strategy (2007-2013) and to assist in implementing the recommendations issued by the Group of States against Corruption (GRECO) and select Expert Committee on Money - Laundering and Terrorism Financing (MONEYVL) and European Partnership commitments. Through a pilot Component, the project will assist the Albanian authorities to prevent and control corruption within the education system.

8. Technical Assistance to Ministry of Public Works, Transport and Telecommunications - IPA Programming 2008 (TA)

Overall cost: EUR 1 million.

The overall objective of the project is to strengthen local institutional capacity in effective management and implementation of EU and EU co-funded Programmes and to consolidate the co-operation process with the EU, to achieve effective planning, management and implementation of EU co-funded Programmes in the Transport Sector in Albania and in the continuing implementation of the Albanian National Transport Plan (ANTP).

9. CARDS 2005 Programme - "Capacity building to manage the Regional Development Component of the EU's Instrument for Pre-Accession and subsequently Structural Funds"

The amount allocated for the project is EUR 2.1 million; duration: two years.

The project purpose is “the transformation of the Mountainous Areas Development Agency (MADA) into a **National Regional Development Agency (NRDA)** responsible for the strategic management of national and EU regional policy (including IPA Regional Development Component and future structural funds) and strengthening of the capacity of County Development Agencies in selected quarks to identify, prepare, and implement project proposals”.

3.6.2. Actions by other donors

World Bank projects

1. Integrated Planning System Project 2008 - 2010

A Multi-Donor Trust Fund (MDTF) Agreement to support the Integrated Planning System (IPS) was signed on 17 January 2008 between the World Bank (WB) and the Government of Albania (GoA). The MDTF for IPS is administered by the WB and funds are provided by different donors including the European Commission.

The main components of the IPS projects are:

- Component 1: Strengthening planning/reporting for EU integration;
- Component 2: Implement Medium-Term Budget Programme (MTBP);
- Component 3: Public Investment Management;
- Component 4: Macro-economic Forecasting;
- Component 5: IPS coordination, oversight, communication;
- Component 6: NSDI and supporting sector/cross cutting strategies;
- Component 7: Aid Coordination;
- Component 8: Monitoring and Reporting.

Under the first component linked to “European Integration”, three projects shall support the country’s integration process through performing a needs assessment of administrative capacity to implement the Stabilisation and Association Agreement obligations and on basis of those to design a long term training strategy (4-5 years) to address SAA needs. The resulting training courses identified through the long term training strategy would be delivered through the Training Institute for Public Administration on ongoing basis.

A separate activity under the first component of the 'IPS project' is planned towards the needs of contracting a consulting company to realise a “Compliance Assessment Audit of the Decentralised Management target institutions” linked to the needs of the Albanian preparation for Decentralised Management accreditations for management of EU funds (under the IPA instruments). The planned allocation/budget is EUR 100,000.

2. World Bank project "Public Administration Reform in Albania" 2000-2007

The World Bank and the GoA signed in 2000 a credit agreement (IDA 3328-ALB), to promote Public Administration Reform in Albania (PARP). The aim of this programme is to formulate the needs of the Albanian central public administration in greater detail in order to improve performance, transparency, and accountability by, inter-alia, avoiding superfluous structures or functions and rationalising public administration bodies.

A functional reviews project financed under the PARP carried on 2005-2007 aimed to improve Public Functions of Central Institutions in Albania. The MoF has been one of the key

Ministries that benefited from a WB funded Project Public Administration Reform of USD 8.5 million (Approximately EUR 7 million).

The following components in the field of strengthening of public financial management were addressed to the MoF:

- (i) Enhancement of macro and fiscal analysis;
- (ii) Strengthening of budget planning and budget execution;
- (iii) Establishment of an integrated IT system for Treasury;
- (iv) Developing of human capacities (this component was addressed also to the staff of the Council of Ministers and the Department of Public Administration).

3. German project: "Support to the Implementation of EU Harmonised Albanian Legislation"

Donor name: German Federal Ministry for Economic Cooperation and Development on "Support to the Implementation of EU Harmonised Albanian Legislation". The cost of the Project is EUR 620,000 and the period of implementation is January 2007 – December 2009.

The objective of the project: Strategies and instruments for the continuous information and training of civil experts, authorities, prosecuting offices and courts, responsible for the application, interpretation and enforcement of the reformed law are elaborated and applied successfully.

3.7 Lessons learned

Setting up of necessary inter-ministerial coordination and dialogue is crucial to facilitate Decentralised Management preparations. Setting up and building sustainable administrative capacities of the target bodies in different institutions is a key factor. Some of Decentralised Management target institutions have limited experience to test structures and operations before conferral of management by EU Commission. PHARE and CARDS programme in Albania have provided opportunity for organisations to gain experience among Project Management Unit /Project Implementation Unit, but it is expected that newcomers will be hired by targeted bodies due to the increasing staff need and also due to staff turnover and differences of remunerations. Therefore, political commitment towards EU integration and Decentralised Management is another important factor to accelerate preparations, especially from the side of the Ministry of Finance.

4. Indicative Budget (amounts in EUR million)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c) (d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional / Local EUR (y)	IFIs EUR (z)	EU R (d)	% (2)
Activity 1,2, 4,5												
contract 1.1	x	—	1.35	1.35	90	-	-	-				—
Activity 3												
contract 2.1	x	—	0.15	0.15	10	-	-	-				—
TOTAL IB			1.5	1.5	100	-						
TOTAL INV			-	-	-	-						
TOTAL PROJECT			1.50	1.50	100	-	-					

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 (activities1;2;4;5)	1 st Quarter 2010	3 rd Quarter 2010	3 rd Quarter 2012
Contract 2 (activity 3)	4 th Quarter 2010	1 st Quarter 2011	3 rd Quarter 2011

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA.

6. Cross cutting issues

6.1 Equal Opportunity

The principle of equal opportunity will be integrated into all stages of the project implementation, which it is also in conformity with the Albanian Constitution which provides for equal opportunity for men and women be treated equally despite of their race, nationality, gender, origin, religious and political beliefs.

6.2 Environment

The project has no implication to the issues of environment.

6.3 Minorities

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal opportunity for minorities.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
- 5- Details per EU funded contract (*) where applicable:

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number	
		IPA 2009 project: "Improvement of the Albania's preparedness for Decentralised Management"	
		Contracting period: expires 2 years following the date of the conclusion of the Financing Agreement	Disbursement period 2 years after contracting deadline
		Total budget: EUR 1.5 million	IPA budget: EUR 1.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
The objective of this project is to have the Albanian Administration ready to manage EU financial assistance and resources in a decentralised manner and in compliance with the IPA Implementing Regulation no 718/2007 of 12 June 2007 and especially its article 10(1).	Achieving Albania's accreditation for the IPA Components by the EC	EC accreditation report	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To ensure further development of the Decentralised Management process in order to prepare the Albanian Government for accreditation to manage IPA support for all Components, especially Components II to IV, under a decentralised system as soon as the appropriate structures are operational and funds available.	Effective and timely management of EU funds CFCU Sound financial management and Internal Control procedures in place	Progress report in Decentralised Management preparation process for management of IPA funds under different Components Compliance assessment report by external auditors EC Assessment/accreditations reports EC accreditation reports	Decentralised Management target bodies fully staffed and operational Albania's accreditations for Decentralised Management for IPA Components (II-IV) Quality and financial/control standards reached in implementation of programs and projects
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
The institutional framework Decentralised Management is set up for IPA Components II-V. The Decentralised management Target	Reporting on the level of Albania's institutions preparedness	Progress report in Decentralised Management preparation process for management of IPA funds under different Components	

bodies / institutions' structures set up and revised for all IPA Components. Procedural manuals and administrative capacities to ensure effective protection of the EU's financial interests are developed / and enhanced. The principles of decentralised managerial accountability and internal control are properly developed, and implemented and maintained. Capacities for external audit, financial control management and internal control are further strengthened. The country legal framework fully in compliance for an efficient implementation of the Decentralised Management.	concerning the Decentralised Management of IPA funds	Compliance assessment report by external auditors EC Assessment/accreditations reports EC accreditation reports	
Activities	Means	Costs	Assumptions
Activity 1: Capacity building and training of the target bodies for management of the decentralised Management for IPA (Component I). -Provide systematic coaching, support in problem solving and on the job training; - Update and further improve operational manuals of target bodies in response to newly detected shortcomings during compliance assessment; - Develop training program for the new staff in the target bodies and advanced training for senior / experienced staff; -Arrange team training for the staff in National Fund (NF), Central Financing and Contracting unit (CFCU), Internal Control for EU funds. Activity 2: Technical assistance for the establishment of the framework for the management and control system for Components II, III and IV (EC Roadmap, stage 0)	Administrative capacities of the NF, CFCU, internal and external auditors are improved and enhanced. Manuals of operations are updated. Well structured and staffed Decentralised Management target institutions. Institutional relationship among MoF, MEI and the SPOs in Line ministries are in place and functional.	Activities: 1, 2, 4 EUR 1,35 million	Commitment of political Authorities to the Decentralised Management process towards ensuring accreditations of Albania for Decentralised management of IPA components (I-IV) Commitment of local staff Staff turnover is kept in low scale Ensuring incentives for keeping trained people in Decentralised Management target bodies. Available counterpart Sufficient staff and resources dedicated Demonstrated political support to Decentralised Management

- Provision of an in depth review and set-up (insofar as possible and practicable at this stage) of the administrative and organisational structures necessary in the relevant Ministries concerning operating structures (OS) and internal control standards, for decentralised management with ex-ante control for IPA Components II to IV; - Design and establish a system of internal controls and procedures with ex-ante control for IPA Components II to IV; - Increase the practical knowledge and the know how of the EU funds management system, procurement and irregularity procedures.	experts trained from the NF, CFCU, SPO, internships are arranged. The institutional framework for Decentralised management is set up for IPA Component II to IV, legal framework fully in compliance for an efficient implementation of the Decentralised Management under IPA components II-IV;	EUR 0,15 million Description of internal financial control procedures; Gap Assessment Report (GAR)	Available counterpart Sufficient staff and resources dedicated Demonstrated political support to Decentralised Management
Activity 3: GAP assessment for Components II, III and IV (EC Roadmap, stage 1) - Assistance to the Competent Authorising Officer (CAO) to prepare a description of the existing operating structures; - Assistance to the CAO to describe all existing procedures, including internal financial control procedures and national procurement procedures in a report, that should be considered the draft version of the description of the management and control system in Albania. Activity 4: Gap plugging for Components II, III and IV (EC Road map, stage 2) - Assistance to the national authorities to prepare a work programme setting out actions and timetable and workflow charts of actions, responsibilities and deadlines for recommendations in the Gap Assessment Report; - Assistance to the national authorities to implement the above mentioned work programme;	Audit by external body. Gap assessment report prepared.		

- Provide complementary training, seminars, study-visits for the relevant staff for the management of IPA Component II - IV - Assist MoF, MEI, relevant line ministries and designated implementing agencies to develop financial management and control procedure manuals; - Assistance to the internal and external audit bodies to develop manuals.	A work programme setting out actions and timetable for recommendations in the Gap Assessment Report prepared; work programme implemented: staff trained; financial management and control procedure manuals developed, e- External and internal audit manuals prepared.	
Activity 5: Technical assistance for IPA component V		

ANNEX 2: Amounts (in EUR million) Contracted and disbursed by quarter (Q) for the project N/A

Contracted	1 Q 2010	2 Q 2010	3 Q 2010	4 Q 2010	1Q 2011	2 Q 2011	3 Q 2011	4 Q 2011	1 Q 2012	2 Q 2012	3 Q 2012	4Q 2012
Contract 1			1.35									
Contract 2				0.15								
Cumulated			1.35	1.50								
Disbursed												
Contract 1				0.35		0.35		0.35				0.30
Contract 2					0.06			0.09				
Cumulated				0.35	0.41	0.76		1.20				1.50

ANNEX 3 - Description of Institutional Framework

In September 2007, the Government of Albania approved a decree (no.596) nominating the key officials for IPA Decentralised Management (Competent Accrediting Officer, National IPA Coordinator, National Authorising Officer, Programme Authorising Officer). The same decree also established that the CFCU will be set up in the Ministry of Finance. The Framework Agreement for IPA assistance between the European Commission and the Government of Albania was signed on December 2007.

The CFCU was re-organised recently on mid-2008. The new structure, basically transforms the CFCU into a General Directorate with three subordinate departments. (Financial Management, Procurement and Contracting, Monitoring and Ex-Ante Control directorates)

Following the establishment of the Albanian Operating Structure for Component I, the NAO is accountable to the CAO and the EC for the effective and efficient functioning of all the operating structures and ultimately for all implementation transactions. It is critical that the NAO has the appropriate authority and the tools necessary to properly fulfil this accountability.

The NIPAC office has a programming role in the Component I operating structure. For these tasks, the NAO's accreditation role is limited to ensuring that the NIPAC office's control systems/staffing are properly designed. It is the NIPAC who is accountable for delivery of appropriate Component I programmes and project-level monitoring which are the outputs of those accredited systems. IPA Component I, Operating Structure is composed by all of the following:

- a) CFCU as Implementing Agency;
- b) All relevant Line Ministries or bodies with equivalent tasks- called 'Implementing Authorities' or IPA Units. The Senior Programme Officers (SPOs) in the Line Ministries are designated by the PAO, Art. 75(3);
- c) All relevant internal audit services;
- d) NIPAC office which exercises programming and programme monitoring.

In Component I, the PAO and ultimately the NAO are accountable for supervising the Line Ministries, across ministerial boundaries. This is a particularly challenging responsibility for Component I. Line Ministries are within the 'operating structure' in order to be fully within the scope of the Compliance Assessment Report and within the NAO's and CAO's accreditations. Therefore the Line Ministries are each individually considered as directly part of the 'operating structure' for Component I- and thus they are not subject each one to the full accreditation process.

According to the Albanian Road Map of December 2008, the National Fund will be established and its structure and staffing will be completed during the third and fourth quarters of 2009. An Audit Authority will be also established during 2009 according to the same document.

The IPA 2007 project 'Preparation of the Albanian Authorities for the EU's Decentralised Implementation System' has started in 15 January 2009 and much depends on its success to prepare the ground for this IPA 2009 project "Improvement of the Albania's preparedness for Decentralised Management".

The purpose of the IPA 2007 project is to assist Albanian institutions preparing for EU's Decentralised Management for the IPA Instrument (Component I. TA-IB). It shall last till July 2010 and upon its completion the following aims of the Albanian IPA framework will be satisfied:

- The NAO and the CAO have reasonable assurance for making the accreditation decisions;
- The structures implementing the programmes under Component I of IPA have all the relevant procedures' manuals and other material tools for successful implementation of the IPA programmes. These procedures meet the minimum requirements established within the abovementioned Commission Regulation;
- Re-organisation of the target institutions;
- Roles, tasks, responsibilities and procedures between different management lines developed and elaborated in written for all the key functions;
- Principles, instructions and manuals of procedures for the NF and the CFCU in the MoF have been developed;
- Relevant legislative and institutional framework amendments have been prepared;
- The staff of the administration implementing the IPA Component I programmes is skilled and trained for carrying out the upcoming activities and following the procedures related to the management of the IPA programmes;
- Comprehensive practical knowledge of the EU fund management system, procurement and irregularity procedures in similar institutions in other countries have been passed to relevant officials;
- Sound financial management and internal control systems have been established, as well as the relevant structure and capacities are in place to effectively coordinate, manage and implement EU assistance.

Before conferring the decentralised management of IPA funds to Albania, the EC needs to gain from the NAO and the CAO evidence on the existence, relevance and proper operation in accordance with the rules of sound financial management of all entities/bodies/structures which would be involved in the management of IPA in Albania.

It means that:

- The NAO and the National Fund must obtain an accreditation from the CAO based on an audit referred to as a Compliance audit, to be allowed to manage IPA Component I;
- Operating Structure, and the NIPAC for IPA Component I, must obtain an accreditation from the NAO, based on an audit referred to as a 'Compliance audit', to be allowed to manage the IPA Components they are assigned;
- The NAO and the CAO, on the basis of the results of the Compliance audits referred to above must submit to the EC, for IPA Component I and separately for each IPA Component in the future, a request to confer on Albania the management of aid provided under IPA on a decentralised basis. Their request(s) must be supported by an "Accreditation package".

According to the previously mentioned IPA Roadmap, a compliance assessment will take place at the second quarter of 2010. All the issues, gaps and shortcomings that have been raised by the independent auditors shall be resolved, if presented on time, by IPA 2007 project. Else they will be addressed immediately at the beginning of the present project IPA 2009 "Improvement of the Albania's preparedness for Decentralised Management".

ANNEX 4 Reference to laws, regulations and strategic documents

List of relevant laws and regulations for Decentralised Management in Albania:

- i) Government of Albania Decision no.596 of 5 September 2007 on "Setting up Key actors and institutional bodies concerning Decentralised Management of IPA funds".
- ii) PM order for changes on the structures of the Ministry of Finance (no.93 of 13 June 2007 and no. 81 of 3 July 2008).
- iii) Law no. 9840 of 10 December 2007 on "Ratification of Framework Agreement between the Council of Ministers of Republic of Albania and the Commission of European Communities about rules and regulations for management of EU funds under IPA Instruments".
- iv) Law no. 9009 of 13 February 2003 on "Internal Audit in the Public Sector".
- v) Decree of Council of Ministers no 345 of 1 June 2004 on the "Approval of a manual of Internal Audit Procedures, Ethic Code on Internal Audit and Public Internal Audit Letter".
- vi) DCM no 806 of 6 December 2006 on the "Approval of Financial Auditing Methodology".
- vii) Law no 8270 of 23 December 1997 on "High State Control", and its amendments of 1st June 2000 (Law no 8599).

ANNEX 5 Details for EC funded contracts

The project will be implemented through three service contracts. All contracts will be financed 100% by IPA funds.

Contract 1

- Activity 1: Capacity building and training of the target bodies for management of the decentralised Management for IPA (Component I);
- Activity 2: Technical assistance for the establishment of the framework for the management and control system for Components II, III and IV (EC Roadmap, stage 0);
- Activity 4: Gap plugging for Components II, III and IV (EC Road map, stage 2).

The Contractor will be required to deliver activities in broad accordance with sections 3.3 and 3.4 of the Project Fiche (Results and measurable indicators; Activities). A detailed proposal and clear methodology on the content and method of the activities will be submitted by contractor at the contractual phase.

Contract 2

- Activity 3: GAP assessment for Components II, III and IV (EC Roadmap, stage 1).

In line with the document 'Roadmap to Decentralised Management (DIS) for IPA Activity 3 (GAP assessment for Components II, III and IV) will be carried out by independent audit company. The contractor(s) will be mobilised under the Framework Contract Commission procedure.