

ANNEX 1

COUNTRY ACTION PROGRAMME FOR ALBANIA FOR THE YEAR 2015

1 IDENTIFICATION

Beneficiary	Albania
CRIS/ABAC Commitment references	2015/038715 objective 1
Total cost	EUR 63,782,892.00
EU Contribution	EUR 59,900,000.00
Budget lines	22.02.01.01
CRIS/ABAC Commitment references	2015/038716 objective 2
Total cost	EUR 30,000,000.00
EU Contribution	EUR 30,000,000.00
Budget lines	22.02.01.02
Total cost of the Programme	EUR 93,782,892.00
EU Contribution to the Programme	EUR 89,900,000.00
Management Mode/ Entrusted entities	<p>Direct management by the European Commission</p> <p>Indirect management with Albania. The operating structure responsible is the Central Finance and Contracting Unit (CFCU) within the Ministry of Finance for:</p> <p><u>Partially</u> action 2: EU integration facility</p> <p><u>Fully</u> action 3: Support to participation in Union Programmes and Agencies. Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</p> <p><u>Partially</u> action 4: Consolidation of law enforcement agencies - Support to the Albanian State Police and Prosecutor's Office</p> <p><u>Partially</u> action 5: Sector reform contract for employment and skills</p> <p>Indirect management with UNDP <u>partially</u> for action 1: Sector reform contract for public administration reform</p> <p>Indirect management with UN Women <u>partially</u> for action 2: EU integration facility</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2016
Final date for concluding <u>procurement and grant</u>	3 years following the date of conclusion of the Financing Agreement,

<u>contracts</u>	with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement.
Programming Unit	Unit D4, DG NEAR
Implementing Unit/ EU Delegation	European Union Delegation to Albania

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

The Commission has identified five key priorities in view of the opening of negotiations, for which the Albanian Government has devised a roadmap:

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

The IPA 2015 programme intends to support the implementation of the roadmap. With respect to key priority 1, a specific sector reform contract (budget support operation) for public administration reform (PAR) has been devised, which is expected to further accelerate changes, particularly in the area of policy planning, human resources management, accountability of public officials and e-governance.

In the same policy area, the IPA 2015 EU integration facility provides a wide range of operations to further increase capacity across the administration, including fellowships for civil servants to spend a study period in a Member State school of public administration, advice to line ministries on key aspects of the accession process and implementation of the *acquis*, engagement with civil society on the EU integration process and support for the preparation of sector strategies, action plans and projects to be proposed for EU financing. Civil servants of line ministries will also benefit from the participation of Albania in a number of EU Programmes, where they will be dealing with best practices in the implementation of EU sector legislation.

In order to fulfil key priorities 3 and 4, the IPA 2015 programme includes a pertinent action to increase the coordination among law enforcement agencies, notably the Albanian State Police and the General Prosecutor Office. It is envisaged to launch the fifth edition of the PAMECA mission (Police Assistance Mission of the European Commission in Albania), which has so far resulted in a key policy instrument to advice on rule of law reforms and measures.

The Government's economic reform programme 2015-17, which has been assessed by the Commission, identifies the country's growth and competitiveness obstacles and outlines a number of relevant measures to address them. The Commission assessment was the basis for country-specific policy guidance jointly adopted in May 2015 by the Ministers of Finance of EU Member States and Albania.¹ As far as the employment and skills policy is concerned, the policy guidance has recommended focusing on the vocational education and training system in order to improve the relevance of the educational offer against the needs of the labour market. As a result, the IPA 2015 programme includes a sector reform contract (budget support operation) for employment and skills, which is going to trigger a number of measures aiming at enhancing the labour force in the transition towards a knowledge-based economy.

List of Actions foreseen under the selected Sectors/Priorities:

Sector 1 - Democracy and Governance

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
N.a.	N.a.	Sector reform contract for public administration reform (budget support and complementary technical assistance)	32,000,000
EU integration facility	4,700,000	EU integration facility	9,200,000
Support to participation in Union Programmes	1,000,000	N.a.	N.a.
TOTAL	5,700,000	TOTAL	41,200,000

Sector 2 - Rule of law and fundamental rights

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
Consolidation of law enforcement agencies - support to the Albanian State Police and Prosecutor's Office	7,000,000	Consolidation of law enforcement agencies - support to the Albanian State Police and Prosecutor's Office	6,000,000
TOTAL	7,000,000	TOTAL	6,000,000

Sector 3 - Education, employment and social policies

INDIRECT MANAGEMENT WITH ALBANIA (EUR)		OTHER IMPLEMENTATION ARRANGEMENTS (EUR)	
Sector reform contract for employment and skills (complementary technical assistance)	3,000,000	Sector reform contract for employment and skills (budget support)	27,000,000
TOTAL	3,000,000	TOTAL	27,000,000

¹ Economic and Financial Affairs Council Conclusions of 12 May 2015, notably the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey.

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	DEMOCRACY AND GOVERNANCE	EUR 46,900,000
Action 1	Sector Reform Contract for Public Administration Reform (PAR)	Direct management
		EUR 28,000,000 (budget support)
		EUR 500,000 (monitoring)
		Indirect management with UNDP
		EUR 3,500,000 (complementary technical assistance)
		Total
		EUR 32,000,000

Sector Budget Support

a) Context of the budget support and eligibility criteria

In the Enlargement Strategy 2014-2015, the European Commission strengthened its focus on Public Administration Reform (PAR) considered as one of the fundamental challenges Western Balkans countries have to cope with during the accession process. In conjunction with the EU-OECD support for improvement in governance and management (SIGMA initiative), the Commission has devised six principles to guide the PAR process: (i) strategic framework of public administration reform, (ii) policy development and coordination, (iii) public service and human resources management, (iv) accountability, (v) service delivery and (vi) public finance management.

With respect to these six PAR principles, SIGMA assessments on Albania have pointed out a number of problematic areas such as the capacity to draft policies and legislation; the effective implementation of the Civil Service Law in view of establishing a professional civil service at all levels of the administration; the independency of the Commissioner for the Oversight of the Civil Service and the effective follow-up of its recommendations; the overall transparency of public administration procedures.

In April 2015 the Government has adopted the cross-cutting PAR strategy 2015-2020, which is addressing the identified problems along four major programming strands: (i) policymaking and quality of legislation; (ii) organisation and functioning of public administration; (iii) civil service and human resource management; (iv) administrative procedures and oversight.

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

The SRC for PAR is subject to four eligibility criteria being met both when the programme is approved and at the time of each budget support disbursement:

- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the public finance management reform strategy;
- Satisfactory progress with regard to transparency and the public availability of timely, comprehensive and sound budgetary information;
- Satisfactory progress with regard to the implementation of a credible and relevant public policy by implementing the PAR strategy.

b) Objectives

The overall objective of the SRC is to assist the Government of Albania in enhancing transparency, accountability and effectiveness of the public administration, with greater focus on the needs of citizens and businesses in view of creating a solid administrative basis for implementing the EU *acquis*. In line with the PAR strategy 2015-2020, the specific SRC objectives are to:

- Improve planning and coordination to draft government strategic documents, which turn priorities into concrete actions;
- Establish a transparent and all-inclusive system of drafting laws, which is based on agreed policies and ensures the alignment with the *acquis*;
- Establish a professional, impartial, independent and merit-based civil service;
- Reduce corruption through increased accessibility and quality of public services;
- Enhance accountability of public officials.

c) Expected results

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

- Aligned strategic planning and policy making to the Government's medium term budget program;
- Inclusive, participatory and evidence-based policy making and legislative development;
- Efficient and effective implementation of civil service legislation and management of human resources in full compliance with the law;
- Improved public services with a higher level of e-governance and ICT infrastructures;
- Enhanced accountability of public officials;
- Improved strategic management framework, performance monitoring system and sustainable financial resources for the implementation of the PAR strategy.

The outputs of this four-year SRC will be further defined in the performance assessment framework of general criteria and indicators related to key PAR measures and reforms the Government is expected to fulfil in order to obtain the disbursement of the fixed and variable tranches.

d) Main sector budget support activities

The budget support methodology applied to PAR is based on the following activities:

- Transfer of EUR 28 million in fiscal years 2016, 2017, 2018 and 2019 when disbursements of budget support tranches are indicatively expected;
- Complementary support to strengthen the functioning of the 61 newly created municipalities for the implementation of the recent territorial administrative reform;
- Continued effort to reinforce the Government's institutional capacities to implement the PAR process;
- Political and policy dialogue with the Government on the implementation of the PAR strategy 2015-2020 and the key objectives under this SRC;
- Strengthened policy dialogue between the Government and the EU Delegation and other donors active in the sector to align activities;
- Efficient reporting on PAR-related reforms by relieving the Government from multiple reporting duties and relying on the Government's structure for monitoring the implementation of the reforms;
- Regular monitoring of budget support eligibility criteria.

e) Complementary actions under direct management

Essential elements of the action:

The global budgetary envelope reserved for procurement: EUR 500,000.

An indicative number of three service contracts for monitoring, communication and visibility and audit.

Indicative time frame for launching the procurement procedure: as from Q2 2016.

f) Complementary actions under indirect management with UNDP

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

The accompanying technical assistance will support the implementation of the PAR strategy for the municipalities and ensure the improvement of their performance in line with the new legislative and operational framework set out by the territorial administrative reform.

The expected results of the accompanying technical assistance are:

- Improved efficiency, transparency, accountability and inclusiveness of local government structures;
- Strengthened local strategic planning and improved management of financial resources;
- Enhanced responsiveness to citizens and strengthened business-friendly administration, thus improving the quality of local democracy and service delivery.

Key performance indicators:

- Number of newly elected mayors, local administrators and councillors trained on the PAR strategy and application of the Civil Service Law;
- Establishment of a permanent help-desk for on line support to municipalities;
- Establishment of a comprehensive performance management system for monitoring municipal performance.

Assumptions and conditions

The assumption of the action is that the central Government (Minister of State for Local Affairs) maintains the political momentum on the public administration reform roll out and applies the implementing bylaws related to the territorial administrative reform.

Entity entrusted with budget implementation tasks

The selected entity to implement this action is the United Nations Development Programme (UNDP), which in the last four years has provided assistance to the municipalities in the framework of the support to territorial administrative reform (STAR) project. This is a trust fund to cover the transitional reform implementation costs, which pools resources from various donors. Under the leadership of the office of the Minister of State for Local Affairs and in accordance with the UNDP procurement rules, the trust fund provides the necessary financial support and institutional knowledge to accompany the introduction of the new administrative procedures and institutional arrangements envisaged under the territorial reform. The ongoing phase of the project closes in December 2015. Since the initiative has so far been productive and has ensured the appropriate level of ownership of the reform by the Ministry of Local Affairs, the Commission intends to provide funds for its continuation.

Short description of the tasks entrusted to the entity

UNDP will be granted budget-implementation tasks via a delegation agreement of EUR 3.5 million in order to establish through an open call for applications a roster of

expertise in different areas relevant to the public administration and territorial reform requirements such as legal issues, governance, fiscal decentralisation and local economic development. The roster will be activated by the office of the Minister of State for Local Affairs depending on the needs of the various municipalities. Regional coordinators mobilised by the trust fund will also build the necessary political consensus around the reform.

Action 2	EU integration facility	Indirect management with Albania	EUR 4,700,000
		Direct management	EUR 7,500,000
		Indirect management with UN Women	EUR 1,700,000
		Total	EUR 13,900,000

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

The EU integration facility will provide *ad hoc* expertise for EU *acquis* reforms and will respond to political needs for the fulfilment of the five key priorities for the opening of accession negotiations. The objectives are to:

1. Support the public administration with dedicated capacity building actions targeting proficient and highly motivated civil servants in order to strengthen their skills to manage the EU integration and negotiation process;
2. Improve the regulatory framework and functions of key institutions, such as the Central Bank and the Competition Authority;
3. Create a pool of experts from public administrations of Member States and private sector in order to strengthen high-level EU integration capacity (e.g. senior advisors to ministries dealing with the most relevant *acquis* chapters).
4. Enhance the policy dialogue with civil society organisations (CSOs), including social partners (trade-unions and employers' organisations), on the EU integration agenda and inform the broader public opinion about the integration process.
5. Design realistic national sector strategies and action plans and increase the maturity of action proposals to be presented by the Government for future EU funding.
6. Ensure that infrastructure/connectivity investments are properly identified, planned and prepared for possible financing by the EU (e.g. WBIF) or other donors or via national funds and facilitate the work of the National Investment Committee and its technical secretariat in order to strengthen investments prioritization.
7. Ensure that policies and reforms are planned in a more equitable manner and effectively implemented by line ministries and municipalities with an increasingly gender perspective.

The expected results are:

1. Capacity of civil servants increased through scholarship schemes for post-graduate masters on policy studies in Member States schools of public administration;
2. Improved regulatory framework in accordance with the *acquis* and streamlined functions of key national institutions such as the Bank of Albania and the Competition Authority;

3. Further implementation of the *acquis* reforms and further progress in the fulfilment of the key priorities for the accession process as a result of expertise provided to high level officials in ministries;
4. Policy dialogue with the CSOs and social partners and enhanced awareness on EU integration;
5. Increased capacity of line ministries to develop realistic sector strategies and actions plans and increased maturity of actions for possible EU financing;
6. Coherent prioritization of infrastructure/connectivity investments and well-designed documentation concerning investments to be financed under IPA (e.g. WBIF), including feasibility studies and designs;
7. Reform cycle, i.e. from policy down to individual actions/projects, defined with a gender perspective; the gender perspective mainstreamed into planning and service delivery at municipal level.

Key performance indicators:

- Advancement in the composite indicator for public administration reform of the IPA II country strategy paper, notably the average of the index for government effectiveness, burden of government regulation and regulatory quality.
- Number of civil servants benefitting from scholarship schemes and reintroduced in the Albanian administration at middle management positions after the scholarship;
- % of CSOs recommendations/proposals taken into account in the decision making process – if measurable;
- Number of strategies and action plans based on cost analysis and reflected in the mid-term budget program of the Government;
- Number of actions financed under IPA based on well-designed preparatory documents, including designs and feasibility studies for infrastructure/connectivity investments;
- Positive trend in the gender inequality index.

(2) Assumptions and conditions

The potential of the facility can be fully exploited under the condition that (i) the Government maintains reform momentum in the fulfilment of the five key priorities, (ii) the civil service law is fully implemented and respected, (iii) the Government maintains a dialogue approach with CSOs, (iv) the Government has defined key and realistic priorities for each sector, (v) line ministries have sufficient capacities to translate into action the sector policy plans, which this facility aims to design and support and (vi) the Government has a functioning central policy planning system, where the gender perspective can be properly introduced as a mainstreaming policy.

(3) Implementation arrangements for the action

Indirect management with Albania for results 1, 2, 4, and 5

Short description of the tasks entrusted to the entity

The part of the action related to results 1, 2, 4, and 5 will be implemented under indirect management by the Central Finance and Contracting Unit (CFCU) within the Ministry of Finance with an overall amount of EUR 4,700,000 as EU contribution. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of this part of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the

principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Direct management for results 3 and 6

Essential elements of the action:

The global budgetary envelope reserved for procurement: EUR 7,500,000.

An indicative number of ten service contracts, ten specific contracts under existing framework contracts and five supply contracts.

Indicative time frame for launching the procurement procedure: as from Q2 2016.

Indirect management with UN Women for result 7

Entity entrusted with budget implementation tasks

The selected entity to implement the action related to result 7 is the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), which is the mandated UN body to define global standards and norms for the full respect of women and to assist UN Member States to implement them. UN Women stands ready to provide suitable technical and financial support to central and local level administrations and to forge effective partnerships with civil society in the recipient country. It is therefore considered the appropriate implementing partner to achieve the results envisaged under this component of the EU integration facility.

Short description of the tasks entrusted to the entity

UN Women will be granted budget-implementation tasks through a delegation agreement of EUR 1,700,000 to mobilise experts who will (i) organise vocational training programmes for central and local level civil servants on gender mainstreaming across sector policies; (ii) feed the Government policy planning process with an effective gender perspective; (iii) increase the gender approach in the service delivery at municipal level.

Action 3	Support to participation in Union Programmes and Agencies	Indirect management with Albania	EUR 1,000,000
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Description of the action, objective, expected results and key performance indicators

The action will facilitate the participation of Albanian institutions in Union Programmes and in the Agency for Fundamental Rights. It will promote further alignment of the country with EU policies and working methods and will increase the Albanian active participation and commitment to Union Programmes. The action will provide an opportunity for relevant stakeholders (universities, research centres, think tanks, NGOs, foundations, associations, local and central authorities) to be part of training initiatives and research and technological development projects at European level.

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

	Title of Union Programme	Institutions involved in the participation
1	Horizon 2020	Ministry for Innovation and Public Administration; Ministry of Environment; Ministry of Education and Sports;

		Ministry of Economic Development, Trade and Entrepreneurship;
2	Customs 2020	Ministry of Finance
3	Fiscalis 2020	Ministry of Finance
4	Programme for Employment and Social Innovation (EaSI)	Ministry of Social Welfare and Youth
5	Erasmus +	Ministry of Education and Sports Ministry of Social Welfare and Youth
6	COSME	Ministry of Economic Development, Trade and Entrepreneurship
7.1	Creative Europe sub-programme Culture	Ministry of Culture
7.2	Creative Europe sub-programme Media	Ministry for Innovation and Public Administration
8	Europe for citizens	Ministry of Culture Ministry of Social Welfare and Youth
9	EU Fundamental Rights Agency	Ministry of Justice

Key performance indicators:

- Albania's institution participation rates in the different Union Programmes;
- Number of successful applications to the Union programmes.

Assumptions and conditions

The Government is expected to sign the participation agreement for each Union Programme/Agency in due time and allocate in the annual budget the necessary amounts to finance the annual cost of participation (entry ticket), which this action intends to partially co-fund.

Short description of the tasks entrusted to the entity

The National Authorizing Officer will send a specific request of funds to the EU Delegation for the participation in Union Programmes and Agencies. Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.

SECTOR 2	RULE OF LAW AND FUNDAMENTAL RIGHTS	EUR 13,000,000
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Action 4	Consolidation of law enforcement agencies - support to the Albanian State Police and Prosecutor's Office	Direct management	EUR 6,000,000
		Indirect management with Albania	EUR 7,000,000
		Total	EUR 13,000,000

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

The action will improve the capacity of the Ministry of Interior, the Albanian State Police (ASP) and the General Prosecutor Office (GPO), as well as other law enforcement bodies, in tackling organised crime, money laundering and corruption in a

proactive manner. It will also increase the capacity in responding to local community needs in terms of public security and border management challenges in terms of flow of migrants and asylum seekers. A pool of police officials, as well as prosecutors, from Member States will form the fifth edition of the PAMECA mission (Police Assistance Mission of the European Commission in Albania) aiming at providing strategic advice to law enforcement institutions.

In addition, the action will provide law enforcement institutions with strategic equipment, such as specialised vehicles for patrolling, reliable radio communication network and modern interception system for the GPO in accordance with EU standards.

The expected results are:

1 - Improved performance and investigation capacity of ASP and GPO, as well as all other law enforcement bodies, supervisory authorities and reporting entities through the delivery of technical assistance in the following areas:

- fight against serious/organised crime with special focus on drug cultivation and trafficking;
- fight against corruption crimes (in particular high level corruption);
- anti-money laundering, financial investigations, seizure and confiscation of assets;
- structuring of the organization, the human resources, the logistics and the budgeting of the ASP and GPO;
- strategic Planning for Ministry of Internal Affairs, state police and GPO;
- integrated border management with particular focus on the challenges of irregular migration and asylum seekers.

2 - Improved performance and investigation capacity of ASP and GPO, as well as all other law enforcement bodies, supervisory authorities and reporting entities through the delivery of the following indicative equipment:

- New vehicles for standard and special operations;
- New technological developments including radio-communication systems;
- New interception system for the GPO.

Key performance indicators:

- Advancement in the IPA II Country Strategy Paper composite indicator for judicial reform, notably the average of the index for access to justice and judicial independence
- Advancement in the IPA II Country Strategy Paper composite indicator for fight against corruption and organised crime, notably the average of the index for global corruption and control of corruption.
- Annual increase of final convictions for crimes related to criminal organizations and traffic of narcotics
- Annual increase of final convictions and sanctions related to conflict of interest and asset declarations
- Increase in seizure of drug cultivation;
- Increase of confiscated assets as a result of investigations against crime and corruption.

(2) Assumptions and conditions

Before tendering the relevant supplies, the Government must ensure that the appropriate regulatory framework in accordance with EU standards is in place, with particular regards to the interception system.

(3) Implementation arrangements for the action

Direct management for result 1

Essential elements of the action:

Grant (EUR 6,000,000): in Q3 2016 it is foreseen to launch a call for proposals related to the fifth edition of the PAMECA technical assistance mission.

In terms of eligibility criteria, Member States administrations for law enforcement and mandated bodies by law shall apply to the call for proposals.

The essential selection criteria are financial and operational capacity of the applicant, as well as relevant experience in the sector and past experience in the country and the region.

The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

The maximum possible rate of Union co-financing may be up to 100% of the total cost of the action in accordance with Article 192 of the Financial Regulation if full funding is essential for the action to be carried out, and the necessity for full Union funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

Indirect management for result 2

Short description of the tasks entrusted to the entity:

The part of the action related to supplies will be implemented under indirect management by the Central Finance and Contracting Unit (CFCU) within the Ministry of Finance with an overall amount of EUR 7,000,000 as EU contribution and national contribution of EUR 3,000,000. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the provision of the equipment. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

SECTOR 3	EDUCATION, EMPLOYMENT AND SOCIAL POLICIES	EUR 30,000,000
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Action 5	Sector Reform Contract for Employment and Skills	Direct management	EUR 27,000,000 (budget support) EUR 500.000 (monitoring)
		Indirect management with Albania	EUR 2,500,000 (technical assistance)
		Total	EUR 30.000.000

Sector Budget Support

a) Context of the budget support and eligibility criteria

The economic growth of the last years has largely been the result of a shift in labour from low to higher productivity sectors in manufacturing industries and services. In line

with this trend, the Government is devising its growth supporting policies with a wider reaching approach aiming at creating job opportunities in strategic and knowledge-based sectors of the economy. The Government is also engaged in the implementation of active labour market measures, targeting youth, women and vulnerable and marginalized groups, in order to create a more integrated society. As a result, the development of the labour force skills is at the heart of the inclusive economic growth model defined by the Government in the National Employment and Skills Strategy (NESS) 2014-2020.

In Albania the employment rate remains low at approximately 50% of the working age population (15-64) in 2014, and is much lower for women at round 43%. The unemployment rate is significant (around 15%), registering higher figures for young people (32.5% among 15-29 years old). In addition, the degree of informal employment is significant, particularly for minority groups such as Roma and Egyptians. Informal sector workers are not covered by labour legislation or social insurance, nor do they contribute to the social insurance system. Therefore, a stronger enforcement of the law is needed as well as incentives schemes on employers to encourage formal recruitment and on people to work formally, which will in turn result in a higher employment rate accordingly in official statistics.

The economy is suffering from skills gaps and mismatches in several sectors. This is also the result of a vocational education and training (VET) system, which is affected by the limited involvement of social partners, weak relations with businesses and SMEs, absence of entrepreneurship in VET curricula, lack of skilled teachers and outdated teachers training programmes and inadequate evaluation of VET performance and outcomes.

The policy framework for employment and skills matters requires a reconfiguration in terms of administrative and financial responsibilities and coordination mechanisms between ministries, departments and agencies. Employment services at local level require special focus. Finally, policymaking must be based on a solid data system and timely and accurate information on targeted groups.

In reply to these challenges, in November 2014 the Government has adopted the NESS 2014-2020, which centres on four strategic priorities: (i) foster decent job opportunities through effective labour market policies, (ii) offer quality vocational education and training to youth and adults, (iii) promote social inclusion and territorial cohesion and (iv) strengthen the governance of the labour market and qualification systems.

The sector reform contract (SRC) for employment and skills intends to support the implementation of this strategy over the next four years with intensive policy dialogue aiming at accompanying the reform process and the implementation of the active labour market measures. The budget support operation will increase the political attention over the challenges to create a knowledge-based economy and a more integrated society and it will ensure that the core objectives of the strategy are duly and timely achieved.

The SRC for employment and skills is subject to four eligibility criteria being met both when the programme is approved and at the time of each budget support disbursement:

- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the public finance management reform;
- Satisfactory progress with regard to transparency and the public availability of timely, comprehensive and sound budgetary information;
- Satisfactory progress with regard to the implementation of the credible and relevant public policy by implementing the NESS 2014-2020.

b) Objectives

The overall objective of the SRC is to contribute to a more inclusive and effective labour market by supporting the employment and skills development policy of the Albania Government as defined in the NESS 2014-2020.

The budget support methodology reflects the overall logic to improve the financial capability of the Government to achieve the following employment and skills-related specific policy objectives:

- Increase labour market participation and provide job opportunities for all;
- Improve quality and increase coverage of vocational education and training (VET);
- Improve the quality and effectiveness of labour market institutions and services.

c) Expected results

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

- Employment of women and youth is increased;
- Labour market participation of vulnerable and marginalized people is increased;
- Competences of VET teachers and teachers' trainers are improved;
- VET offers and employment opportunities are better matched;
- The Albanian qualifications framework is developed and implemented;
- The National Employment Service at central, regional and local level is modernised and its functioning is more efficient;
- The compliance of the labour market legal and institutional framework with ratified international conventions is ensured;
- The technical capacities, human resources and coordination mechanisms for effectively implementing the NESS strategy are in place.

The outputs of this four-year SRC will be further defined in the performance assessment framework of general criteria and indicators related to key employment and skills development measures and reforms the Government is expected to fulfil in order to obtain the disbursement of the fixed and variable tranches.

d) Main sector budget support activities

The intervention mode of the budget support methodology implies the following main activities over the period 2016-2019:

- Transfer of EUR 27 million in fiscal years 2016, 2017, 2018 and 2019 when disbursements of budget support tranches are indicatively expected;
- Strengthened political and policy dialogue with the Government on the areas reflected in the SCR objectives;
- A continued effort to reinforce the Government's capacities in the area of employment and skills in the context of existing complementary support projects;
- Strengthened dialogue between the Government, the EU Delegation and other donors active in the sector to align activities;
- Efficient reporting on reforms related to employment and skills by relieving the Government from multiple reporting duties and relying on the Government's structure for monitoring the implementation of the reforms, notably the integrated policy management group on employment and skills;
- Regular monitoring of budget support eligibility criteria.

e) Complementary actions under direct management

Essential elements of the action:

The global budgetary envelope reserved for procurement: EUR 500,000.

An indicative number of three service contracts for monitoring, communication and visibility and audit.

Indicative time frame for launching the procurement procedure: as from Q2 2016.

f) Complementary actions under indirect management with Albania

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

The accompanying technical assistance will address the need to increase the coordination of policy, planning and budgeting across programmes and sub-programmes run by different ministries, departments and agencies responsible for the employment and skills policy.

The expected results of the accompanying technical assistance are:

- Increased inter-institutional coordination for the concerned policy;
- Active labour market measures defined on the basis of skills needs analysis undertaken at national and regional levels according to latest EU standards;
- New administrative procedures to supervise VET schools established within the Ministry of Social Welfare and Sports;
- Standardised procedures to benefit from the employment promotion programmes run by the Ministry.

Key performance indicators:

- Increased number of beneficiaries of active labour market measures and consequently re/integrated in the labour market;
- Number of new VET curricula and courses.

Assumptions and conditions

The Government has a clear political will to undertake a revision of the governance structure of the employment and skills policy aiming at increasing the coordinating role of the Ministry of Social Welfare and Sports.

Short description of the tasks entrusted to the entity

The accompanying technical assistance will be implemented under indirect management by the Central Finance and Contracting Unit (CFCU) within the Ministry of Finance with an overall amount of EUR 2,500,000. The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the technical assistance. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE -- COUNTRY ACTION PROGRAMME FOR ALBANIA

Indirect Management with the IPA II beneficiary				Other implementation arrangements					
	where applicable	where applicable	Total expenditure		where applicable	where applicable	Total expenditure	MM	Total programme
	EU Contribution	IPA II beneficiary Co-financing			EU Contribution	IPA II beneficiary Co-financing			
Objective 1	Sector 1 Democracy and Governance	5,700,000	882,892	6,582,892	Sector 1 Democracy and Governance	41,200,000	N.a.	41,200,000	47,782,892
	Action 1 Sector reform contract for public administration reform	N.a.	N.a.		Action 1 Sector reform contract for public administration reform	32,000,000	N.a.	BS + IM IO	
	Action 2 EU integration facility	4,700,000	N.a.		Action 2 EU integration facility	9,200,000	N.a.	mixed	
	Action 3 Support to participation in Union Programmes	1,000,000	882,892		Action 3 Support to participation in Union Programmes	N.a.	N.a.		
	Sector 2 Rule of Law and Fundamental Rights	7,000,000	3,000,000	10,000,000	Sector 2 Rule of Law and Fundamental Rights	6,000,000	N.a.	6,000,000	16,000,000
	Action 4 Consolidation of law enforcement agencies	7,000,000	3,000,000		Action 4 Consolidation of law enforcement agencies	6,000,000	N.a.	direct	

Objective 2	Sector 3 Education, employment and social policies	2,500,000	N.a.	2,500,000	Sector 3 Education, employment and social policies	27,500,000	N.a.	27,500,000		30,000,000
	Action 5 Sector reform contract for employment and skills	2,500,000	N.a.		Action 5 Sector reform contract for employment and skills	27,500,000	N.a.		BS	
	TOTALS	15,200,000	3,882,892	19,082,892		74,700,000	N.a.	74,700,000		93,782,892

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

DIRECT MANAGEMENT:

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

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

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

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

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

Twinning:

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the IPA II beneficiary as resident twinning advisor.

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

INDIRECT MANAGEMENT:

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

Part of this programme shall be implemented by indirect management with the United Nations Development Programme (UNDP) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN) in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

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

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG NEAR and Albania, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II monitoring committee, supported by sectoral monitoring committees, which will ensure a monitoring process at sector level.