



The European Union's IPA Program for Western Balkans and Turkey

# IPA - interim evaluation and meta-evaluation of IPA assistance

## Country Report Albania



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Country Report Albania

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## List of abbreviations

ACA	Albanian Competition Authority
ADF	Albanian Development Fund
ANTP	Albanian National Transport Plan
ARA	Albanian Road Authority
BCS	Background Conclusion Sheet (ROM product)
CFCU	Central Finance and Contracts Unit
CPiE	Country Programme Interim Evaluation
DIA	Delegation Implementation Agreement
EC	European Commission
EU	European Union
EUD	European Union Delegation
EP	European Partnership
EQ	Evaluation Questions
FM	Financing Memorandum
HR	Human Resources
GTD	General Tax Directorate
ICM	Indirect Centralised Management (Delegated Agreement)
ICT	Information and Communications Technology
IFI	International Finance Institution
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Instrument for Pre Accession
IPS	Integrated Planning System
KfW	Kreditanstalt fuer Wiederaufbau (German International Development Bank)
MBP	Multi Beneficiary Programme
MEUR	Million Euro
MEI	Ministry of Integration
MIFF	Multi Annual Indicative Financial Framework
MIPD	Multi Annual Indicative Programme
MPWTT	Ministry of Public Works, Transport and Telecommunication
MTBP	Medium-Term Budget Programme
NAO	National Authorising Officer
NGO	Non Government Organisation
NIPAC	National IPA Co-ordinator
NPAA	National Programme for the Adoption of the <i>Acquis</i>
PCM	Project Cycle Management
PPA	Public Procurement Agency
PPC	Public Procurement Commission
PPF	Project Preparation Facility
PRAG	Practical Guide to Phare, ISPA and Sapard Contract Award Procedures
RAMS	Roads and Bridges Asset Management System

ROM	Results Orientated Monitoring
SAA	Stabilisation and Association Agreement
SAC	State Aid Commission
SAD	State Aid Department
SEETO	South-East Europe Transport Observatory
SMART	Specific, Measurable, Available, Relevant and Timebound
SPO	Sector Programme Officers
SWAp	Sector Wide Approach
TA	Technical Assistance
ToR	Terms of Reference

# Executive Summary

## Introduction

The Albania Country Evaluation is an integral part of the *Interim and Meta Evaluation of the European Commission's (EC) Instrument for Pre-Accession (IPA) Component I*. The overall objective of this series of evaluations is to improve the performance of European Union (EU) financial assistance. This country evaluation focuses on a sample of two sectors, Public Finance and Financial Management and Transport, representing fourteen projects from the 2007 to 2009 Financing Memoranda (FM) and a total spending of EUR 37.30 million, over 25% of the value of the portfolio. The evaluation methodology consists of an exploration of how the selected sectors have developed since the programming of the associated IPA assistance coupled with an in depth performance assessment of projects from 2007-2009 to attribute the impact of IPA to observed changes. The evaluation addresses eight evaluation questions related to effectiveness, efficiency, sustainability and impact.

## Sector Analysis

An analysis was made of the changes in the sample sectors by comparing the baseline – the situation in 2006 - with the current situation. The analysis shows that undeniable progress has been made in bringing these sectors closer to compliance with EU standards, but significant tasks remain. Objectives in the area of management of EU funds have been largely achieved. The Central Bank of Albania's capacity to address the challenges posed by approximation of Albania's legislative and regulatory framework to EU rules is adequate. In the areas of Public Procurement, Taxation and Customs, State Aid and Competition and Public Finance objectives as formulated in the Multi-Annual Indicative Programme have been only partially achieved. In the Transport Sector important progress in upgrading infrastructure including the road network and the maritime sector is not accompanied by sufficient institutional progress, resulting in inadequate maintenance capacity and procedures. Road safety remains an important outstanding issue.

Albania has a small public administration which suffers from high staff turnover and insufficient management skills. Legislation passed is still not accompanied by sufficient implementation capacity. Poor communication between government departments impacts negatively on the working of the different inter-departmental working groups crucial for the accession efforts.

## The IPA project performance

In order to be able to attribute changes in the sector to the IPA projects, their effectiveness, efficiency and sustainability were assessed.

Generally, IPA projects have been **effective**. In most cases planned outputs were delivered, or are likely to be delivered. In terms of human resources, training and study visits have all been organised as planned. Systems and Tools: draft laws and by-laws were written, legislation was translated, manuals were created, IT systems installed and tested. No significant deviations in delivery from the outputs foreseen were noted. An important reservation has to be made however for the training element. Although there have been a large number of training sessions, all contractors and twinning partners note that attendance has been poor. Output in terms of persons trained has therefore been only partially delivered.

Quality of the outputs was high, only in very few cases this quality was disputed by the beneficiary. Beneficiaries are involved in programming, but their opinion is not always reflected in ultimate decisions. Understaffed departments face problems in hosting twinning projects. Poor communication between departments moreover has resulted in duplication and some waste of efforts.

IPA was also delivered **efficiently**. Generally appropriate service providers or twinning partners have been selected. Extensions were common, but normally small. Weak planning capacity in Transport beneficiaries caused the delay of some projects. Budgets appeared to be largely realistic. Procedures for programming and supervision are transparent and promote efficiency, with the exception of two cases where the use of delegated responsibility contracts does not allow clear assessment of value for money to be made.

Generally a good mix of financial sources (including non-EU sources.) was applied, especially in infrastructure where the programme leveraged and supported financing from other IFIs. IPA support has been additional, i.e. it has not replaced commercially available funding.

Despite the good achievements in efficiency and effectiveness, long term institutional capacity building impacts may not be fully **sustained**. Whilst beneficiary operating budgets may not be sufficient to sustain the effects, the most important hurdle to sustainability is the uncertainty surrounding staff retention caused by the lack of merit based recruitment and promotion in the civil service. IPA created effects are not always well embedded in newly established beneficiary structures and these structures do not always co-operate and communicate in a manner necessary for a proper implementation of the *acquis*. Sustainability of road projects may be affected by insufficient capacity and funds for maintenance.

These are systemic issues which reduce the impact or sustainability of assistance and threaten the impact of IPA.

### Impact

All projects are policy-relevant, as evidenced by comparison with MIPD, EP and Strategy Paper, IPA could therefore be expected to make a contribution to the institution building objectives of the Stabilisation and Association Strategy. Although the relevance of the Transport sector for accession may be less self-evident, the Works and Supplies projects in this sector are relevant for the economy's approximation to the EU.

However, to a large extent outputs in the Public Finance and Financial Management sector have not yet been taken up by the beneficiary organisations due to low capacity within the Albanian Public Administration and Parliament. Generally therefore, large-scale impact in this sector has not yet been created and only in two cases may this be attributed to poor project performance. The gap between the generally high-quality outputs and the desired impact is caused by factors including insufficient staff in the beneficiary organisations and related capacity problems, high staff turnover and a lack of communication between departments. There does not appear to be sufficient political willingness to tackle these systemic problems, as witnessed by the fact that the Civil Service law has not yet been accepted by Parliament.

Exceptions are support to the Customs, Bank of Albania and the Competition Authority, which appear to embrace the outputs delivered with IPA assistance fully.

The impact as expected of the transport projects may well materialise on rural development and general economic development through faster connections, provided appropriate maintenance arrangements are made.

There have been indirect positive effects of the interventions, which augment the impact of IPA. The most important are related to the national economy and financial stability. There have been no unplanned indirect negative effects of the interventions observed which significantly take away from the impact of IPA.

### Recommendations

- A shorter project preparation period leading to a quicker realisation of the outputs would improve both efficiency and effectiveness. The EUD and MEI should therefore speed up the programming process.
- Prior to deciding on a twinning arrangement, the absorption capacity of the beneficiary organisation should be carefully assessed.
- There is a dire need for improvement in communication between Albanian government departments and between these and the Ministry of European Integration. This also impacts on sustainability and impact. The EUD should facilitate this is through the introduction of conditionalities.
- In the transport sector, procedures for implementation should be agreed upon before the start of the project, especially as regards procurement procedures and rules to be followed in the case of multiple donors.
- The EUD should restrict the use of the so-called Indirect Centralised Management or Delegated Management procedure to those cases where this may leverage non-EU funding, as was done in the Transport Sector. The EUD should additionally insist on clear and timely reporting.
- Beneficiaries in the transport sector should to prepare a solid pipeline of projects ready for implementation, (including necessary data such as baseline data for monitoring) at the start of the projects.
- The Civil Service Law should be enforced by the Albanian Government and Parliament should discuss and vote on the proposed amendments to the civil service system in order to allow the establishment of a merit based civil service. The EUD could consider to provide additional support to further strengthen the implementation of this process and, until there is evidence that it is in place and functional, critically consider the appropriateness of further institution building actions in all sectors.
- Future IPA interventions could focus on the Sector Programme Officers and/or the quality of interdepartmental communication, through the establishment of thematic working groups.
- The EUD should apply stronger conditionalities on future assistance related to institution building, including, as well as the adoption of the Civil Service Law, evidence of additional measures to improve staff retention, improved operations of SPO offices by reinforcement of staff and strengthening interdepartmental working groups.
- Capacity of the Ministry of Public Works, Transport and Telecommunication needs to be further strengthened in order to make sure that it provides leadership, as well as exercises effective oversight. The EUD should make future contributions to financing transport projects conditional on appropriate arrangements for maintenance.



# 1 Scope of work

## 1.1 Introduction

The overall objective of the Interim Evaluation and Meta evaluation of the European Commission's (EC) Instrument for Pre-Accession (IPA) Component I is to improve the performance of European Union (EU) financial assistance. Three specific objectives underlie this overall objective. The first is to provide a judgment on the performance of EU pre-accession assistance under the IPA component I in Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo<sup>1</sup> through the preparation of five Country Programme interim Evaluations (CPiE) as well as an additional evaluation report on IPA multi-beneficiary programmes (MBP). This report covers the findings of the Albania CPiE.

The CPiE for Albania was the first country evaluation carried out under this project and began with a scoping mission at the end of April 2012. This was followed by a formal kick off meeting at the end of May and a field work phase lasting until the end of July. A short term technical expert was recruited to assist in the assessment of the transport elements of the evaluation.

## 1.2 Sectors and Projects included in the sample

IPA replaced the previous EU accession support instrument CARDS in the financing year 2007. From 2007 until 2009, over MEUR 121 was programmed in Albania on technical assistance and institution building via Component I, in General Public Administration Reform, Public Finance and Financial Management, Quality Infrastructure and Statistics, Socio-Economic Development, Transport, Environment and Agriculture. The Environment sector represents the largest sector by levels of expenditure although it contains only two projects. The greatest number of projects have been programmed in Public Finance and Financial Management and Transport sectors.

For each evaluation, the overall population of projects was structured following the definition of sectors or groups of projects in the 2011 programming exercise, with the Public Administration Reform (PAR) group further sub divided into three due to its large size. The Albania CPiE consists of two sample sectors of Transport and PAR/Public Finance and Financial Management and focuses on projects from the financing years 2007-2009 as these are most likely to be substantially advanced and thus have the greatest potential for impact to be objectively defined. A full description of the sampling process is given in the methodology summarised in Annex 5 to this report.

The total IPA contribution to the projects in the sample is EUR 37.30 million, over 25% of the value of the entire *eligible* portfolio (i.e. excluding Justice and Home Affairs and Support to the Civil Society, which will be the subject of separate evaluations). The fourteen projects in the sample represent 41% of the total number of eligible projects.

The portfolio for the evaluation in Albania is shown in Table 1.1:

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<sup>1</sup> The designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

**Table 1.1 Overview of the IPA projects included in the sample**

Area	IPA Year	IPA contribution (MEUR)	Project title	Status
PAR / Public Finance & financial mgt.	2007	1.00	Preparation for decentralization of EU assistance	Completed
	2007	2.20	Support for the General Directorate of Tax	Completed
	2008	2.00	SAA Implementation Process	Completed
	2008	1.00	Public Procurement	Completed
	2008	1.50	Albanian Treasury System	On-going
	2008	1.00	Albanian Central Bank	On-going
	2008	2.00	Customs Procedures	Completed
	2008	1.50	Competition and State Aids	On-going (TA contract compl.)
	2009	1.50	Decentralised Management	On-going
Transport	2008	8.00	Secondary & local roads	Completed (in defect liability)
	2008	1.00	Capacity building at MPWTT	Completed
	2008	2.50	Highway Routes in Albania	Completed
	2008	3.10	Albanian Maritime Sector	On-going
	2009	9.00	Secondary Roads	On-going

Annex 4 sets out the objectives of the projects in the sample.

### 1.3 Sources of information

The following sources of information have been used for the programme assessment:

- Project fiches;
- Project summary fiches;
- Inception report;
- Progress reports;
- Final report;
- Result-Oriented Monitoring (ROM) reports, where available.

For the sectoral analysis the following documents have been used:

- Partnership Agreement 2006, 2008;
- Enlargement strategy and Main Challenges 2011-2012, COM(2011)666;
- Multi-Annual Indicative Financial Framework 2012-2013 (MIFF), COM(2011)641;
- Albanian Progress reports from the European Commission (2008-2011);
- SIGMA (OECD) Assessment Reports (2008 – 2011);
- IMF Staff Report for Article IV Consultations (2010, 2011);
- National Strategy for Development and Integration (NSDI) and sector strategies.

A full list of material studied is attached as Annex 3.

### 1.4 Summary of the methodology

The evaluation methodology consists of an exploration of how the selected sectors have developed since the programming of the associated IPA assistance as well as an in depth performance



assessment of projects from 2007-2009 to attribute the impact of IPA to observed changes. Annex 5 contains more details on the methodology, which is further elaborated in the overall project inception report.

The evaluation report is structured around the following eight evaluation questions:

- To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?
- To what extent are interventions financed under IPA effective in delivering outputs and immediate results?
- Are the outputs and immediate results delivered by IPA translated into the desired/expected impacts?
- Are there any additional impacts (both positive and negative)?
- Are the identified impacts sustainable?
- Are there any elements which could hamper the impact and/or sustainability of the assistance?
- Are there any potential actions which would improve the efficiency and effectiveness of on-going assistance?
- Are there actions which would improve the prospects for impact and sustainability of the on-going assistance?

The emphasis of the evaluation is on demonstrating impact at programme level within a sector over time. Country evaluations therefore follow two approaches: (i) from a sectoral perspective; and (ii) from an IPA project and programme perspective. The approach has the following sequence:

- Sectoral impact : analyse how the sector developed by comparing the objectives and baseline at the moment of programming with the current sectoral status;
- Programme impact: analyse the contribution of IPA to observed sectoral change using actual or defined indicators in programme documents;
- Combine these analyses to answer the evaluation questions;
- Draw conclusions and recommendations at the programme level.

The underlying report is structured around these steps.

Judgment criteria have been developed which are discussed in more detail in Annex 5. The conclusions reached on each of the above evaluation criteria will be presented with reference to these judgment criteria. At the impact level, indicators measure changes in three broad categories:

- Institutional structures (e.g. in Ministries, Government Agencies etc., including new bodies);
- Human Resources; and
- Systems and Tools (e.g. legislation, but also relevant IT – hard and software)

The evaluation therefore does not just focus on the status of legislation and adoption of the *acquis*, but also on the embedding of this in appropriate structures and implementing capacity, i.e. human resources.

## 1.5 Structure of the report

With the focus of the assessment on impact achieved by the IPA assistance, the main report starting in the next chapter begins with an analysis describing how the sectors have developed over time. Chapter 3 contains a programme analysis of the IPA in the two sample sectors focusing on effectiveness, sustainability and efficiency. Chapter 4 will bring the sector and programme analysis

together, showing the impact that IPA assistance has made, including unintended or unexpected impact. The final chapter of this report presents the conclusions and recommendations.

Annexes contain among others more detail on the sector analysis (Annex 1), on the portfolio (Annex 4) and on the methodology (Annex 5).

## 2 Sector analysis

### 2.1 Introduction

The sectors included in the evaluation for Albania are the Public Finance & Financial Management components of Public Administration Reform; and Transport.

The public finance and financial management sector has been further sub-divided into

- EU Funds Management and Financial Control;
- public expenditure management and macro-economic stability;
- customs and taxation,
- Public Procurement; and
- Competition and State Aid.

Changes in the sector are analysed by comparing the baseline – the situation at the time of programming developed primarily from the EC Progress Reports – with the current status. Overall sector objectives are set out in strategic planning documents, including the European Partnership (EP), the Multi-Annual Indicative Financial Framework (MIFF), the Multi-Annual Indicative Programme (MIPD) and the EC Progress reports. The description of sectoral change is drawn from a series of documents prepared by EU, national and other international institutions, with a comprehensive list given in annex 3.

Annex 1 to this report contains a more detailed and elaborated analysis of changes in the sector. This chapter summarises the major findings.

### 2.2 Progress in the Public Finance and Financial Management sector

#### 2.2.1 *EU-funds management and financial control*

The European Partnership recognised the need to strengthen public financial management and the relevant structures in order to ensure correct use of both national as well as EU funds once management has been conferred to the beneficiary country. This implies the need to put in place appropriate structures and procedures. The 2006 EC progress report indicated that the legal framework and institutional structures had not been completed yet.

The 2011 EC progress report indicated clear developments in the institutional framework. The Ministry of European Integration (MEI) is the designed NIPAC authority and has the core task to coordinate European integration issues within the government. Directorates for European Integration have been established and Sector Programme Officers (SPOs) nominated in relevant line ministries. The Minister for European Integration (NIPAC) also chairs the Inter-Institutional Coordinating Committee, composed of high-level officials from line ministries and supported by permanent inter-ministerial working groups covering various *acquis* chapters. The offices of SPOs in some line ministries are however still weak.

The structures for the management of IPA component I were legally established in 2011 and are equipped with the minimum required staff. According to the authorities, more staff will be recruited once the decision for granting conferral of management is taken. Existing staff has received extensive training, which is an on-going process. As regards decentralised management of EU funds, all structures and procedures for IPA component I are in place and were audited by an

accreditation mission during June 2012. The decision for (or against) management conferral is expected in September 2012.

Objectives in the area of management of EU funds have therefore been largely achieved. The legal framework for Public Internal Financial control is already in place and in line with the *acquis*, while the establishment of institutional structures is currently being completed. This significant progress needs however to be sustained through continued efforts to increase awareness and understanding of modern financial management concepts, and offices need capacity strengthening.

### 2.2.2 Public Expenditure Management and macroeconomic stability

Reforms in the public expenditure management area have concentrated on the budget formulation process, with efforts still continuing to strengthen the budget execution and monitoring area. The government has instituted the Integrated Planning System (IPS), a planning and monitoring framework that ensures integration of core policy and financial processes. An IPS Multi-Donor Trust Fund has supported a series of important areas, e.g. support to the Medium Term Budget Programme (MTBP) and to execution and monitoring processes. A 2008 law regulating management of the budgetary system introduced clearer lines of accountability through better division of roles and responsibilities. It also introduced the principles of programme budgeting.

Despite good performance of the sector, there is further need for strengthening capacities within the central institutions. There is still a need to increase forecasting and analysis capacities at the Ministry of Finance as well as strengthen core capacities regarding planning and budgeting at the line ministries level, in order to improve the budget planning process. The major load for the MTBP exercise continues to be borne by the Ministry of Finance. Reports by international financial institutions emphasize the need for more realistic macroeconomic forecasts.<sup>2</sup>

The majority of reforms in the field of public expenditure management have focused on the budget preparation process, and less so on the budget execution process. Interventions in the Treasury system have improved its functionalities and special software for Treasury operations became fully operational with all Treasury regional offices in 2010. Despite these major improvements, the IT system needs to be further developed into a financial management information system that provides management accounting, performance and monitoring data.<sup>3</sup>

The Bank of Albania is a largely independent institution in charge of the country's monetary policy. It has played an important role in the preservation of macroeconomic stability through its prudent supervision of the banking system. The Bank of Albania has strengthened its regulatory activity with special emphasis on risk-based supervision. Good progress has been made in the area of the payments system, with new regulations adopted aiming at promoting use of electronic transactions. As a result, the number of electronic transactions has been steadily increasing. Its capacity to address the challenges posed by approximation of Albania's legislative and regulatory framework to the EU rules is adequate. EC Progress Report 2011 indicates that further alignment with EU standards is needed in the area of independence of Council members, procedures for dismissal of the Governor and the Central Bank's accountability; while alignment with the *acquis* was observed during 2011 in the area of banking legislation (Progress Report 2012).

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<sup>2</sup> See for instance Concluding Statement of the 2012 Article IV Consultation Mission; IMF Staff Report on Article IV Consultations 2011, at <http://www.imf.org/external/country/alb/index.htm>

<sup>3</sup> SIGMA (OECD) Country Assessment 2011

### 2.2.3 Public Procurement

The new Law on Public Procurement adopted in 2006 is generally in line with the *acquis*; despite the fact that it still lacked clarity in some crucial areas such as the slightly loose list of exceptions from the general procurement rules. The 2006 law has been amended several times, to adjust some of the issues that were recognized as not being in compliance with the *acquis*. Some of these changes were made through hasty procedures, without allowing for the necessary time for consultations with stakeholders. Therefore, the framework is still not fully in line with the *acquis*, as well as lacking provisions on concessions and utilities. The introduction of an e-procurement system has made the implementation of the law more transparent, however a relatively large percentage of overall procurement are still carried out through the negotiated procedure, without publication.<sup>4</sup>

The institutional structures governing public procurement include the Public Procurement Agency (PPA), in charge of drafting legislation and regulations as well as providing guidance and monitoring procurement processes. The 2006 law introduced the Procurement Advocate institution, which served as an Ombudsman for the procurement process, with an advisory role for the Procurement Agency. During 2009 further efforts were made to align the procurement legislation with the EU requirements, including the establishment of the complaint review body, the Public Procurement Commission (PPC), which eliminated the conflict of interest vested with the PPA when acting as an appeal instance. A clearer division of responsibilities between the PPC and Procurement Advocate is needed. In addition, the PPA does not have adequate staffing and resources to fulfil its functions following the reduction of its staff to half (from 36 to 18 employees) at the time of establishment of the PPC, which took over these staff. This has drastically impaired its control and monitoring functions.

Summarising, the EC progress and SIGMA reports highlight the need for further progress in the area of public procurement to fully align it with the *acquis* and reduce the number of non-competitive and non-transparent procedures. The roles and responsibilities of institutions involved need to be defined more clearly and administrative capacities of PPA need to be reinforced in order to enable its monitoring and control functions.

### 2.2.4 Tax & Customs Administration

The tax system in Albania has undergone significant changes in the recent years. Positive changes include simplification of the taxation system and increased tax collection (income and corporate tax revenue). Furthermore, progress has been achieved towards increased transparency through computerisation of tax offices and introduction of e-tax. However, revenue administration continues to be managed on tax revenue targets, rather than on performance or standards. This has resulted in recourse to non-transparent procedures to determine the amount of tax liabilities. The revenue base is narrow and creates incentives for tax avoidance.

Tax policy is not fully developed yet by international standards and is not well linked to the national strategy. Predictability, transparency and stability of the fiscal system also need improvement, as fiscal laws have been changing too frequently in the recent years. Albania's tax legislation is only partly aligned with the EU *acquis*. Further approximation is needed on indirect taxation, despite improvement in the VAT and excise systems as noted in the EC 2012 Progress report. Little progress has been achieved in the area of direct taxation. The administrative capacity of the Tax Administration will need to be strengthened, particularly as regards risk analysis, inspection, internal communication and communication with other agencies or public authorities.

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<sup>4</sup> See SIGMA Assessment Report 2011, EC Progress Reports.

With regard to operational capacities and computerisation good progress has been achieved. The legal and institutional framework for tax legislation enforcement is in place and the General Tax Directorate (GTD) has strengthened its capacities. Tax offices have been computerised throughout the country and electronic tax procedures have been made mandatory for business taxpayers, including for VAT.

Customs legislation is still not in line with the EU *acquis*, despite several improvements. A new draft Customs Code that is expected to fully align customs legislation with the *acquis* has been prepared but is still pending adoption. There were some improvements in the IT area, such as the Systematic Electronic Exchange of Data System. Overall, the Directorate General for Customs continued its good cooperation with its counterpart structures in the region, in the EU and elsewhere. There has been an increase in the capacity to detect and prosecute fraud and smuggling of illegal goods.

Overall, EC Progress Reports stress that despite good progress in some of the areas, the majority of objectives have only partially been achieved. Albania's tax and customs legislation are only partly aligned with that of the EU, while draft new legislation awaits formal approval. Further measures need to be taken to strengthen capacities for inter-institutional cooperation especially as regards connectivity with the EU's tax and excise systems. High staff turnover continues to be a concern, while no progress has been made in including the administrations of Tax and Customs in the Civil Service system.

### 2.2.5 Competition and State Aid

The Competition Authority (ACA) has been established and the legal and regulatory framework that enables the enforcement of its mission is in place. ACA is an independent body that reports to Parliament, and is in charge of anti-trust and merger policies. ACA has adequate legal means to pursue its mandate, including investigative and authority to search premises, impose fines and intervene in regulated markets. It has initiated a number of proceedings in anti-competitive proceedings and abuse of dominant position. However, the challenge is now to increase the number of staff which is insufficient, as well as continue to strengthen their capacities. The Competition law is generally in line with the *acquis* and recent amendments in the legal framework have lowered the threshold values for prior notification of mergers to ACA.

2009 Amendments to the 2005 State Aid Law have aligned it further with the EU *acquis*, despite concerns over the independence of the State Aid Commission (SAC), the highest decision making body in state aid. The SAC is chaired by the Minister of Economy, while the Ministry of Economy itself is potentially the largest grantor of state aid, creating therefore the appearance of a conflict of interest. There are (among others in the EUD) concerns that structures in charge of state aid issues have limited administrative capacities (the State Aid Department is composed of only four people) and that there is generally low level of awareness on state aid rules in the Albanian administration, despite the role of the SAC in screening legislative proposals. There has been so far only one ex officio investigation initiated by the SAC.

## 2.3 Progress made in the Transport Sector

### 2.3.1 Institutional structure and policies

Transport is a very important sector for Albania, although as a sector it may be less relevant in terms of EU *acquis*. Transport development eventually supports economic development and thereby supports EU integration by helping the country improve its economic standards.

The Albanian National Transport Plan (ANTP) is the main strategic instrument to guide the Albanian government's decisions to prioritize and invest in infrastructure. A new version of ANTP was adopted by the Government in early 2011, covering a five-year horizon. As opposed to the baseline in 2006, which reported little progress in implementation, substantial progress can be reported in 2012. Albania continues to actively participate in the South-East Europe Transport Observatory (SEETO) and cooperates with its neighbours on defining projects of regional interest.

### 2.3.2 The Road Sector

The road transport subsector takes up the majority of state budget investment funds. Most indicators for sector development are thus related to development in the road transport area; both in terms of infrastructure development as well as achievement of standards, i.e. road safety.

The EC's 2010 Opinion on Albania reported that "*Significant investment in recent years has resulted in an enlarged road network but the incidence of poor quality roads is high since spending allocated for road maintenance is low.*" Road safety still remains a major concern due to poor quality of roads, irregular accesses to the carriageways; as well as bad driver discipline. Road furniture is still poor. Standards of work are often not observed. Furthermore, the government does not seem to be effective in preventing illegal construction across new road segments. The Ministry of Public Works, Transport and Telecommunication (MPWTT) is trying to tackle the issue through a series of institutional reforms, including the transformation of the road maintenance department into an independent Albanian Road Authority (ARA), which will be in charge of outsourcing road maintenance to the private sector. However transformation is slow and sensitive, given the large scale redundancies envisaged. Funding from the state budget for road maintenance has increased by 10% for the first years after the reform. Planning capacity at the local and regional level has not significantly improved, despite several capacity building activities. In light of this, a precondition for the funding of rural roads under the IPA Programmes was to put the improved roads under the authority of the ARA for maintenance.

As far as procurement procedures are concerned, the majority of projects are contracted through national procurement rules and/or under the oversight of international partners in the case of foreign financing. The Albanian Development Fund (ADF) is acting as the government agent for procurement in road projects.

Albania has made significant progress in upgrading the road infrastructure network, despite the onset of the financial crisis and reduction of project financing funds in the international markets. Important segments of the East-West corridor and North-South axis have been completed or are currently under construction, most notably the completion of the Durrës – Kukës highway – the most expensive road infrastructure project to date - that was partly financed through non-concessional loans serviced from the state budget. Progress has also been made with improvement of secondary roads; the ambitious programme of the Albanian Government to pave thousands of kilometres' of rural roads succeeded in pooling together grants and concessional loans from multiple international donors, among them IPA funds, and IFIs.

In summary, the situation in the transport sector is mixed. Albania has made significant progress in upgrading its road infrastructure in order to support its growing economy. However, the sustainability of these projects is under doubt as many projects are of poor quality given the limited funding for maintenance, and unclear institutional arrangements. MPWTT capacities have been strengthened, however some structural reforms, such as formalisation of ARA, are still pending.

### 2.3.3 The Maritime Sector

As regards maritime transport, the EC progress report reports modest progress. Despite improvement of maritime safety conditions, Albania is still on the black list according to the Paris Memorandum, with a detention rate of vessels flying the Albanian flag that has gone down since the baseline for 2007, but is still high at 16% (2011).

Significant improvements are being carried out in the two major ports of the country, Durres and Vlore, while privatisation of port services has not completed yet. The Durres port Terminal was completely refurbished and inaugurated in July 2012.

## 2.4 Concluding remarks

The analysis above presents a mixed picture: undeniable progress but also significant tasks remaining. This should be seen furthermore in the light of a small public administration which suffers from high staff turnover and insufficient management skills. Legislation passed by parliament will remain a dead letter if not accompanied by a proper implementation capacity. The European Partnership recognises this, as witnessed by the following short-term priority '*Ensure enforcement of the Civil Service Law and related rules in the public administration. Ensure that recruitment, appointments, promotion, transfers and dismissals are conducted according to the established rules in order to build an accountable, efficient civil service, based on professional career development criteria*'.

Despite its importance for the accession process, the law on Civil Service has been awaiting adoption by Parliament for several years. The political impetus of the EU accession process has been unable to overcome the ingrained institutional and operational system of civil service recruitment and career progression. This remains very much influenced by politics and the majority of the staff in public departments can be expected to change after an election. The adoption of the Civil Service law and the introduction of transparent merit based recruitment and promotion practices would be a positive sign for the commitment of the administration with public administration reform and also fulfil a prerequisite for the achievement of impact in all human resource development aspects of the IPA.

Representatives from the donor community complained furthermore about poor communication between government departments, which impacts on the working of the different inter-departmental working groups crucial for the accession efforts. Management capacity of the civil service is an all-encompassing factor which underlies sustainability of all changes in the sectors.



## 3 IPA programme performance

### 3.1 Introduction

This chapter contains an analysis of the IPA assistance, on the basis of the projects sampled. Three evaluation criteria will be covered: effectiveness, efficiency and sustainability. Although this sequence deviates slightly from that of the evaluation questions as posed in the ToR, it logically feeds into the impact of the IPA assistance in the following chapter: Effectiveness and sustainability are prerequisites for impact.

### 3.2 Effectiveness

**EQ2 To what extent are interventions financed under IPA effective in delivering outputs and immediate results?**

The evaluation question directed at effectiveness looks at the extent to which the outputs and objectives of the assistance have been successfully achieved (or are likely to be achieved) or if there were better ways of delivering outputs and objectives.

#### 3.2.1 Effectiveness in Public Finance and Financial Management

In most cases planned outputs were delivered, or, in the case of the on-going projects, are likely to be delivered. They typically cover all three elements of administrative capacity building:

- Institutional structures: as was elaborated in chapter **Error! Reference source not found.**, the institutional structure was largely in place, established among others with support from previous EU assistance. *2007 Support to Decentralisation* has still significantly contributed to establishing structures required for the management of EU assistance;
- Human Resources: training and study visits have all been organised as planned in Terms of Reference or Work plans and Inception Reports;
- Systems and Tools: draft laws and by-laws were written, legislation was translated, manuals were created, IT systems installed and tested. No significant deviations in delivery from the outputs foreseen were noted.

An important reservation has to be made for training in the context of IPA assistance under review. Although there have been a large number of training sessions, all contractors and twinning partners note that attendance has been poor, e.g. in the *2007 Preparation for decentralisation of EU assistance* it dropped to 43% of the invited trainees. Output in terms of persons trained has therefore been only partially delivered. Considering the scale, it is unlikely that it is caused by low quality of the training which was generally reported to be positive. Contributory factors identified during the evaluation include extensive training already provided over the extended pre-accession period; understaffing of beneficiaries and a consequential heavy workload for key staff and a perception of low relevance of the training to individuals. More accurate assessment of the causes for low attendance would need to be investigated through a specific exercise targeting a larger number of potential or former trainees.

In all cases the physical outputs from the institution building assistance (legislation, manuals etc.) are fully compliant with the *acquis* and therefore useful inputs to the accession process of Albania

to the EU. The quality of these outputs and their usefulness for the beneficiary are normally not disputed by the beneficiaries or by the EUD. There are some exceptions to this which are elaborated below.

The Public Procurement Agency (PPA), beneficiary of 2008 *Public Procurement*, stated that the draft legislation provided by the twinning partner also contained non-mandatory and therefore not useful elements. The twinning partner included these non-mandatory clauses based on their own experience, stating however that they were clearly indicated as being non-mandatory and deleting them would have required only a minimal effort. Furthermore the Agency would have preferred more support in developing the electronic public procurement system already in place in Albania. The twinning partner stated that electronic procurement is merely a technical solution and, unlike the legislation, not a priority. This position was supported by the EUD and ultimately also by this evaluation. Dissatisfaction with proposed solutions by the beneficiary therefore does not always imply that the quality of the outputs is low. Dissatisfaction was also noticed in the MEI concerning the outputs delivered by GTZ, in the 2008 project '*support to SAA implementation*'.<sup>5</sup> This is also the single case where the beneficiary assessed the training delivered as being too theoretical and of insufficient quality.

It is interesting to note that in both of these cases the beneficiaries were not satisfied with the mode of implementation. The Public Procurement Agency had its staffing reduced by 50% in the period before the start of the project and would have preferred a TA contract. The MEI noted that it was not convinced that the service provider, implementing the project under an Indirect Centralised Management (ICM) arrangement, presented the most appropriate solution. The EUD however insisted in both cases on the selected mode, which in retrospect was not a good decision (more detail is provided in section 3.3.1, dealing with efficiency).

An important explanatory reason therefore for the quality of outputs is involvement of beneficiaries in project design. Beneficiaries were involved here, including in the writing of fiches. The involvement of beneficiaries in design does not however mean that they all ultimately agree on the approach or that their administrative capacity is still sufficient when the project begins.

Since 2008 the Project Preparation Facility (PPF) is in place. A second contract was signed for the PPF for 2009. This project delivers support for programming by assisting beneficiaries in problem definition, fiche and ToR writing, and delivers training on project management related issues. Beneficiaries spoke favourably about the quality of the training, but the evaluation could not assess the contribution of the PPF to improved effectiveness, since only one project in the sample had benefited from the support of the PPF in fiche and ToR writing.

The ROM system (see table below) assesses 'design supported by stakeholders' on average as (almost) good. The one outstanding C (indicating problems) relates to the State Aid Department, where the monitor remarked that the division of the project into twinning and TA contracts was an indication of poor design. The ROM system did not cover however those projects where beneficiaries disagreed on the selected modality. Inclusion of these projects in the ROM portfolio would have most likely resulted in a lower average score.

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<sup>5</sup> More commonly known as 'Support to the Ministry of Integration – SMEI'

**Table 3.1 ROM scores for support of design by stakeholders**

IPA Year	Project title	ROM score(s)*
2007	Preparation for decentralization of EU assistance	C-B
2007	Support for the General Directorate of Tax	B-B
2008	SAA Implementation Process	n/a
2008	Public Procurement	n/a
2008	Albanian Treasury System	n/a
2008	Albanian Central Bank	B
2008	Customs Procedures	A-A
2008	Competition and State Aids	C
2009	Decentralised Management	B

\*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

A clear, formalised intervention logic including a risk analysis and the definition of SMART indicators are important aspects of project design. The ROM reports consistently rate the overall quality of design as good, with the exception of 2007 *Preparation for decentralisation of EU assistance* which did not include a logframe.

There were however missing or weak risk analyses for most projects (2008 *Competition and State Aid*, 2008 *Central Bank of Albania*, 2008 *Customs Procedures*, 2008 *SAA implementation process*) and non-SMART indicators (2007 *Preparation for decentralisation of EU assistance*). Despite this, some projects such as 2008 *Central Bank of Albania* and 2008 *Customs Procedures* are rated as effective.

For all projects quarterly coordination committees were established, attended by the Task Manager of the EUD. Twinning projects also issue very short monthly reports. This supervision structure appears to function adequately, and to have a positive effect on the quality of outputs.

Nevertheless, cases were encountered of inputs wasted through unintended duplication. Support to the Public Procurement Agency in the area of concession law will probably bring no benefits as the government has decided to strengthen the Ministry of Economy, Trade and Energy in this field with assistance from the World Bank. This came as a surprise to the EUD, and is an indication of the very poor communication between Albanian government departments. This case might also have been prevented by better coordination between the World Bank and the EUD but is however not exemplary of the general donor coordination. Generally poor communication between government departments hinders the work of the MEI and compromises the effects of the otherwise good communication between donors.

Finally the overall ROM scores that are available for effectiveness have been reviewed.

**Table 3.2 ROM scores for effectiveness**

IPA Year	Project title	ROM score(s)*
2007	Preparation for decentralization of EU assistance	C-B
2007	Support for the General Directorate of Tax	C-C
2008	SAA Implementation Process	n/a
2008	Public Procurement	n/a
2008	Albanian Treasury System	n/a

IPA Year	Project title	ROM score(s)*
2008	Albanian Central Bank	B
2008	Customs Procedures	B-B
2008	Competition and State Aids	C
2009	Decentralised Management	B

\*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

Half of the ROM reports rate effectiveness as good, with the remainder recording 'problems'. However, the two projects discussed above facing serious implementation problems were not covered by the ROM system. Overall, the ROM reports seem to confirm the observations of this evaluation

### 3.2.2 Effectiveness in the Transport Sector

Project outputs have been or are expected to be delivered as expected in this sector as well. Outputs in transport are mainly infrastructure related works: construction of a new quay for the port of Shengjin; and reconstruction of nine road segments as a result of the IPA 2008 and IPA 2009 roads projects. 2008 *Highway Routes* prepared feasibility studies and detailed technical designs for two projects – Vlorë bypass (which will be financed by IPA 2010) and the doubling of the Milot-Rreshen highway. 2008 *TA to MPWT* included a number of “soft” outputs in capacity building, but also prepared designs and advised the government on construction projects.

The 2008 *Secondary and Local Roads* increased its outputs from four to five road segments after lower than expected prices were offered in the tender. All have been completed with the Defect Liability Period due to end in August 2012. Road improvements are confined within their existing Right of Way which avoided land expropriation issues. Although smoothing the administration and reducing co-financing costs, this decision had its impact in the design quality, limiting improvements in several cases particularly for road geometry and road structures. The standards for these secondary and rural roads are obviously lower than for national roads; however not much emphasis was given to road safety during the design or the construction. Preparation of detailed design for national roads includes a Road Safety Audit in the design phase, however this is completely missing in 2008 *Secondary and Local Roads*. Road safety targets are not included in the measured results.

Works for the 2008 *Shengjin Port* and segments under 2009 *Secondary Roads* are on-going and expected to be delivered soon; therefore it is early to comment on the final quality, although progress according to the reports of the supervising engineer is satisfactory. Designs for the Vlorë bypass and Milot-Rreshen doubling have been completed and are considered by the beneficiary to be of good quality. The project team followed the necessary procedures in accordance with international and Albanian rules - public consultations were carried out with interested communities including the relevant Municipalities whose comments and suggestions were taken into account by the Consultant. The Vlorë bypass will be financed by IPA 2010 and EBRD.

The feasibility study of doubling of Milot – Rreshen Road undertaken as part of the IPA assistance determined that the Internal Rate of Return (IRR) for the investment was below the cut-off rate. The benefits of the doubled roads were limited since traffic flows were low and a suitable alternative, recently upgraded, road was also available. However, the government has decided to proceed with the project and with assistance of the IFC has currently opened tender procedures for a concession for the building and operation of this segment.

Outputs of 2008 *TA to the MPWTT* relate mainly to the capacity building activities delivered as well as technical assistance on policy and regulatory framework and direct advice on a number of (mainly infrastructure) projects. This assistance faced a lack of effective collaboration between the beneficiary, the MPWTT and the Institute of Transport. In at least two cases this caused difficulties where due to the policy setting nature of the activities, the leadership of the beneficiary was crucial to success. The approach recommended by the contractor for the transformation of the Albanian Road Authority was not fully endorsed by MPWTT and no appropriate alternative solution has been adopted yet. Additionally the failure to coordinate by the beneficiary on the vision and priorities meant that the new Railway Law could not be finalised.

Procedures for management and monitoring could be improved. ADF efficiently manages a number of large infrastructure projects financed by IFIs and has good management skills. While ADF has already established a Monitoring Unit, which collects the baseline data before the start of the project and compares them with data after completion, in the MPWTT there are no procedures in place for pre and post project monitoring.

ROM scores for effectiveness are B (good) for two of the projects (2009 *Secondary Roads* and 2008 *Highway Routes*); the 2008 *TA to MPWT* project has scored a 'C' (problems) due to the lengthy process of negotiations with beneficiaries on the approach to be taken for the activities and planned results. This coincides with the opinion of the evaluators. In the ROM report on the Milot-Reshen road doubling, the monitor considered that the decision to tender the doubling of the road despite of the negative advice of the IPA-funded study was a sign of positive impact. This is not an appropriate conclusion.

### 3.2.3 *Conclusions on effectiveness*

Summarising, with reference to the judgment criteria:

- The assistance was effective with the planned outputs delivered, normally at the appropriate quality level. Generally, outputs were useful for the beneficiary organisations, although exceptions were noted: in three cases this quality was disputed by the beneficiary. These exceptions coincided with the cases where the beneficiaries also did not agree on the selected provider. In two infrastructure projects a lower quality standard was adopted in exchange for a more cost effective approach.
- IPA interventions normally do not result in excessive administrative burden for the beneficiary organisations. Understaffed departments however face problems in hosting Twinning projects: in at least two cases the beneficiary organisation had problems with providing the necessary inputs for a twinning contract. In one of these cases, Twinning was in hindsight not appropriate for the beneficiary organisation.
- Procedures for programming and supervision are generally pro-active and promote quality and effectiveness. Beneficiaries are involved in programming, but their opinion is not always reflected in the final drafts of documentation, which (in two cases) may have negatively affected effectiveness. In one case part of the results of a project have probably been lost through poor donor communication and poor communication from the side of the Albanian government.
- The feasibility study showed that the doubling of Milot-Rreshen was not a feasible investment but the project was anyway included for concession by the government. It is doubtful whether this should be seen as a proper use of the output of this study.

### 3.3 Efficiency

#### EQ 1 To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?

Assessing efficiency relates to the timeliness of the delivery of the outputs and their cost, i.e. it addresses whether outputs were delivered on time and at a reasonable and expected cost. In the context of this evaluation, efficiency focuses on the achievement of value for money for both outputs and objectives. To assess this, the following factors need to be determined:

- whether the assistance has been, or is likely to be, delivered within the originally planned budget and time-frame; and
- whether the planning process took adequate consideration of other ways of delivering outputs or objectives and whether assistance could have been delivered in a more cost effective manner to achieve the same outputs or objectives.

#### 3.3.1 Efficiency in Public Finance and Financial Management

Among the nine projects, four were implemented using twinning, two regular Technical Assistance (TA), two using the so-called Delegated Agreement or Indirect Centralised Management (ICM) option and one project used both a twinning and a TA contract (2008 Competition and State Aid). In this latter case, both Albanian government structures in charge of the sector (the Albanian Competition Authority and the State Aid Department in the Ministry of Economy, Trade and Energy) were beneficiaries of the two contracts.

**Table 3.3 Project Implementation Modality**

IPA Year	Project title	Modality
2007	Preparation for decentralization of EU assistance	TA
2007	Support for the General Directorate of Tax	Twinning
2008	SAA Implementation Process	TA (ICM)
2008	Public Procurement	Twinning
2008	Albanian Treasury System	TA (ICM)
2008	Albanian Central Bank	Twinning
2008	Customs Procedures	Twinning
2008	Competition and State Aids	Twinning and TA
2009	Decentralised Management	TA

With two exceptions, all of the nine projects studied in the sample were contracted using competitive tender procedures, either for TA contracts or using the common procedures for twinning.

The two exceptions relate to the 2008 *SAA Implementation Process*<sup>6</sup> and 2008 *Albanian Treasury System*. These projects were implemented using the Indirect Centralised Management (ICM) procedure, also referred to as delegated agreements, under which the EUD 'cedes' the management and implementation of part of the IPA intervention to a member state - in this case respectively to Germany and Austria. These member states in turn contracted the management directly out to state-owned implementing agencies,<sup>6</sup> GIZ and the Austrian Development Agency (ADA). Both projects are part of a larger suite of assistance financed and implemented by respectively Germany and Austria. This procedure allows for a rapid deployment of funds by the

<sup>6</sup> Both agencies are also so-called 'Mandatory Bodies', i.e. accredited to operate as Member State Twinning Partners.

EUD. It is difficult to assess the achievement of value for money in the case of ICM, given that a separate Delegation Implementation Agreement (DIA) has to be drafted for each project and rules are subject to negotiation. The ICM procedure is normally applied when efficiency gains are possible by leveraging other funds through the EU contribution. In these cases though this has not occurred: the German contribution to the GIZ implemented project was about 20% of the total project costs and consisted mainly of topping up the fees for GIZ, there was no contribution of the Austrian government to the Treasury project. These two projects represent 22% of the value of the portfolio in the sample; the 2008 *SAA Implementation Process*, at MEUR1.850 has the third highest budget in the sample.

Four of the projects were contracted less than a half year before the end of the contracting period (dictated by the N+2 rule) and the delegated agreement (ICM) with the Austrian government resulted in a contract signed more than two years after the programming year. In the case of the 2007 *Support to the General Directorate of Taxation*, the period between the design of the fiche and the signature of the contract was over two years. This indicates an implementation backlog.

**Table 3.4 Contracting and start dates of the IPA projects**

IPA Year	Project title	Contract Date	Start Date	(Exp.) End Date
2007	Preparation for decentralization of EU assistance	Dec 2008	Jan 2009	Jan 2011
2007	Support for the General Directorate of Tax	Dec 2009	March 2010	May 2012
2008	SAA Implementation Process	July 2009	Sept 2009	Sep 2011
2008	Public Procurement	July 2010	Nov 2010	Feb 2012
2008	Albanian Treasury System	March 2011	Apr 2011	Apr 2014
2008	Albanian Central Bank	Oct 2010	Dec 2010	July 2012
2008	Customs Procedures	Dec 2009	Feb 2010	April 2012
2008	Competition and State Aid TA	Dec 2009	April 2009	Dec 2011
2008	Competition and State Aid Twinning	Nov 2010	Nov 2010	Oct 2012
2009	Decentralised Management	Dec 2010	March 2011	March 2013

No cases were observed where tenders had to be re-launched, although it was reported that at least in one instance no compliant bids were received (the twinning project 2008 *Albanian Central Bank*). Through direct consultation a suitable twinning partner was finally found. The 2008 *Public Procurement* twinning was almost cancelled by the EUD before the preferred twinning partner managed to convince them that the chances for success were realistic. The objectives have however remained relevant.

Delays during implementation have been caused by both Member State twinning partners and by beneficiaries. In the case of the Public Procurement Agency, implementation was halted for some months because they had no space available for the experts. 2008 *Albanian Treasury System* was delayed until the treasury system became fully operational and some technical preconditions for the delivery of the project were satisfied. In the case of the *Competition and State Aid* project, delays were encountered because the Resident Twinning Adviser (RTA) had to be replaced almost from the start. Extensions were therefore more the rule than the exception, but normally limited in duration. All these extensions were budget-neutral. Most projects reported that all envisaged outputs were delivered, even those that faced obvious problems during implementation.

No problems were observed concerning the required co-financing from the Albanian authorities, which in this sector was modest due to the lack of investment elements (for example, from a MEUR1.525 budget for 2008 *Albanian Treasury System*, co-financing is MEUR 0.025).

Although no separate formal capacity assessment was done, the type (TA or twinning) and scale of the projects were generally well adjusted to the beneficiary and the nature of the intervention. Twinning contracts are normally more demanding for the beneficiary and in one case a twinning contract imposed too many requirements in terms of logistics and human resources. This was caused however by the fact that the beneficiary, the Public Procurement Agency, lost virtually half of its staff through a government decision between the design of the fiche and the selection of the twinning partner. As already stated above, the EUD was close to cancelling the project, but after the intervention of the twinning partner it was ultimately realised. With hindsight it might have been better to replace the twinning contract here with a less demanding TA contract. The State Aid Department in the Ministry of Economy, Trade and Energy was also insufficiently staffed to deal with the requirements of a twinning contract.

The support to Competition and State Aid was clearly not well designed. Formally, the two projects started at the same time, whereas it would have been better if twinning had followed the TA contract and had been preceded by a gap analysis. The reason for the division of tasks over two contracts is not clear. Both projects faced delays, and the legal gap analysis under the TA contract was only performed when its absence was noted at the time the TA project produced its first draft of the final report.

The EUD has tried to avoid duplication of efforts with other donors through co-operation and building on results achieved by other donors or previous EU-funded projects (CARDS). For example, the RTA for the 2008 *Albanian Central Bank* co-operated closely with the Anti Money-Laundering project implemented by the IMF, on instigation of the EUD Task Manager. The same project also communicated closely with staff of the 2008 *SAA Implementation Process* project. The *Customs* and *Tax* twinning projects closely co-operated in several areas, most notably regarding excise reform, as management responsibilities were being passed over to the Customs Administration.

The EUD maintains strict financial management procedures following the PRAG<sup>7</sup> and the procedures from the Twinning Manual. In the case of 2008 *SAA Implementation Process*, the EUD complained about the lack of transparency which was aggravated by the poor communication from the side of the GIZ experts. The MEI was informed, but not involved, in the procurement of an IT system for it by GIZ. This lack of ownership in the design phase may subsequently reduce efficiency and effectiveness if the system is not used as intended. Similar problems were not encountered with the second delegated agreement with the ADA, where the communication with the EUD was good. Nevertheless the DIA with the implementing agency, which foresees only an annual reporting sequence, limits the ability of the EUD to effectively supervise implementation.

Budget and time horizons of the projects are in general realistic, with the one exception 2007 *Support for the General Directorate of Tax* where a saving of MEUR 0.400 (20% of the budget) was made (without significantly adjusting the outputs) , which indicates that the original budget was unrealistic. Another twinning project (2008 *Albanian Central Bank*) was extended for two months merely to be able to spend the amounts saved during implementation on some additional activities, but this deviation is relatively small. The budget for the twinning contract supporting the Competition Authority was, according to the EUD, tight. The following table provides information on budgets allocated and ultimately spent.

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<sup>7</sup> The Practical Guide to contract procedures for EU external actions.



**Table 3.5 Comparison budget allocated and spent of the IPA projects**

IPA Year	Project title	Budget allocated (MEUR)	Disbursed (MEUR)	Status
2007	Preparation for decentralization of EU assistance	1.00	1.13	Completed
2007	Support for the General Directorate of Tax	2.20	1.80	Completed
2008	SAA Implementation Process	2.00	1.90	Completed
2008	Public Procurement	1.00	0.999	Completed
2008	Albanian Treasury System	1.50	not known yet	On-going
2008	Albanian Central Bank	1.00	0.70 (Feb 2012)	On-going
2008	Customs Procedures	2.00	1.80	Completed
2008	Competition and State Aid TA	0.50	0,50	Completed
2008	Competition and State Aid Twinning	0.99	0.90 (July 2012)	On-going
2009	Decentralised Management	1.50	1.34	On-going

Generally, supervision structures do not impede on an efficient implementation, although under twinning, the procedures for obtaining approval for even the smallest changes (e.g. postponing a study trip for one month) are strict. They are not conducive for the kind of flexible adjustment to changing circumstances needed in implementing development assistance even though approvals are normally provided quickly. Recently this has been improved in the twinning regulation and detailed planning is now only necessary for the forthcoming periods rather than for the entire project duration

The Result-Oriented Monitoring (ROM) reports were scrutinised, as far as available for the projects studied. Distribution of the scores for efficiency is as follows:

**Table 3.6 ROM scores for efficiency**

IPA Year	Project title	ROM score(s)*
2007	Preparation for decentralization of EU assistance	C – B
2007	Support for the General Directorate of Tax	C – C
2008	SAA Implementation Process	n/a
2008	Public Procurement	n/a
2008	Albanian Treasury System	n/a
2008	Albanian Central Bank	B
2008	Customs Procedures	A – A
2008	Competition and State Aids	C
2009	Decentralised Management	B

\*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

Three out of the six monitored projects reported problems, although in one case this improved during implementation. No serious deficiencies were reported. The modal score for efficiency given by the ROM system on six monitored projects would be a B, i.e. 'good'. This seems to confirm the observations of the evaluators.

### 3.3.2 Efficiency in the Transport Sector

Among the five projects in the Transport portfolio, four are works directly linked to the design and/or development of transport infrastructure. The final project is a TA intervention to strengthen

capacities of the Ministry of Public Works and Transport (MPWT). Three of the five projects evaluated: 2008 *TA to MPW*, 2008 *Highway routes* and 2008 *Local Roads Reconstruction* have already been completed. The other two – 2008 *Rehabilitation of the Port of Shengjin* and 2009 *Rural and Secondary Roads* are still on going.

**Table 3.7 Implementation modalities of the IPA Transport projects**

IPA Year	Project title	Modality
2008	TA to the MPWT	TA
2008	Rehabilitation of the Port of Shengjin	Works
2008	Highway Routes	Works
2008	Local roads reconstruction	Works
2009	Rural and Secondary Roads	Works

Most of the delays in projects managed by the MPWTT were caused by the lack of proper planning from the selection of the project up to the allocation of the co-financing. Slight delays have been experienced with all projects, albeit with no cost implications. Considerable delays were encountered in the case of the 2008 *TA to the MPWTT*, mainly due to lengthy discussions between the contractor and beneficiary on the approach prior to submission of the Inception Report. The delay in completion of preparation of 2008 *Highway Routes* was mainly due to lack of proper planning from the beneficiary institutions who did not have a clear strategy on how to finance the construction of these two road sections. This delayed the preparation of Tender Documents for Works.

**Table 3.8 Contracting and start dates of the IPA Transport projects**

IPA Year	Project title	Contr. Date	Start Date	(Exp.) End Date
2008	TA to the ministry of Public Works Transport and Telecommunication	Nov 2009	Jan 2010	March 2012
2008	Rehabilitation of the Port of Shengjin	Dec 2009	July 2012	Dec 2012
2008	Highway Routes	Nov 2010	Nov 2010	March 2012
2008	Reconstruction of Local roads	Feb 2010	Feb 2010	Aug 2011
2009	Rural and Secondary Roads	Sep 2010	Sep 2010	Oct 2012

The design of 2008 *Rehabilitation of the Port of Shengjin* took longer than planned due to the inability of the authorities to provide the necessary information on time. In this case though a number of other factors also contributed to the delays, including lengthy procurement procedures (coordinating between different procedures for EU and nationally financed elements); as well as delays in staff mobilisation by the contractor. The project is currently behind schedule and a no-cost extension is envisaged at least until the end of 2012. The 2008 *Reconstruction of Local Roads* also experienced a slight delay. However, works were completed within the revised deadline, including an additional road section that was added to the project on top of the four sections selected during the tender. The issues experienced in this project included insufficient quality of workmanship from the local contractors, but these were ultimately resolved. The 2009 *Rural and Secondary Roads* project also met with a little delay due to the extension of the design stage required for clarifications in environmental issues and tender documents.

The IPA 2008 and 2009 projects on construction of rural and secondary roads have been implemented by the Albanian Development Fund (ADF). 2008 *Reconstruction of Local Roads* was managed directly by the EU Delegation and ADF was closely consulted as the main beneficiary. All works for the four (later five) segments were contracted to a single contractor. In the case of the

IPA 2009 secondary road project, the EUD allocated project management to the German KfW through a Delegation Agreement (ICM), thus adding to the more than 20 million Euro portfolio that had been dedicated to the project by KfW. Therefore, this project is co-financed and IPA funding has made the pooling of other financing possible while easing costs for the Albanian government. The same approach has been followed in subsequent IPA programming years. To sustain support for the rural road programme – IPA 2010 is co-financed with the EBRD.

The beneficiary institutions have established specific units to deal with IPA projects even though contractual responsibility still remains with the EUD. These units provide the necessary support for management from the side of the beneficiary institution.

Budgets appear to have been realistic. In the case of 2008 *Reconstruction of Local Roads* an additional road segment was reconstructed within the original budget as bids by local contractors were lower than expected. A no-cost extension of almost nine months was also granted to 2008 *TA to MPWT* the technical assistance project in support of MPWT, with a revised workplan and added activities. This also suggests that the original workplan and budget were overestimated. The following table shows the comparison between allocated funds and real expenditure:

**Table 3.9 Comparison budget allocated and spent of the IPA projects**

IPA Year	Project title	Budget allocated (MEUR)	Funds spent (MEUR)	Status
2008	Secondary & local roads	8.00	7.42	Completed
2008	TA to the MPWT	0.99	0.99	Completed
2008	Highway Routes in Albania	1.80	n/a	Completed
2008	Albanian Maritime Sector (Shengjin Port)	3.10	n/a	On-going
2009	Secondary Roads	9.00	0.63 (dec'11)	On-going

Three of the five projects in the portfolio were monitored under the EU-ROM programme (2008 *TA to MPWT*, 2008 *Highway routes* and 2009 *Secondary roads*); and the efficiency scores for all three were B (good). According to the ROM reports, all projects experienced some problems due to failure of the beneficiaries to fulfil their obligations on time and/or their own internal problems. This seems to confirm the findings of the evaluation. However, problems were all resolved and ultimately, and the ROM system considered the projects to be on budget and broadly on time.

### 3.3.3 Conclusions on efficiency

Summarising, with reference to the judgment criteria:

- Generally appropriate service providers or twinning partners have been selected.
- Extensions were common, but normally small. Weak planning capacity in Transport beneficiaries was the reason for the delay of some projects. Also budgets appeared to be largely realistic.
- Procedures for programming and supervision are transparent and promote efficiency, with the exception of the two cases of delegated responsibility where there was no tender (the use of funds in third case, to KfW, was subject to competitive procedures). In one of these cases this resulted in a lack of transparency and problems between EUD, implementing agency and beneficiary organisation.
- Generally a good mix of financial sources (including non-EU sources.) was applied, especially in infrastructure. IPA support has been additional, i.e. it has not replaced commercially available funding. This was achieved through focusing on activities which make loan financing possible,

either through leveraging with lenders (e.g. KfW) or through financing preparatory activities, such as design studies.

## 3.4 Sustainability

**EQ5 Are the identified impacts sustainable?**

**EQ6 Are there any elements which could hamper the impact and/or sustainability of the assistance?**

Given the programme level of this evaluation, the identification of issues which hamper the achievement of impact and sustainability will concentrate on common rather than on project specific issues. Reference is here made to chapter 2, especially section 2.4 which presents the findings of the sector analysis related to the management capacity of the Albanian public administration.

### 3.4.1 Sustainability in Public Finance and Financial Management

The understaffing of many departments responsible for implementing and sustaining the outputs realised by the IPA interventions is a serious threat to sustainability. For example, the high staff turnover in the General Directorate for Tax was explicitly mentioned in progress reports as a threat. The sustainability of the outputs realised by the projects supporting the process of Decentralised Management is not so much threatened by the capacity of the direct beneficiary, the MEI, but by the low capacity in the line ministries. In the line ministries Sector Programme Officers (SPO) were nominated and staff of the SPO offices have been able to benefit from not only the three IPA projects strengthening local IPA management but also from other IPA projects implemented in their ministries and from the PPF. Several sources mention however the weak position of some SPO offices, being largely understaffed. The State Aid Department and the Public Procurement Agency will also probably not be able to sustain the results of the IPA assistance with their insufficient number of staff.

Sustaining administrative capacity is influenced by budget allocations and also to political will. Donors note the politicised nature of recruitment to the public administration and the associated concern that staff trained under the IPA will be replaced for political reasons. Presidential elections are planned for this year, parliamentary elections for next year, and the retention of trained staff after these elections will be an important indicator for sustainability. Additionally there is a risk that staff, aware of the political influence of recruitment, may leave even prior to the elections.

Institutional changes within the Public Administration which make the originally intended organisation no longer the most appropriate beneficiary are also a threat to sustainability. The management of excise duties was transferred from the Tax Directorate to the Customs Directorate, and thus the outputs of the support to the Tax Directorate in the area of excise duties cannot be sustained.

The on-going costs of institutional reform and preparation for implementation of the *acquis* also represent a threat to sustainability. Beneficiaries in SMEI and in the Ministry of Finance (Treasury) stated that they were not properly prepared for having to pay the annual licence costs of the IT systems delivered under IPA assistance, although failure to pay has not yet occurred. Obviously, the fact that the MEI was not consulted by GIZ in the selection of the NPISAA IT system has not helped in finding a solution.

Positive exceptions to this are the results obtained in 2008 *Albanian National Bank* and in 2008 *Customs Procedures*. In both beneficiaries there is a high level of staff retention and a strong feeling of ownership of the project results. A low staff turnover was also reported by the Competition Authority ACA (assessment of the *Competition and State Aid project* are overall reduced by the low performance of the State Aid Department). In the sample covered by this evaluation relatively autonomous organisations have a larger chance of sustaining the outputs of IPA interventions. They offer better employment conditions and career perspectives. This will be further elaborated in section 4.

**Table 3.10 ROM scores for sustainability**

IPA Year	Project title	ROM score(s)*
2007	Preparation for decentralization of EU assistance	B-B
2007	Support for the General Directorate of Tax	B-B
2008	SAA Implementation Process	n/a
2008	Public Procurement	n/a
2008	Albanian Treasury System	n/a
2008	Albanian Central Bank	B
2008	Customs Procedures	B-B
2008	Competition and State Aids	C
2009	Decentralised Management	C

\*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

The ROM system scores most of the projects as 'good' for sustainability and is therefore more optimistic than the evaluation. This may be due to the speculative nature of forecasting sustainability based on the limited information available at the time that the ROM is undertaken. The ROM system also did not cover two projects with clear sustainability issues (*Public Procurement* and *SAA Implementation*).

### 3.4.2 Sustainability in the Transport Sector

ARA should play a key role in ensuring the sustainability of the road infrastructure investments of IPA as the organisation in charge of managing the road network maintenance system. However, it is still not officially established, let alone properly equipped to fulfil its obligations due to the lack of commitment of MPWTT to carry out the transformation of the organisational structure. This is likely to lead to considerable staff turnover that will reduce the ability of the ARA to effectively sustain IPA investments.

On the positive side, the commitment of the government of Albania to increase ARA's budget by at least 10% annually has been honoured so far. This is important, as one of the shortcomings for road maintenance has been the lack of proper planning of maintenance funds leading to a rapid deterioration in the condition of the road.

The secondary and local roads projects are normally under the authority of regional and local governments. However, the government of Albania has stipulated that the national agency will be entrusted with maintenance of secondary roads reconstructed through the Rural and Secondary Road programme. The Decision of the Council of Ministers for the extension of ARA road inventory with the regional roads completed through IPA 2008 is not still in place although it is expected that the transfer of authority will happen soon. Maintenance of local roads will be carried out by local government units, which have been trained for this purpose by ADF. It remains unclear whether (sufficient) local funds for road maintenance will be available.

Beneficiary institutions have allocated specific human resources to planning and implementation of IPA funded projects, in particular at ADF where stringent procedures are followed at all stages. However, as seen earlier in this report, lack of commitment and/or capacity of the beneficiary (MPWTT) has led to several delays and other management problems for some of the projects. Failure of the beneficiary to provide leadership or fulfil its obligations is a serious threat to sustainability.

The lack of clarity on the capacity of ARA, as well as an exact demarcation of responsibilities for maintaining the IPA-funded roads between ADF and ARA, make sustainability doubtful. This doubt is reinforced by questions over the capacity of the local governments for maintaining local roads, including the sufficiency of local funds.

### 3.4.3 Conclusions on sustainability

Summarising, with reference to the judgment criteria:

- Long term institutional capacity building impacts may not be fully sustained despite being a pre-requisite for membership of the European Union due to limitations in beneficiary budgets and the lack of a merit based recruitment and career management structure for civil servants;
- IPA enabled effects are not always well embedded in newly established beneficiary structures, largely also because these structures do not co-operate and communicate in a manner necessary for a proper implementation of the *acquis*;
- Sustainability of road projects may be affected through insufficient arrangements for maintenance;
- These are systemic issues which reduce the impact or sustainability of assistance, and
- Embedded defects in the system in the partner country which prevent a full adoption of the outputs of IPA interventions, i.e. a lack of political will by government and Parliament to adopt legislative or organisational changes.

## 3.5 Conclusions

Generally, IPA support has delivered the foreseen outputs, at the expected level of quality, especially in terms of the two categories 'human resources' and 'systems,' with only few exceptions. These effects were moreover generally delivered at appropriate (human, organisational and financial) costs, although the evaluation feels that the use of the ICM in the Public Finance and Financial Management sector have not been conducive for transparency.

Despite of this, sustainability of the outputs is threatened by the capacity of the Albanian public administration, which is still insufficient in size (understaffed) and structure (lack of job security, career perspective and poor communication and shortcoming standards) to fully absorb and embrace the outputs. We refer here also to the findings of the sector analysis.

Only in two out of the fourteen sampled projects the threat to sustainability may be attributed to the lack of quality of the outputs.

Sustainability is strongly linked to impact potential, covered in the next chapter.

## 4 Analysis of the impact of IPA assistance

### 4.1 Introduction

**EQ3 Are the outputs and immediate results delivered by the IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to the accession preparation? Are/can impacts be sufficiently identified/quantified?**

The focus in this chapter is on the contribution of the suite of IPA-funded projects studied to the changes in the sector identified. An important consideration is whether conditions in IPA management and in the Albanian public sector are enabling the translation of direct results into impact. Analysis indicates that visible progress has been made in preparing draft legislation to align with the *acquis* and meet the Copenhagen Criteria. (see Chapter 2 and Annex 1). The main challenge now is the effective enforcement of this new legislation by the administration that will require further capacity strengthening and institutional reform into the medium term.

### 4.2 Does IPA assistance address priority issues?

This section is closely related to relevance, an evaluation criteria which does not stand focal in this evaluation as it was substantially covered in the 2011 CPIE. In order to have impact, it is however required that the different interventions are aiming at the fields in which this impact is desired.

All of the projects in the Public Finance and Financial Management sub sector clearly fit in the SAA Implementation Plan and in the Action Plan. They are all focused on institution building, sometimes with an IT component. The interventions also fit into the wider objectives of the IPA, with the Multi-Indicative Planning Document (MIPD) for 2007 to 2009 stating in this respect: *'As a potential candidate country, Albania must continue its efforts to comply with the approximation of legislation and adoption of EU standards, whereas implementation and enforcement should be accelerated through the establishment and capacity building of agencies and institution'* and *'The main focus of EU assistance continues to be institution building, where Albania requires substantial EU assistance to address European Partnership priorities'*.

A broad distinction could be made between two types of projects: (i) those which indirectly contribute to the MIPD objectives above by strengthening the local capacity to manage IPA Funding and (ii) those which directly contribute to an improved harmonisation with the *acquis* and a public administration able to implement this *acquis*.

The first group of projects facilitate future management of the accession effort by Albanian parties:

**Table 4.1 Projects indirectly focusing on introducing *acquis* by strengthening implementing capacity of the accession effort**

IPA year	Project title
2007	Preparation for decentralization of EU assistance
2008	SAA Implementation Process (support to the SMEI)
2009	Decentralised Management

The need to strengthen public financial management and the relevant structures in order to ensure correct use of both national as well as EU funds is one of the priorities as set out in the European Partnership. The MIPD states here: *'Pre-accession assistance shall prepare the country for decentralised management of EU assistance through capacity building of relevant administrative departments and institutions'*; *'Decentralised management is a long term objective of IPA'*, but also *'Given the current conditions for financial execution in Albania, full decentralisation will not be sought under the MIPD 2007/ 2009'*.

For the second group of projects, compliance with the MIPD and with the European Partnership (EP) is a pre-condition for impact.<sup>8</sup> The following table shows the projects in the sample and the relevant short-term priorities as outlined in the EP. The compliance is evident.

**Table 4.2 Projects directly focusing on transposing the *acquis* and strengthening its implementing capacity vs the relevant priorities stated in the European Partnership**

Project title	Relevant Short Term Priorities stated in the EP vs Overall objective of the project
2007 - Support for the General Directorate of Tax	<p><b>Overall Objective:</b> To assist the Government of Albania in strengthening the fiscal system in line with EU standards.</p> <p><b>EP priorities:</b></p> <p>Continue implementing a stability-oriented fiscal policy which aims at fiscal consolidation and is conducive to low inflation and external sustainability.</p> <p>Reduce the grey economy by effective and non-discriminatory enforcement of tax legislation and intensifying the fight against fiscal fraud.</p> <p>Reinforce the capacity of the tax administration, in particular in the fields of tax controls and audit, in order to increase compliance and reduce tax evasion.</p> <p>Further approximate tax legislation with the EU Acquis, notably in the field of excise duties, and commit to the principles of the Code of Conduct for business taxation.</p> <p>Review the public internal and financial control policy paper and action plan and clearly define the internal audit function, separate from other control and inspection functions.</p> <p>Develop an appropriate inspection service to combat fraud.</p> <p>Strengthen the independence of the Supreme Audit Institute.</p>
2008 - Public Procurement	<p><b>Overall Objective:</b> To assist the Government of Albania to achieve EU standards as required under the SAA in the areas of public procurement, concessions and public auctions.</p> <p><b>EP priorities:</b></p> <p>Enforce public procurement legislation and take steps to bring it fully up to EU standards, especially as regards utilities sector and remedies.</p> <p>Further strengthen the administrative capacity of the Public Procurement Agency, public procurement entities in line ministries and local government and courts dealing with public procurement.</p> <p>Ensure investigation and criminal prosecution of procurement-related offences.</p>
2008 - Albanian Treasury System	<p><b>Overall Objective:</b> strengthen public financial management in Albania in compliance with the European Partnership and the National Strategy for Development and Integration.</p> <p><b>EP priorities:</b></p> <p>Continue with fiscal reform with the aim of strengthening revenue administration and improving debt management capacity.</p> <p>Ensure that the Internal Audit Law and the draft organic Budget Law are in line with internationally recognized standards.</p>

<sup>8</sup> The MIPD and EP are mutually compliant as the former is developed from the latter.



Project title	Relevant Short Term Priorities stated in the EP vs Overall objective of the project
2008 - Albanian Central Bank	<p><b>Overall Objective:</b> To contribute to the fulfilment of the Copenhagen economic criterion by ensuring the effective implementation of monetary policy as well as by guaranteeing the existence of a safe, financially sound and well-developed banking system in Albania.</p> <p><b>EP priorities:</b></p> <p>Pursue a monetary policy conducive to the objective of achieving and maintaining price stability to reduce and anchor inflation expectations</p> <p>Strengthen the regulatory framework for banking and non-banking financial supervision and the capacity of the Financial Supervision Authority.</p>
2008 - Customs Procedures	<p><b>Overall Objective:</b> To assist the Government of Albania in aligning the Albanian customs procedures with the EU <i>acquis</i> and standards</p> <p><b>EP priorities:</b></p> <p>Further align customs legislation and procedures with EU practices; in particular, ensure approximation of rules and procedures for transit, customs warehouses, customs valuation, physical controls and risk analysis to EU standards.</p> <p>Fully implement the computerised system for customs declaration and customs data processing in all customs offices.</p>
2008 - Competition and State Aids	<p><b>Overall Objective:</b> To contribute towards ensuring a competitive environment in Albania and to achieve a high level of discipline in state aids.</p> <p><b>EP priorities:</b></p> <p>Improve and approximate to the Acquis the existing anti-trust legislation to reinforce competition control.</p> <p>Strengthen the administrative capacity of the competition authority and provide adequate staff and training.</p> <p>Adopt implementing legislation on State aid. Continue updating the inventory of State aid schemes.</p>

The sectoral analysis concluded that transport is a very important sector for national development, although it has only a limited relevance for the EU *acquis*. However, the sector supports economic development and thereby EU integration by helping the country to improve its economic standards. According to the MIPD, IPA assistance aims to address the priorities identified in the Albanian transport strategy framework, focuses on the alignment of the Albanian transport sector with the EU *acquis* and facilitates the implementation of SAA obligations.

Although the projects therefore are policy-relevant, i.e. have the potential to have an impact on the relevant field, this does not imply that this impact has actually been realised. Vital for the latter is a proper realisation of the different interventions and adoption of the outputs of the different outputs by the Albanian parties. In the following sections, impact realised in the different subsectors will be presented, in which the sectoral analysis (see section 2.2 and Annex 2) has been combined with the analysis of IPA performance addressed in the previous chapter. Emphasis is on the three elements of capacity building: human resources, systems and tools, and structures.

### 4.3 Impact in Public Finance and Financial Management

#### 4.3.1 IPA contribution to changes in EU Funds Management and Financial Control

The majority of objectives in the area of management of EU funds and financial control have been achieved. In terms of structures, the legal framework for Public Internal Financial control was already in place and in line with the *acquis*, while the establishment of institutional structures is currently being completed.

Coordination of EU integration issues is managed successfully by the MEI, supported by technical inter-ministerial working groups and Committees. Structures and procedures for decentralised management of IPA component I are in place and were audited by an accreditation mission during June 2012. The decision on management conferral is expected in September 2012.

This however still needs to be sustained through continued efforts to increase awareness and understanding of modern financial management concepts in line ministries and other institutions with a public mandate.

IPA assistance in this field has supported the Albanian authorities to strengthen capacities in existing institutions. 2007 *Preparation for Decentralisation of EU assistance* has supported the Albanian government also to establish **structures** for IPA component I. 2009 *Decentralised Management* builds on this project and is at the early stages of establishing structures for management of IPA components II-IV. These projects have also extensively worked on strengthening **human resources** and **systems** of the existing and newly established structures. 2007 *Preparation for Decentralisation of EU assistance* has worked closely with the designed EU integration units and SPOs in line ministries to increase their knowledge of and preparedness for the forthcoming responsibilities under DIS, in addition to the work with central bodies such as CFCU, NAO, PAO, etc. Both projects have in turn also introduced of a series of procedures and associated manuals.

Difficult communication between the beneficiary and 2008 *SAA Implementation Process* has likely minimised the impact the project has achieved in the area of **human resources**. It did however achieve a number of results in the helping establish systems and tools: notably it has assisted MEI in drawing up the action plan and find a methodology for the harmonization of the *acquis* and it introduced software for the support of translation of *acquis*. Use of the IT system and therefore impact is however threatened by the MEI's hesitation to carry the costs, caused by lack of consultation in the process of establishment by the contractor.

Treasury operations are carried out through an IT system that enables real time connection of all treasury district offices. However, a sample of budget institutions will only be linked to the system following completion of 2008 *Albanian Treasury System*. This project is expected to bring progress in the area of public financial management in Albania through strengthening capacities of the Ministry of Finance and other spending units in financial management improving **human resources**. It is also focused on **systems** through the expansion and improvement of the existing Albanian Treasury software in order to enhance its functionalities as well as, most importantly, to improve transparency and accountability in the system.

#### 4.3.2 *IPA contribution to Public Expenditure Management and Macro-economic Stability*

The legal and regulatory framework (**structure**) for the Bank of Albania is largely compliant with the EU, although some further alignment is needed. Good progress has been made in the area of the payments **system**. The Bank of Albania has strengthened its regulatory activity with special emphasis on risk-based supervision.

IPA assistance has contributed to the achievement of all of the observed sectoral changes. As such, the project has been instrumental in **human resource** development, establishing new **structures** and introducing **systems** and tools. Full attribution is however difficult to establish: the Bank is an example of a modern pro-active organisation, with a capable governor (ex private sector) and has been co-operating with other Central Banks, most notably the Banco d'Italia, for

20 years. Its capacity to address the challenges posed by approximation of Albania's legislative and regulatory framework to the EU rules is considered to be adequate.

#### 4.3.3 *IPA contribution to the Tax and Customs sub-sector*

Despite progress since 2006, Albania still faces challenges with legislative alignment and administrative capacity. The tax structure has been reviewed and significant changes implemented. The onset of the financial crisis impacted on the restructuring of labour markets, however tax collections rose significantly until 2009. More needs to be done for the implementation of good governance principles as well as predictability and stability of the tax system. Further measures also need to be taken to strengthen capacities for inter-institutional collaboration.

Good progress has been achieved in the area of **human resources** and **systems** with for example electronic procedures largely introduced in tax transactions and the upgrading of the customs systems.

Contribution to changes by the 2007 *Support for the General Directorate of Tax* project has been limited. Reasons include insufficient commitment to the project from the side of the Ministry of Finance, lack of good support from the side of the prosecutor's office in the area of tax investigation, and insufficient staff capacity in the IT department.

On the other hand, the 2008 *Customs Procedure* project has made a visible contribution to the changes observed. Its outputs in terms of **human resources, structures and systems** has been almost fully adopted (i.e. they have been adopted by at least one, if not all, custom units). Co-operation with other EU and candidate (Turkey, Montenegro) customs offices has been established while integrated border management is now in place at the border with Montenegro.

#### 4.3.4 *IPA contribution to Public Procurement*

Despite significant improvements during 2009 and 2010 since the adoption of the 2006 Public Procurement law, the legal structure is still not fully consistent with European standards. A large percentage of the overall number of procurement procedures are carried out through negotiations, without publication.

The institutional set up for procurement was improved through the establishment in 2010 of the Public Procurement Commission (PPC), which took over the appeal and review functions of the PPA. A clearer division of responsibilities between the PPC and Procurement Advocate is however needed. Furthermore, staffing of the PPC was made by reducing the staff of the PPA by 50%, significantly weakening capacity in the latter.

Draft legal amendments (**systems**) have been proposed by the IPA twinning project 2008 *Public Procurement*, but these have not yet been officially put forward for adoption. The management of the PPA was not fully convinced of the suitability of the proposed amendments, although they appear to be in full compliance with the *acquis*. The PPA may have been focused too much on **tools** (electronic procurement issues), which were according to twinning partner and the EUD not priority issues. This has also negatively impacted on the adoption of the outputs.

The project has therefore not significantly contributed to changes at the sectoral level.

#### 4.3.5 IPA contribution to Competition and State Aid

In terms of **structures**, sectoral progress in the area of Competition and State Aid is satisfactory. The Competition Authority (ACA) has been established and the legal and regulatory framework that enables the enforcement of its mission is in place. ACA has initiated a number of anti-competitive proceedings. 2009 Amendments to the 2005 State Aid Law have aligned it further with the EU Acquis. The State Aid Department (SAD) in the Ministry of Economy has the task to carry out investigations and prepares proposals for State Aid decisions. The State Aid Commission (SAC) is the decision-making body for State aid control. There are however concerns that structures in charge of state aid issues have limited administrative capacities and that state aid schemes could potentially go unnoticed at first. An indication of the latter is that there have been so far no ex officio investigations initiated by the State Aid Commission.

Several factors have limited the contribution to sectoral development by the 2008 Competition and State Aid project, most importantly the institutional distance between the ACA and SAD. Activities of the project were in relevant areas. It has not directly contributed to new legislation (2009 amendments happened before the project started) but to strengthening capacity, i.e. **human resources and tools** of mainly the ACA. The contribution to the changes observed were however mainly in the Competition field and less in the State Aid area where changes overall were assessed as being modest.

#### 4.3.6 Adoption of IPA delivered outputs by the Albanian Public Administration

The above sections describe the contribution delivered by IPA to the development of the sector relevant for Albania's EU accession effort. It should be noted that in most sub-sectors this contribution does not go beyond the direct effects delivered by the project. As regards **systems and tools**, the majority of these projects have assisted beneficiaries in their efforts to approximate legislation. Key draft legislation prepared by the customs and tax projects, such as the new Customs Code or VAT law is however still pending adoption by parliament. Only in EU funds management, Central Banking and Customs were effects observed which went beyond the direct effects. In the other sectors, so far wider scale impact is absent.

There are a number of reasons for this somewhat disappointing impact of the IPA projects:

- As described in section 2.4, the Albanian Public Sector is small and almost all institutions struggle with shortage of staff. The absence of a Civil Service Law establishing a merit based recruitment and promotion policy compromises the retention of trained and skilled staff and creates uncertainty for the future.
- An important change in IPA management has been the refocus of IPA along sectors, which emphasises the importance of line-ministries to manage the accession effort in a process coordinated by the MEI. However, communication between departments is weak (another prerequisite for a proper implementation of the *acquis* is co-operation through Interdepartmental Working Groups). Even departments which in many EU member states would belong to one organisation, such as the Competition Authority and the State Aid Department, hardly communicate among each other according to the progress reports of both the TA and the twinning projects supporting these institutions. This message was also confirmed by other independent parties.
- There is concern over the extent of beneficiary commitment to the outputs of the assistance, which will directly affect impact. Senior staff do not attend project supervision or steering committee meetings. The low attendance at training sessions was mentioned above. Two projects in the Ministry of Finance, (2008 *Support to the Treasury System* and 2007 *Support to the Tax Directorate*) specifically mention the low local ownership of the projects. Whilst beneficiary institutions have indicated assistance and capacity building actions are relevant and professional, this is not confirmed by indicators such as the attendance at training events.

- Only in one case can the likely lack of impact can be fully attributed to IPA project performance: the quality of the support was disputed by the beneficiary of 2008 *SAA Implementation Process*. Although the PPA also had some complaints, the main reason for non-adoption of project outputs lies in its limited staff capacity.

Combining all these arguments, the outputs of only two projects are expected to be fully adopted and have a definite impact: 2008 *Albanian Central Bank* and 2008 *Customs Procedures*. In addition, part of 2008 *Competition and State Aid* delivering support to the ACA is likely to be successful. As noted in section 3.4.1 above, these organisations are, as semi- or fully autonomous bodies, less vulnerable to high staff turnover. They have more options for retaining (and attracting) staff, e.g. the Bank of Albania offers higher wages and better fringe benefits to its staff than organisations belonging to the central government. They also enjoy a clear mandate, which may be beneficial in attracting staff. Finally, the staff is not threatened or demotivated by a politically influenced career (or lack of career) prospects.

#### 4.3.7 ROM scores

From the ROM scores for impact prospects, the following picture emerges:

**Table 4.3 ROM scores for potential impact**

IPA Year	Project title	ROM score(s)*
2007	Preparation for decentralization of EU assistance	B-B
2007	Support for the General Directorate of Tax	B-C
2008	SAA Implementation Process	n/a
2008	Public Procurement	n/a
2008	Albanian Treasury System	n/a
2008	Albanian Central Bank	B
2008	Customs Procedures	A-A
2008	Competition and State Aids	B
2009	Decentralised Management	C

\*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

Most projects have been rated as 'good' for impact, which appears to be at odds with the analysis above. There is also an inconsistency in the ROM system as two projects scored higher for impact than effectiveness (see Table 3.2 ROM scores ). If these scores are revised downwards the ROM assessment comes into line with the findings of this evaluation.

## 4.4 Impact in the Transport Sector

### 4.4.1 IPA contribution to Policy Development in the sector

The 2007 *TA to MPWTT* project is relevant to the policy development in the sector and directly linked to some of the priorities stated in the EU Partnership and MIPD. All outputs have been delivered, however not all have been taken up by the beneficiary yet. For instance, the project has contributed to the establishment of the Road and Bridge Asset Management System (RAMS), including transformation of the former General Roads Directorate in charge of road maintenance, into ARA, a structure that will be in charge of supervising maintenance work carried out by private contractors. MPWTT as the main beneficiary has still not taken steps to complete the process of transformation of ARA given the large scale redundancies envisaged. Similarly, the draft railway

law that was prepared by the project has not been revised by MPWTT yet and impact therefore still pending.

The Albanian National Transport Plan (ANTP) is the main strategic instrument to guide the government's decisions to prioritize and invest in infrastructure. A new version of the ANTP was adopted by the Government in early 2011, with assistance from 2008 *TA to MPWTT*. In addition, a new draft law for the railway sector has been prepared by this project and is pending further consideration and discussion by the authorities.

#### 4.4.2 *IPA contribution to the Road Sector*

The road transport subsector can be considered by far the most important element of transport and as such takes up the majority of state budget investment funds. Albania has made significant progress in upgrading the road infrastructure network. Important segments of the East-West corridor and North-South axis have been completed or are currently under construction, most notably the completion of the Durrës – Kukës highway. Some progress has also been made with improvement of secondary roads through the programme of the Albanian Government to pave thousands of kilometres' of rural roads.

Interventions in the transport sector generally fit into the wider framework of development as one of the main contributors to economic development. In particular, investments in the rural and secondary roads under IPA 2008 and 2009 programmes contribute to the general objective of economic development by creating direct access of remote areas to central zones and markets. In particular, the IPA 2008 rural roads programme is expected to enhance tourist potential in at least three of the five segments, as well as facilitate cross-border communication in the remaining two. The IPA 2009 project focuses on creating opportunities for poverty alleviation and economic development for disadvantaged northern areas. Impact has not fully materialised yet as projects have just been completed or are currently on-going. However, preliminary data indicates that some of these investments are extremely beneficial for the communities: for instance the number of visitors to the Antigonea archaeological park in South Albania has doubled since the reconstruction of the road by 2008 *Secondary Roads*.

The doubling of Milot – Rreshen Road appears to be slightly premature for the current traffic flows. According to the feasibility study undertaken as part of the design project, the IRR for this project is below the cut-off rate and would not justify the investment. In the current economic situation, the wider economic benefits of doubling the road are not high, especially given the quality of the existing recently upgraded road. However, the Government of Albania with support of IFC is preparing a tender for the concession of the entire Milot-Morinë road that might include, among others, the doubling of the Milot-Rreshen section. Traffic analysis and the data provided in the Consultant's Feasibility Study for this road sections are being used for the preparation of Tender Documents, which is an indication of impact, however, given the limited expected economic return of this road section, the risk is that funds will be spent on a potentially economically irrelevant project.

The construction of the Vlora bypass, to be financed through IPA 2010 funds and an EBRD loan, will provide relief to the traffic in the centre of Vlora, therefore improving the quality of life for Vlora citizens. It will also serve as an important section of the coastal route for the touristic development in the south of the country.

#### 4.4.3 IPA contribution to the Maritime Sector

In the case of the Port of Shengjin rehabilitation works, the potential for expansion of port operations and transformation of the port into a regional hub for Northern Albania and Kosovo remain doubtful. The new infrastructure will increase the port operating capacity for ships up to 5,000 tons, as well as reduce operating times and as such is expected to contribute to the support of the otherwise poor local economy. The project has been based on a development master plan designed in 1999 and revised in 2005; however recent developments indicate that solutions may need to be redesigned. First, access from the port to the national road network is extremely poor and is not likely to attract enough businesses and/or travellers as an alternative to the bigger and more equipped Durres port, despite a modest advantage in terms of distance to Kosovo (40 km less to the border; however it should take about the same time). Furthermore, the Shengjin area has also some degree of tourism developing and expansion of port operations may be detrimental to this, as the port serves primarily polluting industries such as cement producers.

#### 4.4.4 ROM scores

The ROM scores for all three projects are B (good), whereas in the opinion of the evaluators impact has been especially disappointing in the case of the TA project.

### 4.5 Additional impact

#### EQ4 Are there any additional impacts (both positive and negative)?

An alternative definition of impact is 'the total of all effects: direct and indirect, expected and unexpected, positive and negative'. In this section the existence of unexpected, positive or negative impacts caused by the IPA interventions is investigated.

#### 4.5.1 Additional impact in Public Finance and Financial Management

Progress reporting does not contain a formal section on emergence of possible additional impact. The minutes of the Supervision Coordinating Teams indicate that these are focused on the expected direct impacts, and pay little or no attention to unplanned impacts. The ROM reports contain however, as part of the section on impact prospects, a section on additional impacts (both positive and negative). Not all ROM reports clearly separate the direct from the indirect impacts, nor is the likelihood indicated that these impacts will actually materialise.

The most important indirect positive effects the evaluation identified are:

- Increased budget revenue through improved tax collection by the General Directorate of Tax. This is however very much dependent on realisation of the direct effects, i.e., improved legislation, IT instruments and collection methods which are threatened by the low ownership of the results of the project, and possible low staff retention in the Ministry of Finance (see previous section).
- The Support to the Customs Department will also generate benefits for the national budget, and this impact is likely to materialise. Already illegal contraband has been seized (for example 2,000 cell phones) thanks to the profile recognition techniques introduced through the twinning project.
- The same project will also be beneficial for public safety through more effective border management and related crime prevention.
- Both the 2008 *Competition and state aid* and 2008 *Public procurement* have the potential to generate savings for the budget through improved efficiency, avoidance of monopolies or

closed shops and improved procurement practices. The already discussed weak position of the Public Procurement Agency and the State Aid Department make it however unlikely that these impacts will be realised, at least in the short term.

- 2008 *Albanian Central Bank* will likewise have a positive effect on the macro-economic situation through improved financial stability. In addition, indirect impact on the position of many individuals, clients and potential clients of financial institutions, through improved financial literacy, are likely to emerge.
- The Commission expects from twinning projects a positive side-effect of the continued cooperation with the twinning partner after the project has come to an end. This effect is of course more likely to emerge in the case of a successful project. Here this effect was observed, most clearly in the case of the support to the customs. In the case of the support to the Bank of Albania, this effect cannot be attributed to the project: there is a long history of collaboration with the Banco d'Italia (Albania is member of the IMF voting group headed by Italy) which was rather the reason that this twinning partner was selected. There is not expected to be any longer term collaboration with the twinning partner for 2008 *Public Procurement*.

No large negative indirect effects were observed. Institution Building Projects generally have no impact on the physical environment. Problems with staff retention were discussed above but these cannot be attributed to the IPA interventions

#### 4.5.2 *Additional impact in the Transport Sector*

Transport sector projects are still at too early a stage to identify possible positive or negative impacts. In addition to the expected impact of the transport projects related to the economic revival of the beneficiary communities, a positive unplanned impact of IPA interventions in the transport sector relates to strengthened capacities of local contractors, who have become more familiarized with the standards of works employed in the EU.

## 4.6 Conclusions on impact

Summarising, with reference to the judgment criteria:

- The assistance provided under the IPA could be theoretically expected to make a contribution to the institution building objectives of the SAA Implementation Strategy, since all projects are policy-relevant, as evidenced by comparison with MIPD, EP and Strategy Paper. Also the Works and Supplies projects in the Transport Sector help the country's economy approximating it to the EU.
- However, to a large extent outputs in the Public Finance and Financial Management sector have not yet been taken up by the beneficiary organisations. Reasons for this are largely to be found at the side of the Albanian Public Administration and Parliament. The decision on management conferral may shed more light on this issue, but overall the capacity to carry the results of the projects is still low. Generally therefore, large-scale impact in this sector has not yet been created. Exceptions are support to the Customs, Bank of Albania and the Competition Authority, which appear to embrace the outputs delivered with IPA assistance fully.
- Impact of the Shengjin Port rehabilitation may be less than envisaged, but there is so far no reason to assume that the impact as expected of the other transport projects will not materialise (i.e. on rural development and general economic development through enclosure and faster connections), provided appropriate maintenance arrangements are made.
- There have been indirect positive effects of the interventions, which augment the impact of IPA. The most important are related to the national economy and financial stability.



- There have been no unplanned indirect negative effects of the interventions observed which significantly take away from the impact of IPA.



## 5 Key conclusions and recommendations

### 5.1 Thematic and programme level conclusions

Overall, the IPA assistance has delivered the foreseen outputs in terms of structures, systems and human resources. Training has been delivered to fewer people than was initially intended but otherwise only in isolated cases was the quality of outputs disputed. In most cases, technical solutions provided under the IPA projects were considered of an appropriate quality and therefore IPA assistance can be considered effective.

The support provided under IPA has been delivered efficiently overall. Time extensions were common but modest and at no additional cost. In at least two cases the selected modality of twinning was not appropriate to the limited capacities of the beneficiary. Delegation of management responsibility to member states under the ICM procedure requires stronger planning and management than has been seen in at one case, but it has been better elsewhere. In the Transport Sector the application of the same tool has enabled the leverage of other funding (from KfW). Delays in the Transport Sector were mainly caused by the limited planning capacities of the beneficiary.

Transport projects have generally performed well in terms of efficiency and effectiveness. All projects have experienced some problems in the course of implementation but these have been successfully resolved. In particular, IPA funding in the sector of transport has been very efficient in pooling financing together with other IFIs, reducing financing costs for the public sector.

Sustainability is threatened by a number of systemic problems: (1) lack of human resources in the public administration and doubts on the future retention of these resources; (2) a lack of communication and co-ordination within the administration; (3) an inability to embed some technical solutions from IPA assistance into beneficiary administrative structures; and (4) insufficient local funds to implement and maintain the delivered outputs, a phenomenon most common in the Transport projects. The exceptions are institutions with a very clearly demarcated mandate and a more autonomous position, such as the Bank of Albania. Here all solutions proposed by the external advisors are taken on board.

Although all interventions address priorities for the SAA Implementation process, to EU objectives and to other national objectives, wide-scale impact is still absent. The reasons for this are only to a limited extent attributable to project performance. The gap between the generally high-quality outputs and the desired impact is caused by factors including insufficient staff in the beneficiary organisations and related capacity problems, high staff turnover and a lack of communication between departments. There does not appear to be sufficient political willingness to tackle these systemic problems, as witnessed by the fact that the Civil Service law has not yet been accepted by Parliament. This long-awaited Law would introduce a merit-based civil servant recruitment and promotion structure, replacing the existing system in which civil service appointments are politically motivated. Positive exceptions are again the support to the Bank of Albania, to the Customs Department and also to the Competition Agency, which may have a limited staff capacity but is at least less vulnerable to staff turnover.

Some additional effects were observed, such as increased earnings for the public budget and increased capacities of local contractors in road and port construction.

## 5.2 Associated recommendations for each conclusion

### 5.2.1 Improving efficiency and effectiveness

#### EQ 7 Are there potential actions which would improve the efficiency and effectiveness of the on-going assistance?

The evaluation covers the IPA programming years 2007 to 2009. The EUD, MEI and CFCU have already introduced measures for improvement, including for example easing of the procedures for management of twinning contracts, the effect of which has yet to be observed in practice.

Over the years 2007 and 2008 the EUD faced a programming backlog, with substantial delays between identification of projects and their initiation. A shorter time preparation period would have enabled a quicker realisation of the outputs, which would improve both efficiency and effectiveness. **The EUD and MEI should speed up the programming process** (important steps have been made since 2009). The EUD has a good knowledge base on the beneficiary organisations, but the Albanian authorities (through the MEI, which has proven to be a very professional partner) should be better and more timely informed about planned changes in the structure of the Public Administration, which would avoid misallocation of efforts. The preparation time of projects, especially twinning projects, could also be shortened so that institutional changes do not affect the effectiveness of the project.

**Prior to deciding on a twinning arrangement, the absorption capacity of the beneficiary organisation should be carefully assessed.** If there are subsequent substantial changes before contract signature, there should be a further assessment and appropriate revision of the scope of the assistance or the intervention modality.

Attendance at training events has fallen to low levels and this reduces both efficiency and effectiveness. **The training needs assessment (TNA) of any future training should be critically evaluated at both the programming and project design stages to ensure the relevance of the training to the needs of the targeted beneficiary and their willingness and capacity to support it. The TNA should include a commitment signed by line management of the availability of specific trainees for the anticipated duration of the training.**

There is a dire need for improvement in communication between Albanian government departments and between these and the MEI. This also impacts on sustainability and impact. **The EUD should facilitate this is through the introduction of conditionalities**, which are elaborated below. **In the transport sector, procedures for implementation should be agreed upon before the start of the project**, especially as regards procurement procedures and rules to be followed in the case of multiple donors. This seems to have worked well with KfW, where KfW rules have been followed, but not as smoothly with the Government of Albania where national procurement rules have had to be followed together with EU rules.

Two out of the nine projects in the Financial Management Sector were contracted under a Delegated Agreement (ICM). Although in one of these cases no serious problems were encountered, the ICM does not allow for effective supervision by the EUD as only one annual implementation report is compulsory. Although there are advantages for the EUD in the form of a reduced workload, using a more standard modality would have resulted in better management control, selection of a more appropriate implementing agent and fewer problems during implementation. **The EUD should therefore restrict the use of this modality to those cases**

**where ICM is able to leverage non-EU funding, as was done in the Transport Sector. The EUD should additionally insist on clear and timely reporting.**

All infrastructure projects have incurred some degree of delay primarily due to lack of data availability and very tight work plans. **In the future beneficiaries are urged to prepare a solid pipeline of projects ready for implementation, (including necessary data such as baseline data for monitoring) at the start of the projects.**

## 5.2.2 Possible improvements for impact and sustainability

### EQ8 Are there actions which would improve the prospects for impact and sustainability of the on-going assistance?

The problems hampering impact and sustainability are largely systemic:

- understaffing of relevant departments;
- unclear career perspectives of relevant staff, caused by politicised recruitment and human resource management and an unwillingness to address this, as witnessed by the lack of a Civil Service law; and
- poor communication and co-operation among departments.

The **Civil Service Law should be enforced** by the Albanian Government and Parliament should discuss and vote on the proposed amendments to the civil service system in order to allow the establishment of a merit based civil service. The **EUD could consider to provide additional support to further strengthen the implementation of this process** and, until there is evidence that it is in place and functional, critically consider the appropriateness of further institution building actions in all sectors.

It was already advised to **assess the absorption capacity of potential beneficiaries** prior to deciding on assistance. Due to the difficulties in implementing institutional change, **in the case of twinning** the EUD should place particular emphasis on the assessment of human and technical capacity and on the existence of a reformed, functioning organisational structure that can be expected to be retained into the medium term. Considering the good potential for sustainability for organisations which are relatively autonomous and have a clear mandate, the EUD might consider restricting the use of twinning to organisations which share the profile of the Customs Department, the Competition Authority and the Bank of Albania.

Future IPA interventions could focus on (1) **specifically the working of the SPOs**; and/or (2) the quality of interdepartmental communication, through the establishment of thematic working groups. Alternatively, components covering this issue could be attached to existing horizontal administrative capacity building projects such as the 2009 *Support to Decentralisation*.

**The EUD should apply stronger conditionalities on future assistance related to institution building**, including, as well as the adoption of the Civil Service Law, evidence of additional measures to improve staff retention, improved operations of SPO offices by reinforcement of staff and strengthening interdepartmental working groups. All these issues should be central in the policy dialogue between the EU and the Albanian government. The IPA projects could be furthermore discussed at the level of the sub-committees dealing with the sector policy. The Civil Service Law may be so important that its adoption may be made conditional to the shape and especially size of the entire IPA support to the Public Administration, as iterated above. For staff availability and retention, conditions can be set before the decision is made on individual projects, especially when

these concern twinning. A partial solution may be (see above) that for organisations which cannot provide the required guarantee TA is offered instead of twinning. This measure may however well result in large amounts being not committed, at least on the short term.

***Capacity of the MPWTT needs to be further strengthened in order to make sure that it provides leadership, as well as exercises effective oversight.*** It has been the beneficiary in several capacity building projects implemented by the EU (including CARDS and IPA) and other donors, however its role remains weak. Staff turnover is likely to be one of the underlying causes and this needs to be addressed as part of broader reforms of the civil service. In addition, it is crucial that MPWTT completely redesign its business processes and move away from delivering services itself (such as in the case of road maintenance), to an oversight and management role. It is likely that there is currently resistance to the completion of these reforms, given that it involves reprofiling of the staff complement; but this needs to be overcome.

***Proper implementation of RAMS, together with continued support and increased budget for ARA lies at the heart of sustainability of projects.*** This should be closely monitored and encouraged by EUD as well as factored into the evaluation of new proposals for intervention. ***The EUD could make future contribution to financing transport project conditional on appropriate arrangement for maintenance, be it in ARA or ADF,*** including the necessary annual budgetary allocations.

# Annexes





# Annex 1 Sector studies

## Elaboration of the sectoral objectives and baseline

The assessment of impact of IPA assistance for the 2007 – 2009 programming years is carried out in the broader perspective of sectoral performance. As explained earlier in this report, the large number and variety of projects overall induced the need to focus the detailed analysis to a selected sample of sectors. The sectors included in the evaluation for Albania are the Public Finance & Financial Management components of Public Administration Reform; and Transport.

Overall sector objectives are set out in strategic planning documents. These include European integration related programming documents (the European Partnership, MIFF and EC Progress reports), as well as MIPDs. National strategies, such as the overarching NSDI and sector strategies may contain further sector objectives that are not strictly related to EU integration. In this analysis medium term priorities as set out in the European Partnership of 2006 represent the sector objectives. The baseline is the situation at the time of programming and is developed primarily from the EC Progress Reports and secondly with other documents from the same time period. Measurement of the performance of the sector is done from the baseline and against the planned objectives.

## Public Finance and Financial Management (sub) sector: Institutional structures

The public finance and financial management sector includes public finance; customs and taxation, as well as Public Procurement; EU Funds Management and Competition and State Aid. The institutional structure consists of several public organizations, but notably the Ministry of Finance and its subordinate institutions perform the majority of functions. The Ministry of Finance has the primary responsibility for macroeconomic and fiscal policy, budget management, financial management and control; it is also the designed policy body in the area of tax and customs, together with the General Tax Directorate and General Customs Directorate respectively as implementing bodies. In addition, the Central Bank (Bank of Albania) plays an important role in macroeconomic policy and financial stability in the country, being in charge of monetary policy, in addition to its functions of bank supervision and functioning of the payment system.

Public procurement consists of three different central bodies; a central Public Procurement Agency which holds both policymaking as well as management functions; a Public Procurement Commission in charge of handling appeals; and a Procurement Advocate as a body with consultative powers. There are also procurement bodies in all public spending entities.

Competition and State Aid are managed by two different organizations that have limited mutual interaction. The Competition Authority is an independent body reporting to Parliament that performs the functions of ensuring free and fair competition in the markets. State aid supervision functions are retained within the Government by the State Aid Commission chaired by the Minister of Economy and the State Aid Department within the Ministry of Economy, Trade and Energy.

Albania has progressed in establishing structures for the conferral of decentralised management for EU funds. In 2011, the government officially decreed the establishment of relevant structures for the management of IPA-TAIB component I, including the CAO, NAO office and National Fund, in

addition to the CFCU under the umbrella of the Ministry of Finance and NIPAC in the Ministry of European Integration.

## Public finance sector overview

### Public Expenditure Management; Macroeconomic stability

Reforms in the public expenditure management area have concentrated on the budget formulation process, with efforts still continuing to strengthen the budget execution and monitoring area. The government has instituted the Integrated Planning System (IPS), a planning and monitoring framework that ensures integration of core policy and financial processes, most importantly the National Strategy for Development and Integration (NSDI) and the Medium Term Budget Programme (MTBP). The IPS provides a series of operating principles and supporting structures to enhance the government's ability to deliver its agenda. An IPS Multi-Donor Trust Fund has supported a series of important areas, from strengthening capacities for MTBP to execution and monitoring processes.

A new law regulating management of budgetary system in Albania adopted in 2008 institutionalized the Medium Term Budget programme as well as introduced clearer lines of accountability through better division of roles and responsibilities. It also introduced the principles of programme budgeting for more effective and efficient use of public money.

Despite good performance of the sector, there is further need for strengthening capacities within the central institutions. The major load for the MTBP exercise continues to be borne by the Ministry of Finance. There is still need to increase forecasting and analysis capacities at the Ministry of Finance; as well as strengthen core capacities regarding planning and budgeting at the line ministries level in order to improve the budget planning process.<sup>9</sup> Reports by international financial institutions<sup>10</sup> emphasize the need for more realistic macroeconomic forecasts.

The Bank of Albania is a largely independent institution in charge of the country's monetary policy. It has played an important role in the preservation of macroeconomic stability in the country through its prudent monetary policy and inflation targeting. Its role in the supervision of the banking system has also been considered as very positive especially since the onset of the financial crisis. The Bank of Albania has strengthened its regulatory activity with special emphasis on risk-based supervision. Its capacity to address the challenges posed by approximation of Albania's legislative and regulatory framework to the EU rules is adequate.

### Public Internal Financial Control

The Public Internal Financial Control started in 2005, with the adoption by the Council of Ministers of the PIFC policy paper, which outlined a development strategy for introducing the PIFC system in Albania in accordance with European standards. However, an overall reform in the public expenditure management area undertaken through the preparation of new legal framework for the management of the budgetary system pushed formal adoption and implementation of PIFC principles to a later stage.

The adoption by Parliament of the organic budget Law (OBL) in June 2008, formally introduced into the legislative framework PIFC concepts such as financial management and control (FMC), internal audit and a central harmonization function. A new Central Harmonization Unit for FMC was established as a separate entity within the Ministry of Finance. A revised PIFC policy paper and

<sup>9</sup> SIGMA (OECD) Albania Assessment Reports 2010, 2011.

<sup>10</sup> IMF Article IV 2011 Consultations Staff Report.

action plan was adopted by the Council of Ministers in June 2009, providing the grounds for developing the PIFC system, as well as outlining the sequence and necessary measures to be undertaken in order to achieve a modern and consistent PIFC system. The principles contained in the OBL were further elaborated in the Law on Financial Management and Control, which defines the legal framework for PIFC, including the establishment of organisational structures. An Internal Audit Law was also revised in 2010, providing for the separation of internal audit from inspection.

The legal framework and institutional structures for financial management control seem to be fully in line with the *acquis*. A FMC manual was published and awareness raising events were organised for financial managers across the country. However, according to SIGMA reports, there still seems to be a need to further improve the level of understanding of managers and other relevant staff on the role and functions of PIFC, which is often interpreted in the narrow sense of controlling and authorizing payments.

The majority of reforms in the field of public expenditure management have focused on the budget preparation process, and less so on the budget execution process. Interventions in the Treasury system, which is responsible for budget execution have improved its functionalities and supported the development of specific software for Treasury operations, which became fully operational with all Treasury regional offices in 2010. Further expansion of the Treasury system through the latest IPA intervention are expected to provide for better IT infrastructure, as well as further facilitate operations by allowing direct user input in the Treasury system by fifty budget institutions. Despite these major improvements, officials at the Ministry of Finance recognize that the IT system needs to be further developed into a financial management information system that provides management accounting, performance and monitoring data.

*Indicators: Financial control and protection of EU interests*

**Table A1 5.1 Evaluation grid Financial Control & Management of EU Funds (protection of EU financial interest)**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress of indicators
Ensure that those responsible for SAA & management of EU assistance are adequately trained & equipped	The process of civil servant recruitment, training and salaries remain weak	EU funds administrative units established in line ministries and a CFCU. NIPAC is established and coordinates donors Staff in units well equipped, in terms of skills, for task Systems (procedures, IT etc.) in place Staff turnover decreased.	Achieved - NAO, CFCU, SPOs in line ministries established and functioning NIPAC role strengthened, coordinates integration process well Systems in place. Min. of Integration staff well prepared, line ministry staff needs strengthened capacities Staff turnover remains problematic

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress of indicators
Develop procedures and administrative capacities to ensure effective protection of EU financial interests	Centralised management	Procedures developed and introduced Responsibilities assigned to relevant institutions Responsible staff equipped (skills, systems) Accreditation of EU fund management structures received	Procedures and systems developed, staff prepared and responsibilities assigned for decentralized management of IPA Component 1 Audit carried out in June 2012
Establish effective procedures for the detection, treatment and follow-up of cases of (suspected) fraud and other irregularities affecting national and international funds	Centralised management of EU funds	Sectoral capacity exists for national management of donor funds. Clear progress is made on decentralisation Ant-fraud procedures established. Cases of (suspected) fraud diminished	Preparations for decentralized management of IPA I completed, on going for the other components  Progress achieved in establishment of antifraud procedures but not yet completed
Develop and implement the principles of decentralised managerial accountability and functionally independent internal audit according to international standards and EU best practice	2005 PIFC Policy Paper endorsed by government Some progress made in regulations for internal audit made but administrative structures remain unclear. Decentralisation has not started	Legal framework for PIFC and Internal Audit completed and enforced. Institutional structures in government to support it implemented. Transactions at local level controlled by Treasury the same day; countrywide network operational.	Achieved – PIFC and IA legal and regulatory framework enforced, structures to implement largely established. Capacities need to be further strengthened Treasury transactions online and more transparent, real time access possible

Several medium term priorities in the European Partnership relate to the need to strengthen public financial management and the relevant structures in order to ensure correct use of both national as well as EU funds once management has been conferred to the beneficiary country. More specifically, the group of objectives that are linked with this issue include:

- Ensure that those responsible for SAA & management of EU assistance are adequately trained and equipped
- Develop procedures and administrative capacities to ensure effective protection of EU financial interests
- Establish effective procedures for the detection, treatment and follow-up of cases of (suspected) fraud and other irregularities affecting national and international funds
- Develop and implement the principles of decentralised managerial accountability and functionally independent internal audit according to international standards and EU best practice

It is evident that the majority of these objectives relate to the need to put in place appropriate structures and procedures. The baseline in this area as defined from the 2006 EC progress report is quite low, indicating that the legal framework and institutional structures had not been completed yet. Good progress has been achieved during the recent years, as also confirmed by the EC Progress Report on Albania 2011: the legal framework has been completed with the Financial Management and Control Law, amendment to the Internal Audit Law and the Financial Inspection Law coming into effect in early 2011. The Central Harmonization Unit for Financial Management, as the main structure in charge of enforcement has already been established, while establishment of the Financial Inspection Unit within the Ministry of Finance is under way. The Public Financial Inspection Unit will also hold the functions of the Anti-Fraud Coordination Service, for the protection of EU financial interests. Treasury operations are carried out through an IT system that enables real time connection of all treasury district offices. However, a sample of budget institutions will only be linked to the system following completion of the undergoing IPA project on Treasury expansion. With the legal framework and all structures in place by 2012, proper implementation of the laws supported by broad awareness raising and capacity building activities for financial officials across the country are required.

### Management of EU Funds

As regards preparations for the management of EU assistance and the Stabilisation and Association Agreement, the 2011 progress report indicates some developments in the institutional framework. The Ministry of European Integration (MEI) is the designed NIPAC authority and has the core task to coordinate European integration issues within the government. Directorates for European Integration and SPOs have been established in relevant line ministries.

The Minister for European Integration (NIPAC) also chairs the Inter-Institutional Coordinating Committee, composed of high-level officials from line ministries with the mandate to coordinate work around EU integration. The Committee's work is supported by permanent inter-ministerial working groups covering various *acquis* chapters. According to the 2010 EC Progress Report, the MEI together with the working groups have managed the process of replies to the EU questionnaire in a satisfactory manner.

The structures for the management of IPA component I have been legally established during 2011 and are equipped with the minimum required staff to start operations. According to the authorities, more staff will be recruited once the decision for granting conferral of management is taken. With regard to administrative capacity, existing staff has received extensive training; and a training need assessment has been carried out to serve as the basis for the organization of further trainings. Preparations for decentralised management of IPA components II, III and IV are under way, supported by an IPA technical assistance project.

The Albanian Government has moved forward with preparations for the decentralised management of EU funds, IPA TAIB – component 1. The relevant structures had been established by 2011 and an IPA financed technical assistance project supported capacity building activities for technical management of decentralized programmes in order to ensure sound management of EU Funds. All IPA authorities such as CAO, NIPAC, NAO, PAO and Audit Authority have been appointed and the legal framework for designation of the IPA structures within the national administration is in place. An accreditation mission audited the structures during June 2012. The decision on the conferral of management for decentralized management of IPA is expected later this year, however the EC Progress report 2012 indicates a need for further capacity building efforts at all administrative levels, given the limited expertise and staffing within the line ministries that will be in charge of IPA assistance once decentralisation has been achieved.

Overall, it can be said that the majority of objectives in the area of management of EU funds and financial control have been achieved. The legal framework for Public Internal Financial control is already in place and in line with the acquis, while the establishment of institutional structures is currently being completed. This significant progress needs to be sustained through continued efforts to increase awareness and understanding of modern financial management concepts among the strategic level and financial managers at line ministries and other institutions at the central and local level. Meanwhile, responsibilities for anti-fraud policy have been assigned to the Ministry of Finance/Public Financial Control Unit, but procedures need to be streamlined.

Coordination of EU integration issues is managed increasingly better by the MEI, supported by technical inter-ministerial working groups and Committees. The process of policy and budget coordination is led by the Integrated Planning System, in the framework of which EU integration priorities and other national strategic sectoral objectives are linked with the budget. These processes are in place but need to be significantly strengthened. As regards decentralised management of EU funds, all structures and procedures for IPA TAIB component are in place and were audited by an accreditation mission during June 2012. The decision for (or against) management conferral is expected during late 2012, although administrative capacities remain limited.

#### Indicators on Macroeconomic Stability, Financial Services

**Table A1 5.2 Evaluation grid Macroeconomic Stability & free movement of capital**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Make progress towards fulfilling SAA commitments on full liberalisation of the movement of capital, including same treatment for Albanian and EU nationals on financial products	The ANB has created a credit registry and further developed the treasury bill registry but requires support in a range of management and EU integration tasks	ANB's legal and regulatory framework is in compliance with the Acquis and the ESCB	Legislation largely aligned with acquis, only minor divergences
Take measures to reduce use of cash in economy	Economy largely cash-based	Number and volume of electronic transactions increased	No and volume of electronic transactions increases every year

The medium term priorities that define the sectoral objectives in this area include the need to make progress towards fulfilling SAA commitments on full liberalisation of the movement of capital, including same treatment for Albanian and EU nationals on financial products. Capital movement in Albania is now liberalised and there is equal treatment of Albanian and EU nationals. Real estate transactions still need to be liberalised.

As regards the legal and regulatory framework for the Bank of Albania, it is largely compliant with EU, although further alignment is needed in the area of independence of Council members, procedures for dismissal of the Governor and the Central Bank's accountability.

Good progress has been made in the area of the payments system, with new regulations adopted aiming at promoting use of electronic transactions. As a result, the number of electronic transactions has been steadily increasing,

The Bank of Albania has strengthened its regulatory activity with special emphasis on risk-based supervision. Its capacity to address the challenges posed by approximation of Albania's legislative and regulatory framework to the EU rules is considered to be adequate.

### Public Procurement

A new Law on Public Procurement adopted in 2006 marked considerable progress as opposed to the previous situation. The new law was generally in line with the *acquis*; despite the fact that it still lacked firmness and clarity in some crucial areas such as the criteria for evaluation of offers (for instance in the consideration of the economically most advantageous criterion), or the slightly loose list of exceptions from the general procurement rules.

The 2006 law has been amended several times, to adjust some of the issues that were recognized as not being in compliance with the *acquis* from the very beginning. Amendments included corrections to the regulation of the application of the negotiated procedure; introduction of the concept of framework contracts for the purchase of electricity, etc. Some of these changes were effected through hasty procedures, without allowing for the necessary time for consultations with stakeholders. Therefore, the framework is still not fully in line with the *acquis*, as well as lacking provisions on concessions and utilities, as also pointed out by the most recent EC Progress Report (2012). Significant improvements in the public procurement legal framework have aligned it more with the *acquis* during 2009 and 2010 since the adoption of the 2006 Public Procurement law. However, the legal framework is still not fully consistent with European standards, especially in defence sector procurements, remedies, as well as the need to adopt fully competitive procedures to concessions.

The institutional structures governing public procurement include the Public Procurement Agency, in charge of drafting legislation and regulations as well as providing guidance and monitoring procurement processes. The 2006 law introduced the Procurement Advocate institution, which served as an Ombudsman for the procurement process, with an advisory role for the Procurement Agency. During 2009 further efforts were made to align the procurement legislation with the EU requirements, including the establishment of the complaint review body – The Public Procurement Commission, which eliminated the conflict of interest vested with the PPA when acting as an appeal instance. Regulation of procurement of utilities and public auctions were prepared in compliance with the relevant EU Directives in 2009.

The institutional set up for procurement was improved through the establishment in 2010 of the Public Procurement Commission (PPC), which took over the appeal and review functions of the PPA. A clearer division of responsibilities between the Public Procurement Commission and Procurement Advocate is needed. In addition, the Public Procurement Agency does not have adequate staffing and resources to fulfil its functions following the reduction of its staff to half (from 36 to 18 employees) at the time of establishment of the PPC, which took over these staff. This has drastically impaired its control and monitoring functions.

In addition to the improved legislation, the introduction and application of an e-procurement system have made the implementation of the law more transparent. The application of the e-procurement rules was in place by early 2009, and despite certain technical problems has been successful so far. Electronic procurement procedures are mandatory and used by all procuring agencies and economic operators. This is a positive step towards improving transparency, however data indicates that a relatively large percentage of overall procurement are carried out through the negotiated procedure, without publication. The system has progressed a long way since 2005, however capacities remain weak at the central and local level and further efforts for increasing awareness and the understanding of the regulatory framework would be required.

**Table A1 5.3 Evaluation grid Public Procurement**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Enforce current public procurement legislation and bring it in line with EU standards, reinforce PPA, prosecute offenders.	A new law is pending, some restructuring of the PPA has occurred and capacity building has started. There is no independent complaints body, political influence in tenders and corruption	PP legislation passed parliament; fully in compliance with EU Acquis Publ Adm generally applies PP procedures. Expanded scope for application of PP law Independent assessor rate public procurement, public auctions and concessions as having greater transparency PP Agency has adequate monitoring means, staff Fewer complaints, more bids.	No substantial progress: PP legislation needs to be further aligned with EU <i>acquis</i> to expand scope of application and streamline procedures. Clear division of roles needed PPA has limited capacities, staff, unable to carry out monitoring duties Independent Public Procurement Commission to handle complaints established

The most important priority in the area of public procurement relates to the need to enforce public procurement legislation and bring it in line with EU standards, reinforce PPA, and prosecute offenders.

*Overall, further progress is needed in the area of public procurement to fully align it with the acquis and reduce the number of non-competitive and non-transparent procedures. The roles and responsibilities of institutions involved need to be defined more clearly and administrative capacities of PPA need to be reinforced in order to enable its monitoring and control functions. Draft legal amendments have been proposed by the IPA twinning project in public procurement, but these have not yet been officially put forward for adoption. Further strengthening of capacities of procurement agencies throughout the country is needed. It is important to note that full alignment of procurement procedures is also relevant for decentralised management of EU funds.*

### **Tax & Customs Administration**

Albania's economy has experienced a period of rapid growth due to the favourable macroeconomic framework and sustained increase of budget revenues. However, the economic outlook for the coming years foresees considerable slowdown of economic growth. As a result, the Albanian public finance sector faces a series of important challenges, including improvement of the transparency and simplification of tax and customs procedures, higher tax compliance, in addition to the establishment of fiscal stability and sustainable debt levels.

The goals of the Albanian tax administration structures include the improvement of service quality, promotion of voluntary compliance, reduction of fiscal evasion, reduction of corruption within the tax administration, uniform and effective implementation of fiscal legislation by the tax administration, as well as alignment of Albanian tax legislation with EU.



The tax system in Albania has undergone significant changes in the recent years. Positive changes include simplification of the taxation system, increased tax collection (income and corporate tax revenue) have been achieved, although the increase in tax revenues has decreased during 2011. Furthermore, progress has been achieved towards increased transparency through computerisation of tax offices and introduction of e-tax procedures to be used by taxpayers to file their returns and pay their taxes. However, revenue administration continues to be managed on tax revenue targets, rather than on performance or standards. This has resulted in recourse to undesirable tax administration practices such as non-transparent procedures to determine the amount of tax liabilities. The revenue base is narrow and creates incentives for tax avoidance.

Fiscal reform in Albania has evolved since it became a market economy. Three categories of tax currently exist; direct taxes (a profit tax, an income tax, a surtax and a gambling tax), indirect taxes (VAT, excise duties and a real estate tax), and other taxes (local taxes, customs duties, and social security and health contributions). Value added tax (VAT) was introduced in 1996, and its legal framework has been amended several times. Tax policy, including the mix of possible taxes, is not fully developed by international standards and is not well linked to the national strategy. Predictability and stability of the fiscal system also needs improvement, as fiscal laws have been changing too frequently in the recent years.

#### *Indicators on Customs and Taxation*

**Table A1 5.4 Evaluation grid Customs& Taxation**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Ensure the continued approximation of Albanian customs and taxation legislation to the EU <i>acquis</i> , and further increase administrative capacity to implement customs legislation, and to fight corruption, cross-border crime and fiscal evasion	Further alignment of EU legislation and procedures is needed in simplified customs and transit procedures, customs warehouses and binding tariff information	Legislation is transposed according to the schedule in the SAA & Action Plan. The GTD Strategic plan 2007-10 is successfully completed. Customs systems at EU standards. Electronic declarations largely introduced Improved staff capacities; IT systems to monitor actions	New draft Customs Code ready but has not passed parliament Customs systems modernized, IT systems introduced; capacity to detect fraud increased but further progress is needed Tax laws need further alignment, VAT draft law prepared Electronic declarations introduced for businesses,
Improve transparency and the exchange of information with EU Member States in order to facilitate the enforcement of measures to prevent the avoidance or evasion of taxes	Staff turnover in customs is very high Information exchange with EU MS insufficient Tirana customs house infrastructure needs to be improved Further efforts needed to control IPR & dual use goods	Staff turnover reduced Regular information exchange with EU MS and candidates is practised Tirana customs house re-equipped	Regular information exchange with EU MS Capacity to detect smuggling, fraud improved Tirana customs house still needs refurbishment Staff turnover remains problematic

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Reduce the tax wedge on wages and improve incentive structures and flexibility in the labour market to increase the participation and employment rates, while securing tax resources by broadening the tax base and improving compliance, at a measured and prudent pace to ensure sustainable public finances	Participation in formal employment low, high rate of informal employment and resulting narrow tax base. Personal tax rates reduced to 20%	Tax structure reviewed and strategy for reform developed and endorsed by government. Initial changes implemented. Signals that formal employment increases, informal decreases Transparent system of personal taxation, principles of good governance enforced	Tax strategy not clearly pursued, tax structure unpredictable/frequent changes in fiscal laws Personal taxation system not fully enforced, high informality. Effects on employment not clear

Priorities in the area of customs and taxation relate primarily to the need to fully align legislation, prevent corruption and tax evasion, as follows:

- Ensure the continued approximation of Albanian customs and taxation legislation to the EU *acquis*, and further increase administrative capacity to implement customs legislation, and to fight corruption, cross-border crime and fiscal evasion
- Improve transparency and the exchange of information with EU Member States in order to facilitate the enforcement of measures to prevent the avoidance or evasion of taxes
- Reduce the tax wedge on wages and improve incentive structures and flexibility in the labour market to increase the participation and employment rates, while securing tax resources by broadening the tax base and improving compliance, at a measured and prudent pace to ensure sustainable public finances.

The legal framework in the area of taxation needs to be aligned with the EU *acquis* in the area of indirect taxation, as regards value added tax (VAT) and excise duties. The law governing VAT regime in Albania is generally compliant with EU rules, but further improvements are needed to bring it in line with the VAT Directive. During recent years a series of improvements in the area have occurred, including VAT reimbursement, certain exemption schemes, which continued during 2012 as reported by the 2012 EC Progress Report. A new draft law on VAT that has been prepared by the General Tax Directorate (GTD) and the Ministry of Finance with support of the IPA twinning project in support of GTD is pending approval. Further alignment of the excise legislation is also required.

With regard to direct taxation, the *acquis* aims at removing obstacles to cross-border activities between enterprises. Legislation is still not fully compliant with EU rules, despite some progress in the area of personal income tax as reported by EC in 2011.

EU legislation in the area of administrative cooperation and mutual assistance provides tools to prevent tax evasion and avoidance, which includes the need to establish structures for information exchange on VAT and excise, as well as implement computerized systems for VAT and excise management that are compatible with those used in the EU. No significant progress has been made so far in these areas.

With regard to operational capacities and computerisation good progress has been achieved. The legal and institutional framework for tax legislation enforcement is in place and the GTD has strengthened its capacities for tax management. Tax offices have been computerised throughout the country and electronic tax procedures have been made mandatory for business taxpayers, including for VAT. Administrative capacities need however to be further strengthened, especially in the area of taxpayer identification and control.

Customs legislation is still not in line with the EU *acquis*, despite several improvements. A new draft Customs Code that is expected to fully align customs legislation with the *acquis* has been prepared and is pending adoption.

As regards administrative and operational capacity, the Systematic Electronic Exchange of Data System was introduced. There were some improvements in the IT area with the upgrading of the Asycuda World system and with the purchase of servers to build a new operational centre. Overall, the Directorate General for Customs continued its good cooperation and exchange of information with its counterpart structures in the region, in the EU and elsewhere. There has been an increase in the capacity to detect and prosecute fraud and smuggling of illegal goods.

*Overall, it can be said that despite good progress in some of the areas, the majority of indicators have only partially been achieved. Albania's tax and customs legislation are only partly aligned with that of the EU, while draft new legislation awaits formal approval. Exchange of information with EU and other counterparts has improved both in customs and tax areas; however further measures need to be taken to strengthen capacities for inter-institutional cooperation especially as regards connectivity with the EU's tax and excise systems.*

*Good progress has been achieved in the area of administrative and IT capabilities, with electronic procedures largely introduced in tax transactions and the upgrading of the customs systems. However, further development of risk performance and evaluation methodologies needs to be developed.*

*Albania still faces challenges with legislative alignment and administrative capacity but has made progress. Albania's tax legislation is partly aligned with the EU *acquis*. Further approximation is needed on indirect taxation, particularly on excise, and Albania will need to implement most of the *acquis* on direct taxation. There are no potentially harmful tax measures, but the transparency of the tax system needs to be further examined. The administrative capacity of the Tax Administration will need to be strengthened, particularly as regards risk analysis, inspection, internal communication and communication with other agencies or public authorities. Particular efforts will be needed to establish the administrative structures required by the *acquis* upon accession and to achieve full connectivity with the EU's computerised tax and excise systems.*

*The tax structure has been reviewed and significant changes implemented, including efforts to simplify and reduce the tax burden with the introduction of the flat tax at 10%. The onset of the financial crisis impacted on the restructuring of labour markets, however tax collections rose significantly until 2009. EC Progress Report 2011 points out that more needs to be done for the implementation of good governance principles, including evaluation of tax liabilities, identification of taxpayers; as well as predictability and stability of the tax system.*

High staff turnover continues to be a concern, while no progress has been made in including the administrations of Tax and Customs in the Civil Service system.

## Competition and State Aid

The Stabilisation and Association Agreement (SAA) includes a series of provisions related to the area of competition. In Albania issues related to the competition *acquis* are managed by two separate institutions. The Competition Authority is an independent body that reports to Parliament, and is in charge of anti-trust and merger policies, including anti-competitive agreements between undertakings, and abuse of dominant positions. The Competition law is generally in line with the *acquis*, whereas recent amendments in the legal framework have lowered the threshold values for prior notification of mergers to ACA. ACA has adequate legal means to pursue its mandate, including investigative and authority to search premises, impose fines and intervene in regulated markets. ACA has carried out enquiries, amongst others, in the banking, pharmaceuticals, mobile telephony and energy sectors, and subsequently issued recommendations to the Albanian government. It has adopted two decisions on cartels and two decisions on abuse of dominant positions.

The legal framework for the State Aid sector is also largely aligned with the EU *acquis*, despite concerns over the independence of the State Aid Commission (SAC), the highest decision making body in state aid. SAC is chaired by the Minister of Economy, while the Ministry of Economy (METE) itself is potentially the largest grantor of state aid, creating therefore the appearance of a conflict of interest. 2009 Amendments to the 2005 State Aid Law have aligned it further with the EU *acquis*. The State Aid sector in the Ministry of Economy carries out investigations and prepares proposals for State aid decisions.

The State Aid Commission (SAC) is the decision-making body for State aid control. There are concerns that structures in charge of state aid issues have limited administrative capacities and that state aid schemes may go unnoticed, despite the role of SAS in screening legislative proposals. So far one ex officio investigations was initiated by the State Aid Commission and a negative answer was issued.

Administrative capacities in the state aid area are somewhat limited – the administrative unit within METE in charge of overseeing state aid procedures is composed of only four people.

### Indicators on Competition and State Aid

**Table A1 5.5 Evaluation grid Competition & State Aid**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Enforce competition legislation consistently regarding both antitrust and State aid	State Aid Commission established Secondary legislation developed	Competition Authority has appropriate legal means to pursue investigations, secondary legislation, procedures developed. ACA capacities increased and strengthened State Aid Commission consistently enforces legislation	Achieved – ACA and SAC capacities strengthened in key areas; legal & regulatory framework developed

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Complete alignment of State aid schemes with EU competition rules, as Stated in the interim agreement	State Aid Commission established	State Aid Commission ensures full compliance of schemes with EU competition rules State Aid Commission independence ensured	SAC independence needs monitoring Greater awareness on state aid rules needed to ensure cases do not go unnoticed

The medium term priorities as set out in the European Partnership of 2006 primarily refer to the need to complete and enforce *acquis* compliant legislation, as follows:

- Enforce competition legislation consistently regarding both anti-trust and State aid
- Complete alignment of State aid schemes with EU competition rules, as Stated in the interim agreement

*Overall, progress is the area of competition and State Aid is satisfactory. The Competition Authority (ACA) has been established and the legal and regulatory framework that enables the enforcement of its mission is in place. ACA has initiated a number of proceedings in anti-competitive proceedings and abuse of dominant position. However, the challenge now lies with the need to increase the number of staff which appears insufficient, as well as continue to strengthen their capacities.*

## Transport Sector: Institutional structure

The transport sector includes road; maritime; railway and air transport and is coordinated by the main policy-making body, the Ministry of Public Works, Transport and Telecommunication (MPPTT). The MPPTT is supported by several implementing agencies, including the General Directorate of Road Transport Services and General Directorate of Roads (now Albanian Road Authority) for road transport; as well as the Civil Aviation Authority.

## Transport sector overview

Improvement of the obsolete and limited road network has been one of the key priorities of recent governments. Railway infrastructure has drastically deteriorated and is currently in an extremely poor condition. Maritime transport is gaining in importance due to the country's economic development; therefore improvement and expansion of port infrastructure is becoming increasingly important. The legal and physical infrastructure for air transport has largely been established in the recent years.

### Road

Infrastructure upgrading has been one of the priority government policies, in particular improvement of the road infrastructure network. Major investments have been made in various road segments in order to integrate Albania's road network into the European transport network. The construction of the Durres – Kukes segment, linking the north of the country and neighbouring Kosovo has been by far the most expensive and important investment made thus far. It is also included in the plans of the South East Europe Transport observatory (SEETO). Priority has also been given to the upgrading of rural and regional roads, accesses to border crossing points and areas with tourism potential with a

view to alleviating poverty and sustaining economic growth. However, insufficient road maintenance remains a concern, despite the government's commitment to increasing funding and supporting structural reform to the sector. Road safety also remains a major issue due to a combination of factors, including poor quality of road construction, failure to observe standards, failure to deal with unauthorized access to national roads and poor driver discipline and vehicle inspection.

With regard to road transport legislation, alignment with the EU *acquis* is fairly advanced according to EC Progress Report 2011.

### Rail

The rail transport sector is underdeveloped in Albania. The railway network is obsolete, with virtually no significant investments in the last twenty years. The sector is run by a state-owned company; however liberalization of the market is not viable unless significant improvements in the physical infrastructure are made in order to stimulate private sector interest. IPF funds have been secured to undertake the feasibility study on Railway Signalling and improvement of the core network, part of SEETO railway core network. The Ministry of Transport has launched the tender for detailed design for reconstruction of Tirana to Durres railway line, financed through an EBRD loan.

### Maritime

Maritime Transport legislation is still not fully aligned with the EU market rules, in particular as regards full liberalisation of licensing schemes and opening up to non-Albanian nationalities. Albania is a member of the International Maritime Organization. Significant improvements are needed to state port control and flag control. The rates of detention of Albanian vessels pursuant to the Paris Memorandum of Understanding on Port State Control was 16% in 2010 compared with an EU average of 1.8%.

Significant improvement to the physical infrastructure for maritime transport has been carried out in recent years. A coastal Port Plan has been adopted and a strategy for the development of ports put in place, according to which the Vlora and Durres ports will be the main industrial ports in the country. The Durres port terminal was fully refurbished and inaugurated in July 2012, while works continue for the upgrading of the Vlora and Shengjin ports. The Durres and Vlora ports have been connected with the railway.

### Air

Air transport, and in particular civil aviation, have greatly developed in recent years thanks to a favourable economic environment that has encouraged air travel and investment in facilities. The upgrading of the Tirana International Airport (TIA) has led to a more than doubling of passengers. The civil aviation market has been vibrant, with a number of international airlines and some local carriers operating.

Albania recently adopted a new Air Code and is continuing the implementation of the first phase of the European Common Aviation Area Agreement. The Civil Aviation Authority retains responsibility for oversight of license holders and undertakings. Further progress needs to be achieved in the area of safety standards.

### *Measurement of indicators: Transport*

According to the MIPD, IPA assistance aims to address the priorities identified in the Albanian transport strategy framework, focuses on the alignment of the Albanian transport sector with the EU *acquis* and facilitates the implementation of SAA obligations.

Transport is a very important sector for Albania, although it may not be as relevant in terms of EU *acquis*. However, transport development eventually supports economic development and thereby supports EU integration by helping the country improve its economic standards.

The road transport subsector can be considered by far the most important and as such takes up the majority of state budget investment funds. The majority of indicators for sector development are thus related to development in the road transport area; both in terms of infrastructure development as well as achievement of standards, i.e. road safety.

**Table A1 5.6 Evaluation Grid Road Transport**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Continue implementation of the Albania transport master plan, including efforts to complete the East-West corridor and North-South axis	Plan is approved but very little progress on implementation	Construction should be on schedule with the plans in the ANTP Technical quality of implemented work (largely) in line with EU standards Reduction in transport costs Reduction in journey times	ANTP recently revised, plans in line New axes built reduce transport costs and time Technical; quality of implemented work not quite up to EU standards
Complete the necessary institutional reforms to improve transport asset management, prioritisation of investments, policy making and the involvement of the private sector	ANTP approved so RAMS can begin	RAMS implemented, including effective contracting out of service delivery to private firms. Staff in ARA trained and skilled in planning Staff in MoW familiar with EU procedures and requirements for Cohesion Fund and other financing Transparent and efficient procurement procedures in place and practiced. Work has started on the maintenance of priority secondary roads Planning capacity at local and regional level improved	RAMS not yet fully implemented, contracting out of maintenance just starting MoPWT, ARA staff capacities increased Procurement procedures in place Work in progress for secondary roads Planning capacities need further improvement

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Achieve improved results in terms of road safety, and take additional steps for further improvement	Road furniture generally poor. Extensive illegal construction impacts roads	Programme to upgrade road furniture (signs etc.) in place and funded, Road furniture improved, including on secondary roads Safety improved: rate of accidents decreased	Road security continues to be very problematic Road furniture not sufficiently improved
Implement the Memorandum of Understanding of the South-East Europe core regional transport network including the Transport Observatory	Albania actively participates. Needs to complete and send traffic & transport data	Albania continues to actively participate in SEETO, making annual revisions of their plans	Albania actively participates in SEETO, observes plans

The Albanian National Transport Plan (ANTP) is the main strategic instrument to guide the Albanian government's decisions to prioritize and invest in infrastructure. A new version of ANTP was adopted by the Government in early 2011, covering a five-year horizon. As opposed to the baseline for this indicator in 2007, showing that there has been limited progress in implementation, substantial progress can be reported as of 2012.

Besides the revision of the ANTP, Albania has made significant progress in upgrading the road infrastructure network, despite the onset of the financial crisis and reduction of project financing funds in the international markets. Important segments of the East-West corridor and North-South axis have been completed or are currently under construction, most notably the completion of the Durres – Kukes highway – the most expensive road infrastructure project to date - that was partly financed through non-concessional loans serviced from the state budget. Some progress has also been made with improvement of secondary roads; the ambitious programme of the Albanian Government to pave thousand of kilometres' of rural roads has been supported by IPA funds and succeeded in pooling together grants and concessional loans from multiple international donors and IFIs.

As reported by the EC's 2010 Opinion on Albania, "*Significant investment in recent years has resulted in an enlarged road network but the incidence of poor quality roads is high since spending allocated for road maintenance is low.*" MPWT is trying to tackle the issue partly through a series of institutional reforms, including the transformation of the state-owned road maintenance agency into a management entity - the Albanian Road Authority (ARA), which will be in charge of outsourcing road maintenance to the private sector and oversight. However, despite the optimism generated by the success of the pilot stage of the reform, transformation is slow and sensitive, given the large scale redundancies envisaged. Funding from the state budget for road maintenance (to ARA) has increased by 10% for the first years after the reform. With regard to planning capacity at the local and regional level, data indicates that no significant improvements have occurred. Indeed, as reported by the Albanian Development Fund, acting as an agent for project evaluation on behalf of the government, quality of projects submitted is relatively low. Despite several capacity building activities addressing the local and regional level, there are concerns that planning and maintenance of regional roads may only be taken care of at a higher level. In light of this, a precondition for the



funding of rural roads under the IPA Programmes was to put the improved roads under the authority of the national agency ARA for maintenance.

As far as procurement procedures are concerned, the majority of projects are contracted through national procurement rules and/or under the oversight of international partners in the case of foreign financing. It is worth noting, however, that financing and the procurement procedures for the Durres- Kukes highway were put under legal investigation after the opposition's allegations that the process had lacked transparency and the cost had been abnormally high. Charges were taken up by the Prosecutor's office but the case remains outstanding.

Despite significant improvement in the access, connections and reduced journey time, road safety still remains a major concern due to poor quality of roads, irregular accesses to the carriageways; as well as extremely poor driver discipline. Road furniture is still poor. Furthermore, standards of work are often not observed and it is not unusual to find roads open to traffic while works are still undergoing, posing serious hazards to drivers. Furthermore, the government does not seem to be effective in preventing illegal construction across new road segments, which lead to the establishment of dangerous unauthorized accesses to the roads. The National Road Safety Strategy and Action Plan were adopted in early 2011. There is no tangible improvement in the area of road safety.

Albania continues to actively participate in the SEETO and cooperates with its neighbours on defining projects of regional interest.

In summary, the situation in the transport sector is mixed. Albania has made significant progress in upgrading its road infrastructure in order to support its growing economy. However, the sustainability of these projects needs to be improved as many projects are of poor quality given the limited funding received for construction and maintenance. Road safety remains a major concern and the government has not shown enough commitment to tackle the issue, despite the adoption of an action plan in early 2011. MPWT capacities have been strengthened, however some structural reforms are still pending. The government must continue to show its commitment to increasing annual budget allocations for road maintenance in order to increase the useful life and reduce future investment bills.

As regards maritime transport, there has been modest progress. Despite improvement of maritime safety conditions, Albania is still on the black list according to the Paris Memorandum, with a detention rate of vessels flying the Albanian flag that has gone down since the baseline for 2007, but is still high at 16% (2011).

Significant improvements are being carried out in the two major ports of the country, Durres and Vlore, while privatisation of port services has not completed yet. The Durres port Terminal was completely refurbished and inaugurated in July 2012.

**Table A1 5.7 Evaluation Grid Maritime Transport**

2006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Progress achieved
Achieve significant results in improving maritime safety conditions, including port State control facilities and performance of the register of shipping pursuant to the Paris memorandum of understanding	23.37% detention rate of vessels under Paris MoU	Reduction of detention rate to regional average. Port state control meets Paris MU standards.	Detention rate remains high Albania still blacklisted according to Paris MU
Make substantial progress on the rehabilitation of the ports of Durres and Vlora and consolidate port operations there	Durrës Master Plan prepared. Privatisation of services on going	Master Plan implemented on schedule. Privatisation of port services completed Port operations viable. Skilled (trained) staff in place	Progress achieved; Durrës and Vlora ports being rehabilitated Privatisation of services on going

## Annex 2 List of interviews

Name	Position	Institution
Blendi Bushati	Director Regional Development	Albanian Development Fund
Erik Qirjaqi	Director Road Infrastructure Department	Albanian Development Fund
Genc Juka	Director	Albanian Food Authority
Ariela Struga	Director Inspection Department	Albanian Food Authority
Astrid Wein	Head of Office	Austrian Development Cooperation
Enik Pogace	Director Foreign Affairs	Bank of Albania
Rocco Schiavone	Resident Twinning Advisor	Bank of Albania
Anila Tanku	Director	CFCU
Lindita Milo	Chairman	Competition Authority
Ermal Nazifi	Adviser	Competition Authority
Claus Lech	Head Operations Section 1	EUD
Luigi Brusa	Head of operations	EUD
Francois Begeot	Head of Operations Section II	EUD
Mark Reilly	Programme Manager	EUD
Francesca Aquaro	Programme Manager	EUD
Malgorzata Skocinska	Programme Manager	EUD
Ardian Metaj	Programme Manager	EUD
Entela Sulka	Programme Manager	EUD
Genc Celi	RTA counterpart	GCD
Novruz Ceta	Director Foreign Affairs Department	GCD
Eliana Gjinali	Foreign Affairs Department	GCD
Rifat Gjoni	Deputy General Director	General Customs Directorate (GCD)
Ermal Nuri	Project Coordinator	General Road Directorate/Albanian Road Authority
Mimoza Kalia	Deputy General Director	General Tax Directorate
Blerina Raca	Deputy Team Leader SMEI II	GIZ
Zhenihen _____	Assistant SMEI II	GIZ
Patris Kraja	Director IPA Department	MEI
Eglantina Gjollani	IPA Coordinator	MEI
Elda Kalaja	Secretary General	MEI
Jorida Shytaj	Director	MEI
Ariana Misha	Director European Integration/ SPO	Ministry of Agriculture
Altin Telo	Director Veterinary Department	Ministry of Agriculture
Anila Jani	Director Internal Markets& State Aid	Ministry of Economy
Fatos Bundo	SPO	Ministry of Environment
Grida Duma	Deputy Minister	Ministry of European Integration (MEI)
Nezir Haldeda	Deputy Minister/NAO	Ministry of Finance
Aurela Velo	Director Treasury Department	Ministry of Finance
Ervin Minarolli	Former Director Policy Department	Ministry of Public Works and

Name	Position	Institution
	(now Head of Civil Aviation)	Transport
Fernando Bersano	Site Engineer Port Shengjin	
Dariusz Piasta	Twinning MS Project Leader	Public Procurement Agency
Shkelqim Xhaxhiu	Director	Port of Shengjin
Luisa Rizzo	Team Leader	Project Preparation Facility/MIE
Klodiana Cankja	Director	Public Procurement Agency
Alexandra Fehlinger	Team Leader Support and Expansion of Treasury System Project	SETS Project
-----	Director Rinas Customs Office	Tirana Airport Customs Office

## Annex 3 List of documents referenced

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- IMF Staff Report for Article IV Consultations (2010, 2011)
- National Strategy for Development and Integration (NSDI)
- National Strategy Progress Report 2008
- Public Finance Strategy 2007 – 2013
- Transport Sector Strategy 2007 – 2013
- Albanian National Transport Plan (ANTP)
- Public Internal Financial Control Policy Paper
- Public Administration Strategy 2007 – 2013

### *Competition and State Aid project:*

- Project Fiche
- Terms of Reference
- Inception Report
- Interim Quarterly Report 3&4, November 2011
- Interim Quarterly Report 5, March 2012
- Financial Reports 1, 2, 3, 4
- ROM report (incl. BCS and Synopsis) November 2011

### *Decentralised Implementation System:*

- Project Fiche
- Terms of Reference
- Inception Report
- Progress Report 1, 2, 3, 4
- Final Report November 2010
- Minutes of Steering Committee Meetings April 2009, July 2009, October 2009, Feb 2010, May 2010
- ROM reports (incl. BCS and Synopsis) June 2009 and June 2010

### *Support to the Implementation of the SAA:*

- Project Fiche
- Description of Actions
- Inception Report
- Draft Overall Work Plan
- Work Plan Oct-Dec 2010
- SMEI II Conference Concept Note Dec. 2010
- SMEI II Conference Press Release Dec 2010
- SMEI II Conference List of Invitees
- Quarterly Report II
- Progress Report 5
- Implementation Report 2010
- Minutes Meeting PAC 2, 3, 4,5, 8

- Estimated Costs of NIPAC system memo

#### *Customs Procedures:*

- Project fiche
- Quarterly Report 1,2,3,4,5,6,7
- Monthly Reports June 2010- November 2011
- Minutes of SCT 1, 2, 3, 4, 5, 6, 7 plus annexes
- Final Report plus Annexes
- ROM Report (incl. BCS and Synopsis) October 2010

#### *Support to the Directorate of Tax:*

- Twinning Contract (incl. Workplan)
- Interim Quarterly Reports 1, 2, 3, 4, 5, 6, 7, 8, 9
- Minutes of SCT 1, 2, 4, 5, 6, 7, 8
- ROM reports (incl. BCS and Synopsis) September 2010 and January 2011

#### *Support to the Public Procurement Agency:*

- Twinning Contract (incl. Workplan)
- Final Report (incl. 24 annexes)

#### *Bank of Albania:*

- Twinning Contract (incl. Workplan)
- Monthly Reports January 2011, February 2011, June 2011, September 2011, October 2011, November 2011
- Minutes of SCT 1, 2, 3, 4, 5
- ROM report (only BCS) June 2011

#### *Support to Decentralisation:*

- Terms of Reference (incl. clarifications on questions during tender process)
- Inception Report
- Quarterly Progress Reports May – July 2011, October – December 2011
- Minutes of SCT 1, 2, 3, 4
- ROM report December 2011
- Gap Assessment Report

#### *Treasury System:*

- Project Proposal November 2010 (incl. Workplan)
- Inception Report
- Quarterly Interim Report November 2011 – January 2012
- Minutes SCT meeting November 2011

#### *Technical Assistance to the Ministry of Public Works, Transport and Telecommunication:*

- Terms of Reference
- Inception Report
- Inception Report Railway Code
- Inception Report VTMS
- Interim Reports 1, 2, 3, 4
- Monthly Briefings January, February, October 2011
- Minutes SCT meeting 1, 2, 3
- Albania Asset Projection
- Final report plus Annexes

- ROM report (incl. BCS and Synopsis) May 2011

*Port of Shengjin Supervision:*

- Terms of Reference (incl. Annexes)
- Technical Specifications
- Monthly Report 3, 4, 5, 6, 7

*Secondary and Local Roads:*

- Technical Specifications:
- Detailed Design
- Contract (incl. General Conditions)
- Bill of Quantities
- Construction Permit
- Addenda 1, 2, 3 documents
- Administrative Orders and Guarantees
- Inception Report
- Monthly Reports April 2010 – August 2011
- Site Visit Reports
- Report on Road Works Advancement October 2010
- Evaluation Repairing Works Part I
- Technical Report Flooding Vermosh Road
- Minutes Monthly Meetings 1, 2, 3, 4, 5, 6, 7, 8, 9
- Meeting Vermosh August 2011
- Provisional Acceptance (plus annexes)
- ROM report November 2011

*Highway Routes:*

- Terms of Reference (incl. annexes)
- Progress Reports 2, 5
- Minutes of kick-off meeting
- Minutes of Progress Meetings 1 – 14
- Final Report Miloti
- Final Report Vlora
- ROM report (incl. BCS and Synopsis) December 2011

*Rural Roads:*

- Executed EU contribution agreement KfW
- Design Study (incl. annexes)
- ROM report (incl. BCS and Synopsis) November 2011





## Annex 4 Objectives of the projects in the sample

### IPA projects in the sample and their objectives

Project title	Overall Objective	Purpose:
2007- Preparation for decentralization of EU assistance.	To adequately prepare the Albanian Authorities for absorbing EU financial assistance, putting into place efficient structures and strengthening the capacities of key institutions for technical management of decentralized programmes in order to ensure sound management of the Decentralised Implementation System (DIS)	Assist the Albanian institutions in preparing for EU's DIS for the IPA instrument (Component I – Transition Assistance and Institution Building).; Develop administrative capacities within the Albanian administration to effectively coordinate, manage and implement EU assistance, specifically in order to move to DIS in the future; Support the establishment of sound financial management and internal control systems for implementation of EU funds.; Support the Albanian Authorities in their preparations towards DIS Management and requirements for DIS Application and DIS Compliance Assessment Audit.
2007 - Support for the General Directorate of Tax	To assist the Government of Albania in strengthening the fiscal system in line with EU standards.	To support the General Tax Directorate (GTD) and its regional offices to align the legislative framework and procedures with EC standards and to develop human resource and information technology goals as set out in Strategic Plan covering the period 2007 – 2010.
2008- SAA Implementation Process	To further support and strengthen Albania's administrative capacity to implement the Stabilisation and Association Agreement (SAA) and prepare for EU accession.	To strengthen the Ministry of European Integration's administrative capacity to manage the SAA implementation, to undertake the NIPAC's responsibilities, to improve the legal coordination process and to ensure the sustainability of EU related reforms.
2008 - Public Procurement	To assist the Government of Albania to achieve EU standards as required under the SAA in the areas of public procurement, concessions and public auctions.	To contribute to improvements in the effectiveness, efficiency and transparency of the public procurement, concessions and public auctions systems in Albania (through the Public Procurement Agency)
2008 - Albanian Treasury System	strengthen public financial management in Albania in compliance with the European Partnership and the National Strategy for Development and Integration.	Substantially strengthen the capacities of the Ministry of Finance (MoF), Line Ministries, Spending Units and large Municipalities to assure an optimal financial management of government resources and the expansion of the network between the MoF, Treasury District Offices, Line Ministries, Spending Units and large Municipalities.
2008 - Albanian Central Bank	To contribute to the fulfilment of the Copenhagen economic criterion by ensuring the effective implementation of monetary policy as well as by guaranteeing the existence of a safe, financially sound and well-developed banking system in Albania.	To prepare the central bank (the Bank of Albania – BoA) for a smooth rapprochement to the European System of Central Banks (ESCB) and help ensure an approximation of the Bank's legal and regulatory framework to the EU <i>acquis communautaire</i> as well as of its practices to the standards prevailing in the ESCB.

Project title	Overall Objective	Purpose:
2008 - Customs Procedures	To assist the Government of Albania in aligning the Albanian customs procedures with the EU <i>acquis</i> and standards	Modernization of control and monitoring customs systems based on the EU standards and practice.
2008 - Competition and State Aids	To contribute towards ensuring a competitive environment in Albania and to achieve a high level of discipline in state aids.	To ensure the approximation of legislation in the Competition and State Aid fields with the new EU legal framework.
2009- Decentralised Management	To support the Government of Albania in developing its legal framework and structures and its administrative and technical capacities in relation to the management of IPA under DIS (now called Decentralised Management).	To build on the technical assistance provided under IPA 2007 project concerning Decentralised Management for IPA Component I and to ensure further development of the Decentralised Management process in order to prepare the Albanian Government for accreditation to manage IPA support for Components II, III & IV, under a decentralised system
<b>Transport</b>		
2008-Secondary & Local Roads	Rehabilitation of four secondary and local roads sections in Gjirokastra, Durresi, Lezha and Shkodra districts in order to improve the living conditions of rural areas and contribute to the social and economic cohesion of the country.	
2008- Capacity Building at the MPWTT	To enhance the economic and social development of Albania fostered by an efficient transport sector.	To strengthen the institutional capacity of the Ministry of Public Works, Transport and Telecommunications (MPWTT), its Directorates and the Institute of Transport in the areas of policy, strategic planning, management, legislative and regulatory framework for all transport sub-sectors; to facilitate identification, preparation, management and implementation of EU co-funded assistance programmes; to continue the development of the road asset management system commenced under the current Technical Assistance; Phase 3 of support to MPWTT
2008-Highway Routes in Albania	Successful design and construction of road sections a) the Vlore bypass and b) doubling of Fushe Milot - Rreshen in order to improve the most important North-South and East-West corridors of Albania	Preparation of Feasibility Study, Preliminary and Detailed Design of Vlore bypass; preparation Feasibility Study, Preliminary and Detailed Design for doubling of Fushe Milot – Rreshen road section
2008- Albanian Maritime Sector (Port of Shengjin)	Promote the Integration of Albania in the European Maritime System, by modernizing and developing the transport infrastructure for maritime transport	To support the construction of a new quay and the operating yard and other facilities in the Port of Shengjin, according to the Master Plan for the development of the port, through the provision of consultancy services for: Preliminary design review and preparation of the detailed design; Preparation of the Tender and Contract documents; and Supervision during construction.
2009 – Secondary Roads	To contribute to the sustainable improvement of the living conditions of the rural population in the programme regions in Albania (Qarks of Shkoder, Kukes and Dibra)	Improved and sustainable access of the rural population in the project areas to economic and social infrastructure through rehabilitation or reconstruction of the rural road network

## Annex 5 The evaluation methodology

The country level interim evaluations (and the MBP evaluation) will consist of two constituent and complementary elements – the evaluation of individual projects in the sample and the creation of a wider sectoral assessment. The interim evaluations follow the formats and methodology of the Commission’s Evaluation Guide and the Project Cycle Management (PCM) Guide of EuropeAid. Each project included within the evaluation is assessed against the indicators in the project and programme documentation for efficiency, effectiveness, impact and sustainability and the results used to answer the Evaluation Questions established in the ToR.

With the focus of the evaluation on the measurement of impact, a sectoral approach is being used which requires a further level of assessment. The objective is to review how a particular sector in a country has evolved over time and assess the influence that the IPA has had on the changes that have been observed. This is undertaken by creating a picture of the sector and assessing how it has changed by identifying the initial sectoral objectives of the national authorities, determining what the situation was when the IPA assistance was planned and then measuring progress against impact level indicators. The evaluation questions, around which the evaluation report itself is also framed, fit into this sector focussed approach by building on the data gathered for the sectoral impact analysis.

The evaluation starts with a sampling process to reduce the overall population to a more manageable size whilst retaining sufficient scope to provide a credible evidence base for the conclusions and recommendations. Sectoral assessment matrices are developed based on programming documents to develop an understanding of the intervention logic of the programmes and ensure there are sufficient SMART<sup>11</sup> indicators, particularly at the impact level. Project evaluation forms are used to gather data on performance based on the indicators given in the project documents and made available from primary research and secondary information sources.

### Elaboration of the sectoral assessment methodology

#### *Creating the sectors*

In the 2007-09 programming period, the IPA was structured along ‘priority axes’ and therefore firstly, the sectors to be included in the evaluation should be defined by reallocating individual projects into the same sectors used in 2011 programming onwards. It should be noted that whilst the MIPD refers to grouping projects into sectors for the process of programming there is no common definition or consistent use of the term ‘sector’ in DG ELARG. For the purposes of this evaluation the term ‘sector’ is used to refer to groupings of projects along the same lines as in the MIPDs. For each sector in the sample the sectoral objectives and the baseline are identified from the Accession Partnership (s) and Progress Reports which underpin the assistance under review. From these sectoral objectives we can identify or define indicators of expected impact. The second stage is to describe the current status of these sectoral objectives and therefore understand what has changed. The third stage is to analyse how and whether IPA assistance contributed to the observed change in the sectoral objectives, or to what extent the changes can be attributed to IPA.

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<sup>11</sup> Specific, Measurable, Available, Relevant and Time bound – characteristics of good indicators.

### *Defining the baseline*

The European Partnership (EP) is a summary of the short and medium term objectives (described by the Copenhagen Criteria and the chapters of the *acquis*) agreed between the Commission and the beneficiary applicant state. It forms the basis for the programming of EC assistance but clearly its objectives are of a significantly broader scope than can be funded from the resources available solely from the EU. It is supported by an Action Plan prepared by the beneficiary country detailing the timetable for completion of the objectives of the EP. The EP is prepared in the year preceding the financing memorandum and thus the IPA 2007 programme is based on the EP of 2006 and the IPA 2008 on the EP of 2007<sup>12</sup>. For the purposes of the evaluation, the baseline is taken from the Progress Report and the sectoral policy objectives (and the indicators derived from them) from the medium term priorities of the EP – those which should be achieved within 3-4 years (i.e., by 2010/2011).

### *Measuring progress*

The current status of the sector will be defined using information from the most recent progress report, sector strategies and sector studies, complemented by interviews with key sectoral stakeholders. Where necessary we can also bring in the services of external specialists to bring further clarity to the analysis. The final stage is to establish whether the IPA made a contribution to these observed changes

### *Establishing contribution*

The objectives identified in the planning stages will be cross referenced against specific projects funded in the sector and used to determine the extent to which there could have *potentially* been an impact realised by IPA assistance. The indicators defined from the programme documents (EP, project fiches) will then be used to measure the extent to which the IPA assistance has contributed to the changes observed. This can be supplemented by a review of documents, ROM reports and interviews with key stakeholders and other experts in order to establish whether specific changes can be attributed to the IPA assistance or to other factors, or whether IPA has contributed to internal processes of change. If there are no observable changes – i.e. there has been no impact – the reasons behind this can also be determined by the analysis.

Where documentary evidence is not available the contribution of the IPA to observed change will be made using a public administration capacity systems analysis methodology. This approach identifies the type of effects generated by the assistance and the contribution this has made to the sectoral changes observed. Where indicators are lacking or insufficient, it offers an objective and logical explanation of how and whether impact could have been achieved by IPA assistance.

Disregarding externalities for a moment, any sectoral change can be defined within one or a combination of three categories: Institutional Structures, Human Resources or Systems and Tools. These features of administrative reform need to be visualized along a time line of sectoral policy development, with investment provided at appropriate times to effect the achievement of impact. For example, there is little point in investing in Information and Communications Technology (ICT) until the institutional structures have been established; the development of Human Resources must be a constant process.

*Institutional Structures* considers the changes to the structures of the institutions in the sector (state and Non Government Organisations (NGOs)) driven by the introduction of new policy. It can be disaggregated into a number of sub components, including organizational reform (such as

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<sup>12</sup> Due to the changing constitutional nature of some of the beneficiaries of the region over the programme time period, some consolidation of objectives from different reports has been necessary.

restructuring or decentralization) and the legal framework (scope of responsibilities between ministries, introduction of commercial service delivery, creation of regulatory agencies)

*Human Resources* covers the changed behaviour and working methods of the individuals working within institutional structures and can consist of staffing (adequacy of numbers, limiting turnover), resources (existence of Human Resource (HR) policies and career paths, risk of brain drain) and competencies (completeness of required competencies, effectiveness of training).

*Systems and Tools* consists of the delivery of those elements of technical or managerial infrastructure needed by institutional structures and human resources to effect change. It includes Information and communication technology, infrastructural investment, management information systems or monitoring systems.

## The Evaluation Questions

The questions in this evaluation fall into two groups. Those addressing efficiency and effectiveness cover the project level environment and are essentially directly within the control of the implementing authorities and contractors. Those looking at impact and sustainability consider the affects the programmes will have on the wider environment and are both more difficult to objectively measure and less under the control of operational stakeholders.

- For the evaluation of questions covering efficiency and effectiveness we will be looking at systemic issues affecting the delivery of IPA assistance. The data for these evaluation questions will come from the analysis of project performance through the review of indicators and interviews with key stakeholders. Programme level evaluations do not consist of the sum of the performance of individual projects, but the analysis of individual projects does form the basis for the derivation of programme level conclusions.
- For the evaluation of questions covering impact and sustainability we will be looking at how the IPA assistance has contributed to changes observed at the sectoral level. The data for these evaluation questions will come from the analysis of how the sector as a whole has developed since the time of programming and disaggregates the specific impact of the IPA. This element of the research also looks at whether sectoral objectives not assisted by the IPA have been met and thus provides a counterfactual analysis. As well as measuring the expected versus actual impact indicators, interviews with key stakeholders will determine process and therefore lessons learned in achieving impact and sustainability.

### *Evaluation of Efficiency and Effectiveness*

There are three evaluation questions covering aspects of efficiency and effectiveness:

**Table A5 1 Assessment of efficiency and effectiveness**

Assessment of efficiency and effectiveness	
EQ 1	To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?
EQ 2	To what extent are interventions financed under IPA effective in delivering outputs and immediate results?
EQ 7	Are there potential actions which would improve the efficiency and effectiveness of the on going assistance?

This element of the evaluation will consist of the measurement of the extent that outputs have been delivered, at an appropriate quality level, and objectives achieved; the timeliness of their delivery and their cost. Questions considering efficiency seek to understand whether outputs were delivered

on time and at a reasonable and expected cost. Effectiveness looks at what use has been made of the outputs delivered, or are likely to be delivered. At the same time, realistic alternatives should be identified which are likely to be more effective and/or efficient than the observed solutions.

In the context of this evaluation, efficiency focuses on the achievement of value for money for both outputs and objectives. To assess this we need to determine:

- whether the assistance has been, or is likely to be, delivered within the originally planned budget and time-frame; and
- whether the planning process took adequate consideration of other ways of delivering outputs or objectives and whether assistance could have been delivered in a more cost effective manner to achieve the same outputs or objectives.

In principle, the questions will be answered at the level of the sector concerned. This means that especially for impact and sustainability sector-specific indicators were developed. Capacity building and institutional strengthening has however also many common elements, which is why many indicators, especially for efficiency and effectiveness, can also be presented at a more general level (as is done in this section).

When analysing efficiency, it should be furthermore kept in mind that the emphasis of the evaluation is on impact and sustainability of the combined IPA effort on the relevant sectors. The evaluation will therefore not go in detail on individual examples of bad or poor performance in specific interventions (if at all, this will be done to illustrate common phenomena), but instead endeavour to identify embedded strengths or weaknesses in the system (procedures, modus operandi) which influence efficiency and overall value for money in terms of ‘impact for money.’

#### **EQ I To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?**

##### **Judgement criteria:**

The assistance has delivered the planned outputs and achieved project objectives in the most cost effective manner.

Planned outputs were normally delivered within the foreseen timespan

Procedures for programming and supervision are transparent and promote efficiency

Budget and timelines for the majority of interventions were realistic

IPA interventions normally do not result in excessive administrative burden for the beneficiary organisations

Generally a good mix of financial sources (incl. non-EU sources like IFIs etc.) was applied

<b>Indicators/Descriptors</b>	<b>Data source</b>
<ul style="list-style-type: none"> <li>• All contracts were subject to competitive tender</li> </ul>	Project fiches, EUD/CFCU
<ul style="list-style-type: none"> <li>• All tenders are contracted at least six months before the end of the commitment period thereby providing the Contracting Authority with sufficient time to cancel, redesign and re-tender if offers are unduly expensive</li> </ul>	Perseus reports, Implementation status report
<ul style="list-style-type: none"> <li>• The beneficiary authorities provided the minimum required levels of co-financing in a timely fashion</li> </ul>	Perseus reports
<ul style="list-style-type: none"> <li>• A comprehensive needs assessment, updated detailed design and commercial assessment by an appropriately qualified independent expert has been completed within one year of the launch of the tender</li> </ul>	ROM reports, CFCU Interviews
<ul style="list-style-type: none"> <li>• Administrative capacity assessments are used on all institution building projects to scale assistance to beneficiary absorption capacity</li> </ul>	ROM Reports, CFCU Interviews
<ul style="list-style-type: none"> <li>• The type of contract (works, supply, service, TA or Twinning) is appropriate for the objectives targeted</li> </ul>	Contracts / Project fiches
<ul style="list-style-type: none"> <li>• Delay and performance clauses and other appropriate penalties have been included in contracts and is there clear evidence that that they have been enforced where necessary</li> </ul>	Sample contracts Interviews with NAO/CFCU

<ul style="list-style-type: none"> <li>For all infrastructure components, alternative sources of funding to IPA grant aid been considered at the planning stage (soft loan finance, government funds, municipal bonds, other EU financing).</li> </ul>	Project fiches Interviews with NIPAC/IFAs
<ul style="list-style-type: none"> <li>Resources have been leveraged with other donors/beneficiary budgets where possible</li> </ul>	MIPD
<ul style="list-style-type: none"> <li>Duplication of funding with other sources has been avoided</li> </ul>	NIPAC
<ul style="list-style-type: none"> <li>An effective aid co-ordination structure is in place to ensure no overlap and collaborative financing</li> </ul>	NIPAC co-ordination meetings
<ul style="list-style-type: none"> <li>The costs, including indirect and on going costs, to achieve the planned objectives have been clearly considered in programme design</li> </ul>	Project fiches
<ul style="list-style-type: none"> <li>There is good governance at all levels with sound financial management to ensure corruption is avoided</li> </ul>	Management systems
<ul style="list-style-type: none"> <li>Timely approval procedures for institution building outputs</li> </ul>	NAO/CFCU
<ul style="list-style-type: none"> <li>Timely preparation and mobilization of twinning contracts</li> </ul>	ROM reports,
<ul style="list-style-type: none"> <li>Generally, service providers deliver outputs within the foreseen timeframe</li> </ul>	progress and final reports
<ul style="list-style-type: none"> <li>Generally, beneficiary organisations make the required resources (space, human resources, translation services, IT, etc.) available in time</li> <li>Project outputs can be applied by beneficiary organisations without the need for unduly large investments or other costs.</li> </ul>	ROM reports, NIPAC
<ul style="list-style-type: none"> <li>Project outputs are timely absorbed by beneficiary organizations</li> </ul>	ROM reports, NIPAC

The evaluation question directed at effectiveness looks at the extent to which the outputs and objectives of the assistance have been successfully achieved (or are likely to be achieved) or if there were better ways of delivering outputs and objectives.

## EQ II To what extent are interventions financed under IPA effective in delivering outputs and immediate results?

### Judgement Criteria:

The assistance was effective with the planned outputs delivered, at the appropriate quality level  
Normally, appropriate service providers or twinning partners have been selected  
Procedures for programming and supervision are pro-active and promote quality and effectiveness  
Generally, outputs were relevant for the beneficiary organisations  
Generally, outputs have been taken up/used by the beneficiary organisations

Indicators/Descriptors	Data source
<ul style="list-style-type: none"> <li>The extent to which outputs have been delivered (or are on schedule to be delivered) as defined in programming and contract documents</li> </ul>	ROM reports, CFCU / Perseus
<ul style="list-style-type: none"> <li>The beneficiaries were included in the design and definition of objectives</li> </ul>	NIPAC
<ul style="list-style-type: none"> <li>Each project contains clear and convincing intervention logic with evidence and assumptions/conditionalities</li> </ul>	NIPAC
<ul style="list-style-type: none"> <li>Regular management meetings are held between contractors and all stakeholders at least quarterly (process)</li> </ul>	NIPAC / CFCU / EUD
<ul style="list-style-type: none"> <li>EUD Task Managers apply good management practices with at least quarterly internal management reviews of all projects (process)</li> </ul>	EUD management
<ul style="list-style-type: none"> <li>The risks to the achievement of the objectives are identified at appropriate intervals during the project duration (process)</li> </ul>	ROM reports NIPAC
<ul style="list-style-type: none"> <li>If risks were identified, generally appropriate action is taken by EUD or other relevant bodies</li> </ul>	EUD, NIPAC, progress reports
<ul style="list-style-type: none"> <li>Objectives or outputs are amended to take into account changing circumstances</li> </ul>	NIPAC

<ul style="list-style-type: none"> <li>Project outputs are generally at an appropriate quality level and relevant for the beneficiary organizations</li> </ul>	EUD, NIPAC, interviews with BOs
<ul style="list-style-type: none"> <li>Project outputs are generally accepted and implemented by the beneficiary organisations</li> </ul>	EUD, NIPAC, interviews with BOs

**EQ VII Are there any potential actions which would improve the efficiency and effectiveness of on going assistance?**

**Judgement Criteria:**

Is there a need for improvement in efficiency and/or effectiveness (answer delivered by EQ 1 and 2)?

For most interventions in the design phase a conscious selection has been made between different delivery methods, with a view to maximizing efficiency and/or effectiveness

Actions can be or cannot be defined that can improve the efficiency and effectiveness of the assistance

Indicators/Descriptors	Data source
<ul style="list-style-type: none"> <li>Corrective actions to improve systemic impediments to efficiency and effectiveness</li> </ul>	document review, field research interviews or institutional capacity analysis provided in the framework of Structures, Human Resource Management and Tools
<ul style="list-style-type: none"> <li>Extent to which beneficiaries/other actors involved identify possibilities for the improvement of efficiency</li> </ul>	Expert judgements (interviews, focus groups)
<ul style="list-style-type: none"> <li>Extent to which the “environmental” preconditions are available (e.g. political support, project fits in wider sector strategy, HR strategy, etc.)</li> </ul>	Expert judgements (interviews, focus groups)

*Evaluation of Impact and Sustainability*

There are five evaluation questions covering impact and sustainability.

**Table A5 2 Assessment of impact and sustainability**

Assessment of impact and sustainability	
EQ 3	Are the outputs and immediate results delivered by the IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to the accession preparation? Are/can impacts be sufficiently identified/quantified?
EQ 4	Are there any additional impacts (both positive and negative)?
EQ 5	Are the identified impacts sustainable?
EQ 6	Are there any elements which could hamper the impact and/or sustainability of the assistance?
EQ 8	Are there actions which would improve the prospects for impact and sustainability of the on-going assistance?

**EQ III Are the outputs and immediate results delivered by IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to accession preparation? Are/can impacts be sufficiently identified/quantified**

**Judgement Criteria:**

The assistance provided under the IPA is making, or can be expected to make, a visible contribution to the institution building objectives of the NPAA

All interventions fit logically into the wider objectives of IPA.

Generally, outputs have been taken up by the beneficiary organisations

Generally, the objectives of the programme have been met



Indicators/Descriptors	Data source
<ul style="list-style-type: none"> <li>Extent of progress on the fulfilment of the <i>acquis</i> and Copenhagen Criteria within the sector</li> </ul>	Project fiches, Perseus, Task Managers, annual reports on progress towards adoption of the <i>acquis</i>
<ul style="list-style-type: none"> <li>The interventions contribute directly to the requirements of the <i>acquis</i> as laid down in NPAA and Action Plan</li> </ul>	ROM reports, Questionnaire
<ul style="list-style-type: none"> <li>For earlier projects now in their later stages (FM 2007/2008) measurement of existing impact indicators must show at least some progress towards target</li> </ul>	ROM reports, Questionnaire
<ul style="list-style-type: none"> <li>Strategic programming documents (MIPD, national strategic plans) are clearly linked to the NPAA</li> </ul>	MIPD, NPAA Strategies
<ul style="list-style-type: none"> <li>There exist realistic but sufficiently ambitious national strategic plans</li> </ul>	NPAA strategies
<ul style="list-style-type: none"> <li>The suite of IPA funded project fits logically in the national strategic plans for institution building</li> </ul>	Project fiches, Strategies
<ul style="list-style-type: none"> <li>Pre-conditions for impact have been defined during programming (such as staff reinforcement, premises, equipment)</li> </ul>	Project fiches, EUD
<ul style="list-style-type: none"> <li>All conditionalities have been enforced prior to contracting</li> </ul>	Interviews with EUD
<ul style="list-style-type: none"> <li>Measurement of individual sector performance indicators against sectoral objectives and the baseline (given in detail in annex 4)</li> </ul>	EUD/NIPAC/document analysis
<ul style="list-style-type: none"> <li>Measurement mechanisms are in place to assess impact and implement corrective management actions as necessary</li> </ul>	NIPAC
<ul style="list-style-type: none"> <li>Qualitative progress is measured on strengthening of Structures (legislation, co-operation, management)</li> </ul>	ROM reports, Questionnaires, annual projects
<ul style="list-style-type: none"> <li>Qualitative progress is measured on strengthening Human Resources (competencies, staffing, resources)</li> </ul>	ROM reports, Questionnaires
<ul style="list-style-type: none"> <li>Qualitative progress is measured on strengthening Systems and Tools (ICT, finance, M&amp;E)</li> </ul>	ROM reports, Questionnaires

#### EQ IV Are there any **additional impact** (both positive and negative)?

##### Judgement Criteria:

Unplanned impacts are identified in the interventions

There have been unplanned indirect positive effects of the interventions, which significantly augment the impact of IPA.

There have been unplanned indirect negative effects of the interventions, which significantly take away from the impact of IPA.

In hindsight, could these effects have been anticipated?

Indicators/Descriptors	Data source
<ul style="list-style-type: none"> <li>Mechanisms are in place to capture information on unplanned impacts and mitigate/promote them</li> </ul>	NIPAC + questionnaire
<ul style="list-style-type: none"> <li>List unplanned impacts identified by the beneficiary authorities and management actions taken/planned</li> </ul>	NIPAC + questionnaire
<ul style="list-style-type: none"> <li>Are these (unforeseen and/or indirect) effects of a significant size, to what extent do they augment the direct effects or take away from the latter (to be further specified in Annex 4)</li> </ul>	NIPAC + questionnaire
<ul style="list-style-type: none"> <li>Does IPA in general contribute to the emergence of relations with relevant partner organisations within the EU (member states)</li> </ul>	NIPAC + questionnaire

As with impact, sustainability can usually only be finally assessed once a project has been completed and thus the evaluation must focus on pre-conditions for sustainability. Much of the IPA consists of multi-annual interventions and the sustainability of earlier elements is sometimes a useful proxy for the sustainability of current actions.

<b>EQ V Are the identified impacts <u>sustainable</u>?</b>	
<b>Judgement criteria:</b>	
Long term institutional capacity building impacts will be sustained as they are a pre-requisite for membership of the European Union.	
Beneficiary budget is sufficient to sustain the effects.	
Beneficiary organisations are able to retain human resources necessary to implement the results of the IPA interventions	
IPA enabled effects are logically embedded in beneficiary (new) structures.	
<b>Indicators/Descriptors</b>	<b>Data source</b>
<ul style="list-style-type: none"> <li>For earlier projects in their later stages (FM 2007/2008) measurement of existing sustainability indicators show progress towards targets</li> </ul>	ROM reports, Contractor interviews, Project reports, beneficiary interviews
<ul style="list-style-type: none"> <li>Identification of external factors such as staff turnover or political support that influence the sustainability of impact</li> </ul>	ROM reports, Contractor interviews
<ul style="list-style-type: none"> <li>For investment projects, beneficiaries must have sufficient budgets for consumables, replacement and additional equipment</li> </ul>	Beneficiary interviews
<ul style="list-style-type: none"> <li>For institution building projects, beneficiaries must have sufficient budget to effectively retain or recruit staff based on an administrative capacity plan approved by the budgetary authority</li> </ul>	Beneficiary interviews
<ul style="list-style-type: none"> <li>Conditional legislation (especially secondary legislation) should be in place before the end of the associated assistance</li> </ul>	Beneficiary interviews / NIPAC
<ul style="list-style-type: none"> <li>Existence of examples of the sustainability of any completed comparable interventions as a proxy for likely sustainability of assistance under evaluation</li> </ul>	NIPAC / EUD

Given the programme level nature of the interim evaluations, the identification of issues which could hamper the achievement of impact and sustainability should concentrate on common rather project specific issues

<b>EQ VI Are there any elements which could <u>hamper the impact and/or sustainability</u> of the assistance?</b>	
<b>Judgement Criteria:</b>	
There are (no) systemic issues which reduce the impact or sustainability of assistance.	
There are (no) embedded defects in the system in the partner country and/or beneficiary organisations which prevent adoption of the outputs of IPA interventions, e.g. excessive lack of staff, brain drain or lack of political will (either government or parliament) to adopt the changes),	
<b>Indicators/Descriptors</b>	<b>Data source</b>
<ul style="list-style-type: none"> <li>Problems identified affecting impact and sustainability of <b>investment</b> projects such as: poor needs assessment &amp; specification, sufficiency for beneficiary needs and availability of additional financing (e.g. To complete networks of laboratories for food testing), staffing of new facilities, funds for consumables &amp; replacements, rapid obsolescence of equipment due to legislative or institutional change, operating budgets, user costs &amp; cost recovery.</li> <li>Common problems on <b>institution building</b> projects include: involvement of the beneficiary in project design, adequacy of staff and facilities, retention of trained employees (private sector pull), maintenance of reform momentum, loss of reform champions,</li> </ul>	Beneficiary interviews, NIPAC, EUD interviews, ROM reports

The lack of focus of those charged with operational management of the IPA offers a substantial opportunity for evaluation to identify and develop institutional corrective actions to improve the potential for impact and sustainability of the programme.

**EQ VIII Are there any actions which would improve the prospects for impact and sustainability of the on going assistance?**

**Judgement Criteria:**

Actions can (not) be defined that can improve the impact and sustainability of the on going assistance.

Such actions (if at all) are not so expensive or invasive that their introduction would take away from impact or sustainability.

<b>Indicators/Descriptors</b>	<b>Data source I</b>
• Corrective actions to improve impact and sustainability identified in the institutional capacity analysis will be provided in the framework of Structures, Human Resource Management and Tools	Same as for EQ III – VI
• Other identified actions based on the findings on factors that influence the sustainability negatively	



# Annex 6 Debriefing table

## General conclusions and recommendations

Conclusion	Recommendation	Debriefing reaction	
		Action by	Deadline
Overall, the IPA assistance has delivered the foreseen outputs in terms of structures, systems and human resources. Training has been delivered to fewer people than was initially intended but otherwise only in isolated cases was the quality of outputs disputed. In most cases, technical solutions provided under the IPA projects were considered of an appropriate quality and therefore IPA assistance can be considered effective.	<b><i>The EUD and MEI should speed up the programming process</i></b> (important steps have been made since 2009). The EUD has a good knowledge base on the beneficiary organisations, but the Albanian authorities (through the MEI, which has proven to be a very professional partner) should be better and more timely informed about planned changes in the structure of the Public Administration, which would avoid misallocation of efforts. The preparation time of projects, especially twinning projects, could also be shortened so that institutional changes do not affect the effectiveness of the project.		Already put in place – no programming backlog any more, fully in line
The support provided under IPA has been delivered efficiently overall. Time extensions were common but modest and at no additional cost. In at least two cases the selected modality of twinning was not appropriate to the limited capacities of the beneficiary. Delegation of management responsibility to member states under the ICM procedure has worked well in one case but has been done to the detriment of effectiveness and possibly efficiency in another case.	<b><i>Prior to deciding on a twinning arrangement, the absorption capacity of the beneficiary organisation should be carefully assessed.</i></b> If there are subsequent substantial changes before contract signature, there should be a further assessment and appropriate revision of the scope of the assistance or the intervention modality.	NIPAC/Commission Services	Immediate
	The training needs assessment (TNA) of any future training should be critically evaluated at both the programming and project design stages to ensure the relevance of the training to the needs of the targeted beneficiary and their willingness and capacity to support it.	NIPAC/Commission Services	Future programming

Conclusion	Recommendation	Debriefing reaction	
		Action by	Deadline
Two out of the nine projects in the Financial Management Sector were contracted under a Delegated Agreement (ICM). In one of these cases serious problems were encountered. The ICM does not always allow for effective supervision by the EUD unless periodic implementation reporting obligations are stipulated. Although there are advantages for the EUD in the form of a reduced workload, using a more standard modality would have resulted in better management control, selection of a more appropriate implementing agent and fewer problems during implementation.	<b><i>The EUD should therefore restrict the use of this modality to those cases where ICM is able to leverage non-EU funding, as was done in the Transport Sector, or to very specialized agencies in the case of non-core business. The EUD should additionally insist on clear and timely reporting.</i></b>	NIPAC/Commission Services	Immediate
There is a dire need for improvement in communication between Albanian government departments and between these and the MEI. This also impacts on sustainability and impact.	<b><i>The EUD should facilitate this is through the introduction of conditionalities,</i></b> (see under sustainability)	Commission Services	Immediate (already in place)
Sustainability is threatened by a number of systemic problems: (1) lack of human resources in the public administration and doubts on the future retention of these resources; (2) a lack of communication and co-ordination within the administration; (3) an inability to embed some technical solutions from IPA assistance into beneficiary administrative structures; and (4) insufficient local funds to implement and	The <b><i>Civil Service Law should be enforced</i></b> by the Albanian Government and Parliament should discuss and vote on the proposed amendments to the civil service system in order to allow the establishment of a merit based civil service.	Beneficiaries / NIPAC	Immediate (May 2013)
	The <b><i>EUD could consider to provide additional support to further strengthen the implementation of this process</i></b> and, until there is evidence that it is in place and functional, critically consider the appropriateness of further institution building actions in all sectors.	Commission Services	Immediate

Conclusion	Recommendation	Debriefing reaction	
		Action by	Deadline
maintain the delivered outputs, a phenomenon most common in the Transport projects. The exceptions are institutions with a very clearly demarcated mandate and a more autonomous position, such as the Bank of Albania. Here all solutions proposed by the external advisors are taken on board.	<b><i>In the case of twinning</i></b> the EUD should place particular emphasis on the assessment of human and technical capacity and on the existence of a reformed, functioning organisational structure that can be expected to be retained into the medium term. Considering the good potential for sustainability for organisations which are relatively autonomous and have a clear mandate, the EUD might consider restricting the use of twinning to organisations which share the profile of the Customs Department, the Competition Authority and the Bank of Albania.		
Although all interventions address priorities for the SAA Implementation process, to EU objectives and to other national objectives, wide-scale impact is still absent. The reasons for this are only to a limited extent attributable to project performance. The gap between the generally high-quality outputs and the desired impact is caused by factors including insufficient staff in the beneficiary organisations and related capacity problems, high staff turnover and a lack of communication between departments. There does not appear to be sufficient political willingness to tackle these systemic problems, as witnessed by the fact that the Civil Service law has not yet been accepted by Parliament.	<b><i>The EUD should apply stronger conditionalities on future assistance related to institution building</i></b> , including, as well as the adoption of the Civil Service Law, evidence of additional measures to improve staff retention, improved operations of SPO offices by reinforcement of staff and strengthening interdepartmental working groups. All these issues should be central in the policy dialogue between the EU and the Albanian government. The IPA projects could be furthermore discussed at the level of the sub-committees dealing with the sector policy. The Civil Service Law may be so important that its adoption may be made conditional to the shape and especially size of the entire IPA support to the Public Administration, as iterated above. For staff availability and retention, conditions can be set before the decision is made on individual projects, especially when these concern twinning. A partial solution may be (see above) that for organisations which cannot provide the required guarantee TA is offered instead of twinning. This measure may however well result in large amounts being not committed, at least on the short term.	NIPAC/ Commission Services/ Beneficiaries	2014 financing onwards

Conclusion	Recommendation	Debriefing reaction	
		Action by	Deadline
All infrastructure projects have incurred some degree of delay primarily due to lack of data availability and very tight work plans.	<b><i>In the future beneficiaries are urged to prepare a solid pipeline of projects ready for implementation, (including necessary data such as baseline data for monitoring) at the start of the projects</i></b>	Line Ministries/NIPAC/Commission Services	2014 programme onwards







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