

NATIONAL CONVENTION ON EUROPEAN INTEGRATION

Session 1, Working Group IV (Structural Funds)

Topic: Challenges of Albania in Chapter 23 and managing of EU Funds

23 October 2020

Recent Developments

- The European Union is the larger donor in Albania. Financial allocations under the Instrument for pre-Accession – Annual Country Action Programmes, accounted for **459 million EUR** in the programming period 2007-2013 (whose implementation is still underway) and total **639.5 million EUR** for the programming period 2014-2020, with the Democracy and Governance (32.6%) of support; Competitiveness, innovation, agriculture and rural development (28.6%) and Rule of law and fundamental rights (20.9%) as the three sectors most supported by IPA II.
- It can be noticed that the sectors which are typical recipients of funds for investment in infrastructure benefit from rather limited financial allocations.
- Albania also participates in the Multi-Country Programmes covering the six Western Balkans States and Turkey, of which the most important is the ‘Western Balkans Investment Framework’. **Since the start of this facility in 2009, Albania has received WBIF Grants in the amount of €137.5 million**, out of which €124.8 million from the EU and €12.7 million from other donors.
- Albania also takes part in Union Programmes such as Horizon 2020 and Erasmus, as well as in 8 EU financed Cross-Border and other Territorial Cooperation Programmes.
- During the current programming period, Albania is implementing the EU assistance under various implementation methods as foreseen under the EU Financial Regulation, that is:
 - Direct management**, with the European Commission or EU Delegation to Albania acting as Contracting Authority;
 - Indirect management with international organization**, where EU assistance is implemented by international organisations delegated by the European Commission;
 - Indirect management with Albania**, where assistance is implemented by Albania with the CFCU/Ministry of Finance and Economy as Contracting Authority. *This last*

implementation method has the greatest learning potential for the Albanian structures and authorities involved in the implementation of EU pre-accession funds.

- However, in the period 2007-2013 7.36% of the total allocation have been implemented through Indirect Management with the Beneficiary Country. IPA II for the period 2014-2020 10.84% of the total until 2018 is implemented through Indirect Management with the Beneficiary Country.
- During the current programming period, a significant proportion of the assistance is implemented through 'Sector Reform Contracts' under which limited payments (around 10% of the total) are made by the Commission as 'fixed tranches' while most of the payments – e.g. the variable tranches - are directly linked to the performance of the Albanian authorities.
- In this respect, **Albania has achieved considerable experience in the definition of indicators and targets, and estimating the cost and timing of achieving the targets. This experience would appear to be an *unicum* among the pre-accession countries.**
 - The institutional structure delivering EU pre-accession assistance includes:
 - The **Prime Minister's Office** coordinating the preparation of strategies that are reflected in the Medium-Term Budgeting Programme (3-year, rolling);
 - The **Ministry for Europe and Foreign Affairs**, in a coordinating role. This institution has appointed the National IPA Coordinator who is the main counterpart of the Commission for the overall process;;
 - The **Ministry of Finance and Economy**, which has appointed the **National Authorising Officer (NAO. The Central Finance and Contracting Unit (CFCU)**, a public institution subordinated to the MFE, is the Contracting Authority for all procurement under EU pre-accession funds managed in indirect management by Albania;
 - The **Donors Coordination Department** within the Ministry of Finance and Economy ensures coordination of the external financial assistance to Albania;
 - 19 IPA units established in line Ministries and other public institutions**, in order to ensure technical management
- The explanatory meeting concerning the pre-screening process for Chapter 22 is held on February 2019, where Commission presented the questionnaire with 53 questions . The IWG of European Integration is established and the **first consulting table has been organized on 08 July 2020.**

- **The coordinating institution for this Inter-institutional Working Group is the Ministry for Europe and Foreign Affairs**, other institutions included are: Ministry of Finance and Economy, Albanian Development Fund, Prime Minister Office, Ministry of Infrastructure and Energy, Ministry of Rural Development

Recommendations

- Even though Albania has earned experience in managing EU funds, it has also experienced issues with delayed implementation and the de-commitment of EU funds.
- In addition to the process of alignment of the legislation in line with the reforms agreed with the Commission, there is a need to modernise the whole country, meaning both its physical structures, and the non-material legacy. The public administration needs to strengthen its administrative capacity in general, while in particular it is necessary to **expand planning and programming capacities; the capacity to prepare and ex-ante appraise public investment (thus building a robust project pipeline); and the performance with financial management and internal control.**
- To increase the capacities in these three areas EU Member States may support with financial and technical assistance including trainings, joint meetings and programmes aiming the strengthening of institutional capacities in this Chapter.
- On top of the need to shift from annual programming, with most decisions approved ex-ante by the European Commission and actions directly implemented by the European Union Delegation to Albania, to full ownership and responsibility of the use of EU funds after accession (the most significant challenge is likely to be the lack of a genuine 'retention policy' for skilled and experienced civil servants who are trained in EU funds implementation. This issue has no easy solution in the context of the current fiscal constraints of the national budget.
- Another recommendation is the involvement of the interested groups like business, civil society, organizations, experts and scholars on the consultation process concerning adoption of IPA III planned for the period 2021-2027. More information



and more space for contribution concerning this instrument is needed, in order to put in this programme those fields and sectors assessed as relevant from interested groups.

- It is essential the adoption of a Gap analysis on the administrative and institutional capacities when it comes to programming and implementation of IPA funds from Albanian institutions.
- It is recommended that Albania to draft and adopt a strategic policy covering a long period of time in order for the policies and approaches to not change every time the government changes, in order for the programming of funds to not suffer many amendments
- The role and responsibility of institutions should be divided and be very clear with a distinguished coordination body in order to manage the funds efficiently and the process to not be chaotic or to suffer from backsliding, bureaucracy and miscoordination
- The regional policy should be integrated with the economic one based on long-term priorities (the balance between the centre and local level is needed as well
- The private sector especially in the sector of energy, environment, tourism, agriculture should be a strong partner during all the process and all the policies and strategies should aim the financial and technical support of these stakeholders;