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**Decentralization and Local  
Development Programme (dldp),  
Albania**

**Review of Functional Area  
Programme (and projects)**

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## List of Abbreviations

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ADF	Albanian Development Fund
ALCDF	Albanian Local Capacity Development Foundation
ASPA	Albanian School of Public Administration
AZHBR	Agency for Agriculture and Rural Development
dldp	Decentralisation and Local Development Programme
EU	European Union
EUSAIR	EU Strategy for the Adriatic and Ionian Region
FA	Functional Area
FAP	Functional Area Programme
IPA II-	Instrument for Pre-Accession (2014-2020)
LGU	Local Government Unit
PPP	Public Private Partnership
PFM	Public Finance Management
RDF	Regional Development Fund
RMA	Regional Management Agency
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Agency
STAR	Support to Territorial Administrative Reform
TAR	Territorial Administrative Reform
USAID	United States Agency for Development
WBIF	Western Balkans Investment Framework
WiP	Women in Politics

# 1 Background

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## 1.1 Functional Area Programme Process

### Introduction

For dldp phase 3 (2014-2017) the project area was enlarged beyond the traditional regions (Qarks) of Lezhë and Shkodër, now also including the three new Qarks of Dibër, Durrës and Kukës. Working with all the 120 LGUs of these five Qarks would be beyond the project's resources, hence there was a need to identify selected LGUs as priority project partners for receiving project grants and other support through a transparent selection approach.

The grant fund approach of dldp 3 (see Annex 2) outlined in the project document had two components :

1. The “traditional grant scheme” would support selected (around 9) partner LGUs of the three new regions by co-financing priority projects in the area of local public service improvement.
2. The “performance based grants” would support LGUs of the three new regions that benefit from the dldp support packages (PFM/waste management/e-governance/PCM). The best performing LGUs (around 6) would receive a performance based “on budget support” in 2016/17 based progress measured against a baseline.

The selection of the partner LGUs was meant to be based on two main criteria:

- The potential of the LGU or LGU clusters to influence the development dynamics of the respective region;
- Governance criteria, i.e LGUs that have a good track record on governance that could turn into best case practices.

The earlier experience of dldp showed the need for inter-LGU cooperation or working with LGU clusters rather than working in LGUs obtaining isolated results. For this reason, and based on Swiss experience, dldp launched a Functional Area (FA) research programme to understand the interaction dynamics within the regions as a way to define a proper LGU clustering to work with for the grant schemes and the other support activities.

In close alignment with the launched Territorial and Administrative Reform (TAR) of the government, dldp 3 launched the **Functional Area research process** in all the five project regions during September – December 2013. The results were published in January 2014 in the final report<sup>1</sup>. Based on these findings as well as complementary questionnaires from each LGU of the five regions on key governance indicators, dldp wanted to select six FAs. The procedure and criteria are described in a short paper.<sup>2</sup> Eventually, dldp selected eight FA, of which six are located in the three new regions of

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<sup>1</sup> Bushat, Blendi / Karakaci, Valbona / Pfaeffli, Stefan (2014): Study on the Functional Areas in Albania, dated 23.1.2014

<sup>2</sup> dldp (2014): Partner selection in the three new regions for dldp 3 programme

Dibër, Durrës and Kukës and two in the old regions of Lezhë and Shkodër (see also map below).

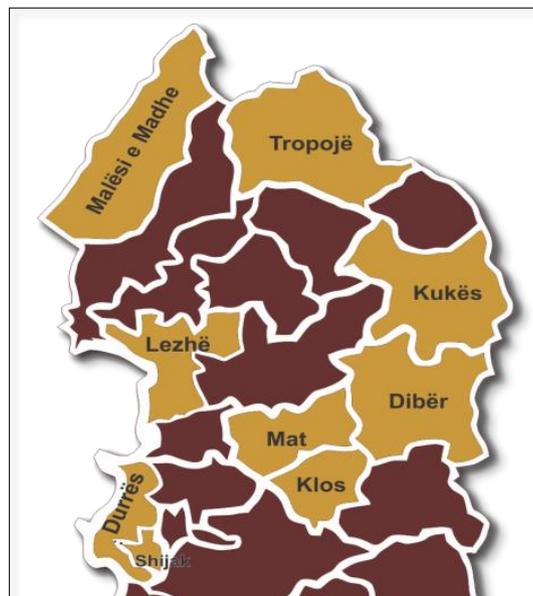
As a next step from the FA research, dldp decided to work with the eight selected FAs for the preparation of so-called **Functional Area Programmes** (FAPs) with the purpose of outlining the development strategies based on the functionality concept. Given the emerging context of the TAR, the FAPs would be of crucial importance for the new LGUs.

### The Functional Area Programmes (FAPs)

dldp prepared a methodology as a guideline<sup>3</sup> for the service providers that were hired to prepare the FAPs in the eight areas (see other colored areas in the map).

Content-wise the FAPs have three main parts:

- Analysis of the FA economy, public services and governance
- FA development projects, broadly in three programs : economic development, public services and quick start projects.
- Recommendations for the organizational development of the new LGUs.



The FAPs were prepared during the period October 2014 and March 2015. Their preparation process was characterized by the combination of expertise in key economic and public services areas with a participatory element. This consisted of a local representative (member of the FAP forum) as a team member and a public consultation process for discussing and evaluating the priority projects in each FAP.

## 1.2 Objectives of the Functional Area Programme review

The FAP review process and its results in terms of draft plans were to be reviewed by KEK-CDC Consultants in a field mission from April 27<sup>th</sup> - 30<sup>th</sup> 2015 with the following objectives:

**Objective 1:** Assessment of the results of FAP process through the analyses of project fiches based on a set of relevant variables (around 15 project fiches for each FAP) and through selected workshops with stakeholders of the process (service providers, responsible staff of dldp Albania).

**Objective 2:** Validating the selection process in terms of improving the selection criteria used to identify projects with potential for mobilizing the functionality potential and FAP as an instrument for identifying such projects<sup>4</sup>.

<sup>3</sup> dldp (2014): The methodology for the preparation of the Functional Area Programme

<sup>4</sup> This view complements the ratings being done through public campaigns and technical experts. The analysis shall synthesize the three perspectives (public campaigns, technical experts and dldp/KEK variables) and bring up

**Objective 3:** To provide a structured discussion input for the internal reflection in June/July in view of the planned mid-term review of dldp in fall 2015.

### 1.3 Methodology

The review process included the following elements and working steps (see also Annex 1, Terms of references, and Annex 2, Programme of field mission and people met):

- Desk study of relevant documents (FAP concept, project fiches, dldp ProDoc, etc.).
- Review of the evaluation process and results of the best Functional Area Programme projects.<sup>5</sup>
- Development of a dldp/KEK validation grid for the proposed project ideas consisting of administrative variables (project type, budget, etc.) and 9 thematic variables (potential for multi-stakeholder approach, potential to exploit the functional area concept, value added in terms of regional development etc.). See Annex 5 for details.

KEK-CDC suggested developing an excel data base to assess the submitted project fiches in close cooperation with dldp experts involved in the supervision of the FAP elaboration. The list of variables for the analysis served as evaluation grid for the qualitative assessment of the projects as well as a base for the discussions within the work-shops.

- Field mission (April 27<sup>th</sup> - 30<sup>th</sup> 2015) included:
  - Interviews with key stakeholders of the Territorial and Administrative Reform (TAR)
  - Interviews with FAP implementing organizations;
  - Validating desk-work findings through internal Workshops with key representatives of the FAP-process (Dibër case study);
  - Providing of a power point presentation for the a national event on May 11<sup>th</sup>, 2015 in cooperation with dldp resource persons in order to present the achievements, the lessons learned and the recommendations;
  - Compilation of present status of funding schemes (ADF, RDF and development of transfer payments to LGUs);
  - Wrap up with SDC and Government Representatives;
- Debriefing with SDC on conclusions and recommendations.

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conclusions and lessons learnt as well as recommendations for a) policy level and dldp level (managing the grant funds). The findings shall be presented in a presentation that will be used for the national conference on 11<sup>th</sup> of May (see draft in Annex 4)

<sup>5</sup> Karakaci, Valbona and Bushati, Blendi (2015): Functional Area Programme. Process and criteria of evaluation for the best Functional Area Programme (FAP) and best projects.

## 2 Findings

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### 2.1 Main future oriented messages from interviews with key stakeholders

#### 2.1.1 Ministry of Finance (unconditional transfers)

- The Ministry is working with USAID and other donors on changing the allocation criteria for the unconditional transfers. The fiscal capacity of LGUs should be better reflected in the formula to achieve fiscal equalization and the urban co-efficient needs adjustment as well as the co-efficient for poor LGUs. There is also no provision for the specification of how much should be allocated to infrastructure investments.
- There is a disparity between urban and rural needs. The requirements should be defined through a new analysis of the prescribed LGU functions and their costs.
- The total pool of unconditional transfers is fixed every year in the state budget. There is no fixed proportion (e.g. 10% of budget or 3% of GDP allocated). The total pool was rather reduced in the past years (especially during the economic crisis in 2009).
- The pool of unconditional transfers (ca. € 85 million in 2013) should be increased and the LGUs are not enough lobbying for this.

#### 2.1.2 Agency for Territorial Reform (Prime Minister's Office)

- The TAR creates 61 municipalities (LGUs) with a number of sub-units (=previous LGUs). Until the end of this year the budgets will remain separated for each LGU but should be merged from next year onwards.
- The amalgamation of LGUs offers big potential and makes the standardization of processes and services easier (e.g. use of similar software).
- The securing of functional LGU administrations after the local elections in June is a challenge because many new mayors will have to be trained.
- As a result of the amalgamation, the number of counselors at LGU level is going to decrease from ca. 6'000 today to 1'500 after July. This has two main effects: many people in remote areas will lose a monthly compensation (which was € 100 plus in kind support) and theoretically, the new LGU has more funds at hand for discretionary spending (up to several hundred thousand € per new LGU and year).<sup>6</sup>
- The agency for Territorial Reform has a budget of US \$ 20 million. to support the LGUs in the TAR (e.g. procuring computers and software, etc.).

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<sup>6</sup> More recent information suggests that due to the increase of the allowance for council members the costs will actually rather increase than decrease even with fewer council members.

### **2.1.3 Support to Territorial and Administrative Reform (STAR, UNDP)**

- This project is funded by several donors (e.g. SIDA, SDC, Italy, etc.) and in its 2<sup>nd</sup> phase supports the LGUs in tackling specific problems arising from the amalgamation. It has piloted a model developed by KPMG, a management consultancy, in Progradec and Ura Vajgurore that shall address specific problems (e.g. financial management, missing software, complex procedures in bigger urban areas, determining of assets, registration of property, poor process documentation like missing passwords in communes etc.).
- The programme is training 61 working teams consisting of 3-4 experts in the field of legal issues, cash and financial management, human resources and IT in order to coach the transition in the 61 new LGUs.
- The programme will identify for each LGU a) core staff to support the transition, b) persons and experts that provide services, and c) administrative staff not needed in future. There appears to be an acute shortage of IT skills where STAR can provide support to fill the biggest gaps.
- Capacity Development is not a priority but might be addressed in the medium term or a next phase. In this field the newly established Albanian School for Public Administration will need to provide relevant qualification programmes for LGU staff.
- The handing over of tasks to the new LGU administrations will be a main challenge and to secure the service delivery as well as transfer of all pending issues especially since this is accompanied by a revision of the legal context as well (law on LGU functions).
- The big savings expected from the amalgamation of LGUs (and reduction of council members) was a political promise. Whether these savings can be realized and diverted to investments or improvement of services is to be contested by some observers.

### **2.1.4 Agency for Agriculture and Rural Development**

- Between 2009 and 2013 the fund structures were created and a first Call for Proposals was launched in 2012. The 4<sup>th</sup> call foreseen in 2015 is allocated to flood victims (compensation payments for losses) and a next Call for Proposals is foreseen for Jan. 2016. The project size is ranging from € 50'000 to 1 million and covers the following areas: greenhouses, stables, cooling facilities, collection points, tractors as well as agro-processing (fruits, honey etc.). In future technical assistance and certification projects shall also be supported. The co-financing level is 50% in the case of female farmers it goes up to 65%.
- 25% of the funds are Albanian and 75% are co-financed by the EU. In 2015, € 11 million are allocated to the (flood damage) projects. GIZ is providing technical expertise and ensures the adherence to European standards.
- For more details see Annex 4.

### **2.1.5 Regional Development Fund (RDF)**

- The focus lies on future management structures for the allocation of regional development funds. There are plans to change the structure from a project

based support (as of today) to a management based approach where regional development shall be structures according to cross-cutting programmes implemented by Regional Management Agencies. Two different agencies shall be consolidated from existing ones: a) Regional Management (RDA, ADF, others) and Economic Services. There are ideas to make ADF as the Regional Management Agency (RMA) at central level having then branches in the regions.<sup>7</sup>

- The consolidation is meant to overcome institutional fragmentation but surprisingly the Qarks and Prefectures are going to stay. Therefore, the landscape of institutions at regional level is becoming rather more complex in terms of coordination.
- Annex 3 provides a more detailed profile of the RDF. The total volume of funded projects (mostly investment projects of LGUs) is around € 110 million in 2015 and is expected to increase further.
- The ADF is eligible for the financing of RDF projects and 20 bigger ADF projects are funded by the RDF in 2015.
- For more details see Annex 4.

### **2.1.6 EU Delegation**

- The EU is supporting Albania through the Agency for Agriculture and Rural Development and IPA II (which includes Cross Border Projects). The annual support through sector budget allocations (see Annex 3 for details) is in the range of € 90 million per year for 2014-20.
- The Delegation is presently negotiating a sector support of € 20 million to support the public sector reform at local level. The funds go into the treasury and are released on the basis of triggers (transparency, legal approximation, etc. at local level). A first tranche is expected to be released in mid-2016.
- If the Swiss – through dldp – can support the government and LGUs in reaching the TAR objectives would be excellent.
- IPA CBC (Montenegro, Kosovo, Macedonia) is supporting projects on the basis of Calls for Proposals. Past experience has shown limited management capacities at local level for such projects. They are presently implementing 6 projects but the overall funding is limited (€ 1.5 million per year). Experience has shown that projects with NGOs as Lead Agencies perform better than with LGUs but involving the LGUs is important for partnerships and better sustainability.
- For more details about IPA funding schemes see Annex 4.

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<sup>7</sup> Ivancsics, Martin (2014): Regional Management in Albania – A 2015 Pilot Action for Development.

## 2.2 Main results of dldp internal workshops on lessons learned with the FAP approach and project identification

### General Issues

- The series of fora organized in each FA to elaborate the FAPs was an efficient approach to bring in local context knowledge and the experience of earlier strategic discussions and planning of key stakeholders in the LGUs.
- Before, strategic plans of LGUs consisted mainly of wish lists of mayors and council members. The projects identified in the fora generally provide a broader perspective.
- In the five dldp Qarks of Northern Albania the 8 FAPs (covering 9 new LGUs) represent half of the 18 new LGUs of the region. The added value of the FAP is that they reflect real functional relations (markets, employment, etc.) at regional level. A wider territorial perspective offers new opportunities and scope, e.g. new packages or tours in the bigger new LGU.
- The realization of inter-municipal cooperation was working only in rare cases before. With the bigger new LGUs and the FAPs this barrier has been lowered.
- The bigger units offer optimization potential for public services, realization of economy of scale (e.g. marketing) and strengthening of cohesion.
- However, since dldp will not cover the other 10 LGUs in Northern Albania with FAPs there might be uneven different strategic planning approaches and documents at the level of the new LGUs.

### Lessons learned

- The time to prepare the FAPs within a six month period was very ambitious and has put dldp staff and the service providers under great pressure to deliver.
- The fora and project identification work (evaluation procedure) was much about awareness raising of the changes and effects of the TAR and not only on elaborating the programmes and developing project fiches.
- It was difficult to mobilize the public and the resource persons because of the uncertainties resulting from the TAR process (e.g. reduction of the number of counselors) and the forthcoming local elections. The organization of fora and the mobilization of resource persons was therefore time consuming.
- The existence of a clear methodology to elaborate the FAPs has facilitated a standardized approach (and similar products).
- Despite coaching from dldp side the quality of the FAPs is varying. Dibër is considered to be the best FAP (prepared by ALCDF) as perceived by dldp, because the project overall responds to the described needs and the maturity of the project fiches is quite high.<sup>8</sup> The intimate knowledge of the area was important to prepare a good FAP in short time.

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<sup>8</sup> During the dldp national conference on May 11<sup>th</sup> a national jury voted Kukës and Lezhë as the best FAPs.

- The uncertain policy context related to the TAR required many ad-hoc decisions and adjustments by the dldp in order to keep the process on track.
- Some of the projects with high public rank show more the expression of interests of particular stakeholders than the needs for economic development. This is to be considered when assessing the chosen ranking-system.

## 2.3 Main characteristics of projects identified for the 8 FAPs

As a result of the FAP elaboration a total of 105 project fiches were prepared. Each project fiche consists of a projects description of 1-4 pages. The excel sheet (Annex 7) contains the results of the evaluation undertaken by the public and technical experts and the review by dldp/KEK based on a set of variables. More details regarding the evaluation procedures can be found in the presentation attached in Annex 6. The main conclusions are summarized here:

### Overall Project Portfolio

- The total fund requirement for the 105 projects is € 39.1 million . Four projects (of which three are road projects are bigger than € 2 million. These road projects alone cost € 17.8 million.
- $\frac{3}{4}$  of all projects are smaller than € 0.3 million.
- 79 projects facilitate the implementation of the TAR.
- 38 projects have elements of a PPP (some only if components are outsourced and none has a financial contribution from business sector).
- 37 projects are mainly software projects with a total budget of € 3.8 million
- 17 suggest a multi-stakeholder approach.
- Except a few, almost all projects are within the present definition of LGU functions (this includes projects of local economic development).
- Waste management and One Stop Shop projects have the biggest potential to support transition and sustainable development.

### Highest rated projects

- 1/3 of the best projects are in the environmental sector (mostly waste mgt.)
- Most have sectorial cross-cutting character.
- The top ranked projects are: 5 waste management, 1 afforestation, 1 market place development, 1 agri-processing.
- 15 of the best rated projects contribute to the implementation of TAR.
- The overall estimated budget requirement for the best ranked project per FA (8) is € 2.8 million for the top three projects (24) is € 5.4 million.
- The ranking gap between the public and technical experts was highest for social and educational projects -> they are not part of the best rated projects.

### Methodological consideration

- The number of technical experts was only 5 and the number of resource persons, business people and elected council members was between 50-70 in the average, but in some fora the participants were as few as 10 persons. Thus the representation might not be perfect but at least several perspectives were

included in the evaluation of the projects and the ideas of the programme has been spread out by this process.

- As can be seen from the excel sheet (Annex 7) there were remarkable difference in the rating of projects between the 5 technical experts and the public in 32 cases (where out of a max. of 50 points that each group could allocate to the project the difference between them was higher than 15 points).
- All the best rated projects, however, received quite similar ratings from both groups. The technical experts generally rated projects higher than the public (e.g. several One Stop Shops). Only in two cases the public rated projects higher than the experts (vocational project and a school).
- The analysis of differences between the project ranking of representatives of the Women in Politics (WiP) network and citizens (without WiP) in two FAPs shows that 76% of the projects are rated the same or similarly with +/- 2 ranks between the WiP members and the other citizens (the maximum deviation was 8 ranks in FAP “Mat-Klos” with 13 projects and 9 ranks in the case of “Malësia e Madhe” with 15 projects. The the difference between WiP members and business people is bigger with only 53% of projects ranked within +/-2 ranks. For more details see Annex 5.

## 2.4 Conclusions and recommendations regarding the FAP procedure

The conclusions and recommendation are structured according to the seven questions raised in the ToR. The synthesis of conclusions at the policy level can be found in the presentation in Annex 6.

Nr.	Question
1	<p data-bbox="400 1256 1436 1310">Is a group of projects similar to all FAP-s, what are the conclusions?</p> <p data-bbox="400 1317 1436 1467">11. Waste management projects were proposed in all 8 FAP and 5 of the 8 best ranked projects are waste / environmental projects indicating a real pressure to improve the (environmental) situation. This is also an indication that dldp has rightly focused on the waste management improvement theme in the past years. <u>Recommendation:</u> Waste projects are apparently a high priority and are considered to also have potential to more coherent development of LGUs (economy of scale, synergies across the LGU and its sub-units). Suitable projects should be further analysed and developed to feasibility.</p> <p data-bbox="400 1473 1436 1646">12. Co-financing capacities of the LGUs are not specified in the project fiches. <u>Recommendation:</u> All costs appear to be looked for from other funding schemes (national, donors etc.). The co-financing potential might differ from LGU to LGU and the issue will need a review. This might reduce the overall fund requirements (39.1 mio. € for all fiche projects)</p> <p data-bbox="400 1653 1436 1825">13. One third of the fiche projects have no or a very low proportion of hardware investments and are therefore especially attractive for donor funding. <u>Recommendation:</u> Experiences of dldp Phase II have indicated that the implementation and contracting of software projects by the LGUs is complex.</p>

	Sufficient technical support must be ensured.
2	<p>Do the projects go beyond the functions of LGU-s, should we redefine functions?</p> <p>21. Almost all fiche projects (except a very few) address existing functions of LGUs.</p> <p><u>Recommendation:</u> There is no obvious need to redefine the functions based on these project fiches. However, the projects in the field of local economic development (which is an exclusive function of the LGU as per the law<sup>9</sup>) need close coordination with activities of line ministries and other funds.</p>
3	<p>What is the role of public-private partnerships and multilevel government in the identified projects: what we learn from it?</p> <p>31. The FAPs and the project fiches – 38 projects have elements of PPP - are not very clear on cooperation modalities of the stakeholders in PPPs.</p> <p><u>Recommendation:</u> The role of PPP stakeholders should be analyzed further and made more concrete (contributions, contracting issues, etc.) in order to maximize contributions/benefits for public and private stakeholders.</p>
4	<p>What's the ratio between local funds and required financial resources and what is the proportion of software projects?</p> <p>41. The existing fund schemes allocate more than € 200 million to investment projects of LGUs annually. Therefore, ample possibilities to fund FAP projects exist (less than € 30 million/year).</p> <p><u>Recommendation:</u> Local stakeholders should lobby with line ministries and strengthen their technical capacities to get access to these funds through mature of projects</p> <p>42. The level of unconditional transfers (€ 11.4 million for the 8 FAPs) is relatively low compared to the mandatory functions of the LGUs and the investment budgets (€ 13.4 million)</p> <p><u>Recommendations:</u> There is a need to increase the pool of unconditional transfers, to revise the allocation criteria and to strengthen control mechanism.</p>
5	<p>What are the conclusions for the transition and sustainable development of LGUs?</p> <p>51. The support of the TAR transition and selecting projects that adhere to the sustainable development criteria are two different dimensions. However, waste management projects and One Stop Shops appear to have a high potential to contribute positively to both dimensions.</p> <p><u>Recommendations:</u> dldp should mobilise adequate funding to support identified projects that contribute to the implementation of the TAR and also adhere to principles of sustainable development. By their nature these would be rather waste management and software projects than for example local roads or project that perfectly fit to other funding schemes (see below).</p> <p>52. The challenges regarding the social cohesion in the LGU will remain. There is a risk that some sub-units will not be represented in the new LGU (council).</p>

<sup>9</sup> Law on Organization and Functioning of Local Governments (No. 8652, dated 31.07.2000).

	<p><u>Recommendation:</u> FAPs and their projects must avoid to foster imbalances or social and economic disparities.</p> <p>53. Many projects in the agri-processing and tourism sector address local economic development and the cooperation with the technical experts of deconcentrated agencies will be important.</p> <p><u>Recommendation:</u> Overlapping functions between LGUs and deconcentrated agencies has to be avoided and clarified.</p>
6	<p>What are the differences in the perception of the best projects suggested in the 8 FAPs between a) the public, b) technical experts and c) dldp/KEK</p> <p>61. The rating and ranking difference for the top ranked projects was relatively narrow. There was a number of projects that was highly rated by technical experts but less so by the public (e.g. One Stop Shops in several FAP). On the other side a few social/education projects got a very high public ranking but little support of the technical experts. The dldp/KEK rating cannot be directly compared because this was mainly qualitative review of the project fiches.</p> <p><u>Recommendation:</u> The three to five top placed projects of each FAP should be considered for financing and can be further fine-tuned to maximise the contribution to the TAR and strengthening the social and economic coherence in the new LGU.</p>
7	<p>Are the selected projects suitable for funding by other sources (ADF, RDF and EU/IPA)?</p> <p>71. The Territorial and Administrative Reform (TAR) provides a unique chance to use such projects in order to a) promote economic and social cohesion, and b) to provide better public services to more clients and c) to increase efficiency of the LGU administration (economy of scale)</p> <p><u>Recommendation:</u> the projects with the highest potential to support the reform during the transition and amalgamation of LGUs should be supported.</p> <p>72. Many projects (especially roads, greenery, landfills, agri-processing, set-up of orchards) fulfill the selection criteria of other existing funding schemes. Some funding schemes are adjusting the criteria and therefore there is a potential that even more identified projects would be eligible for other funds (e.g. the local product certification project from Diber).</p> <p><u>Recommendation:</u> Line ministries and other stakeholders should support the LGUs in accessing these funding instruments (RDF, ADF, AZHBR, IPA, and others).</p> <p>73. Dldp has a budget outline of € 1.3 million for grant schemes during Phase III which is available for the support of FAP projects.</p> <p><u>Recommendation:</u> dldp must review its grant scheme approach defined in the Project Document (especially the role of the performance grants), define the final evaluation/selection criteria and procedures as well as trying to find additional financial resources so that at least one of the proposed top ranked project in each FAP can be co-financed.</p>

### 3 Brief review of the status of the dldp grant scheme Phase III

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According to the ProDoc of Phase III, dldp has planned to implement 2 grant schemes. The grant schemes summary was outlined in more detail in the Annex of the ProDoc (December 2013) which is attached as Annex 2 for reference. The main features of the two schemes are as follows:

1. To apply the “competitive grant scheme” developed under dldp Phase II in the 3 newly added regions (Dibër, Kukës and Durrës) and to finance 9 LGU projects starting before the elections in 2015.
2. To establish a new component consisting of a “performance based grant scheme” also in the new regions that will be based on PFM indicators and other performance criteria and which should be disbursed as “on budget” support to the LGUs. dldp prepared a baseline survey and collected information on good governance and waste management in the LGUs of the new region in 2014.

However, as a result of the TAR discussions, the shift to the functionality approach and the subsequent focus on FAPs the grant schemes were put on hold until the FAPs and the related project fiches would indicate the needs and most prioritized projects. Furthermore, it was concluded that new grants could only be allocated to projects once the new LGUs would be established and the newly elected mayors are in place.

Therefore, the dldp had in its original budget for Phase III CHF 720'000 to support 7 LGU projects and one inter LGU project, CHF 580'000 for closing carry-over projects from Phase II and CHF 200'000 for the performance grant scheme.

Therefore, at the moment dldp has unallocated funds in the range of CHF € 1.6 million (or € 1.5 million) for project and performance grants.

- > dldp should decide whether it makes sense to maintain the performance grant scheme. Given the fact that the project is approaching mid-term of its third Phase it appears to make little sense to allocate CHF 200'000 as a performance bonus, if this is a one-time exercise. This could rather be a problem for the LGUs since it increases the unpredictability of fund flows to the LGUs if it remains a one-time exercise.
- > The funding requirements for the FAP projects (the top rated projects require 2.5 mio. €) are higher than the available funds. Therefore, dldp should try to obtain additional funds so that these projects can be financed as much as possible, especially since a few projects seem to be quite ambitious (e.g. the clean Dibër project) and presented budgets might be unrealistically low.
- dldp has to define the final criteria for the selection of identified projects with SDC. There should be a clear picture and common understanding before the negotiations start with the newly elected LGU mayors and council members in fall 2015.

## 4 Strategic outlook after the national conference

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Based on the further discussions held during the dldp national conference about the Functional Area Programmes (FAPs) on May 11<sup>th</sup> the following recommendations were derived from the FAP process<sup>10</sup>:

### At the policy making level:

- FAPs were seen as an appropriate planning tool, which can be used by the new LGUs (Municipalities) as a response to the transitory period until the achievement of the Territorial Administrative Reform (TAR) and the successful restructuring and consolidation of the Municipalities. Whatever planning instruments they will use, depending on the available resources, the criteria of functionality should be maintained.
- The criteria used for project evaluation deriving from the 8 FAPs have a good potential to be used by other schemes, such as RDF, the fund of the Agency for Territorial Reform, ADF and others. The used criteria support to identify projects which enhance the internal socio-economic cohesion of the Municipalities and address the consolidation of the TAR.
- The analyses of FAPs from an organizational perspective contributed to the development of a generic organogram of the new administration that could guide the Municipalities while restructuring the new administration based on clear service and development objectives.
- The know-how produced to support the territorial and administrative consolidation by the various agencies involved should be accessible and well-coordinated in order to support new LGUs in exercising their functions in an efficient manner.

### At the programme level (dldp):

- The FAP methodology validates the bottom-up approach and the established fora of citizens became important instruments for participatory local development. This is in line with the proposed new Law on Organization and Functioning of Local Governments where this new instrument is included for promoting the voice of citizens in decision making.
- The proposed projects ideas (fiches) as part of the FAPs should be revisited with the new Mayors and Council in order to validate their priority, enhance political legitimacy and define the cornerstones for developing them into full-fledged project proposals. The Municipalities will manage bigger territories and also plan for local development. However they should pay attention regional development aspects. To this regard, the FAP approach provides a solid foundation and it requires a strengthening of the partnership between local and central government levels and to possibly become engaged in bigger scale projects with impact beyond local government units.

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<sup>10</sup> dldp (2015): Report of the National Conference: Consolidation of administrative and territorial reform – Practices and learnings

- In the framework of the new regional development policy, which has become a priority by the Government, the project ideas identified within the frame of the FAPs should be further developed to fully exploit any regional potential for the involved Municipalities.

**At dldp grant fund level:**

- Support each of the LGUs that participated in the FAP with at least one project.
- The projects to be selected need to be selected from the top-ranked projects (as evaluated by the public and experts, see Annex 7). As a precondition they must meet the budget and eligibility criteria. For the final selection, clear rules and procedures need to be prepared in cooperation with the Municipalities. The finally selected project needs to be developed into a full-fledged technical project proposal (or a feasibility study in the case of an infrastructure project).
- While the grant fund will most likely focus on projects that will improve public services and/or governance in the new Municipalities (as per dldp logframe), dldp could support the Municipalities to prepare economic development projects that are eligible for other schemes (e.g. the planned regional development project by the Swiss and Austrians, IPA, other donor schemes or the ADF and RDF).
- The launching of the performance-based grant that would provide budget support to some of the Municipalities (end of 2017) should be carefully reviewed and a one-time exercise has to be avoided. Thus a longer term commitment by dldp would be required.

## Annex 1 Terms of references

Capitalize and identify lessons learned and provide recommendations deriving from the DLDP Functional Area Programme through a project review perspective at two levels:

- a) Implications at policy level (funding mechanisms such as ADF, RDP and transfer payments to LGUs, funding shortfalls, changes in allocation of LGU functions, etc.)
- b) Implications for DLDP phase 3 (logframe specifications in granting vs. broad based project funding developed on the basis of the Functional Area Programmes, etc.)

### General information:

- **Mandate content:**  
*Desk work and 1 field mission*
- **Time and reporting:**  
*Desk work (April 16-25)*  
*Field mission (April 27th-30.4) Final report (end of May) and intermediate presentation on May 3-rd*
- **Mandate working load:**  
*4 working days desk work*  
*6 days field mission*  
*2 days travel*  
*1 day reporting/closing/follow up*  
*Shared between two experts<sup>11</sup>, distribution of labor is subject of decision to the organization*
- **Deliverables:**  
*Short report with conclusion (at both levels), recommendations and Annexes (e.g. with project ratings and assessments 10-15 pages), PPP as input for the May 11<sup>th</sup> event.*

### Background

The Decentralization and Local Development Programme (DLDP), is a Swiss funded programme that has been working from 2006 in Northern Albania in the regions of Shkodër (and from 2009 in Shkodër and Lezhë), to strengthen the capacities of Local Government Units (LGUs) to deliver efficient services. The programme started (early 2014) the third phase<sup>12</sup> to consolidate its results through the continuation of its work with the LGUs in the mentioned regions but also in three new regions Kukës, Dibër and Durrës to cover the whole Northern Albania.

In September 2013, DLDP started a study<sup>13</sup> on the functional areas in the five regions where the third phase of DLDP will be focused. The DLDP main objective through this exercise was to find sustainable partner LGUs (or LGU clusters) that can be at the

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<sup>11</sup> Blendi Bushati (strategic advisor) and Shpëtim Quku (fully associated local expert)

<sup>12</sup> See pro doc attached as Annex 1, focus especially at log frame (output 1.2)

<sup>13</sup> See the study attached as Annex 2

center of the regional development dynamics as well as LGUs that can serve as models for efficient service delivery to other LGUs across the country.

The new government of Albania has used the results of the study and criteria of FUNCTIONALITY for designing a territorial and administrative reform. The territorial reform concluded with 61 LGU-s which will be formally act as such after local elections of June 21-st, 2015.

As a natural next step from the **Functional Area (FA) research**, **The Functional Area Program (FAP)** identifies the development and collaboration potential of the FA including the main areas for collaboration in a holistic way. The FAP combines a robust analysis of the territory combined with the development program via a series of projects as well as structures and processes needed in place for the implementation.

DLDP 3 is currently working with eight FAs (in total 9 new LGUs) in five regions. Eight service providers, each with a multidisciplinary team (economic development; public services experts etc.) are working in each of the areas for the preparation of the FAP-s. The FAP preparation process<sup>14</sup> started in October 2014 and it is envisaged that the FAP documents will be ready by the end of April 2015. The FAP preparation process goes through the analysis and project preparation process with a participation element ensured through a FAP forum where local elected, civil society and business groups are represented. A local promotion campaign will ensure that the public at large is known with the FAP content.

DLDP intends to organize a national event at the first part of May (May 11th) where all the FAPs will be presented, the projects proposed will be highlighted and a national best practice competition will be held. The idea is to disseminate the methodology and results of the FAP at national scale while promoting through grant support the best cases, intending to influence as well policy dialogue on strategic planning, project identification, funding sources and organizational development for future LGUs.

#### **Objectives of the mission:**

##### Objective 1:

Assess the results of FAP process so far through a project fiche analyses (around 15 project fiches x 8 FAP) and conclude with lessons learned and recommendations for a) policy level and DLDP level (managing the grant funds as per ProDoc)

##### Objective 2:

Validating/improving the criteria's/process used to identify projects with potential for mobilizing the functionality potential and FAP as an instrument for identifying such projects This view complements the ratings being done through public campaigns and technical experts. The report will synthesize the 3 perspectives.

##### Objective 3:

To provide a discussion input for the reflection in June/July in view of the planned mid-term review of DLDP.

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<sup>14</sup> The draft methodology is still under revisions, a final draft will be shared on April 20-th

Questions to be answered

- 1) Is a group of projects similar to all FAP-s, what are the conclusions ?
- 2) Do the projects go beyond the functions of LGU-s, should we redefine functions?
- 3) What is the role of public-private partnerships and multilevel government in the identified projects: what we learn from it?
- 4) What's the ratio between local funds and required financial resources and what is the proportion of software projects?
- 5) What are the conclusions for the transition and sustainable development of LGUs?
- 6) what are the differences in the perception of the best projects between a) public, b) technical experts and c) dldp/KEK
- 7) Are the selected projects suitable for funding by other sources (ADF, RDF and EU/IPA)?

**Methodology and working steps:**

1. KEK-CDC will suggest a list of questions/variables for the analyses based on
  - a. Clustering of projects according to selected criteria (type, beneficiaries, funding sources, sector etc.). This will also be based on the outlined assessment criteria as per Annex 3,
  - b. Potentials to exploit the territorial functionality,
  - c. Linking of local, regional and national stakeholders (multi-stakeholder set-up), value added in terms of a regional development perspective (incl. organisational changes, economic potential, etc.)
  - d. Adherence to good governance principles (to be specified),
  - e. Funding instruments (EU, public-private, intergovernmental transfers) etc.

KEK-CDC will propose an excel data base to characterize/assess the submitted project fiches in close cooperation with DLDP resource persons. This frame is available on April 15<sup>th</sup>. The frame will be applied only on short listed projects identified from local experts as typical in terms of mobilizing the potential of functionality.<sup>15</sup>

2. Compilation of present status of funding schemes (ADF, RDF and development of transfer payments to LGUs<sup>16</sup>) in general and if possible for the 5 project regions (= 3-4 pages per instrument. This task will be completed by DLDP prior to the field mission(April 20<sup>th</sup>).<sup>17</sup>
3. Validate desk-work findings through internal workshops with DLDP staff, service providers (if possible 1-2 representatives from the region), selected experts of funding schemes and local functions during the field mission. For this purpose the best FPAs out of the 8 (criteria of selection will be based on projects with highest potential for mobilizing the functionality of the whole area) will be selected as case studies representing if possible 5 regions and represent two FAP typologies<sup>18</sup>.

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<sup>15</sup> The shortlisted projects will be ready on April 15-th

<sup>16</sup> Potentially EU funding system might be as well explored

<sup>17</sup> The input will be prepared by 3 local experts (Fran Brahimi, Blendi Bushati, Eriola Basha)

<sup>18</sup> One group of FAs has a **concentric mostly rural typology** and the second group a more **polycentric urban typology**

4. Two teams will be formed for the assessment of the projects at field level: Dieter Zürcher / Erton Kashta and Judith Bühler / Shpetim Quku. The same workshop/question guideline will be used by the two teams.
5. Erton Kashta and Shpetim Quku will provide substantial capacity in assessing the projects (shortlist) and supporting the mission with background info (e.g. on funding schemes) and during the workshops. <sup>h</sup>.
6. The results of project ranking of various groups of interest and technicians will be compiled and considered for the recommendations in the last version of the report. The PPP shall be an attractive presentation of the achievements so far, the rating and the lessons learned and recommendations.

### **Potential limitations**

The quality of the project proposals is not known now and the final FAPs will not be ready and translated during the field mission -> the interface between the projects and the FAPs cannot be finally assessed.

*DLDP response on the limitations:* DLDP experts will shortlist projects which do have a coherent interface from FAP analyze to identified project. The sample of analyze will be based on these group of projects and the belonging FAP-s.

Experience also shows that sometimes project look strange on paper but have relevant concepts and committed stakeholder as owners but these cannot communicate the strengths very easily (in English).

*DLDP Response on the limitations:* All projects are under a revision and editing process of DLDP experts and only the best ones will be used as a sample (see above)

Another constraint is the transition situation at the policy level (new laws being drafted and enacted as a result of the territorial reform) and the LGU level (local elections are scheduled for end of June) the project based assessments will have certain limits and these may be implemented differently after the elections. The position of SDC regarding the grant fund appears to be not fully clear at the moment.

*Response on the limitations:* DLDP will organize a broadly participative conference and a communication strategy at local level is under implementation. Anyhow, there are expected unavoidable implications on this regard. *The MTR might reassess certain aspects.*

### **Supporting materials:**

Annex 1: Pro Doc

Annex 2: Functional Area Study

Annex 3: Functional Area Program: Process and Criteria of evaluation for FAP and best projects

To be supplemented by DLDP at later stage:

Annex 4: Methodology on Functional Area Programme (to be shared on April 20-th)

Annex 4: FAP projects to be shared on April 15-th

Annex 5: Ranked projects to be shared on April 27-th

Annex 6: Organic Law (old version and new draft law) to be shared on April 20-ty

Annex 7: Regional Development Concept

Annex 8: Description of the main funding instruments in AI to be shared on April 20-ty

**Responsible on behalf of DLDP:**

Erton Kashta, Erton.Kashta@helvetas.org

**Associated AI experts:**

Shpetim Quku, quku\_tim@yahoo.com

Final/DLDP April 9th

## Annex 2: Grant schemes as per the Project Document Phase 3

### A: Traditional Grant Scheme

#### 1. Summary of the scheme

The purpose of this scheme of the grant fund is to assist selected LGUs in improving local public services offered to their citizens in the new regions of dldp 3, namely Diber, Durres and Kukes.

Within the broader context of the programme, the scheme will support LGUs in the new regions in the first two years of the programme in order to bring them closer to the more advanced LGUs in Shkodra and Lezhe. In the second two years, a more focused support on governance instruments is envisaged, combined with a performance grant scheme (see Part B).

Similar to dldp 2, two other longer term objectives are to enable targeted LGUs to enhance their skills in project preparation and implementation as well as to help them access other funds available to the LGUs (IPA and others).

With a similar approach that was successfully tested in the regions of Shkodra and Lezhe, this scheme will aim to finance projects benefitting up to 9 LGUs in the three new Qarks. There will be one round of applications to be launched in July 2014 and the projects are expected to be completed until the end of 2015. Two calls for application will be launched simultaneously; one for Kukes<sup>18</sup> and Diber regions together and a separate one for Durres region. While details will need to be elaborated for all the steps, the broad lines of the scheme are described in this outline.

#### 2. Applicants

The first level LGUs (municipalities and communes) can apply for the projects in this grant fund. LGUs can apply for joint projects having access to a higher amount of funding.

The LGU can decide to apply in partnership with other public or civil society organizations. In any case the lead partner must be the LGU that will bear full responsibility for the project implementation.

#### 3. Eligibility criteria

- The application is in principle open to a wide range of potential projects – that are part of their strategic plans - linked to the functions of the LGUs. (Typical examples include: waste management, creation or reconstruction of green areas and public spaces as well as improvement of information and communication services through one stop shops etc.).
- In the regions of Diber, Durres and Kukes, dldp will co-finance up to 40,000-50'000 Euros with the LGUs co-financing at least 20 % of the total amount of the cost of the project proposed.
- A collection of baseline indicators will be prepared by dldp at the start of the project (during dldp 2). This database will be used to tailor better the program interventions and track the beneficiary LGUs progress in the dldp areas of assistance. Few indicators from this baseline will also serve as a first filter for the potential LGU applicants for the three new Qarks.
- The intention is that through the application of the baseline performance indicators as qualification criteria, a number of 15 applicants, (out of possible 25 LGU-s) will be qualified to apply with full project proposals for this grant fund scheme The performance criteria will be

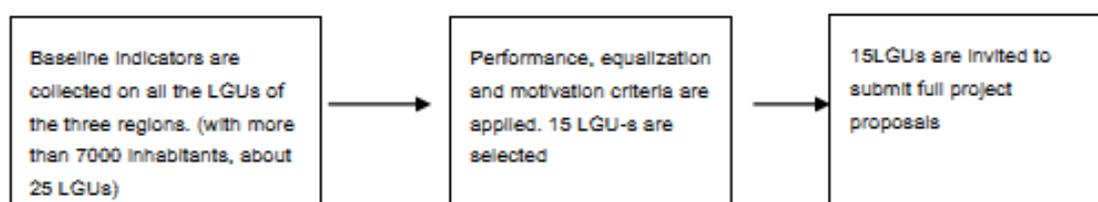
<sup>18</sup>According to the 2011 census data, the Population of Durres is 262,785 inhabitants; while the combined population of Diber (137,087) and Kukes (85,292) is 222,379 inhabitants.

combined with equalization ones (poverty consideration) and motivation of LGU-s to be involved in fund access capacity building exercises, which is one of the goals of the traditional grant fund.

#### 4. Evaluation process

The qualified LGUs will be asked to submit fully developed project proposals. A group of independent experts hired by dldp will evaluate the proposals and recommend to dldp a final ranking. Depending on the budget requested, dldp will decide on the projects to be financed - subject to approval by the donor.

**Fig.1: 'The scheme of project evaluation'** <sup>15</sup>



All the LGUs will be notified in writing about the scores and the decision on the outcome of their application in both phases of the applications.

The guidelines for the applicants, applications templates and evaluation criteria have been successfully tested during dldp 2. At the time of the application, dldp staff will decide if further changes are needed to better align with similar current government and donor funding schemes.

#### 5. Technical assistance

A capacity building component will accompany this grant scheme. A qualified consultant will provide training and coaching sessions on project writing, implementation and reporting during the grant fund. Thematic tailored support is possible on demand. dldp is aiming to use the grant scheme for further replication of good practices of dldp 1 & 2 and therefore will combine financial with technical support.

#### 6. Project implementation

**Finances:** The dldp co-financing will be disbursed with one tranche after the project is finished. The eligible costs include civil works contracts and service contracts. Costs will not cover salaries for the personnel of the Local Government Units.

**Procurement:** All the activities will be implemented through private contractors/service providers that were selected through an open and transparent bidding process. The organization of the procurement process is entirely in the responsibility of the Local Government Unit. The dldp staff might participate as observer in the tender process.

#### 7. Monitoring and Evaluation

Once contracts are signed with entrepreneurs for the implementation of the projects, the LGUs will periodically report to the dldp staff through the reporting forms that will be provided.

<sup>15</sup> The two first steps will serve even for selecting dldp partners. The motivation will be tested through participation in the Best Practice Competition, the performance through baseline and the equalization considering poverty co-efficient and criteria's used for transfer distribution

Dldp will develop an aggregated database of baseline indicators for monitoring and evaluation (combined with the performance indicators for the other scheme) which will be based on LGUs project proposals indicators. Some illustrative indicators might include:

**a) Indicators for all grant fund projects**

- Number of LGUs or projects financed, percentage of the total
- Expected number of beneficiaries with improved services
- Number of LGU staff trained in PCM
- Cost per capita , cost per unit
- Percentage of people satisfied with the quality and transparency of the projects etc.
- Funds accessed by the beneficiary LGU compared to the other LGUs in the region.

**8. A proposed time line for this grant fund scheme**

Action	Timeframe
1. Meeting with applicant LGUs - information	July 2014
2. Full project proposals preparation	October 2014
3. Full project proposals Evaluation	December 2014
4. Signature of agreements	February 2015
5. Projects implementation and reporting	March- December 2015
6. Best project competition	November-December 2015

**9. Sustainability impact**

- DLDP will support through the grant scheme and related technical assistance LGUs in the new Quarks to create the needed skills to access and manage higher amounts of funds in similar competitive schemes. The three regions are eligible for IPA-CBC funds.
- Through a consolidated approach in five Quarks, dldp 3 will have the possibility to impact at national level via the knowledge management platform (training packages and policy initiatives) on preparation and implementation of small scale improvements at LGU level.

## **B: Performance Grant Scheme**

### **1. Purpose**

dldp 3 aims at providing different support packages (PFM / waste management / e-governance / PCM) for its old and new partner LGUs in its core geographic area of Northern Albania. This grant scheme will only be administrated to the new LGUs in the three Quarks of Durres, Diber and Kukes. The tools and modules tested and consolidated in the old LGUs will be imparted there in a sequenced manner.

The grant fund is designed as a performance grant providing an incentive to implement and apply good governance approaches in the area of local public finance, service management and delivery. It should stimulate the rapid application of the different service packages. This grant fund is seen as 'building on' the traditional grant fund that is applied for the same LGUs with a clear shift from 'project grants' to 'on budget grants' that are variable based on the LGUs performance. It is foreseen to have one disbursement round of the performance grant in 2016/2017 after the financing window of the traditional grant scheme will be closed in the end of 2015.

Supported LGUs will receive a feedback on their performance in the application of improved processes and measured indicators. This feedback will provide an opportunity to reflect the progress and to take appropriate measures if needed.

### **2. Applicants**

The grant fund is targeted towards new dldp partner LGUs in the three Quarks which participate directly and actively in improving and reforming their internal processes and service delivery. The fund will be disbursed on budget to the LGUs. In order to make the award perceptible for the local administration, the fund could be reserved for projects within the local administration as long as these are included in the SDP.

However, it would be better not to earmark the grant awarded to LGUs for special purposes. LGUs should be free to allocate the money in accordance with their strategic priorities and as discussed during the planning and budgeting process. The theory of the fungibility of money is a strong reason not to mix budget support with earmarking contributions. If grants were awarded without ring-fencing them, the entire LGU could be considered as potential beneficiaries. If a 'ring fencing' will be applied, the minimal criteria of using grant funds only for activities in the SDP should be endorsed.

### **3. Eligibility criteria**

- The application is in principle open to all LGUs in new Quarks that are directly working and thus implementing dldp support packages (around 15 LGUs are expected to be supported)
- The LGUs receiving support packages will be identified through the application of a combined set of the eligibility criteria: performance, motivation and equalization

### **4. Evaluation process**

dldp will make a baseline survey in the three new Quarks with its pre-selected partner LGUs before the start of the new phase. This baseline will collect data on a mix set of indicators out of the logframe, sector specific selected indicators directly linked to the different dldp intervention packages. It is foreseen to use selected standard indicators wherever possible (e.g. PEFA for PFM) to keep coherence and predefined standards on national and even partially international level. However, it is not the aim to apply a full-fledged performance assessment of the LGUs but rather a

selective and targeted progress measuring directly linked to dldp activities. Therefore, the direct beneficiaries of dldp 3 will have all access to the grant fund but if the partnership building will be based even on motivation and equalization, the grant competition (second round 2016-17) will consist only on the progress of performance indicators.

In the first two years of dldp 3, the selected 15 LGUs will get trainings and support in improving their internal processes, systems and service delivery. Towards the end of the second year (matching with MTR period) all the baseline indicators will be assessed and the progress (improved ranking per indicator) determined. A combination of PFM and sector related criteria will be used<sup>20</sup>.

Based on each LGU's performance, a grant will be paid out 'on budget'. This grant depends on the achieved performance/progress ranking of the respective LGUs. The awarded LGUs are subject to approval by the donor based on a detailed report of the process.

**Fig.: "The scheme of performance evaluation"**



The score of the baseline as well as the re-assessment after two years will be shared with the LGUs and used for the identification of tailored support until the end of the phase.

The detailed mechanism and the selection and specification indicators will be elaborated in the last quarter of 2013 as the base of the baseline (see annex below for some potential indicators).

## 5. Technical assistance

There will be no direct grant related technical assistance because the grants are paid 'on budget'. However, a technical capacity building component will accompany this grant scheme in line with the planned activities and different training modules. The backstopping team will consist out of international and national experts, local partners and the dldp team.

## 6. Monitoring and Evaluation

The trained baseline assessment team could be used for monitoring progress. However, in order to guarantee a minimum of independence, this must be done crosswise, e.g. pool of experts coached LGUs are assessed by another pool of experts and vice versa. The baseline assessment team leader functions as quality assurance instance, crosschecking the assessment findings based on the evidence generated by the assessment teams. The team leader could summarize the findings biannually (MTR and Phase Report) in a short monitoring report.

Performance monitoring must be based on the indicators used for the baseline assessment. Progress could be measured by improvement of the score in comparison with its baseline score.

Criteria for establishing the level of contribution: This needs still to be developed and depends on the number and nature of selected indicators. The amounts linked to progress increase still require a

<sup>20</sup> A proposed set of indicators is attached to this annex. Those are initial ideas that will need to be updated and validated when the baseline indicators will be approved; as well as when the LGUs and the concrete forms of support will be decided.

realistic estimation of the potential performance achievable in the partner LGUs and might only be calculated when the second assessment and thus performance of LGUs is known.

The set of performance indicators could look as the following but needs still be further developed:

**Eligibility indicators (if one of them is not fulfilled the LGU will be disqualified)**

1. Population (a minimum number of inhabitants)
2. Poverty (at least a number of LGUs with a minimum percentage of people living below the poverty line)
3. Motivation to participate in the program (i.e. expression of interest, existing plans and budget arrangements etc.)
4. Existing Strategic Development Plan (SDP)
5. Yearly plan of activities developed with link to SDP
6. Yearly accounts accessible
7. Functional group on Strategy, Budget and Integration (GSBI)
8. No audit remarks about embezzlement of funds

**Performance indicators (PI)**

- The indicators should be linked to the different dldp training packages to measure progress in the key areas where dldp provides support
- A limited set of performance indicators that build on the Public Expenditure and Financial Accountability (PEFA) framework for PFM and other sector standards (waste) for coherence with the national frame as well as good governance ones
- The selected performance indicators are to a small extent out of the logframe and to a large extent additionally measured indicators that are relevant for the different support packages
- All assessments must be evidence based and objective

**7. A proposed time line for this grant scheme**

Action	Timeframe
1. Elaboration of indicators	Sept – Oct 2013
2. Preparation of base line	Oct 2013
3. Base line	Oct – January 2013
4. Compilation of base line and sharing of results	Feb 2014
5. Training and support to LGUs through dldp support packages (see outcome 1)	2014 - 2015
6. Re-assessment of base line indicators – progress/performance (MTR)	Feb 2016
7. Compilation and sharing of results	March 2016
8. Calculation and disbursement of performance grants to LGUs	April 2016

### Annex 3: Programme field mission and people met

Time	Description	Who?
Sunday 26.4	Arrival in RINAS	DZü, JBü
<b>Monday 27.4</b>	<b>Objective: meeting with different stake-holders to understand context issues</b>	
08.30-09.30	Meeting on intergovernmental transfer	DZü, JBü and Valbona Karakaci (VK): Fran Brahimi, Director of Monitoring and Budget Implementation, Ministry of Finance
09.30-10.30	Meeting with SDC	Christoph Graf, <i>Swiss Ambassador</i> Elda Bagaviki SDC, <i>dldp responsible</i>
11.00-12.00	Meeting with STAR project, the co-founded basket fund for territorial reform  Discussion with dldp staff	DZü & VK: Artur Kurti, <i>STAR national coordinator</i> , Oerd Imami, <i>STAR donors' coordinator</i>  JBü: Shpetim Quku and Erton Kashta
12.00-13.00	Meeting with Agency for Territorial Reform and STAR project	DZü & VK: Artan Shkempi, <i>Director Agency for Territorial Reform (Prime Minister's Office)</i>  and three staff members
13.00-14.00	Lunch break	Mrs. Suela Popa, <i>Director of the Agency for Agriculture and Rural Development</i>
14.00-15.00	Meeting with Regional Development Fund representatives  Discussion with dldp staff	DZü & VK: Oriana Arapi, <i>Director, Strategic Planning Unit, Prime Minister's Office</i>  JBü: Shpetim Quku and Erton Kashta,
15.30-17.00	Meeting with Representatives of EU Delegation To Albania  Discussion with dldp staff	DZü & VK: Ledia Muço, <i>Economic and Trade Adviser, EU Delegation</i> , Marzia Dalla Vedova, <i>Programme Manager, Cross Border</i> , Francesca Para, <i>Public Administration Reform</i>  JBü: Shpetim Quku and Erton Kashta,
<b>Tuesday 28.4</b>	<b>Objective: brain-storm with dldp experts on main findings of desk work for project analysis</b>	
09.00-12.00	<b>WSH Session 1</b>  FAP Methodology and learnings deriving from coherence on FAP: sample of analyze Dibra FAP and its projects	Lindita Manga, Besnik Alikaj, <i>ALCDF</i> ; Blendi Bushati, <i>ADF</i> ; Shpetim Quku, <i>consultant</i> ; Erton Kashta, Lili Hajdari, Elvin Hoxha, Valbona Karakaci, Aljon Krockici, <i>dldp experts</i>

11.00-11.30	Coffee break	
11.30-13.00	<b>WSh Session 2</b> Focus on learnings deriving from experts technical evaluation and public	Same as above plus Zenullah Mehmeti, <i>Dibër</i>
12.00-13.30	<b>WSh Session 2</b> Focus on findings of dldp and KEK desk-work on additional evaluation criteria	Same as above
13.30-14.30	Lunch break	
14.30-16.15	<b>WSh Session 3</b> Focus on findings of dldp and KEK desk-work on additional evaluation criteria	Resource person: Shpetim Quku, consultant, plus dldp staff
16.15-17.00	Definition of data needs and distribution of labour	Shpetim Quku, <i>consultant</i>
<b>Wednesday 29.4</b>	<b>Objective: capitalize and validate findings</b>	
09.00-12.00	Desk work of KEK: Preparation of Presentation and drafting of Report	
12:00	Briefing	
14.00-17.00	Presentation of draft PPP Discuss and validate the findings	Dldp staff, Blendi Bushati, Shpetim Quku
<b>Thursday 30.4</b>	<b>Objective: build consensus on findings</b>	
09.00-10.30	Wrap up with SDC	Debora Kern, Programme Officer SCO-A Elda Bagaviki, <i>NPO, SCO-A</i> Valbona Karakaci, <i>Programme Manager dldp</i>
13.00	Departure from Tirana	

## Annex 4: Profile of Albanian Funding Schemes for LGU projects

1. Regional Development Fund (RDF) Albania	
Country background	Background of the Fund
<p><u>Launching Date:</u> 2009, before that there was a competitive grant scheme implemented since 2006</p>	<p><u>Operator:</u> The RDF is a Fund operated by a committee chaired by the Prime Minister, Min. of Finance and consisting of 14 other Ministers (out of 19) plus four representatives from the Local Government Associations.</p>
<p><u>Major policy tools:</u></p> <ul style="list-style-type: none"> <li>- Programme 1: Local and regional infrastructure;</li> <li>- Programme 2: Environmental Rehabilitation, Greening and Forestry</li> <li>- Programme 3: Education and Sport;</li> <li>- Programme 4: Water supply and Sewage systems;</li> <li>- Programme 5: Art and Culture;</li> <li>- Programme 6: "Digital Albania" (innovation and Information and Communication Technology)</li> </ul>	<p><u>Funding volume:</u> Overall € ca. 70 mio. (2014), p.c. € 25 (2014). The allocated amount increases to € 110 mio. in 2015. The financing is from the State budget.</p> <p>There are discussions to restructure regional development and to create several Regional Management Agencies (4-6) in future with massively more funds.</p>
<p><a href="http://www.kryeministria.al">http://www.kryeministria.al</a>, the fund has no website</p>	
1. Legal and policy framework	
<p>Law for the State Budget (2010)</p> <p>The fund was created in view of the EU accession</p> <p>Regional Development Crosscutting Strategy (2007), Draft (!)</p> <p>The amount dedicated to the fund is allocated each year in the budget law</p> <p>The decision of the Committee of Development of the Regions (Chartered by the PM) setting the guidelines, application criteria, actors participating etc.</p>	
2. Purpose / Goal	
<p>The main goal of the fund is to reduce regional disparities and the establishment of a unique strategic and operational framework for the development of districts all over the country</p>	
3. Allocation Principles	
<p>The fund consists of 6 sub-funds (e.g. for local infrastructure, education, public, health care, agro-food market buildings, water supply and sanitation, irrigation, etc.).</p>	
4. Evaluation / Selection criteria	
<p>In 2014 and 2015 two main types of criteria are being introduced: (although this might change a bit from one sub-program to the other):</p> <p><b>TECHNICAL EVALUATION CRITERIA:</b> These criteria are used by the technical evaluation secretariats to evaluate technically the project and based on them follows the evaluation of a project with a <b>maximal scoring of 70 points</b>.</p> <p>Criteria No.1 and 2 are detailed in the respective technical subcriteria, from the technical secretariat established at the Ministry of Urban Development and Ministry of Culture, as stipulated in Appendix 3, of Law No. 160, dated 27.11.2014. These criteria consist in the prerequisite technical standards to qualify a project-implementation for evaluation.</p> <p>The criteria for the technical evaluation of projects are as follows:</p> <ol style="list-style-type: none"> <li>1. Technical quality and costing, financial evaluation of projects proposed by the Local Government Units. This criterion implies that the projects which in technical terms are clearly and accurately designed, and those projects whose costing and estimate is accurately drawn and estimated by the applicant with the reference prices according to bulletins etc, shall be evaluated for financing, with a rating starting from <b>0 points up to 20 points maximum</b>.</li> <li>2. The low level of risk for the implementation of the project, based on the project narrative elements which orientate on the probable risk in public procurement, the successful implementation of the project and timely use of public funds. This criterion is evaluated from <b>0 points to 10 points maximum</b>.</li> <li>3. The impact of the projects on public services provided to citizens and businesses, on quality of life, health, education and social and economic development, on improving employment perspectives and use and development of skills, which are evaluated at a scoring from <b>0 to 20 points maximum</b>, by fulfilling two of the</li> </ol>	

following components:

- influences the center of the region and has an impact on the development of local economies, consolidation of the economic structures of the various areas or regions: the evaluation for this component starts **from 0 to 5 points**.
  - Being of particular importance from the tourism and potential perspectives for local economies and improved business areas. The evaluation for this component starts from **0 to 5 points maximum**.
  - Revitalization and urban requalification, targeting improvements in large urban centers, by promoting the social and cultural nucleus, public services, cultural heritage, etc. The evaluation for this component is from **0 to a maximum of 5 points**.
  - The project will have an impact on the environmental rehabilitation and creation of green inter-urban corridors, as well as on tourist areas. The evaluation for this component is from **0 to a maximum of 5 points**.
4. The number of direct or indirect beneficiaries from the project. The evaluation according to this criterion is based on the number of institutions/users/services which benefit directly or indirectly from the project. The evaluation for this criterion is made from **0 to 5 points maximum**.
  5. Reviews or research studies which have been conducted in connection with the project, such as the feasibility study, cost – benefit analysis, etc. The evaluation for this criterion is made from **0 to 5 points maximum**.
  6. Sustainability of investment from the project, which is linked with the fact whether or not the project maintenance costs have been foreseen for the ongoing project, which will be taken over by the applicant institution. The evaluation for this criterion is made from **0 to 5 points maximum**.
  7. Cofinancing level by local government units or donors' funds. The evaluation for this criterion is made from **0 to 5 points maximum**.

**STRATEGIC EVALUATION CRITERIA:** These criteria are used by the general secretariat to conduct the evaluation of the project in terms of being a priority project, at local, regional or national level, by evaluating a project with a maximum **scoring of 30 points**, as follows:

1. The compatibility degree with the local priorities / strategies and / or regional/ national development level and impact on the local, regional or national development. The level of potential for boosting local economies and improved business areas; the creation of urban growth poles of regional centers. The rating for this criterion is from **0 to a maximum of 15 points**.
2. The potential for development, sustainability and absorption of new investments and / or new development stages that the project presents. The level of impact on the sustainable environmental development. The rating for this criterion varies from **0 to 15 points maximum**.

#### **5. Operational issues (PCM)**

Local Government units submit their proposals to the Line Ministry responsible for the investment needed. Regional Development secretariat (The Line Ministry plays the role of a technical secretariat for this purpose evaluating, ranking the projects by scoring (Ministry of Urban Development is the technical secretariat for the local infrastructure while line ministries are the tech. secretariat for their programmes).

The projects have a duration of 1-2 years. Due to lack of funds sometimes funds are split in two year instalments (e.g. 70% in the first year and 30% in the second based on cash flow provisions)

Until 2013 the average project size was € 200-300'000, now it is around 700-800'000.

#### **6. Evaluation and Monitoring**

No systematic ex-post evaluation of projects is being conducted.

#### **7. Governance and Accountability**

The proposal must include a document where the LGU council confirms the project's priority for the LGU. The project fiche will be checked for its completeness and feasibility.

The main implementation responsibility remains with the LGU. The region has only advisory functions, basically no functions in this scheme.

The list of finance projects is published on website and the official "gazette".

No annual reports are published so far.

#### **8. Lessons learnt / considerations**

There are doubts about the fairness and transparency of the criteria applied for the competition (doubts on the accuracy of the rankings). The revision of the criteria and the inclusion of the number of beneficiaries and cost per beneficiary allow better comparisons.

Bias of the RDF commission by government representatives.

Tendency to approve many projects in order to distribute the investments around the country (this has changed 2014

with the new government: less projects but bigger investments, esp. in urban areas.

No role foreseen for the regional councils.

The RDF requires reforms in order to increase transparency, improve efficiency and eliminate informal influences; the government intends to align it with the new Regional Management reform.

<b>2. Albanian Development Fund (ADF)</b>	
<b>Background of the Fund</b>	
<u>Launching Date:</u> ADF has been established since 1993	<u>Operator:</u> The ADF is a public agency chaired by the Board of trustees with 11 members: 5 members are from line ministries and 6 from Local Government Units.
<u>Major policy tools:</u> - Secondary and Local Roads Project - Rural Water Supply Program I&II - Community Work (CW) IV program (will start in 2015 and is financed by the CoEB) - Regional Development Fund scheme	<u>Funding volume:</u> 60-80 million € per year during the last 3-4 years
<a href="http://www.albaniandf.org">www.albaniandf.org</a>	
<b>2. Legal and policy framework</b>	
<p>The Albanian Development Fund (ADF) is a public agency whose mission is to encourage a sustainable, balanced and cohesive socio-economic development at local and regional level. The Fund is based on an agreement between the World Bank and Government of Albania and other funders have financed ADF programmes, such as KfW, CEB.</p> <p>The legal framework on the establishment and operation of the Albanian Development Fund consists of: Law no. 10130, dated 11.5.2009, "On the Albanian Development Fund".</p>	
<b>2.Purpose / Goal</b>	
<p>The ADF is a social investment fund to alleviate poverty in Albania. Gradually, with the changing situation and context in the light of decentralization development in the country, ADF changed its focus, turning into an institution primarily focused on improving local public infrastructure, with strong elements of institutional strengthening of the local government units.</p>	
<b>3. Allocation Principles</b>	
<p>The fund consists of 6 sub-funds (e.g. for local infrastructure, education, public, health care, agro-food market buildings, water supply and sanitation, irrigation, etc.).</p>	
<b>4. Evaluation / Selection criteria</b>	
<p>The ADF is running several schemes and the selection criteria depend also on donor wishes. The generic criteria for project selection are:</p> <p><b>Rural roads:</b></p> <ol style="list-style-type: none"> <li>1. Scale of expected impact on the socio-economic development; project compliance with the local/regional priorities of national development strategies (40%)</li> <li>2. Impact scale on poverty reduction and increase of access to basic services (15%)</li> <li>3. Number of direct beneficiaries (25%)</li> <li>4. Physical condition of the road to be upgraded (20%)</li> </ol> <p><b>Drinking water schemes:</b></p> <ol style="list-style-type: none"> <li>1. <i>Population</i> – comprises the first criteria which increasingly is having a higher specific weight in the criteria list of project selection process. Two sub-criteria are used regarding Population, as follows: <ol style="list-style-type: none"> <li>a. <i>Number of direct beneficiaries.</i> Projects having obviously higher number of direct (or, in some cases indirect) beneficiaries score higher, because the ratio cost/inhabitants is lower, thus maximizing project contribution to the area development).</li> <li>b. <i>The population trend over the last years</i> has been relevant sub-criteria due to the rural – urban internal migration happening in Albania. The projects located in areas which show an increasing trend of population; score higher in this specific sub-criterion.</li> </ol> </li> <li>2. <i>Number of beneficiaries LGUs/villages/or impact to other LGUs</i> (either other LGUs are direct beneficiaries of the investment project or they will benefit in medium or long term perspective from the project impact, the projects having more than one LGUs as beneficiary score higher compare to those project having impact solely in one limited community).</li> <li>3. <i>The project impact in economic development of the area</i> – this criteria is concerned with the number of local businesses in the project area, their profile, number of employees, their impact on the local economy; existing number of business and number of the new ones that can be developed due the investments etc.</li> <li>4. <i>Poverty index of the target area</i> (Two kinds of data is used for evaluating that criteria: 1) national level statistic and 2) LGUs level reporting the % of families involved in social assistance schemes. Almost all donors as well as ADF and GoA are sensible to poor communities, with low income, which score higher in this criteria)</li> </ol>	

<p>5. <i>The degree of compliance with strategic documents at national, regional and local level</i> (this criteria also is increasingly more important in projects selection implying that a project is important at national, regional, and local level. In addition, such projects included in local strategic plan are identified in a participatory way because of the highly participatory approach employed in the local planning process.</p> <p>6. <i>The % of LGU's co-financing</i> (The higher co-financing % of LGU, the application gets higher score. The co-financing is promoted as a way for strengthening local ownership over the investment project. Still, LGUs co-finance at low % level).</p> <p>7. <i>The sustainability of the investment</i> (This criterion implies that the applicant LGU has foreseen available human and financial resources identified in the budget to maintain the investment, or a clear operation and maintenance strategy is elaborated).</p> <p>8. <i>Previous cooperation of applicant LGU with ADF</i> (This kind of information is provided by relevant ADF staff involved in previous project preparation and implementation with the specific LGUs. This is an evaluation from supply side on how responsible, correct and reliable are the local administration staff in that LGU. If positive feedback is provided, the application gets a minimum score, otherwise no additional score.</p> <p>9. <i>Financial local performance</i> – criterion which is not used very often, but it has been considered by ADF to support active and aggressive local public administration. Doing so, LGUs that perform better in the following financial sub-criterion, score higher as an incentive for their performance:</p> <ol style="list-style-type: none"> <li><i>Local taxes collection</i> - % of planned local taxes versus those collected, % of local taxes in the total LGU budget</li> <li><i>An Increasing trend in local taxes over the course of a five years</i> (showing that such trend is a result of Permanent taxes and not due to temporary ones</li> <li><i>% of capital investment from local taxes</i> – LGUs showing they are able to do capital investment from their local taxes in a considerable % score higher compare to other applicant LGUs which are not able to do such investments.</li> </ol>
<p><b>5. Operational issues (PCM)</b></p> <p>Project identification depends on the individual project. As a norm, the proposals come from the LGUs and they are evaluated against above criteria and are then financed.</p> <p>ADF acts as a contracting authority, works are delivered to the LGUs.</p>
<p><b>6. Evaluation and Monitoring</b></p> <p>Monitoring and evaluation schemes are conducted regularly as part of progress and final reports to the donors and board of trustees of the ADF.</p>
<p><b>7. Governance and Accountability</b></p> <p>The required co-financing level is 5-10 %.</p>
<p><b>8. Lessons learnt / considerations</b></p> <p>ADF manages projects and programmes financed by different donors in the field of local and regional development. The criteria to allocate the projects depend on the project, yet sharing some common principles.</p> <p>The ADF is an eligible applicant for RDF funds as of 2014. ADF projects of around 20 mio. € per year are submitted to the RDF and funded by it covering typically inter LGU projects.</p> <p>There is a debate regarding the proper evaluation criteria: poverty vs. population density for drinking water schemes.</p> <p>Many people confuse ADF with the RDF.</p> <p>Future: the ADF will continue to implement donor financed projects in the areas of local and regional development</p>

<b>3. EU Strategy for the Adriatic and Ionian Region (EUSAIR)</b>	
<b>Background of the Fund</b>	
<p><u>Launching date:</u> In January 2009.</p> <p><u>Countries:</u> four EU Member States (Croatia, Greece, Italy, Slovenia) and four non-EU countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia).</p> <p><u>Major policy tools:</u> National Schemes according to the Government objective and priorities for the Agriculture Sector addressed in the Intersectoral Strategy IPARD programme 2014-2020</p>	<p><u>Operator:</u> the Agency for Agriculture and Rural Development (AZHBR) was established, responsible for the implementation of agriculture policies and measures funded by national, EU and/or other donors.</p> <p>The Ministry for agriculture has prepared the Inter-Sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020 (ISARD)</p> <p><u>Funding volume:</u> <i>Agriculture and Rural Development Agency supports with subsidies (for livestock, crops) and grants (value chains, processing).</i></p>
<a href="http://www.azhbr.gov.al">www.azhbr.gov.al</a>	
<b>1. Legal and policy framework</b>	
<p>The Agriculture and Rural Development Agency (ARDA), designated as IPARD Agency, was established under the provisions of the <i>Law on Agriculture and Rural Development</i> (No 9817/22.10.2007) with Council of Ministers Decision No 719/31.10.2014 and is an independent public body, operating under the direct responsibility of the Minister of MARDWA.</p> <p>The Ministry of Agriculture, rural development and Water management is committed to align the Albanian agricultural legislation with the EU <i>acquis</i> and to implement it in the medium term. The <i>Agency for Agriculture and Rural Development</i> has prepared an action plan for the preparation of activities for entrustment of budget implementation tasks for EU funds for agriculture and rural development.</p>	
<b>2. Purpose / Goal</b>	
<p>Objective of the intersectoral strategy which is implemented to the support through the Agency is to develop a viable and competitive agricultural and food processing sector and foster a balanced economic development in rural areas, paving the way for integration of the agricultural and agro-processing sector in the EU as a basis for the increase of standards of living in rural areas and thus reduce poverty.</p> <p>The ISARD provides for interventions in three policy areas:</p> <ul style="list-style-type: none"> <li>i) rural development policy;</li> <li>ii) national support schemes for farmers, development of rural infrastructure and ensuring equal opportunities;</li> <li>iii) Institutional development, implementation and enforcement of EU regulatory requirements.</li> </ul> <p>i) The <i>rural development policy</i> addresses the needs for the development of the Albanian agricultural and rural sectors to improve their economic performance and the living conditions in rural areas and in this way prepare these sectors for future accession to the EU. It has four priorities for the period 2014-2020:</p> <ul style="list-style-type: none"> <li>• <i>Enhancing farm viability and competitiveness of agriculture and food-processing, while progressively aligning with Union standards</i></li> <li>• <i>Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry</i></li> <li>• <i>Balanced territorial development of rural areas promoting social inclusion, poverty reduction and balanced economic development in rural areas</i></li> <li>• <i>Transfer of knowledge and innovation in agriculture, forestry and rural areas</i></li> </ul> <p>ii) The <i>national schemes for support of agriculture and rural development</i> were introduced in 2007 with the adoption of the <i>Law on Agriculture and Rural Development</i>. It regulates the programming of policy measures related to agriculture and rural development, provides for public advisory services for agriculture, research and training, and for the setting up of an information databases. It also provides the legal basis for the institutions responsible for the implementation of agriculture policy by establishing the Agriculture and Rural Development Agency (ARDA) for the implementation of national support schemes and introduces the principle of monitoring and evaluation of the national support schemes he national measures are programmed annually in the National Action Plan and enforced by a Decree of the Council of Ministers. The Action Plan defines the measures for implementation of the agricultural and rural development policy in the respective year, the financial plan and eligibility criteria and support rate /amount. The implementation of the National Action Plan is the responsibility of the ARDA and the Rural</p>	

Development Directorate within MARDWA under the supervision of the Inter-Ministerial Committee for Agriculture and Rural Development.
<b>3. Allocation Principles</b>
The Instrument for Pre-accession Assistance (IPA) for non-EU countries provide significant financial resources and a wide range of tools and technical options. In this sense the funding for agriculture will be granted in accordance with the new Sectorial agreement, Framework agreement, and the IPARD II program.
<b>4. Eligible Projects</b>
<p>IPARD programme 2014-2020 in the 1<sup>st</sup> stage implemented through 4 measure in the Sectors:</p> <ul style="list-style-type: none"> <li>• Production and processing of Milk</li> <li>• Production and processing of Meat</li> <li>• Production and processing of Fruits &amp; vegetables</li> <li>• Production of MAPs, mushrooms, honey, ornamental plants and snails;</li> <li>• On-farm processing and direct marketing of agricultural products;</li> <li>• Processing and marketing of wild or cultivated MAPs and mushrooms, honey;</li> <li>• Aquaculture;</li> <li>• Rural tourism;</li> <li>• Services for rural business and population;</li> <li>• Handcrafts and manufacturing industry;</li> <li>• Renewable energy production.</li> </ul> <p>National schemes implemented through 20 measure supporting the following sectors:</p> <ul style="list-style-type: none"> <li>• Support for improving the technology of cultivation and plant protection;</li> <li>• Livestock breeding, beekeeping and aquaculture;</li> <li>• Reliable supply market and increase revenue for families in rural areas;</li> <li>• Promotion of investment and bank lending sector agriculture; livestock, poultry, beekeeping, aquaculture and medicinal plants</li> </ul>
<b>5. Operational issues (PCM)</b>
In the last meetings (March 2015), the Thematic Steering Groups members agreed to carry out some "homework" during the following weeks, based on the identification of the priority actions in the Strategy's Action Plan concerning their respective pillar, as well as the criteria to be used to select the best actions/projects within them. The TSG will also map possible sources of financing (EU and non EU) available in the countries for these projects. On this basis, a work plan will be established in the second round of TSG meetings during June 2015.
<b>6. Evaluation and Monitoring</b>
<p><i>Monitoring and evaluation system (M&amp;E)</i> aims at ensuring the efficient and effective utilisation of the IPARD funds by providing reliable information on outputs, results, as well as independent assessment of the relevance, effectiveness, efficiency, impact and quality of implementation. It should contribute to better targeting of assistance and attribute to improving the knowledge and skills with respect to M&amp;E.</p> <p>The <i>monitoring system</i> has to provide timely and reliable information about the Programme progress towards achievement of objectives, to enable the authorities and partners involved in Programme management to make informed decisions and is based on common indicators attached as an obligatory part of the application form and final payment request form.</p> <p>In order to ensure a high quality of planning and execution of evaluation activities, an <i>Evaluation Group</i> will be established as part of the IPARD Monitoring Committee. The Head of MA will act as Evaluation Manager to the Group. The Evaluation Group will provide advice on planning and design of the evaluation activities, formulation of evaluation questions, and will assess the quality of the submitted evaluation reports.</p> <p>The Sectoral Monitoring Committee for the IPARD Programme will be established after consultation with the Commission. The <i>IPARD Monitoring Committee (MC)</i> will contribute to the effectiveness and quality of Programme implementation. IPARD MC will periodically examine the Programme progress and results, in particular, the achievement of objectives and the absorption of funds.</p> <p>The IPARD MC shall be established by an Order of the Minister of MARDWA and composed of representatives from</p>

relevant public authorities and bodies, social partners and appropriate economic, social and environmental non-governmental organisations (NGOs). The number of NGOs/social partners in the MC shall be at least equal to the number of the members from governmental bodies and authorities. The IPARD Monitoring Committee shall be chaired by a Deputy Minister of MARDWA. IPARD MC shall draw up and approve in consultation with MA, IPARD Agency and the Commission its Rules of Procedures, which shall be adopted at the MC first meeting.

#### **7. Governance and Accountability**

The organisational structure and staffing of IPARD Agency have been aligned with the requirements of the Sectoral Agreement. IPARD Agency is responsible for the implementation of the IPARD programme in accordance with the principles of sound financial management and responsible for the management of calls for proposals (twice a year).

*Sources: various excerpts of documents of the EUSAIR webpage and interview.*

<b>4. Unconditional Transfers to LGUs</b>	
<b>Country background</b>	<b>Background of the Fund</b>
<p><u>Launching Date:</u> According the annual budget law 2002</p>	<p><u>Operator:</u> The formula to distribute the money for local units is every year prepared and calculated by the Ministry of Finance (Budget Department). The formula is the part of state budget that means it is approved by the Council of Ministers and the end approved by the Parliament.</p>
<p><u>Major policy tools:</u></p> <ul style="list-style-type: none"> <li>– Unconditional grants (population, land area, road, etc.) (Conditional grants delegated (e.g. civil registry) and shared functions (e.g. social aid)</li> <li>– Regional Development Fund</li> </ul> <p>Various programmes addressing mountainous/ distressed areas</p>	<p><u>Funding volume:</u> The available pool of funds is each year defined by the State budget and approved by the parliament. Around € 85 million (2014), the financing is from the State budget.</p>
<b>1. Legal and policy framework</b>	
<p>Law for the Annual Budget since 2002.</p> <p>The formula and the fund were created by the National Strategy of Decentralization (1999).</p> <p>The amount (pool) dedicated to the formula is allocated each year in the annual budget law. The <i>overall size</i> of the grant pool has been determined only historically, without any technical rational basis.</p>	
<b>2. Purpose / Goal</b>	
<p>The main goal of the grant pool is to create of the real possibility for exercise the local government functions. This fund is used for current and capital expenditures.</p>	
<b>3. Allocation Principles/Evaluation / Criteria</b>	
<p>In 2015 the following criteria were used to distribute the money for local units:</p> <ul style="list-style-type: none"> <li>• <b>Distribution of Total Pool</b> <ul style="list-style-type: none"> <li>○ Regions 9 percent of total poll</li> <li>○ Municipalities/Communes 91 percent of total pool</li> </ul> </li> <li>• <b>Municipal &amp; Commune Formula</b> <ul style="list-style-type: none"> <li>○ <b>Population.</b> This is the dominant criteria, as the population is an indicator closely related to expenditures and services needs. Allocation of Population-Municipality/Commune (P-M/C) is divided proportionally by the relative population of each municipality/commune against the total population.</li> <li>○ <b>Area of Communes.</b> This element is applicable only for communes. By commune with larger surfaces is intended (for all other equal conditions) that there are longer roads and other infrastructural challenges that cost a lot. Average surface varies from 22 to 179 square kilometer. Allocation Surface-Commune (S-C) is divided proportionally by the relative surface of each commune against the total surface. For 182 mountain communes the surface is calculated sum of commune surface multiply with 4.</li> <li>○ <b>Urban services.</b> This coefficient takes into consideration the fact that the municipalities get a number and a wider range of local public services rather than communes. Allocation of Urban Services –Municipality (US-M) divided proportionally by the relative population of each municipality against the total population of municipalities. For 39 municipalities as need municipalities urban service coefficient is calculated by adding people urbane 2 multiply actually people.</li> <li>○ <b>Tax Capacity Adjustment.</b> Fiscal equalization is based on predicted revenues from small business tax and vehicle tax. M/C that have revenues per capita bigger than national revenues contribute 25% of the difference between two of them, then multiplied by their population. Municipality/Commune ( M/C) that have revenues per capita lower than national revenues per capita take 25% of the same difference calculated at the same way.</li> <li>○ <b>Further adjustments.</b> Adjustment (negative result compared to previous year), adjustment (positive result compared to previous year), compensation for special occasions, compensation of minimum guarantee per capita.</li> <li>○ <b>Funds for dormitories of primary and secondary education.</b></li> </ul> </li> </ul>	

<ul style="list-style-type: none"> <li>○ <b>Funds for Social Services Centres.</b></li> <li>○ <b>Funds for Municipalities in UNESCO.</b></li> <li>● <b>Distribution of Regional Share</b> <ul style="list-style-type: none"> <li>○ <b>General grants Regions.</b> 98 percent of regions portion goes for financing of basic functions of regions.</li> <li>○ <b>Regional Compensation Fund.</b> 2 percent of regions portion goes for financing of special cases of regions expenditures.</li> </ul> </li> <li>● <b>Regional Formula</b> <ul style="list-style-type: none"> <li>○ <b>Equal Shares.</b> Fix amount allocates an equal amount for each region. Difference between types and services quality provided by the region are not “touchy”. The given amount Fix Amount-Region (FA-R) is divided by the number of regions (12).</li> <li>○ <b>Population.</b> Types of services provided by region have a negative correlation with the population. Giving a bigger weight to this criteria, will penalize more the poorer regions and with less inhabitants. Allocation of Population-Region (P-R) is divided by the relative population of each region against the total population.</li> <li>○ <b>Geographic indicator.</b> This is an important indicator that takes into consideration natural advantages and disadvantages of region location. To characterize three typical zones: field – hilly – mountainous – there was used a step manner. This is an indicator which takes on the value 1, 3, or 5 with 1 indicating that the terrain of the region (e.g. flat plain) as well as other comparative advantages of the region whereas a 5 would indicate a mountainous region with few comparative advantages.</li> <li>○ <b>Length of Roads.</b></li> </ul> </li> </ul>
<p><b>4. Operational issues (PCM)</b></p> <p>Annual budget law and guidelines for implementation of state budget. Within these documents is the local budget. During the budget implementation yearly if any local units find any mistakes in implementation of criterions (e.g. population or fiscal capacity) should submit to Ministry of Finance the letter with the argues. After the Minister of Finance verify the local units claims takes the decision to compensate or not local units.</p>
<p><b>5. Evaluation and Monitoring</b></p> <p>Through the treasure system data in quarterly does the evaluating and monitoring budget.</p>
<p><b>6. Governance and Accountability</b></p> <p>Use of unconditional transfers as part of the local budget decision made by the local government council. Unconditional transfers may be used for current expenses as well as investments. Through the legal framework, local budget should be published or displayed in public places. In the last five years, according to the annual budget law, unconditional transfers are limited its use for salaries of administration.</p>
<p><b>7. Lessons learnt / recommendations</b></p> <ul style="list-style-type: none"> <li>● There are doubts about the fairness and transparency of the criteria applied for distribution the money (doubts on the accuracy of the changing criterions every year).</li> <li>● Tendency in recent years for the conditional use of unconditional transfer.</li> <li>● By not having a rule for determining the amount of unconditional transfer, in several budget years was reduced.</li> <li>● The size of the pool has to be related to nationally regulated standards of services that the local governments must achieve, on the one hand, and to their local fiscal autonomy, on the other. The resource pool for the unconditional transfers has to be defined according to pre-established criteria defined by law to allow predictability and annual and multi-annual planning for both central and local governments (including the MTEF). The size of the grant pool should be anchored in law to a percentage of state budget expenditures or as a percentage to GDP; this should be part of Local Finance Law.</li> <li>● Besides being non-transparent and unpredictable, the current procedure generates perverse incentives for soft budget constraints and is a stimulus for endless discussions that unnecessarily occupy the time and attention of parliamentarians and key local and central authorities. Ends in the system of intergovernmental fiscal relations: the shared-taxes and the size of the unconditional transfers.</li> <li>● <b>Advancing toward a better balance between conditional and unconditional transfers</b> in order to increase autonomy and allocative efficiency at the local level.</li> <li>● <b>Setting national standards for public service delivery</b> that can be measured, monitored and evaluated through independent and reliable indicators of performance.</li> <li>● <b>Improving equity and efficiency of conditional recurrent expenditure grants</b> by allocating: (i) grants (to the extent possible) on a “targeted capitation basis” (e.g., per school age population, per old age population, per below the poverty line population), which is simple and transparent, which uses information that is available, and</li> </ul>

which is a good proxy for needs as well as inherently equalizing; and (ii) *block grants* instead of using specific earmarking, which have the advantage of combining central control of broad sectoral expenditures with more efficient allocation at the local level. In either case, to improve ownership and efficiency, local governments should participate in the financing, even if they provide only a small share of the costs.

- **Increasing transparency and efficiency of conditional capital grants** by using explicit rules for the selection and award of projects and by making public the recipients and the levels of the awards. In this regard, there could be a rule for awarding capital grants for investments of national interest on a competitive basis (an award for which local governments—individually or in association—could apply) and for following technical project evaluation on the basis of the social rate of return and adequate maintenance plans. In addition, to increase local ownership of investments, capital grants should be conducted as a matching grant mechanism whenever possible. These co-financing schemes can be used with co-financing rates scaled down according to the revenue capacity of beneficiary governments. Adequate technical assistance should be made available to the weakest local governments, in particular to the communes.
- The size of the Regional Development should probably be reduced in relationship to the unconditional grant.
- For projects identified so far as development projects, for a transitional period may impose any rule in the annual budget law that 70% of the value of these projects should be financed by the regional development fund and 30% of own revenues of local units.
- On the use of unconditional transfer could put a floor limit for investment.
- The practice of adding conditional grants into the unconditional grant pool should be stopped.
- The basic criteria for allocating the grant pool should be reviewed in light of consolidation.
  - Surface area may no longer be the best method for guesstimating the additional costs of providing services to geographically dispersed populations.
  - A coefficient for densely populated urban areas will probably remain the best way to provide big cities with additional revenues.
  - It is possible that population density can be used to replace both criteria, with higher coefficients for the tail ends of the distribution.
  - The criteria of population should be divided, i) children, ii) students and iii) the elderly.
- Revenue equalization provisions in the formula should be maintained, but calculated only against shared taxes, or own revenues where the base is known, and the rate can be standardized (averaged for the country as a whole).
- There are now two shared taxes in the system: the Vehicle Tax and the SBT. In theory, both can be used for equalization.
- It is also possible that the Infrastructure Impact fee and the Property Transfer Tax can be used for equalization.
- Consideration should be given to making a local government's right to the full value of its general grant subject to its compliance with the regulations governing financial accounting and reporting.
- These regulations should be strengthened.

<b>5. Instrument for Pre-Accession Assistance (IPA II) 2014-2020</b>	
<b>Country background</b>	<b>Background of the Fund</b>
<p><u>Launching Date:</u> 2009, before that there was a competitive grant scheme implemented since 2006</p>	<p><u>Operator:</u> IPA II funded activities are implemented and managed in various ways, in accordance with the <u>Financial Regulation</u>:</p> <ul style="list-style-type: none"> <li>• Under <b>direct management</b>; i.e. the implementation of the budget is <b>carried out directly by the Commission</b> until the relevant national authorities are accredited to manage the funds.</li> <li>• Under <b>indirect management</b>; i.e. budget implementation tasks are <b>delegated to and carried out by entities entrusted by the Commission</b>;</li> <li>• <b>Shared management</b>; i.e. implementation tasks are delegated to EU member states (only for <b>cross-border cooperation programmes with EU countries</b>).</li> </ul>
<p><u>Major policy tools:</u></p> <p><u>Sector approach:</u> Sector budget support (e.g. a support of 20 mio. € is presently negotiated and the triggers are related to the performance of the public sector administration reform at local level. Additionally this will include TA for LGUs)</p>	<p><u>Funding volume:</u> 649.5 million € for the period 2014-2020.</p> <p>Of which</p> <p>168 mio. € are for socio-economic and regional development</p> <p>92 mio. for agriculture and rural development</p>
European Commission (2014) : IPA II, Indicative Strategy Paper for Albania (2014-2020)	
<b>1. Legal and policy framework</b>	
The <u>IPA II regulation</u> came into force on 16 March 2014 and is applicable retroactively from 1 <sup>st</sup> January 2014. The IPA II regulation is complemented by the <u>Common Implementing Regulation (CIR)</u> , which is a set of simplified and harmonised implementing rules and procedures for all external action instruments, as well as the <u>IPA II Implementing Regulation</u> adopted by the Commission on 2 May 2014.	
<b>2. Purpose / Goal</b>	
EU pre-accession funds are a sound investment into the future of both the enlargement countries and the EU itself. They help the beneficiaries make political and economic reforms, preparing them for the rights and obligations that come with EU membership. Those reforms should provide their citizens with better opportunities and allow for development of standards equal to the ones we enjoy as citizens of the EU. The pre-accession funds also help the EU reach its own objectives regarding a sustainable economic recovery, energy supply, transport, the environment and climate change, etc.	
<b>3. Allocation Principles</b>	
IPA II targets reforms within the framework of pre-defined sectors. These sectors cover areas closely linked to the enlargement strategy, such as democracy and governance, rule of law or growth and competitiveness. This sector approach promotes structural reform that will help transform a given sector and bring it up to EU standards. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results. IPA II also allows for a more systematic use of sector budget support. Finally, it gives more weight to performance measurement: indicators agreed with the beneficiaries will help assess to what extent the expected results have been achieved.	
<b>4. Evaluation / Selection criteria</b>	
IPA II does not fund individual projects but sector reforms (sector budget support). The following sectors are defined:	
<ol style="list-style-type: none"> <li>1. Democracy and governance</li> <li>2. Rule of Law and fundamental rights</li> <li>3. Environment and Climate Action</li> <li>4. Transport</li> <li>5. Competitiveness and innovation</li> <li>6. Education, employment and social policies</li> <li>7. Agriculture and rural development</li> <li>8. Territorial cooperation and regional cooperation (IPA CBC II)</li> </ol>	
<b>5. Operational issues (PCM)</b>	

The LGUs cannot directly apply and access the IPA national funds. The only way to benefit from these funds is through fund that are decided at Ministerial level. In any case they should be active from the very beginning of IPA cycle. They should be involved in drafting of strategic documents, (sectoral strategic documents, tourism, energy, transport, environmental issues, and so forth) which are precondition for programming IPA funds in these sectors. Sectorial strategies are designed for IPA and as consequence they are foreseen for 7 years period. At present according to our information these strategic documents are almost finalised ready to be approved by Council of Ministers. If they were not able to participate in drafting strategic documents, still there are opportunities to be involved in the programming phase, which means they can contribute to the priority setting among the lists of priorities already set in the strategy. LGUs in close cooperation with line ministries or responsible ministry for a particular sector can participate in the design of concrete projects. This is the phase (the preparation of the project) where the LGUs have their role determined for the implementation of the project. The more they are involved in the IPA cycle the more they can shape the project according to their benefit. The relevant information can be obtain from the line ministries (of the sectors of interest) and from the Ministry of European integration which is the national coordinator (NIPAC).

#### 6. Evaluation and Monitoring

Implementation of IPA II will include a comprehensive monitoring mechanism. It will contain a review of overall performance of the **progress in achieving results at the strategic, sector and action levels** (i.e. results-based performance), in addition to monitoring of financial execution. Performance measurement will be based on **indicators** set out in the indicative Strategy Papers and the Programmes.

**Joint monitoring committees** (Commission and beneficiaries) will continue to monitor the implementation of financial assistance programmes, as was the case for the previous period of IPA.

The Commission publishes an **annual report on pre-accession assistance**.

#### 7. Governance and Accountability

The proposal must include a document where the LGUs council confirms the project's priority for the LGUs. The project fiche will be checked for its completeness and feasibility.

The main implementation responsibility remains with the LGUs. The region has only advisory functions

The list of finance projects is published on website and the official "gazette"

No annual reports are published

#### 8. Lessons learnt / considerations

The overall conclusions from the contributory evaluations of IPA I is that whilst the delivery of outputs is generally good, achievement of outcomes, impact and sustainability are not as good as they could be, especially in areas not driven by acquis harmonisation. The reasons for this include the programming and planning process, timeliness of the delivery of assistance, ownership of beneficiaries, absorption capacity and sequencing. In analysing potential solutions, it is important to take into consideration the work already undertaken by the Commission Services in the development of the IPA II instrument. Their conclusions that the new instrument should be more flexible, strategic and result oriented to improve the efficiency and effectiveness of the assistance is largely endorsed by this meta evaluation. The operational framework for the IPA II developed thus far also provides useful and practical solutions to some of the issues identified in the various country and thematic evaluations that make up the meta evaluation. These findings also concur with the Commission Service's opinion that a move to a more sector orientated approach to the delivery of IPA II has the potential to address many of the factors that have impeded IPA I. However, a sectoral approach is a significant departure from the highly prescriptive processes and procedures developed by the Commission Services for the implementation of IPA I in the period 2007-13. In creating programme level conclusions it should furthermore be borne in mind that the IPA region consists of an increasingly heterogeneous group of countries and therefore some conclusions may not be applicable for all countries.

*Sources: EC and various documents prepared by experts*

<b>6. Western Balkans Investment Framework (WBIF)</b>	
<b>Participating Countries</b>	<b>Background of the Fund</b>
<p><u>Launching Date:</u> 2009</p> <p><u>Beneficiaries:</u> Albania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia</p>	<p><u>Operator:</u> The WBIF focuses on key sectors of the Western Balkan economies including energy, environment, transport, social issues and private sector development. <a href="#">Calls for proposals</a> are organised on a regular basis, usually twice a year (with deadlines in February and September). Projects must be nominated or endorsed by the <a href="#">National IPA Coordinator</a> of the respective country and projects with regional impact take precedence when deciding among applications</p>
<p><u>Major policy tools:</u></p> <ul style="list-style-type: none"> <li>-Be a national or regional project involving at least one of the beneficiaries</li> <li>-Contribute to competitiveness, growth and job-creation in the region as part of regional and/or national strategies for the different sectors</li> <li>-Project promoter should be public entities at central or local government level and/or agencies and companies responsible for the provision of public utilities and services</li> <li>-Project should receive support from at least one partner IFI.</li> </ul>	<p><u>Funding volume:</u> Overall € 44.69 million for Albania (2013). Grant sources are:</p> <ul style="list-style-type: none"> <li>• Grant resources allocated from the EC <a href="#">Instrument for Pre-Accession</a> (IPA)</li> <li>• Grant contributions from the <a href="#">Council of Europe Development Bank (CEB)</a>, the <a href="#">European Bank for Reconstruction and Development (EBRD)</a> and the <a href="#">European Investment Bank (EIB)</a>, as well as <a href="#">KfW</a> and the <a href="#">World Bank</a></li> <li>• Bilateral grant contributions from <a href="#">bilateral donors</a> through the European Western Balkans Joint Fund (EWBJF)</li> </ul>
<p><a href="http://www.wbif.eu/About+WBIF">http://www.wbif.eu/About+WBIF</a></p>	
<b>1. Legal and policy framework</b>	
<p>The Western Balkans Investment Framework (WBIF) was founded in 2009 by the EC, European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) the Council of Europe Development Bank (CEB) and bilateral donors. The KfW and the World Bank joined later.</p>	
<b>2. Purpose / Goal</b>	
<p>The essence of the WBIF process is the coordinated effort that goes into preparing and selecting investments for financial support, thereby “blending” internationally financed grants and loans with domestic finance to expedite the implementation of investments that leads to fulfilment of strategic priorities defined in national, regional and EU accession policies contributing to socioeconomic development in the region.</p>	
<b>3. Allocation Principles</b>	
<p>WBIF works on the basis of calls for proposals issued usually twice a year (with deadlines in February and September) by the WBIF Secretariat in DG Enlargement. Grant applications must be submitted or endorsed by the National IPA Coordinator of the respective country. Applications are assessed by the Project Financiers’ Group (comprising EC, IFIs and donors) and the grants approved by the Steering Committee (EC, IFIs, bilateral donors and beneficiary countries). Projects with regional impact take precedence when deciding among applications, and strategic issues including the macro-economic environment, EU accession requirements and sectoral strategies are also taken into account.</p> <p>Current WBIF practice is that the project promoters of an investment proposal seeking WBIF support should be public entities at central or local government level and/or agencies and companies responsible for the provision of public utilities and services as foreseen in the internal legislation of each country.</p>	
<b>4. Eligible sectors</b>	
<p>WBIF support focuses on the following areas and sectors of activity:</p> <p><u>a) Infrastructure:</u></p> <ul style="list-style-type: none"> <li>i) Transport: road, rail, sea and water ways, air transport, urban transport, inter-modal terminals</li> <li>ii) Energy: generation (a preference is given to renewable technologies), electricity, gas and oil, strategic transmission, storage, CHP/cogeneration, district heating and energy efficiency</li> <li>iii) Environment: water supply, waste water, sewerage, solid waste, hazardous waste, emission control, climate change</li> <li>iv) Social: education, judiciary, health, social housing, public buildings</li> </ul> <p><u>b) Private Sector Development</u></p> <p>National or regional schemes to assist SMEs on a group basis. Applications from individual enterprises are not permitted by PGAF application and should be sought through the WBIF</p>	

<p>Enterprise Development and Innovation Facility, “EDIF”.</p> <p>c) Energy Efficiency Programmes to support beneficiaries’ efforts to reach their energy savings targets under the energy Community Treaty. Applications from the private sector or municipalities for individual energy savings projects should be directed through the WBIF supported Regional Energy Efficiency Programme, “REEP”.</p> <p>d) “Sector Development” projects Studies that will provide information, analysis and where relevant recommendations that support the development of investments and/or improve the investment climate in the Western Balkans. Such projects must have benefits for the wider region.</p>
<p><b>5. Operational issues (PCM)</b></p> <p>There is a clearly defined review and approval process that Project Grant Application Forms (PGAFs ) follow from submission through to Steering Committee decision. The six monthly round progresses through this cycle: Receipt of proposals recorded and reference code allocation by WBIF Secretariat. PGAFs uploaded and registered in the WBIF-Management Information System (WBIF-MIS) Screening consultation process launched by the WBIF Secretariat, through the MIS, seeking comments from EU Delegations, relevant Line Directorate Generals (e.g. DG MOVE, DG Environment etc), DG Enlargement Country Desks and the IPF1 Technical Assistance Key Experts. The Project Financiers Group considers the screening results and selects positively screened projects for further consideration – i.e. assessment. Assessment review is launched. Each positively screened project is allocated to a Lead IFI who assesses the PGAF for a range of criteria including: economic, financial, environmental etc. The Project Financiers Group considers the assessment results and recommends positively assessed projects for submission to the Steering Committee for approval of a WBIF grant. In addition to recommending projects for grant award the PFG also reviews previously approved projects that have not progressed. The Project Financiers Group may recommend the cancellation of grants where it is deemed that progress cannot be made as envisaged. The funding associated with these grants is then returned to the overall WBIF resources. The meeting of Steering Committee where projects recommended for grant award are presented by the respective NIPAC (National IPA Coordinator). The SC takes the decision on grant award. This concludes the project application cycle with approved projects progressing to the next phase e.g. technical assistance for investment preparation or actual investment and project progress is monitored via the WBIF MIS and reported to the Steering Committee.</p>
<p><b>6. Evaluation and Monitoring</b></p> <p>There is a Monitoring report of the WBIF by the end of each year. The last Monitoring Report was published in December 2014. There are also Reports and Analysis of the financial assistance to the Western Balkans in the WBIF sectors.</p>
<p><b>7. Governance and Accountability</b></p> <p>The Steering Committee is the highest decision making body in the WBIF. It takes all decisions related to the Joint Grant Facility including project approvals and provides strategic guidance for the WBIF. It is composed of representatives of the beneficiaries, the EC, partner IFIs and bilateral donors) and meets every six months. The projects database presented on the WBIF website contains investment flows (formally approved grants and loans) from the EC, IFIs (CEB, EBRD, EIB and the World Bank Group) and bilateral financing institutions (e.g. KfW) and donors in the Western Balkans since 2007. It also contains the project data.</p>

Sources: WBIF website.

## Annex 5: Analysis of FAP project rating by members of the Women in Politics network

The following brief analysis of FAP projects compares the opinions of the representatives of the Women in Politics (WiP) networks that operate in two FAP territories compared with the overall category of citizens.

For this comparative analysis between the results obtained from WiP and other members of the citizen group the following two FAPS were selected: “Malësia e Madhe” and “Mat-Klos”. The numbers of projects that have been evaluated were 15 for “Malësia e Madhe” and 13 for “Mat- Klos”.

The following table provides data about the number of people voting about the projects for the categories of “citizens”, “Women in Politics” and “business”.

FAP's name	Number of voters for each category		
	Citizens (without WiP)	Women in Politics (WiP)	Business
“Malësia e Madhe”	16	25	20
“Mat- Klos”	52	23	10
<b>Total</b>	<b>68</b>	<b>48</b>	<b>30</b>

From data processing of votes given by the three categories for 28 projects (for of both FAPs) the following findings can be mentioned:

### A. Comparison of WiP with citizens (without WiP):

- in 25% (7/28) of cases the evaluation of projects (by ranking them) by WiP is the same as for the citizens.
- in 29% (8/28) of cases the evaluation of projects by WiP varies by  $\pm 1$  rank compared to the citizens;
- in 21% (8/28) of cases evaluation of projects by WiP varies by  $\pm 2$  ranks compared to the evaluation by citizens.

The maximum value of difference between the evaluations of projects by citizens with that of WiP is 8 ranks. The maximum value of difference between the evaluations of projects by citizens with that of WiP is found in following projects:

Project name	Value of difference between the evaluations of projects by citizens with that of WiP	FAP's name
Creating entities for livestock product processing (Municipality of Mat and Klos)	8	“Mat- Klos”
Integrated service of urban waste collection, deposit and management (Municipality of Klos)”	-7	“Mat- Klos”

**B. Comparison of WiP with business category:**

- in 14% (4/28) of cases the evaluation of projects by WiP is the same rank as for the business category;
- in 21% (6/28) of cases the evaluation of projects by WiP varies by  $\pm 1$  rank compared with the business category;
- in 18% (5/28) of cases evaluation of projects by WiP varies by  $\pm 2$  ranks compared to the business category.

The number of projects that are ranked with the same position from citizens and WiP as well is 4 out of 28. The maximum value of difference between the evaluations of projects by business category with that of WiP is 9 (nine). This value is found in only 1 project out of 28.

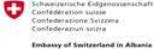
The maximum value of difference between the evaluations of projects by business category with that of WiP is found in following projects:

Project name	Value of difference between the evaluations of projects by business category with that of WiP	FAP's name
Improvement of Public Transport Service planning (Municipality of Klos)	9	"Mat- Klos"
Promotion of investments to set up the processing industry of ethero-oil plants	8	"Malësia e Madhe"
Integrated service of urban waste collection, deposit and management (Municipality Mat)	-8	"Mat- Klos"

From the above figures, it can be concluded that the majority of projects was evaluated with the same or similar value by WiP as well as by the citizens (76%), and business category (53%) (within a range of 1-2 ranks). One of the explanation for the difference between the category "citizens" and "business" could be that women as part of the community and WiP are more likely to appreciate similar projects, whose implementation affects directly the social services and in the rapid development of the area, which consequently affect positively the quality of life. On the other hand, the waste project was ranked subsstantially lower compared to citizens and business people.

## Annex 6: Power Point presentation for the national conference











functional area programme  
**fap**  
 Functional Area Programme

**CONSOLIDATION OF ADMINISTRATIVE-TERRITORIAL REFORM : PRACTICES AND LEARNINGS**











### 1. Background

- 8 Functional Areas (FA) selected in the 5 Regions of Northern Albania
- Elaboration of 10-15 project ideas for each FA

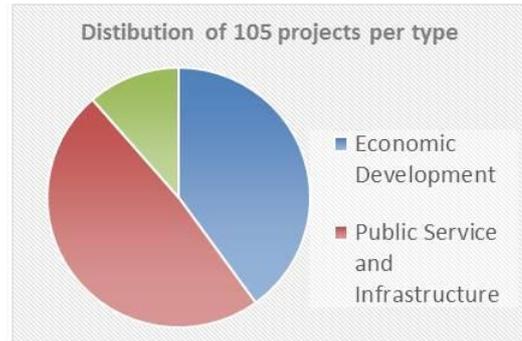




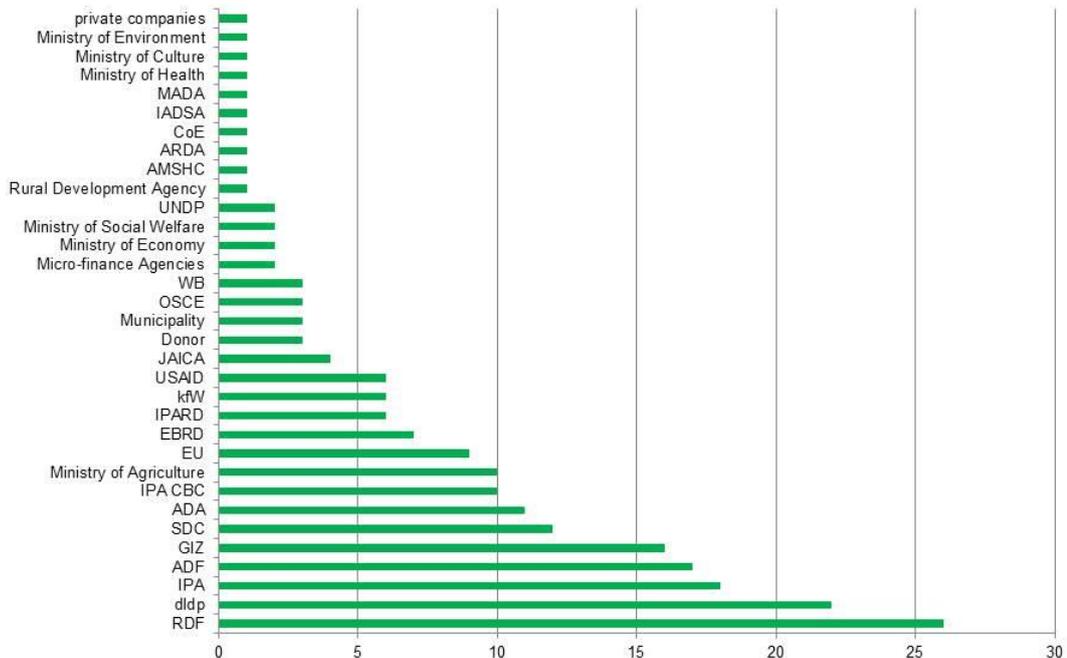
## 2. Project characteristics

### Financial Volume of the 105 projects (10-17 per FA)

- Total fund requirement is 39.1 mio. €
- Four projects are bigger than 2 mio. €
- Three roads cost 17.8 mio. €
- ¾ of projects are smaller than 0.3 mio € !
- The overall estimated budget requirement for the best ranked project per FA (8) is 2.8 mio. € for the top three projects (24) is 5.4 mio €

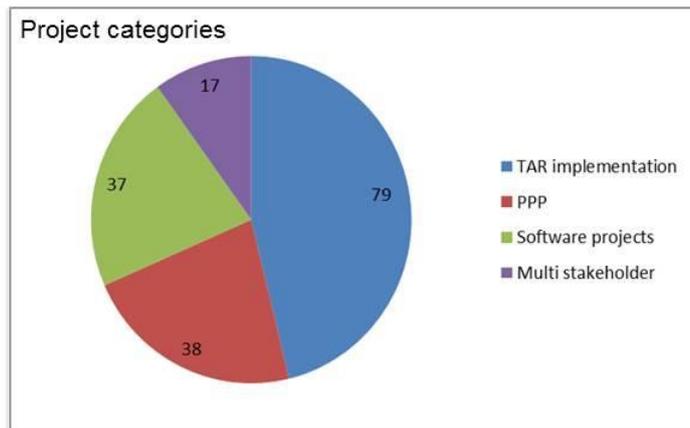


## Main funders and multi-stakeholder approach



## LGU Functions and TAR

- Except a few, almost all projects are within the present definition of LGU functions (this includes a better definition of the projects of local economic development).
- **Waste management** and **One Stop Shop** projects have the biggest potential to support transition and sustainable development.

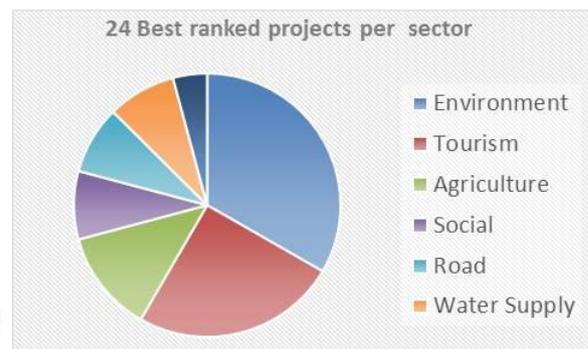


15 of the best rated projects contribute to the implementation of TAR



## The best rated projects (24)

- 1/3 of the best projects are in the environmental sector (mostly waste mgt.)
- Most have sectorial cross-cutting character
- The top ranked projects are: 5 waste management, 1 afforestation, 1 market place development, 1 agro-processing
- The ranking gap between the public and technical experts was highest for social and educational projects -> they are not part of the best rated projects



## 5. Conclusions and Recommendations

1. The Territorial and Administrative Reform (TAR) provides a unique chance to use such projects in order to
  - a) promote economic and social cohesion
  - b) provide better public services to more clients
  - c) increase efficiency of the LGU administration (economy of scale)

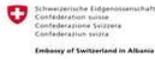
-> the projects with the highest potential to support the reform during the transition and amalgamation of LGUs should be identified and prioritized for funding. FAP provides an instrument for such identification

## 5. Conclusions and Recommendations

2. The FAPs and the project fiches are not very clear on cooperation modalities of the stakeholders in PPPs and there is a variety of stakeholders who are supposed to contribute as partners of funders

-> The role of PPP stakeholders should be analyzed further and made more concrete (contributions, contracting issues, etc.): there is a potential to be explored there but capacities are weak;

-> There is a need for clarification of funding schemes and the role of decentralized agencies in the local development: changes should be initiated accordingly.



## 5. Conclusions and Recommendations

### 3. Co-financing capacities of the LGUs are not specified in the project fiches

-> all costs appear to be looked for from other funding schemes (national, donors etc.). The co-financing issue will need a review and reduces the overall fund requirements but this would highly depend if intergovernmental transfers will be sufficient to support investment and development.



## 5. Conclusions and Recommendations

### 4. Many projects in the agro-processing and tourism sector address local economic development and the cooperation with the technical experts of de-concentrated agencies will be important

-> Overlapping functions between LGUs and de-concentrated agencies has to be avoided and clarified

## 5. Conclusions and Recommendations

### 5. Almost all projects address existing functions of LGUs

-> The securing of predictable funding to LGUs is more important than adding new functions.

### 6. The existing fund schemes allocate more than 200 mio. € to investment projects annually. Therefore ample possibilities to fund FAP projects exist (less than 30 mio. €/year).

-> The local stakeholders should lobby with line ministries and strengthen their technical capacities to get access to these funds through mature of projects, such facilitation role should be entitled to a responsible institutions

## 5. Conclusions and Recommendations

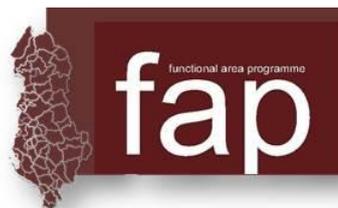
### 7. The level of unconditional transfers (11.4 mio. for the 8 FAPs) is relatively low compared to the mandatory functions of the LGUs and the investment budgets (13.4 mio)

-> there is a need to increase the pool of unconditional transfers, to revise the allocation criteria and to strengthen control mechanism

### 8. The challenges regarding the social cohesion in the LGU will remain. There is a risk that some sub-units will not be represented in the new LGU (council).

-> FAPs and their projects must avoid to foster imbalances or social and economic disparities

Functional Area Program



Thank you!

**Annex 7: Scoring of 105 identified project ideas of the 8 FAPs (separate excel file)**