

MONITORING OF CONNECTIVITY AGENDA: TRANSPORT AND ENERGY

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Acronyms

BPS	Berlin Process Series
CDI	Cooperation and Development Institute
CEFTA	Central European Free Trade Agreement
CNC	Core Network Corridors
CoM	Council of Ministers
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
ERE	Energy Regulatory Entity
ERP	Economic Reform Programme
EU	European Union
FES	Friedrich Ebert Foundation
GoA	Government of Albania
GS	General Secretariat
HSS	Hanns Seidel Foundation
IAP	Ionian Adriatic Gas Pipeline
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IPMG	Integrated Planning Management Groups
KAS	Konrad Adenauer Foundation
MOs	Market Operators
MoU	Memorandum of Understanding
MTBP	Mid-Term Budget Planning Instrument
NERP	National Economic Reform Programme
NIC	National Investment Committee
NSDI	National Strategy for Development and Integration
ORI	Observatory of Regional Integration
OSHEE	Electricity Power Distribution Operator
OST	Transmission System Operator
PECI	Projects of Energy Community Interest
PCIs	Projects of Common Interests
PIF	Project Identification Fiches
PSCs	Programme Steering Committees
RDA	Regional Development Agencies
REDA	Regional Economic Development Agency
RSI	Road Safety Inspection
SEED	System of Exchange Excise Data
SEETO	South-East Europe Transport Observatory
SGC	Southern Gas Corridor
SPDU	Strategic Planning and Development Unit
SPP	Single Project Pipeline

Berlin Process Series

Monitoring Connectivity: Transport and Energy

SSMG	Sectorial Strategic Management Group
SSPP	Single Sector Project Pipeline
SWG	Sector Working Groups
TA	Technical Assistance
TAP	Trans-Adriatic Pipeline
TEN-E	Trans-European Network - Energy
TEN-T	Trans-European Network - Transport
TSOs	Transmission Operators
TFWG	Transport Facilitation Working Group
USAID	United States Agency for International Development
WBIF	Western Balkans Investment Framework
WB6	Western Balkans Six (Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro, Serbia)

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Executive Summary

This Working Paper aims to document and analyze the progress Albania has achieved in implementing the commitments taken in the framework of the so-called Berlin Process as stated in Vienna Summit in August 2015, and the challenges ahead to the upcoming Summit of Paris of July 4th 2016.

The Berlin Conference held in August 2014 was the starting point of the official coming to existence of the “Berlin Process”. Initially planned as a one-off event called by Chancellor Merkel, this process took an existence by itself to become today one of the most important regional cooperation platforms, equipped of a budget of EUR 1 billion until end of 2018. Its objectives are to enhance joint regional economic governance - in the framework of the European perspective of the Western Balkan countries - by laying the foundations for higher and sustainable growth. The process aims to contribute to the reinforcement of a sound economic environment and reliable political, legal and societal structures in these countries.

The Berlin Process has a proper agenda - known as the “Berlin Agenda” – which focuses primarily on economic governance and infrastructure connectivity projects. It uses existing financing programs such as the Western Balkans Investments Framework (WBIF), existing and new institutions and mechanisms such National Investment Committee (NIC), Integrated Planning Management Groups (IPMG), Sector Working Groups (SWG), Single Project Pipeline (SPP), etc. to identify, select and financially support national investments. Those projects should be embedded in regional initiatives, them being infrastructure projects or related soft measures. Project identification and development is harmonized with the respective sector-related EU policies through existing EU initiatives such as TEN-T, SEETO in transport and PECE in energy.

This Working Paper aims to document and analyze the progress of the Albanian Government in achieving the: a) necessary alignment to the standards of legislation and reforms (soft measures) needed and agreed upon in Vienna Summit; and, b) in implementing the related measures with regard to infrastructure projects. The Paper tries also to document the SPP process and analyze its linkages to the connectivity developments.

In drafting this Working Paper, Cooperation and Development Institute has hold several meetings and interviews with the main relevant institutions involved in the process (i.e. the Strategic Planning and Development Unit - part of the Department for Development, Financing and Foreign Aid at the Prime Minister’s Office, the Ministry of Transport and Infrastructure, the Ministry of Energy and Industry, WBIF, etc.). Moreover, an extensive research and analysis of information from other public sources has been carried out, namely: a) official declarations and joint statements, public speeches, political statements, and press releases of the main EU and WB6 institutional actors; b) specialized economic media; c) national strategic documents and annual reports of different institutions/structures in charge of implementing sector-based policies.

Cooperation and Development Institute would like to thank the above-mentioned institutions for their availability and contribution to provide data and to support us in this process.

The Berlin Process Series: A contribution of civil society in regional integration

This Working paper is prepared by Cooperation and Development Institute and supported by Konrad Adenauer Foundation.

The research and study took place from November 2015 until June 2016 and included desk review, interviews with officials, experts, employees of Albanian government, parliament, financial organizations and other different stakeholders, and field visits. It aims to provide an alternative, critical, constructive and complementary analysis on the efforts done by Albanian government towards reaching its targets as set in the Summits of Berlin, Vienna and later Paris and Rome. The conclusions are also fed in the Western Balkans civil society forum and serve as basis of discussion during the preparation of the regional position of WB6 civil society.

This Working paper is part of the Berlin Process Series (BPS) conceived as part of the contribution of Western Balkans Civil Society in the Berlin Process. The series is coordinated by Ardian Hackaj, Director of Shtetiweb.org. For the current paper contributed Krisela Hackaj.

The Berlin Process Series is an initiative started in November 2015 in Tirana and supported by Friedrich Ebert Foundation, Konrad Adenauer Foundation and Hanns Seidel Foundation, (see: [Current Achievements and upcoming challenges for the Paris Summit](#)).

Previously published under BPS are:

- [“Albania in the Berlin Process: Current Achievements and Upcoming Challenges for the Paris Summit”](#)
- [“Albania in the Western Balkans Route: August 2015-June 2016”](#),

A complete library on the Berlin Process and selected themes of Western Balkans 6 integration, can be consulted at the **Observatory of Regional Integration**, at <http://shtetiweb.org/studime-dhe-analiza-4/>

***Disclaimer:** The opinions expressed in the paper are of the authors and do not represent any position of the public institutions or donor. Any eventual error or omission is our own responsibility.*

I. THE BERLIN PROCESS AND WESTERN BALKANS INTEGRATION IN EU

The year 2014 signed the 100th anniversary of the outbreak of the First World War and the 10th anniversary of the biggest enlargement wave of the European Union to Central and Eastern Europe. In this context the German Chancellor Angela Merkel hosted in Berlin on 28 August, the High Level Conference on the Western Balkans. The Chancellor aimed to provide a framework, a joint forum of communication for Western Balkan leaders vis-à-vis each other and towards the EU Member States and the European Commission.

The Western Balkan leaders fully embraced the occasion. From the beginning they wanted to consider it a *'process'*, to give continuity to this initiative.¹ The concept of *'process'* was further inferred during the press conference of 28 August 2014, when Chancellor Merkel declared that the Berlin Conference *"is not a one-day event, but there will be a continuum, there will be a working process"*.² Hence the idea of *'framework'*, as initially stated in the Berlin Declaration was converted into a *'process'* in the post-Berlin phase.

The Berlin initiative provided an excellent opportunity to move forward the Western Balkans integration - both at regional and European level. However, it is important to state that the process is not a substitute for the EU accession. Instead, it is conceived as a reinforcing instrument at the service of the EU accession perspective, as well as of economic and political ties amongst the WB6 countries.

The Berlin Process has brought the Western Balkan leaders together at one table to work towards a common goal. In this dynamics, the political commitment of WB6 leaders towards further intensification of regional cooperation has been very pronounced.

As a main objective, Berlin Process emphasizes the need to strengthen economic governance in the WB6 countries. This is very much in line with the new approach of the European Commission.³ EU aims to support these projects during identification, design, approval, financing, implementation and sustainability procedures. In this framework, the connectivity projects are strongly linked to economic governance and aim at enhancing regional cooperation, and providing new prospects for sustainable economic growth and employment. They nevertheless constitute quite complex investments.

The Berlin and Vienna connectivity projects are large-scale infrastructure investments identified under the SEETO Comprehensive Network Projects⁴ and / or are part of the Energy Community PECE list.⁵ These projects may have received EU grant funding by WBIF EU grants, in order to complement any loan contracted with financial institutions.

¹ Bushati, Ditmir, Speech of the Minister of Foreign Affairs, *Minutes of the Second Meeting of the National Council on European Integration*, Tirana, 21 July 2015, p. 4, available at: http://www.parlament.al/web/Procesverbal_date_21_07_2015_20825_1.php

² Joint Press Conference of Prime Minister Rama, Chancellor Merkel and European Commission President Barroso, Berlin, 28 August 2014, available at: <http://www.kryeministria.al/en/newsroom/news/historic-moment-for-the-common-future-of-the-western-balkans>

³ European Commission, *Enlargement Strategy and Main Challenges 2013-2014*, op.cit.

⁴ More information on SEETO Comprehensive Network Projects is available at:

<http://www.seetoint.org/projects/seeto-comprehensive-network-projects/>

⁵ Energy Community, *"Development and application of methodology to identify Projects of Energy Community Interest"*, Final Report, Vienna, 26 September 2013, available at: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/2558181/0633975AD4927B9CE053C92FA8C06338

⁶ More information on the WBIF financing procedures are available at: <https://www.wbif.eu/About%20WBIF>

In the new approach of EU financing of WB6, the projects presented by the Candidate country should be part of a unique list, ranked as per their strategic importance. The connectivity infrastructure projects of the Berlin Process – given their size and complexity – are crucial during the determination of that list. On top of contributing to the economic convergence on the long term, in the short term they directly impact the allocation of the EU assistance to WB6. Through the co-financing precondition and by the large amounts involved, they affect the budgetary planning of the concerned countries as well as their fiscal policy.

In order to achieve the maximum benefit of these infrastructure investments, the infrastructure projects have been complemented by "soft measures", such as opening markets and facilitating border crossing procedures, etc.

In Albania, during a first assessment of the connectivity issues – infrastructure projects and soft measures - in the Berlin Process carried by CDI / Shtetiweb in 2015, there were identified some key issues, as stated below:

- lack of SPP process coordination and management capacities;
- the Local Government Units were not consulted in the identification and preparation phase of the infrastructure project design;
- the quality of the submitted project fiches was affected by the low number of specialized staff and the absence of the completed strategic framework (National Strategy for Development and Integration, 2015-2020⁷ as well as Transport and Energy Sectorial Strategies, 2015-2020);
- it was still unclear the size of available financial window for national co-financing of these projects. The total cost of the 39 short-listed projects in December 2015 was 1,9 billion EUR, out of which only EUR 141 million were covered through state budget or grants;
- the potential connection and harmonization with the Mid-Term Budget Planning should have been better performed at this stage - the Budget Directorate should have been fully involved in the process (this was expected to be corrected in 2016);

It should be also mentioned that apart connectivity projects, there are other strategic components under the Berlin Process such as the Youth Exchange in the image of the Franco-German one; the immigration policies; Bilateral open issues, etc.

Two years into it, the EU and EU-related structures as well as the WB6 governments have positively assessed the Berlin Process. It has (re-)generated a much-needed momentum for the regional cooperation component, in addition to bringing back to EU's attention the geostrategic role of the Western Balkans and their related European perspective.

⁷ National Strategy for Development and Integration (NSDI) 2015-2020 lies under the competencies of the SPDU. This document represents the main national strategic overarching document for the country, which combines the development perspective and the European integration of the country. NSDI provides for the policy priorities and the main development directions to be implemented within 2020, while providing guidance for the financial and macroeconomic perspective. NSDI provides for a natural frame to include the Berlin Process under the main policy priorities and allocation directions for the country. NSDI was approved by the CoM with decision No. 348 on May 11th, 2016.

II. INSTITUTIONAL FRAMEWORK AND MECHANISMS FOR PROJECT FINANCING

In order to be eligible for EU funding, the European Commission has set up a list of preconditions that should be fulfilled before the country receives the requested financial contribution. Their fulfillment not only makes the selected projects more viable (as it shows WB6 institutional commitment), but also shows the capacity of those countries to adopt the EU infrastructure network development methodology and align its working practices at the same level of functioning as the one of their EU counterparts.

The preconditions clarify the fiscal capacity of WB6 to co-finance or to raise through loans the amount necessary to finance large infrastructure works. They cover as well the whole process of identifying, preparing, submitting and implementing the selected infrastructure projects. The pre-conditions deal with the setting up and operationalization of proper structures and mechanisms inside the government and the set-up of a specific consultation process between WB6 governments, as well as amongst different levels of one government and amongst different institutions (Ministries, directorates, agencies, etc).

Starting relatively late when compared with Serbia or Montenegro⁸, Albania has established and made functional the principal structures and mechanisms of project identification, financing and implementation. The most important are the Single Project Pipeline and the National Investment Committee. Also the training of the staff has been proceeded with.

As we will see below, the main challenges remain in the widening of the consultation during project identification to involve other actors other than the central government institutions; the identification and freeing of fiscal space for the co-financing; and the need for ever-increasing quality of preparation of the project documents that are to be submitted for financing.

II.1. Co-financing of Infrastructure by the WB Countries and its impact on fiscal space

The financial gap⁹ for implementing the connectivity projects remains particularly high in all WB6 –. Given the state of the economy, the budgetary situation and the size of public debt, there is an evident lack of fiscal space in the national budgets of WB6 countries for such amounts of co-financing that large infrastructure projects require. As it will be analyzed in the further sections the national co-financing allocated to specific projects is quite small when compared what is being asked from IFI and EU.

Aware of that fact, the initial financial support of the European Commission and DG NEAR to the connectivity agenda has received a substantial increase of the available funding. To top up the national share, circa € 100-150 M per annum of regional Instrument for Pre-Accession (IPA II) funds have been earmarked for connectivity projects – for co-financing in the period 2015-2020¹⁰. Those funds support the development of infrastructure in the Western Balkans not only

⁸ The Methodology for selection and prioritization of infrastructure projects in Serbia has been adopted by the Government in November 2013 as an annex to the document “National Priorities for international assistance in the period 2014-2017 with the projections until 2020” (Republic of Serbia, European Integration Office “Methodology for selection and prioritization of infrastructure projects”).

The National Investment Commission of Montenegro adopted the Methodology for Selection and Prioritization of Infrastructure Projects in its meeting of 18 May 2015.

⁹ “financial gap” can be described as the difference between the total cost of the infrastructure investment and the money available, notwithstanding its source, at the time of the preparation and approval of SPP

¹⁰ Instrument for Pre-accession Assistance (IPA II) 2014-2020: MULTI-COUNTRY, Co-financing of Connectivity Projects in the Western Balkans

by Technical Assistance (financing studies and preparatory documents etc.), but also through financing of an important share of the works planned for investment costs.

The Western Balkans Investment Framework (WBIF) has been identified as the most suitable instrument to allocate these funds and to ensure efficient and coordinate fund allocation. Regarding the infrastructure financing, IPA II regional funds were made available for co-financing investment projects under the connectivity agenda only (transport and energy), while the IPA-funded technical assistance (TA) may cover all four sectors (energy, transport, environment, social).¹¹ IPA II regional funds are primarily to be used for transport projects on the core transport network, and energy projects on the PECE list.

In October 2014, IPA Steering Committee approved the new WBIF methodology, including:

- **Co-financing of investments**, where the main principle is to support implementation of mature regional projects subject to a maximum co-financing threshold per sub-sector (for an overall 20% rate, with the exception of the railway sector for which the co-financing rate is 50%); and
- Establishment of **National Investment Committee** frameworks (NICs) in the IPA II beneficiaries. The NICs are responsible for defining and managing the prioritized **Single Project Pipelines**, and serve as a basis for programming of all available financing sources (incl. national, EU and other donors and / or creditors such as International Financial Institutions); and
- New allocation structure of IPA regional funds through the WBIF, following the new financial regulation.

The EU **criteria and conditions** applied for the list of potential projects for **co-financing** under 2015 IPA were set to be:

- Projects must be **mature** (technically and financially);
- Projects must be subject of the **Connectivity Agenda** (TEN-T core network for transport; and PECE list for Energy);
- Country strategy papers agreed, and a **country sector policy** should be in line with EU standards;
- Projects must be confirmed by a first draft of prioritized **Single Project Pipeline and discussed by a NIC** (or similar body as per WB6 country), before summer of 2016.

The following table illustrates the figures of financial allocation granted to Albania from WBIF in its three rounds taking place in 2015 according to the new criteria and the conditions described above:

¹¹ *ibid*

Table 1: WBIF Financial Assistance to Albania in 2015¹²

Round of call	Amount	Typology	Sector	Project Name
Round XIV	€ 2.5 MiO	Grant	Transport / Road	Feasibility study for Adriatic Ionian highway/expressway (route 1 & 2)
Special Round	€ 14 MiO	Investment	Energy	ALB – MKD Power Interconnector (Elbasani – Bitola, Albanian section) with grid extension ¹³
Round XIII	€ 0.72 MiO	Technical Assistance	Transport / Rail	Feasibility Study for the rehabilitation of the railway line Durres – Pogradec - Lin-and new rail line link to border with FYROM
Total	€ 17.22 MiO			

Source: Strategic Planning and Development Unit (part of Department of Development, Financing and Foreign Aid) at Prime Ministers' Office (SPDU)

The total amount of financial assistance received from Albania constitutes 12% of the total financial assistance allocated by WBIF to the WB6.

Albania applied also under the 15th Project Application Round of WBIF launched on 16 December 2015, for three projects in the transport sector:

1. A detailed design study for the rehabilitation of Vora – Hani i Hotit railway line;
2. A detailed design for the rehabilitation of the Durrësi – Pogradeci – Lini – to border with FYROM railway line;
3. A feasibility study for the construction of a new railway connection between Pogradeci – Korça – to the border with Greece.

In addition, Albania submitted under the **WBIF 1st Call for Proposals for Investment Projects** on 31 March 2016, the grant application form (GAF), for the project “*Rehabilitation of railway line Durrësi – Tirana and construction of a new railway line to Rinas Airport (TIA)*”. This project meets all the criteria laid down for the 1st Call and is of strategic relevance for the region since it’s part of the latest 2016 SEETO MAP, VIII rail corridor, as well as of the Core Network (CNC) in Albania.

In June 16, 2016 the Steering Committee of WBIF will formally approve¹⁴ three projects relevant to Albania:

1. A detailed design study for the rehabilitation of Vora – Hani i Hotit railway line;
2. Preliminary design Regional Project Ionian Adriatic Pipeline
3. Pre-feasibility study for Albania-Kosovo Gas Pipeline

The European Commission has launched in February 13, 2016 a call for Technical Assistance to Connectivity in the Western Balkans - Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, and Serbia¹⁴. The budget for this technical assistance is EUR 9.354 million. The purpose of the technical assistance facility to connectivity in the Western Balkans is *to contribute to the preparation of high priority transport and energy*

¹² “SPP Presentation” prepared by DDCSPFA in April 2016 in occasion of the launch of SPP revision process for 2016 and “Annual Report of EC 2016 Albanian Contribution – Input I September 2015- May 2016” (Albanian Ministry of European Integration)

¹³ Cit. WBIF

¹⁴ https://ec.europa.eu/europeaid/home_en

connectivity infrastructure projects, ensuring their technical and economic viability, in order to bring them to maturity for investment co-financing. The facility will also provide support for the preparation and implementation of short and medium terms regional reform measures in the transport sector. The facility is expected to participate to the overall objective of developing a regional energy market and the extension of the electricity and gas networks as well as of the Trans-European Transport Core Network (TEN-T core network) in the Western Balkans region.

The co-financing needs for the new regional projects subject to inclusion in SPP 2016 will be known only when the Project Identification Fiches of 2016 will be completed. It is planned for the identification process to end mid-June so that some of the data will be ready for the Paris Summit of the 4th of July.

However, given the state of fiscal performance of the Albanian budget the fulfillment of this target remains one of the challenges of the government. To solve this issue alternative sources of financing are actively looked for, where the most important is the involvement of the private investors and international financing institutions.

According to the consolidated fiscal indicators as published by the Ministry of Finance, for the period January – May 2016, even if the Total Income has been increasing yoy by 8,1%, the Capital Expenditure has decreased by 22,4%.

II.2. Establishment of the Single Project Pipeline

The production of a single project pipeline for priority investments is a precondition to receiving IPA II support for co-financing investment in infrastructure¹⁵. The EU will finance the projects presented by the Albanian government only if they are part of that list, and ranged by order of strategic importance. This pre-condition is crucial for both EU and Albania in order to prioritize the earmarked financial support and support their allocation as per the long-term development and integration strategy of the country.

The Albanian single project pipeline is a flexible instrument aiming to support the implementation of the National Strategy for Development & Integration (NSDI) 2015-2020, by linking investments planning (SPP) and program budgeting (Mid-Term Budget Planning instrument - MTBP). It also aims to avoid an *ad hoc* approach to planning, preparation and implementation of infrastructure projects, by enabling systematic and timely planning of resources.

SPP involves the establishment of a complex, specialized and coordinated mechanisms amongst the ministries and at many levels of the executive branch. In our earlier study¹⁶ we identified seven steps that constitute this process:

- 1st **Step:** Establishment of Sectorial Strategic Management Group (SSMG)
- 2nd **Step:** Preparation of Strategic Relevance Criteria of Project Identification Fiches and training of Albanian staff
- 3rd **Step:** Preparation and submission of PIFs
- 4th **Step:** Strategic Management Group and the Completion of Strategic Relevance Assessments

¹⁵ Joint Statement of the WB 6 Prime Ministers on Core Network and priority Projects, Brussels, 21 April 2015.

¹⁶ "Albania in the Berlin Process: Current Achievements and Upcoming Challenges for the Paris Summit", at: <http://shtetiweb.org/2016/02/02/albania-in-the-berlin-process-current-achievements-and-upcoming-challenges-for-the-paris-summit/>

- 5th Step: Finalization of four SSPPs and consultation with donors
 6th Step: Finalization, consultation and approval of the Single Project Pipeline
 7th Step: Closure of the process

The GoA has drafted for the first time a national Single Project Pipeline (SPP) in 2015 covering the four WBIF strategic sectors: transport, energy, environment and social infrastructure. It also aims to complement the wider regional investment projects part of the Berlin Process.¹⁷

By early-September 2015, the total number of submitted Project Identification Fiches part of SPP, amounted to 112. After careful assessment, it has been reduced to 78 (as shown in table 3) prioritising the more mature projects. As indicated in our report of November 2015¹⁸, project quality was affected mainly by the capacities of government staff (in terms of persons involved), lack of an approved National Strategy for Development and Integration 2015-2020, and of a Sector Strategy for Transport and Energy for the timeframe 2015-2020.

Table 2: SPP list by September 2015

No.	Sector	No. of submitted PIFs	No. of assessed projects	Estimated cost/sector (in million EUR)
1	Energy	13	13	175
2	Transport	13	13	1.193
3	Environment	20	20	508
4	Social issues	32	17*	165
Total		78	63	2 041

Source: Strategic Planning and Development Unit (part of Department of Development, Financing and Foreign Aid) at Prime Ministers' Office (SPDU)

The National Investment Committee at its meeting of December 9, 2015 approved the first SPP – 39 projects - and presented to both EU and WBIF. It contained 15 regionally relevant projects (or projects pertaining to WB6 Connectivity Agenda) and 24 national relevant projects (impacting Albania only). The total financing needs topped EUR 1.899 billion and presented a 92% financing gap (only 141 million Euro is covered through grants/loans or budget).¹⁹

In March 2016, the above SPP list was revised by adding two additional projects focused on the Energy sector, bringing up the number of projects presented for financing at a total of 41. The following table provides updated information on the current SPP and the project nature. They are classified by degree of maturity:

- *mature* being those that have completed the feasibility studies, environmental and/or social impact assessments, cost-benefit analysis, project designs, etc.); and
- *non-mature* the ones that miss one or more of those components.

The following table provides data elaborated by SPDU during the first launching workshop of the SPP second revision process for 2016.

¹⁷ NERP 2016-2018, pp 6.

¹⁸ Albania in the Berlin Process: Current Achievements and upcoming challenges for the Paris Summit, Shtetiweb / Cooperation & Development Institute, November 2015, <http://cdinstitute.eu/web/wp-content/uploads/2016/02/ANGLISHT.pdf>

¹⁹ Cooperation and Development Institute, "Albania in the Berlin Process: Current achievements and upcoming challenges for the Paris Summit" Fall 2015, January 2016.

Table 3: SPP list by April 2016

No.	Sector	Total Projects	Non-mature	Mature
1	Energy	10	6	4
2	Transport	13	7	6
3	Environment	8	7	1
4	Social issues	10	6	4
	Total	41	26	15

Source: Strategic Planning and Development Unit (part of Department of Development, Financing and Foreign Aid) at Prime Ministers' Office (SPDU)

The current phase of SPP completion shall end in September/early October 2016 with the approval by the NIC of the SPP revised list. However by end of June 2016, the GoA has planned to have the national projects list to be presented in the Paris Summit.

The SPP is supported by a Methodology whose aim is to define clear procedures/criteria for the administrative and technical process of the preparation of Single Project Pipeline. The Methodology includes a list of activities to be implemented and a set of templates that need to be filled in so that a specific project can be included in the Single Project Pipeline.

Based on that Methodology, the Government of Albania launched in April 13, 2016 the second cycle of SPP revision for the sectors of Transport, Energy, Environment, and Social and Business Development. Business development is a novelty that has been recently included based on the difficulty of particular projects to be included in the other categories. This revision process coincides also with the Mid-Term Budget Planning 2017-2019 and is expected to have also an impact on the overall financial management and sources of funding.

The following table illustrates more in details the calendar of the Methodology of SPP elaboration:

Table 4: SPP Process Calendar

Schedule review of the National Package of Strategic Priority Projects /SPP			
	Proposed measures	Institution	Date
1.	Launching Workshop of the review process of the SPP.	General Secretariat, CoM	13-14 April 2016
2.	Confirmation of the Ministers Orders regarding the functioning of Strategic Sector Managing Group (SSMG).	Line Ministry (Line Ministry)	20 April 2016
3.	Project identification and agreement on the methodology criteria regarding project assessment by the thematic groups /IPMG	SSMG/ML/GT-IPMG	27 April 2016
4.	Submission to the General Secretariat of the correspondence dossier regarding the agreement on the methodology criteria for the sectorial assessment of the projects.	LM	27 April 2016
5.	Filling of the Project Identification Forms (PIFs) for each of the sectors by the respective SSMG according to the agreed criteria.	SSMG/ML	11 May 2016
6.	Meeting of thematic groups /IPMG and PIFs' assessment for the respective sectors.	ML/ST/IPMG	13-20 May 2016
7.	Submission for evaluation to the General Secretariat of PIFs and assessment of Identification Forms and the entire package to	General Secretariat, CoM	20 May 2016

	each project (PFS, FS,DD) addressed to the General Secretariat.		
8.	Confirmation from the General Secretariat related to the PiFs' assessment on corresponding sectors.	General Secretariat, CoM	20-27 May 2016
9.	Strategic assessment/Grid Assessment from SSMG for PiFs'/ projects on corresponding sectors according to the agreed criteria.	SSMG/LM	20-27 May 2016
10.	Preparation of financial and impact analyses regarding assessed projects in accordance to the pointing and criteria methodology as agreed for this sector.		4 th week May
11.	Delivery at the General Secretariat of SRA and Financial Instrument FET on corresponding sectors from SSMG according to the agreed criteria.	SSMG/LM	4 th week May
12.	Confirmation from the General Secretariat related to the PiFs' assessment on corresponding sectors.	General Secretariat, CoM	1 st week June
13.	Consult to development partners and groups of interest from SSMG regarding a unique sectorial pip on projects of thematic groups/ IPMG	MEI/GMSSE/ST/Partners/Groups of Interest	1-3d week June
14.	Reflection from SSMG on comments and suggestions on the corresponding sectorial package and analysis preparation.	SSMG/LM	4 th week June
15.	Preparation of sectorial package and analysis regarding projects and presentation in IPMG.	SSMG/LM	3d-4 th week June
16.	Finalization from SSMG of the unique sectorial index on SSPP projects and delivery of the final package to the General Secretariat.	SSMG/LM	4 th week June
17.	Prioritized and inter-sectorial strategic assessment from the Budget Management Group (BMG).	General Secretariat/BMG	4 th week June-4 th week Aug.
18.	Preparation of project passports and analysis of inter-sectorial strategic impact.	General Secretariat	4 th week June-4 th week Aug.
19.	Consult of development partners of a unique national package of strategic prominence projects.	General Secretariat	2 nd week Sept.
20.	Meeting of the Strategic Planning Committee/National Investment Committee and presentation for approval of the unique national package.	General Secretariat, CoM	4 th week Sept.-1 st week Oct.

Source: Strategic Planning and Development Unit (part of Department of Development, Financing and Foreign Aid) at Prime Ministers' Office (SPDU)

In conclusion, the pre-conditions consisting in the establishment of the Single Project Pipeline and of the respective Methodology can be considered as completed.

Moreover recognizing the utmost importance of a timely and high quality SPP process, the European Commission has launched the tender procedures for proving support to the GoA through a technical assistance of EUR 4,8 Million. This support will consist in *technical assistance to Sector Working Groups (SWG) to coordinate sector reform cycle and develop national sector programmes*. This contract will provide technical assistance to strengthen the capacities of relevant Albanian institutions for IPA II management (programming, implementation, monitoring and evaluation). It will also improve the institutional mechanisms, capacities and procedures for strategic and integrated planning at central level and sector level (Integrated Policy Management Groups). It will establish of a national investment prioritization system,

create a Single Project Pipeline facility, and strengthen the capacities of the National Investment Committee.²⁰

II.3. Establishment and functioning of National Investment Committee

The next pre-condition in order to manage such project pipeline, the European Commission requests by each WB6 country the establishment an **institutional mechanism** completed with the respective procedures/criteria for the selection of projects.

The institutional context has been completed in Albania by the establishment of the **National Investment Committee** (NIC) as per EU requirements. NIC was established through the Order of the Council of Ministers (CoM) No.18, date 22.1.2014 “*On the Establishment of the Strategic Planning Inter-ministerial Committee*” and through the Order of the CoM No. 113, date 26.08.2015 “*On some amendments to the Order of the CoM No.18, date 22.1.2014 on the Establishment of the Strategic Planning Inter-ministerial Committee*”. The later Order clearly attributes to the already existing Strategic Planning Inter-ministerial Committee the role and functions of the National Investment Committee.

NIC role consist in “*planning, prioritizing, forecasting the financial support and approving the big investments and regional projects with a specific importance for Albania and regional cooperation*”. It is chaired by the Prime Minister and is composed by:

- Vice Prime Minister
- Minister of Finance
- Minister of Economic Development, Tourism, Trade and Entrepreneurship
- Minister of European Integration
- Other Ministers as specified in the specific meeting agenda

During the last six months NIC has held the following meetings²¹:

- On 9 December 2015, NIC approved the National Single Project Pipeline (SPP) which included 39 projects (15 projects of regional relevance and 24 of national relevance);
- On 8 February 2016, NIC approved five projects that were submitted in the 15th Round of WBIF for financial support;
- On 21 March 2016, NIC assessed the update of the SPP with two new projects (Development of Skavica Hydro Power Plant and Ionian – Adriatic Gas Pipeline (IAP)) and the projects proposed to be submitted to the First Call for Investment Applications, 2016 (co-financing), under the WBIF.

NIC is being supported by the Secretariat which is a very important structure regarding the coordination of the day-to-day work and the support to NIC work. In Albania it is the SPDU that assures the role of the secretariat. In the 1st semester 2016 the Secretariat has been beefed up with additional human resources.

In order for the NIC to be functionally enhanced as per requirements and needs of the process, European Commission will provide technical assistance to strengthen the capacities of relevant Albanian institutions for IPA II management (programming, implementation, monitoring and evaluation). As explained above, it will also improve the institutional mechanisms, capacities

²⁰ https://ec.europa.eu/europeaid/home_en

²¹ “Annual Report of EC 2016 Albanian Contribution – Input I September 2015- May 2016” (Albanian Ministry of European Integration)

and procedures for strategic and integrated planning at central level and sector level (Integrated Policy Management Groups). It will establish of a national investment prioritization system, create a Single Project Pipeline facility, and strengthen the capacities of the National Investment Committee.

II.4. Berlin Process, NSDI and Economic Reform Program 2016-2018

By focusing the Economic Prosperity and Connectivity, the WB6 agreed that economic policy and its governance in the Western Balkan countries will be further enhanced through the preparation of annual **Economic Reform Programs** (ERPs). In this document, the participating States agree on the need and the implementation of sectoral structural reforms, aiming to improve physical and human capital, industrial structures, the business environment and trade integration in order to boost competitiveness, employment and long-term growth.

The Western Balkan countries also underline the responsibility of social partners to further economic prosperity. In this spirit, they recognize their significance by systematically involving the social partners in the economic reform processes. Concretely Albania's Economic Reform Program 2016 - 2018²² preparation is lead by the Ministry of Economic Development, Trade, Tourism and Entrepreneurship. It outlines the main macroeconomic and fiscal policy aspects as well as priority structural reforms planned by the Government of Albania (GoA) in the medium term future for strengthening the domestic economy and stimulating sustainable growth and increased competitiveness.

While progress has been made over the years, Albania's transport and energy infrastructure is still not sufficiently developed. The finalization and implementation of the transport strategy 2016-2020²³, as well as the National Energy Strategy are expected to improve overall transport and energy infrastructure in the country and are highlighted as a priority in National Economic Reform Program 2015 recommendation 7: *"Adopt and start to implement the transport strategy and action plan for 2016-2020. Focus investments on the core network. Adopt and start to implement the national energy strategy and the Power Sector Law, including speeding up the unbundling of the energy sector. Prepare single sector pipeline of priority investments for both transport and energy"*.

ERP 2016-2018 was approved with the Decision of the Council of Ministers no. 52, dated 27.01.2016 *"For the adoption of the Economic Reform Program (ERP) 2016-2018"*. The ERP 2016-2018 presents 17 reforms measures and puts a particular focus on connectivity and sector development. Four out of 17 policy reform measures are clearly and directly linked to energy and transport connectivity, with a first attempt to measure the net budgetary impact for the state budget in the period 2016-2018 for their implementation.

In conclusion, regarding the precondition of alignment of NERP, NSDI and of the Berlin Process related processes, the Albanian government is lacking in the adoption of the sector strategies for energy and transport. The latter has been drafted with the assistance of EC, while the first has started its drafting process with the assistance of USAID.²⁴

Meanwhile, the **NSDI 2015-2020** has been adopted by the GoA in the 2nd week of May 2016. The alignment of the national connectivity agenda for the sectors of transport with the EU Connectivity Agenda and Networks and energy are covered explicitly in this document.

²²http://www.ekonomia.gov.al/files/userfiles/Albania_s_Economic_Reform_Programme_2016-2018.pdf

²³ European Commission, Commission Staff working document, Albania 2015 Report, 10.11.2015, p. 31.

²⁴ Cit. Ministry of Energy and Industry

III. CONNECTIVITY IN TRANSPORT SECTOR

This section will analyze the progress achieved by the Government of Albania in implementing the conclusions of the Summit of Vienna, with regard to **Economic Prosperity** and **Connectivity**. Under this pillar, in Vienna the WB6 countries agreed on the three EU core network corridors to be extended to include the Western Balkans. National priority projects along sections of these corridors and on other important sections of the core network were considered for possible EU co-funding over the next six years.²⁵

Moreover, as mentioned above, the WB6 countries agreed to fully implement before the Paris Summit, the priority list of 'soft measures' - elaborated by SEETO and Energy Community Secretariat - regarding the transport and energy sectors respectively. The soft measures geared to: i) further liberalize the railway transport market in SEETO member countries; ii) improve the competitiveness, reliability and safety of national transport systems; and, iii) increase the effectiveness of cross border control procedures.

The implementation of these 'soft measures', aims to complement the infrastructure investments by opening the markets, eliminating trade barriers and generating a transparent regulatory environment.²⁶ Those reforms will ensure that the networks are optimized and fully used. They are called 'soft measures' in order to distinguish them from the 'hard measures' (the latter involving investment in infrastructure).

Parallel to the launching of the "soft measures" the WBIF Secretariat, DGNEAR launched a "Connectivity Networks Gap Assessment" exercise in the WB6 countries, which aimed to cover the connectivity of the WB6 with neighboring countries along the TEN-T and TEN-E networks. The geographic coverage of this study covered the six countries of the WB that are eligible for grants under WBIF, and IPA program. The scope of the study was to identify the needs in terms of project preparation and overall investment to achieve the targeted connectivity, while assessing the maturity of identified projects.

While waiting for the above assessment to be published and consult the findings on Albania, this section will outline the achievements of the Albanian Government in implementing the soft measures agreed in Vienna Summit as well as provide an update on the state of arts of connectivity infrastructure projects approved in Vienna Summit.

III.1 Transport connectivity

Extending the core network corridors to the Western Balkans ensures closer integration with the EU as well as the basis for leveraging investment in infrastructure, such as EU support through the Western Balkans Investment Framework and the Connecting Europe Facility. The core network corridors, once completed, will provide quality transport services for citizens and businesses, with seamless integration within the region as well as with the EU. The priority projects will help remove bottlenecks, promote interoperability, and build missing cross-border connections.

²⁵ Final Declaration by the Chair of the Vienna Western Balkans Summit, 27 August 2015

²⁶ Hackaj, K and Madhi, G, "How 'Berlin Process' will affect Albania's economic position?", Ministry of Foreign Affairs, Research Paper, January 2016, pp-7.

III.1.1 Advancement of infrastructure projects in Transport

The development and modernization of transport infrastructure is of key importance for the Albanian Government. The strategic priority as per National Strategy for Development and Integration 2016-2020 is the: a) acceleration of the integration of the national transport system and; b) the creation of an integrated market inland (road and rail), sea and air. The main objective for the period 2016-2020 is to “..develop an efficient transport system, integrated in the regional and EU network,..”.

This goal has been translated in concrete hard and soft measures. The Albanian Minister of Transport and Infrastructure has appointed the Strategic Sector Managing Group in charge of identifying and preparing the list of project with strategic relevance (with order no. 112 dated 3.08.2015).²⁷ The projects identified in this list that satisfy the WBIF co-financing eligibility criteria can be submitted for funding to WBIF and / or other financial institutions.

In June 2015, WB6 Transport Ministers met with EU Transport Commissioner, Violeta Bulc, at the TEN-T Days in Riga, and tentatively identified three EU core network corridors to be extended into the Western Balkans. Those three networks would be completed with identified priority projects along sections of these corridors for possible EU funding over the next six years.

In this approach, Albania is concerned by one Regional Project belonging to the so-called **Mediterranean Corridor**.

Map 1. SEETO Comprehensive Network Roads



Source: SEETO website

²⁷ NSDI, pp. 11

²⁸ Totozani A., “Single pipeline project on the Core/Comprehensive Networks in Albania”, Sarajevo, 22 March 2016

Table 5: Pre-identified Project of the Mediterranean Corridor

Project	Typology	Components	Status ²⁹
Croatia / Montenegro border – Bar – Montenegro / Albania border – Lezhe – Albania / Greece border Albania / Montenegro border – Lezhe – Tirana – Albania / Greece border	<u>Road Studies</u> (feasibility study, detail design, EIA) and works.	1) Feasibility Study for the Adriatic-Ionian Motorway/ Expressway WBIF grant, 4 million EUR (2.5 ml Euro to Albania and 1.5 ml Euro to Montenegro)	Ongoing A feasibility study is planned to be conducted in order to assess and address these physical impediments. The grant is approved by WBIF, in December 2015, Round 14 and this grant is requested to prepare the feasibility study and technical documentation of the Adriatic-Ionian highway/expressway going through the Montenegro and Albania Territory. The ToRs of the feasibility study are being prepared. The Feasibility study will include a detailed analysis to justify the investments, the priority interventions, aiming to obtain financial support from different IFIs. ³⁰ Budgetary impact forecasted in ERP 2016-2018: 20% VAT of the grant sum (EUR 500,000) as local cost for year 2016. ³¹
		2) Route 2c – Construction of Levan – Tepelene (95% completed) Total cost 106 million EUR	Almost completed.
	<u>Road Studies and works</u> for sections Thumane – Kashar/ Vore, Lezhe bypass and Tirana By Pass. Studies ongoing, works needed on Tepelena bypass	Adriatic-Ionian Motorway/Expressway – Route 1/Route 2b/ Corridor VIII/Route 2c (ALB) = Total est. cost 698 million EUR	In preparation based on the Multi-Annual Plan (MAP) Priority Project list of SEETO
		I. Route 2b - Upgrade of Thumane-Kashar- Vore Road connection node = Total est. cost 90 million EUR	The total cost as per SPP 2: EUR 100 M, out of which, potential WBIF grant is EUR 20 M and potential Loan is around EUR 80.3 M from EBRD. ³² SPEA Engineering has been awarded from the Albanian Road Authority “Feasibility Study and Detailed Design of the road section connecting Thumanë – Vorë – Kashar”. The overall objective of this study is the preparation of an accurate and full design of a road section that adapts motorway’s standards, to improve the traffic in the most important corridors of Albania: North – South corridor, East – West corridor and Durres – Morine corridor. The main objective of this study is to make a step forward in the important

²⁹ SEETO, “Overview of the Adriatic-Ionian Motorway (Mediterranean corridor)”, Regional Conference on the Investment Plan for Europe - Investing in Transport, 21-21 April 2016.

³⁰ Annual Report of EC 2016 Albanian Contribution – Input I September 2015- May 2016” (Albanian Ministry of European Integration)

³¹ GoA, Albania’s Economic Reform Programme 2016 – 2018.

³² “WBIF Call for Investments”, TS National Investment Committee.

			construction of Tirana By-Pass. EUR 1,1 M is the co-financing amount granted by state budget. ³³
		II. Route 2b – Construction of Tepelene bypass = Total est. cost 38 million EUR	The total cost of the project as per SPP 2 is EUR 28 Million ³⁴ with a period of implementation 2018-2020, without forecasting any budget under MTBP. However, MTBP 2016-2018 provides a budget forecast for “Project study of Tepelena By-Pass” of EUR 243.000 to be disbursed until 2018. Potential WBIF grant is around EUR 5.75 M and EUR 23.3 M remains potential loan from EBRD.
		III. Route 2b – Construction of Lezha bypass = Total est. Cost 24 million EUR	The total cost as per SPP 2 has been revised to cost EUR 24 Million ³⁵ , out of which EUR 10.35 M, have been forecasted in the state budget MTBP 2018-2019.
		IV. Construction of Tirana by-pass	Total cost estimated EUR 108.5 M.

Source: Strategic Planning and Development Unit (part of Department of Development, Financing and Foreign Aid) at Prime Ministers’ Office (SPDU) and concerned Line Ministry.

“Complete and modernize Albania’s primary and secondary road network” is the Strategic Priority 2 of the draft National Transport Strategy and its Action Plan 2016-2020. This objective is to be achieved by implementing a structured pipeline of road projects over the period 2016-2020, in line with the SSPP for transport. More specifically, the strategy foresees to implement during 2016 – 2020 the SSPP for transport (road mode) and other projects not included in the SSPP, according to i) strategic relevance score, ii) readiness and project funding status:

I. Adriatic - Ionian Corridor:

1. 2016 – 2020: Construction of the Fushe Kruja - Shkodra (doubling) road
2. 2016 – 2017: Construction of Tirana by-pass
3. 2016 – 2017: Construction of the Thumana – Kashar / Vora road
4. 2016: Construction of Tepelena by-pass
5. 2016: Construction of Lezha by-pass
6. 2016 – 2020: Construction of Gjirokaster by-pass

II. Route 7, Nis-Pristina-Durres:

7. 2016 – 2017: Upgrade of the Milot - Rreshen segment
8. 2016 – 2020: Completion of bridge and tunnel in the Morine – Kukes segment

III. Corridor VIII:

³³ Totozani A., “Single pipeline project on the Core/Comprehensive Networks in Albania”, Sarajevo, 22 March 2016

³⁴ The cost of the project under SPP 1 was EUR 29 Million.

³⁵ The cost of the project under SPP 1 was EUR 25 Million.

9. 2016 – 2020: Construction of Elbasan by-pass

IV. Albanian National network:

10. 2016 – 2020: Reconstruction of the Vlora River Road

11. 2016 – 2020: Starting construction of the Arbri Road section

In the NSDI 2015-2020, Albanian Government identifies as challenges* while developing the transport infrastructure the:

- timely financing and in the requested amounts of the mid-term investment program; and
- quality of the public works and their compatibility when compared to the EU standards.

While the first challenge is being dealt through the reform of income generation through establishment of pay-tolls, exploration of PPP, and TA for fund raising through international lobbying (more of that latter), the quality of public works is being dealt with through the soft measures (see below).

Regarding the financing, the Investment Plan of the draft Strategy for Transports 2016-2020 foresees a total cost of EUR 775.31 MiO to be covered by national budget for the above road sections (studies and constructions).

III.1.2 Situation regarding Soft Measures (i.e. regional and national)

The implementation of the soft measures is guided by an inter-institutional Working Group on Transport Facilitation (TFWG). This structure was established by the EC and the SEETO Secretariat with the goal to bring representatives from the member countries together with regional stakeholders. The TFWG includes representatives from the Ministries in charge of transport from the six Western Balkans countries, trade, custom authorities and border police, CEFTA Secretariat, transport industry, as well as EC services and international organizations dealing with transport and trade facilitation. The main aim of the TFWG is to monitor and guide the work for the implementation of the soft measures agreed in the Vienna Summit.

Soft measures in transport sector are divided in two categories:

a) Regional measures affect the whole region and can bring higher results in more than one country. They focus on two main issues: i) the opening of the transport market; and ii) the establishment of a competitive, reliable and safe transportation system. Each of the regional measures is composed of short-term national action goals to be achieved in 2016.

The soft regional measures concerning Albania are:

1. *Opening of the transport market / Definition of a framework for the implementation of the EU Freight Corridors, extended to the Western Balkans;*
2. *Establishment of competitive, reliable and safe transport system: (i) Adaption of Road Safety Inspection (RSI) guidelines and curriculum and delivering of trainings; (ii) Development and implementation of System of Exchange Excise Data (SEED) Plus to*

* NSDI pp. 11

support the CEFTA Framework Agreement on exchange of data and simplification of inspections; (iii) Definition of strategic framework for implementation of ITS on the Core Network; (iv) Adoption of Maintenance plan for 2016-2020 for the entire Core Network.

b) National measures affect the facilitation of transport and trade flows inside each country. They must be implemented by national authorities and / or in collaboration with the authorities of neighboring countries and are expected to provide a significant impact to the Core Network.

There is only one national soft measure concerning Albania i.e. *Effective Border Crossing Agreements - Implementation of the rail border crossing agreement between Montenegro and Albania as a part of Adriatic – Ionian Initiative project.*

c) State of Affairs. With regard to the soft regional measures, Albania has made a **steady progress**⁷ in their implementation. However, further efforts are needed to fully implement them by the Paris Summit deadline.

GoA is closely cooperating with the Secretariat of SEETO in order to identify the current situation and deficiencies, on the basis of which, the needed expertise should be more efficient. The Ministry of Transport and Infrastructure has completed on 17 February 2016 the respective questionnaires and submitted them to SEETO in view of the elaboration of the draft report *“Monitoring Soft Measures Implementation Progress Report”*. This report highlights the following progress achieved so far, as below:

- Albania drafted the new Railway Code, which encompasses relevant EU *acquis*. The draft Law is under the Governmental procedure;
- Albania has established the inter-ministerial working group to define the modalities and financial effects of the protocols deriving from the BCP agreement between Albania and Montenegro on the railway BCP. The relevant draft-protocol for railway infrastructure and customs is under preparation.

Moreover, the Ministry of Transport and Infrastructures has recently signed a Contract with the German-based Consulting Company "Roland Berger" (RB). Object of the agreement is the regional mechanism *"Project accelerator facility"* concerning the unification / standardization of joint regional proposals necessary to catalyze the development of projects in the region.

This consultancy contract assists the Ministry of Transport and Infrastructure in the preliminary assessment of the transport infrastructure project proposals. Those proposals are expected to be of high quality, and rated suitable for further processing in investment phase. RB will assist the GoA in the development of a contractual legal framework and cooperation at national and international level. The Company is also expected to further enhance the support of German stakeholders for the Albanian project proposals already in the pipeline.

With regard to the national measures and according to the SEETO methodology based on four progress indicators⁸, Albania has achieved a score of 27%⁹ regarding their implementation. This score is the highest compared to the other scores applied to the rest of countries for their respective national measures' progress. As an illustration, a view of measure 3 is presented in the table below:

⁷ SEETO, Monitoring Soft Measures Implementation: Progress Report Update No.1", April 2016.

⁸ (0) for no progress in implementation of the measure; (1) for progress on track; (2) for significant progress; and (3) for measure accomplished

⁹ SEETO, Monitoring Soft Measures Implementation Progress Report No.1-update April, 2016

Table 6: National Measures Progress in April 2016

National Measures	Sub-Measures	Sub-actions	Implementing structure in 2016	Scoring
3. Increasing the effectiveness of Border Crossing Procedures	3.1. Implementation of the border crossing agreement between Montenegro and Albania as a part of Adriatic – Ionian highway project	SA.1 Prepare and sign Border police agreement	SA. 1 Ministry of Interior	1
		SA.2 Prepare and sign Customs agreement	SA. 2 Customs	1
		SA.3 Prepare and sign Phyto-sanitary and Veterinary agreement	SA. 3 Ministry of Agriculture	1
		SA.4 Prepare and sign agreements between rail authorities	SA. 4 Ministries of Transport, Infrastructure Managers, railway undertakings	1
		SA.5 Staff education	SA. 5 Border Authorities	NA

Source: SEETO, *Monitoring Soft Measures Implementation, April 2016*

In order to implement the above soft measures and the Law no. 128/2012 "On ratification of the Agreement between the Government of the Republic of Albania and the Government of Montenegro for conducting border railway transport between the two countries", upon the initiative of the Ministry of Transport and Infrastructure it was organized in Tirana on 14.04.2016 the first joint meeting of Inter-Institutional Working Group of Albania and Montenegro. The core objective of this meeting was to finalize the joint protocols between respective counterpart institutions, deriving from the afore-mentioned agreement.

The finalization of the respective protocols is a commitment of the highest political level on both parts bearing from the Vienna Summit. The implementation of this measure with the signing of the protocols up to June 2016 is crucial to further financing from the European Commission in the future.

In conclusion, soft measures regarding the Transport Sector in Albania are mostly "on track". Additional efforts should be allocated to their advancement so as to make possible their accomplishment within the deadline.

III.2 Transport Single Project Pipeline

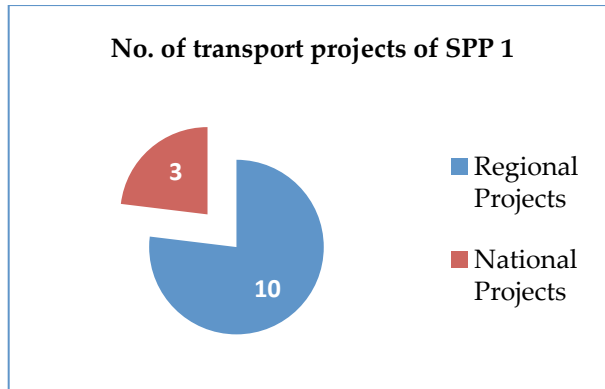
"Credible sector strategies and single sector pipelines are as important for us as they are for other investors. They will be pre-conditions for getting access to multi-country and national IPA funding for investment co-financing". This is what EU Commissioner Johannes Hahn declared at the meeting with Western Balkans 6 Ministers of Foreign Affairs and Transport in Prishtina on March 25, 2015.

The overall objective of the National Transport Strategy and Action Plan 2016-2020 is to: (i) further develop Albania's national transport system, and in addition to: (ii) significantly improve its sustainability, interconnectivity, interoperability and integration with the international and European wider transport system and region. The Strategy and Action Plan are in full alignment with the strategic vision of the Government of Albania and with the main concepts of the European Transport Policy. They take into consideration the Single Sector

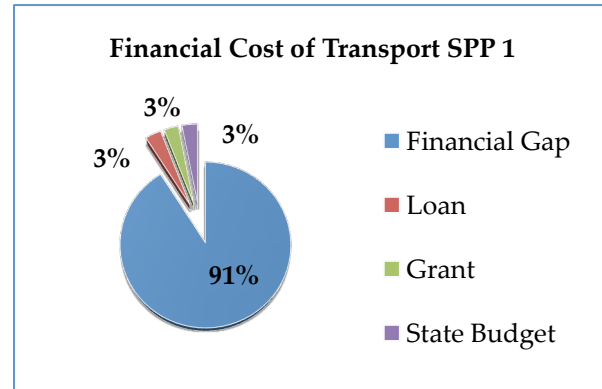
Project Pipeline (SSPP) for Transport that has already been prioritised by the Government of Albania (GoA).⁴⁰

Regarding forthcoming transport investments, the following road infrastructure projects are included in the prioritized SSPP for Transport approved by the National Investment Committee on Dec. 9, 2015.⁴¹

Graph. 1: Distribution Regional vs. National



Graph. 2: The Financial Gap



This second cycle of revision is attempting - besides providing update on existing projects on the list - to include new projects with an identified cost in the state budget for the period 2016-2018. The Ministry of Transport and Infrastructure has submitted the new list of strategic projects to the NIC Secretariat at Prime Minister Office consisting of 38 projects as below:

- 13 road transport projects
- 4 rails transport projects
- 1 sea transport project
- 12 road sector projects under the road section managed by Albanian Development Fund
- 8 road sector projects under the road section managed by the Agency for Regional Development

The total financial cost for transport projects of SPP 1 is around 1.2 Mld Euro. The financial gap constitutes around 91% of the total. However the financial figures are being updated regularly given the continuous revision process of SPP.

The Technical Secretariat of National Investment Committee will afterward carry out the strategic relevant assessment as per "Eligibility criteria" and "Criteria for strategic relevance".

⁴⁰ Technical assistance for the preparation of the Transport Sector Strategy in Albania, "Draft Final Strategy & Action Plan", DRAFT 0.1, 31 January 2016

⁴¹ http://www.ekonomia.gov.al/files/userfiles/Lista_SPP.pdf

IV. CONNECTIVITY IN ENERGY SECTOR

The heads of government, foreign and economy ministers of both EU Member States and the WB6 in cooperation with the European Commission, decided to take concrete steps to improve energy connectivity in the region by:

- Agreeing a short list of four investment projects in the area of energy, out of which Albania is concerned by one project.
- Agreeing on the priority list of 'energy soft measures'

This section will analyze the progress made in the implementation of the two main components of the Energy Connectivity group of measures.

IV.1 Infrastructure investment projects in energy

In the Vienna Summit the WB6 countries agreed to select and support four electricity infrastructure Projects – all belonging to Energy Community Interest (PECI). Those projects would be co-financed by investment grants budgeted under IPA 2015.

The following table provides detailed information the project (out of four) which is relevant to Albania, namely the *“Grid Section in Albania: Albania – Macedonia Power Interconnection (I)”*. This project is complementary to the other investment planned for the *“Grid Section in Macedonia: Albania – Macedonia Power Interconnection (II)”*, and connects the Albanian electricity distribution grid to the Macedonian one. Complementing the already existing Albania – Montenegro and the recently inaugurated Albania – Kosovo Power Interconnection Grids, this investment solidly anchors Albania in the regional power grid.

Map 2. Grid connecting Albania – Macedonia Power Inter-connections



Albania – the former Yugoslav Republic of Macedonia electricity transmission interconnections.

Table 7: Project of Energy Community Interest (PECI) approved in Vienna Summit concerning Albania

Project	Description of the Project ⁴²	The project in NERP 2016-2018	Implementation status
Grid Section in Albania: Albania – Macedonia Power Interconnection (I)	<p>This project is part of the EC’s initiative to establish an East – West electricity transmission corridor between Bulgaria, FYROM, Albania, Montenegro and Italy. The section between Bulgaria and Macedonia has been completed, and the construction of the submarine cable between Italy and Montenegro is underway. In addition, a new 400 kV connection between Albania and Montenegro is now in operation while an undersea cable between Albania and Italy is in the planning stages. In Albania a 400 kV transmission system will connect Fier to Elbasan and from there to the border with Macedonia. Two substations will be upgraded as part of the project.</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> • Albanian power transmission system integrated into the European energy market. • Approximately 130 km of 400 kV overhead transmission line from Fier to the border with Macedonia. • Fier and Elbasan substations upgraded. 	<p>The project falls into the Reform Measure 1: “Further liberalization of the energy market”. Completion of 400 kV Interconnection line Elbasan (Albania) - Bitola (FYROM) is expected to be realized in the period 2016-2018.</p> <p>The project is financed by the following budget sources:</p> <ul style="list-style-type: none"> - EUR 50 million from KfW (loan), - EUR 15 million from WBIF (grant), and - EUR 5 million from OST sh.a (including VAT). <p>Total net budgetary impact on Albanian budget is 0.⁴³</p>	<p>The feasibility study is completed. Currently, the approval of the financial agreement between Government of Albania and German Bank KfW for this interconnector is being prepared. Moreover, an international and open Tender for engineering design and project management services (implementation consulting services) required in the construction of new and extension of existing high-voltage power transmission infrastructure in Albania with deadline May 12, 2016 has been launched by OST. Implementation of the following measures are the objectives of this tender:</p> <p><u>Project Measures:</u></p> <ol style="list-style-type: none"> a) Construction of a 400 kV single circuit transmission line between Elbasan and Qafe-Thane (Albanian/Macedonian border); b) Construction of a 400 kV single circuit transmission line between Elbasan and Fier; c) Reconstruction and extension of 400 kV substation Elbasan 2; d) Reinforcement and extension of 400 kV the substation Fier.

In addition, Albania in cooperation with the Republic of Montenegro applied to 15th Round of WBIF on 28.02.2016 for funding to prepare the “Preliminary and main design of the technical project for Albanian and Montenegrin sections of the IAP project”. The value of the grant requested is 5.5 million euro (3 million euro for the Albanian section, and 2.5 million euro for the Montenegrin section). The gas pipeline from Greece to Italy via Albania and the Adriatic Sea [currently known as “Trans Adriatic Pipeline” (TAP)] is part of the “Priority corridor Southern Gas Corridor (SGC)” included in the Projects of Common Interests (PCI) approved in November 2015.⁴⁴

Meanwhile in cooperation with the Republic of Kosovo the Ministry of Energy and Industry has applied to 15th Round of WBIF on 28.02.2016 for funding, to prepare the “Feasibility study

⁴² WBIF: Connectivity Agenda - Co-financing of Investment Projects in the Western Balkans in 2015

⁴³ ERP 2016-2018

⁴⁴ https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Instruments/Investments/PECIs/2016

and environmental assessment for a gas pipeline Albania – Kosovo”. For this project, an application is submitted to the Energy Community in order to include this project in the March 2016 Projects of Energy Community Interest (PECI) list. The total amount requested for funding the preparation of the feasibility study and environmental assessment for gas pipeline Albania – Kosovo is 1.75 million euro.

IV.2 Advancement in implementation of Soft Measures in Energy sector

Implementing the energy soft measures require comprehensive reform packages for most countries. The legislative bodies of each Western Balkans 6 country are expected to provide the necessary legal and institutional framework allowing the entities to successfully and timely implement the commitments made.

During the Forum Electricity held in Athens on 1.06.2016, the Energy Community Secretariat presented the following actions to be undertaken by the Albanian Authorities:

- Adoption of decision on Market Model (June Package currently in Council of Ministers);
- Adoption of a decision on the appointment of the public authority representative in the shareholder structure of the power sector companies (currently in Council of Ministers);
- Deregulation of prices for 35 kV customers (NRA) (planned for 1 July 2016)
- Phasing out regulation of network losses purchase price (NRA) (planned for 1 July 2016)
- Adoption of a new balancing rules (NRA)
- Adoption of a decision on phasing out exemptions from balance responsibility (NRA)
- DSO legal unbundling

The Forum welcomed the recently signed “WB6 Memorandum of Understanding on Regional Electricity market development and establishing a framework for other future collaboration” as an important step to move ahead with market reforms and market integration in SEE. This MoU hails the kick-off of concrete implementation projects in the spheres of market coupling and cross-border balancing. The Forum stressed the importance of starting concrete pilot projects for the implementation of cross-border trading and coupling. The Forum urged SEE Transmission Operators (TSOs), NRAs, PXs and Market Operators (MOs) to actively participate in the Programme Steering Committees (PSCs) established under the MoU and reiterated the WB6 TSOs’ call for nominations into the PSCs until 17 June 2016. The Forum called upon WB6 Ministries to support the MoU implementation process by actively providing the required legal framework, including legislative reforms that may be identified as necessary in the course of the MoU implementation. The Forum encouraged the involved parties to overcome the barriers that currently prevent stakeholders from all WB6 countries who are ready to sign the MoU.

The soft measures impacting Albania are presented in the table below:

Table 8: Progress in Soft measures⁴⁵

Soft Measures	Results	Target Date	Action Plan
Primary law	Accomplished		Law No. 43/2015 date 04.30.2015 "On Power Sector" is fully aligned with Directive 2009/72 / EC of the European Parliament and of the Council of 13 July 2009 concerning common rules of the third package of electric energy internal market, and the repeal of Directive 2003/54 / EC. This law was approved by the Albanian Parliament on 30.04.2015. The law was published in the Official Gazette no. 87 date 05.28.2015 and entered into force on 06.13.2015.
Complementary legal acts	In process	End of June 2016	<p>The Ministry of Energy and Industry is working on the reform of the power sector in the context of liberalization of the energy market, given that this process is closely linked with the new Law no. 43/2015 date 04.30.2015 "On Power Sector", and especially with its bylaws and the Energy Market Model.</p> <p>Regarding the implementation of Law 43/2015 date 04.30.2015 "On Power Sector", with order of the Minister of Energy and Industry no.123, date 05.08.2015, the working group "On approval of the bylaws of the law" On Power Sector" was established. The Working Group will deal with the drafting of laws, where the most important is "the model of the power market" and separation within the implementation of the third Energy package.</p> <p>The drafting of the "Market Model" power has been completed by the Norwegian Nord Pool consultants in collaboration with the internal structures of MEI. It is foreseen to be approved within the first 6 months of 2016. The Market Model is currently at the stage of consultation with line ministries.</p>
Organized day ahead market	In process	End of 2016	<p>This Measure is connected with "Market Model". The "Action Plan" is at a drafting and consultation stage with stakeholders. Albania is cooperating with the Norwegian government to realize the creation of "Market Model" and "Energy Stock Exchange" in Albania. Norwegian experience is intended to be used as a success story in the creation and functioning of the energy market. The Market Model is under consultation with Albanian line ministries.</p> <p>In the framework of the Berlin Process there is a strong orientation to enhance the relations among the Balkan countries through the interconnection lines. Albania has already functional interconnection lines with Greece and Montenegro. In June 2016 it will be inaugurated the completion of the 400 kW interconnection line with Kosovo, and it will soon begin the construction of 400 kW interconnection line with Macedonia.</p>
National balancing market	In process	End of 2016	ERE (Energy Regulatory Entity) is consulting with stakeholders on a preliminary draft regarding market rules.
Regional Capacity allocation	Progress on track		ERE has approved and is participating in the SEE CAO rules.
Price Deregulation	In process	End of 2017	The Albanian Government, in addition to the reforms concerning the electric power sector, has foreseen a further market liberalization by issuing, according to the calendar defined in Law no. 43/2015 "On Electric Power Sector", the provision on passing to the free market that supplies consumers with 35, 20 10 and 6 kW, which will lead to real market prices for these consumers.

⁴⁵ Energy Community Secretariat's, "Energy Community CESEC Report, 04/2016".

			<p>In order to achieve the market opening, Article 109 (Transitional Provisions), which provides access to the liberalized market for different costumers according to the level of voltage and power consumption, is included in the Law No. 43/2015 date 30.04.2015 "On Electric Power Sector".</p> <p>The Paragraph 1 of this article states: "Customers of electricity voltage of 110 kW and above, as well as any other customer, who regardless of the electricity level voltage grid to which is connected, has an annual consumption of electric power higher than 50 million kWh, at the time of entering into force of this Law, are considered to have gone in the liberalized market. Customers connected to the 35 kW voltage level are forced to go on the liberalized market not later than 30.06.2016, customers connected to the 20 kW voltage, not later than 12.31.2016, and customer connected to the level voltage 10 kW and 6 kW, not later than 31.12.2017. Customers connected to the 0.4 kW voltages have the right to freely choose their supplier". Only consumers of 110 kW voltage level and above, have currently gone on the liberalized market.</p> <p>Based on the decision No. 13, date 10.05.2016 of the Supervisory Council of OSHEE there were approved investments in measurement system for customers connected to 35 kW voltage level. OSHEE will carry out these investments in the measurement system for customers connected to 35 kW voltage level, to enable the creation of technical conditions of a lightened liberalized market in accordance to the deadline set in the calendar of the Law 43/2015 " On electric power sector "(June 2016).</p> <p>Also on June 15, 2016, it was approved by the Council of Ministers the DCM "On approving of the terms conditions and procedures for determining the supplier of last opportunity of electric power".</p>
DSO Unbundling	In process	End of 2017	<p>The separation process of distribution activities from supplying is still in progress. By order of the Minister of Energy and Industry No. 2, date 05.01.2016 was created a Working Group "On defining the measures to be followed for the restructuring of the Public Wholesale Suppliers and separation of the distribution activity from the supply".</p> <p>The distribution is still functionally connected to the supply. The law on the electricity sector requires separation from January 31, 2017 in opposition to the third energy package. OSHEE S.C (Electric Energy Distribution Operator) has prepared a plan of separation and has selected a consulting firm on these issues. Within June 2016 it is foreseen the implementation of a clear plan of measures.</p> <p>The Law No. 43/2015 date 30.04.2015 "On Electric Power Sector" defines the separation of OSHEE S.C. This will be specified further on in the "Market Model". OSHEE S.C will be divided into: "Distribution System Operator", which will own the physical assets, and "Electric Power Supply Operator" (could be one or more operators) who will be responsible to supply electricity to consumers.</p>
TSO Unbundling	Accomplished	End of May 2016	<p>The Law No. 43/2015 date 04.30.2015 "On Power Sector" defines the separation of OST (Transmission System Operator) S.C. This will be further specified in the Model Market. OST S.C will be divided into: "Transmission System Operator", which will own the physical assets and "Market Operator" will manage the relations of all participants in the energy market.</p> <p>The decision of the CoM No. 317 date 04.27.2016 "On establishing the public authority that represents the state as the owner of Companies' shares of the power sector" was approved. The decision came into force on May 5, 2016. According to this decision:</p> <ul style="list-style-type: none"> • The public authority, which represents the state as the owner of shares of the Albanian Power Corporation S.C, and the Electricity Distribution Operator S.C, is the Ministry of Energy and Industry.

		<ul style="list-style-type: none"> • The public authority, which represents the state as the owner of shares of the Transmission System Operator (OST), is the Ministry of Economic Development, Tourism, Trade and Entrepreneurship. • The Minister of Energy and Industry and the Minister of Economic Development, Tourism, Trade and Entrepreneurship appoint the members of the Supervisory Boards of the companies as specified in the paragraphs 1 and 2, within 30 (thirty) days from the entry into force of this decision, applying restrictions defined by law no. 43/2015 "On the Power Sector". • Since the entry into force of this decision, OST applies immediately to the Energy Regulatory Authority, for certification according to the procedure defined in Article 58 of Law no. 43/2015. • The Ministry of Energy and Industry applies the rights on OST, in accordance with the provisions of Law no.43/2015 "On Power Sector", and its state responsibility in this field. • The Ministry of Economic Development, Tourism, Trade and Entrepreneurship, the Ministry of Energy and Industry, the Albanian Energy Corporation, the Transmission System Operator S.C, and the Electricity Distribution Operator S.C, are in charge for the implementation of this decision. Hereupon, the separation of ownership of KESH S.C and OSHEE S.C from the property of OST is fully implemented. <p>Regarding the implementation of the paragraph 4 of the Decision of the Council of Ministers No. 317 date 27.04.2016 "On defining the public authority representing the State as owner of the shares of the power sector", ERE has requested OST S.C initiating the procedures for certification, in accordance to the certification rules of OST, approved by ERE through the Decision No. 154, date 11.12.2015.</p>
NRA Independence	In process	<p>Energy Regulatory Entity (ERE) is a public legal person, independent from any other public or private institution, which operates under the Law No. 43/2015 date 04.30.2015 "On the Power Sector" and Law No. 102/2015 date 09.23.2015 "On natural gas sector".</p> <p>The Board of Commissioners and the technical staff of ERE exercise their functions in an impartial and transparent way; operate independently from any market interest, institution, public or private entities. The cooperation of ERE with the responsible ministries for energy and other public institutions, is regulated by the Law No. 43/2015 date 04.30.2015 "On Power Sector" and Law No. 102/2015 date 23.09.2015 "On Natural Gas Sector".</p>

Source: Energy Community CESEC Report, 04/2016

In the last meeting organized by the Energy Community Secretariat in Montenegro on May 25-27, 2016, all Western Balkans countries was requested to implement the so-called "Immediate actions" prior to the upcoming Paris Summit. Albania is concerned by the following **Immediate Actions**:

Table 9: Immediate Actions in Soft Measure - Energy Sector

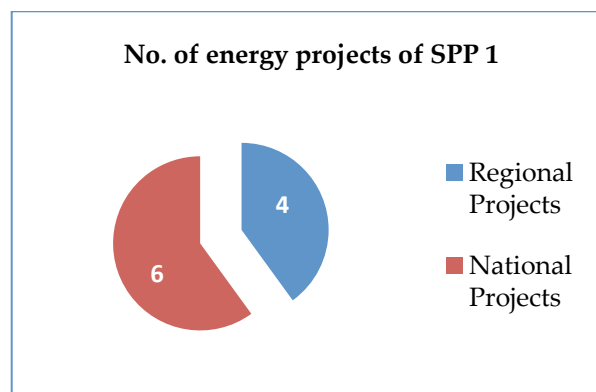
Immediate actions	Status	Description
Adoption of Decision on Market Model	In process June 2016	<p>The Ministry of Energy and Industry is working on the reform regarding the power sector in the context of liberalization of the energy market, given that this process is closely linked with the new Law no. 43/2015 date 04.30.2015 "On the Power Sector", and especially with its bylaws and the Energy Market Model.</p> <p>The model of the electric power market is being discussed with internal structures and external consultants. The preparation of the market model is carried out by the Norwegian Nord Pool consultants and is funded by the Norwegian government. It is foreseen to be approved within the first 6 months of 2016.</p>
Adoption of a Decision on the Appointment of the public authority representative in the shareholder structure of the power sector companies	Completed	<p>The decision of the Council of Ministers No. 317 date 04.27.2016 "On establishing the public authority that represents the state as the owner of shares of the POWER SECTOR" was approved. The decision came into force on May 5, 2016. Transmission System Operator S.c, and the Power Distribution Operator S.C, are appointed for the implementation of this decision.</p> <p>Therefore, the separation of the ownership of KESH S.C and OSHEE S.C from OST property, it is fully implemented.</p>
Deregulation of prices for 35 kW Customers (NRA)	In process 1 July 2016	<p>The Albanian Government in addition to the reforms in the power sector has foreseen further market liberalization, issuing according to the calendar defined in the law 43/2015 "On Power Sector", a forecast to carry on into the free market the consumers that are supplied with of voltage 35, 20 10 and 6 kW, which will lead to real market prices for these consumers.</p> <p>Having as purpose the market opening, Law No. 43/2015 date 30.04.2015 "On Power Sector", it is included in the Article 109 (Transitional Provisions), which provides access to the liberalized market to different customers, according to the level of voltage and consumption power.</p> <p>The Paragraph 1 of this article states: "Customers of electric power of 110 kV voltage and above, as well as any other customer, that regardless the electricity level voltage grid to which is connected, has an annual consumption of electric power higher than 50 million kWh, at the time of entering into force of this Law, is deemed to have gone in the liberalized market. Customers connected to 35 kW voltage level are forced to go on the liberalized market not later than 30.06.2016, customers connected to 20 kW voltage, not later than 12.31.2016, and customers connected to the level voltage 10 kW and 6 kW, not later than 31.12.2017. Customers connected to the 0.4 kW voltages have the right to freely choose their supplier".</p> <p>Only consumers of 110 kW voltage level and above, have currently gone on the liberalized market.</p> <p>In accordance to the Decision No.13, date 10/05/2016 of the Supervisory Council of OSHEE, there were approved the investments on the measurement system for customers connected to 35 kW voltage level.</p> <p>OSHEE S.C will carry these investments on measurement system for customers connected to 35 kW voltage level, to enable the creation of technical conditions of an easier liberalized market referring to the deadline specified in the calendar of the Law 43/2015 "On power sector "(June 2016).</p>
Phasing out regulation of network LOSSES purchase price (NRA)	In process 1 July 2016	<p>New developments are expected by ERE until the end of June 2016.</p>

Adoption of a new balancing rules (NRA)	In process 1 July 2016	New developments are expected by ERE until the end of June 2016.
Adoption of a Decision on phasing out EXEMPTIONS from balance Responsibility (NRA)	In process 1 July 2016	New developments are expected by ERE until the end of June 2016.
Legal DSO unbundling plan.	In Process	<p>The process of separation of the distribution activities from the supply are in progress. By order of the Minister of Energy and Industry No.2, date 05.01.2016, it was created a Working Group on "Defining the measures to be followed for the restructuring of the Public Wholesale Suppliers and the separation of the distribution activities from the supply.</p> <p>The distribution is still functionally connected to the supply. The law on power sector only requires separation from January 31, 2017 in opposition to the third energy package. OSHEE S.C has prepared a plan for the separation and has selected a consulting firm on these issues. It will be followed within June 2016 with a clear plan of measures.</p> <p>The Law No. 43/2015 date 30.04.2015 "On Power Sector" defines the separation of OSHEE S.C. This will be specified further in the "Market Model". OSHEE S.C. will be divided into: "Distribution System Operator", which will own the physical assets, and "Energy Supply Operator" (could be one or more operators) which will be responsible to supply electricity to consumers.</p>

IV.3 Energy Single Project Pipeline

The SPP approved in 2015 counted 8 projects in energy sector. NIC approved in its meeting of March 21, 2016 two new projects: "Development of Skavica Hydro Power Plant" and "Ionian – Adriatic Gas Pipeline (IAP)".

Graph. 3: Distribution Regional vs. National



The total cost gap for energy projects of SPP 1 (excluding the two additional projects joining the SPP1 in March 2016) amounts around EUR 154 MIL. This amount constituted a financial gap at the time of approval (December 2015).

The Ministry of Energy and Industry has submitted in June 2016 the new list of strategic projects to the NIC Secretariat at Prime Minister Office consisting of 36 projects so divided:

- 25 new projects
- 11 ongoing projects (these include projects having financial commitments (loan; grants, etc.)

The Technical Secretariat of National Investment Committee will carry out the strategic relevant assessment as per “Eligibility criteria” and “Criteria for strategic relevance” of this projects and decide on the final list to be adopted in the revised SPP.

V. CONCLUSIONS AND RECOMENDATIONS

V.1. Further improving human capacities and technical expertise of line ministries

Although the SPP process is at its second round this year, we observe that Line Ministries are still lacking the technical and administrative human resources to efficiently orient and manage the collection of project proposals. According to the Progress Report for Albania 2015, *'there are weaknesses with regard to the implementation of the government's work program, coordination of the policy proposals and costing of strategies. The links between policy planning and medium-term budget planning need to be therefore substantially strengthened'*. The weaknesses characterizing the policy planning and MTBP impact directly the management of the SPP process.

By end of 2015, WBIF stated⁴⁶ that *'PM office/NIC Technical Secretariat is understaffed'*. Integrated Policy Management Group (IPMG) Structures in the sectors covered by this Working Paper (transport and energy) are not established as yet, and the respective planning and coordination tasks are being developed through the former Sector Working Groups. The IPMG for Transport sector will be set up in 2016 upon adoption of the strategy and will manage on systematic basis the development, implementation and monitoring of Transport sector reforms in Albania.

At this stage, it is recommended that a strong focus on a comprehensive and detailed planning resources, and better coordination of technical and financial capacities is needed. External technical support and expertise is welcomed⁴⁷, however, dedicated in-house human capacities should be properly planned and the required financial supported should be urgently allocated to address the needs of the process.

V.2. Increase SPP transparency during preparation and management

SPP planning process is a new process started only in 2015. Being a cross-sectorial and inter-institutional planning process, it needs its proper timing for consolidation. During the preparation of this working paper, the institutions involved were collaborative in providing the necessary data. However, the process itself is missing some transparency features, which – we estimate – can be easily addressed.

For example the SPP List of Serbian Government and Montenegro Governments are available online on the respective Governments' websites⁴⁸. Dedicated information spaces are provided with the goal to inform the public on the Methodology applied, on the list of projects endorsed by respective NICs, on capacity building activities held to enhance staff capacities to manage and respond to the challenges of the prioritization process, as well as other activities, such as related conferences, diplomatic briefings, etc. The Government of Kosovo has developed and dedicated a specific website to SPP process in Kosovo.⁴⁹

This level of transparency is still to be completed in Albania. Although public authorities have been very collaborative and open to provide the SPP process related data, public web-based

⁴⁶ WBIF, NIC/SPP Framework - State of Play, 2015

⁴⁷ This situation is being currently addressed through an intensified recruitment process by the PMO.

⁴⁸ With CoM Decision No. 198, date 9.3.2016, the Ministry of Transport and Infrastructure has been authorized to sign a contract with the Company "Roland Berger". Main aim of the contract is to develop a legal, contractual and cooperation framework at national and international level, and to develop a preliminary evaluation for 3-4 project proposals of high quality transport infrastructure, fully evaluated and adequate for further proposals for investment.

⁴⁹ <http://www.srp.gov.me/en/home/nik>

⁵⁰ <http://www.spp-ks.net>

information on the list of projects, meetings of NIC and its decisions or any report on GoA goals and commitments is not accessible by the public.

V.3. Developing an evidence-based policy through inclusive participatory process and by increasing the involvement civil society

Again, in the 2015 Progress Report on Albania, the EC states that *'Policy and legislation development is not yet sufficiently inclusive and evidence-based'*.⁵¹ Up to now the SPP process is misses the component of consultation with the relevant stakeholders, other than the public authorities involved. Academia, Chamber of Commerce, specialized Institutes and Civil Society are not institutionally involved. The sectoral planning is done inside each Ministry, and when this step is over, cross-sectorial meetings are called to discuss and decide the list of projects to be further taken on board. Ex-ante, ad interim or any ex-post stakeholders' consultation or discussion level is missing. For example, the List of priority projects submitted to Vienna Summit was known to the public after the Summit took place.

Being aware of this problem, the Technical Secretariat of NIC has introduced in the Workshop of April 13, 2016 during the launching the SPP revision, the possibility for consultations to be held for specific projects with specific institutions, like Municipalities, or Technical & Research Institutes, when specific expertise is required to further improve the decision-making.

We recommend that a participatory and inclusive process could only be of benefit to the process and ways to institutionalize this should be actively pursued. We also believe that the role of the parliamentary committees overseeing those sectors as well as the finance committee, should be enhanced in this regard, as a place for discussion on major infrastructure initiatives before such are proposed to funding mechanisms or institutions.

Civil society organizations, being grassroots or think tanks should be regularly part of the consultation phases during the preparation of SPP. To this goal it is recommended not only to invite CSOs in the meetings, but to systematically build the frame conditions that allow them to be informed, involved and produce relevant input for the SPP to be successful.

V.4. Ensure the involvement of local government units

Since our last publication in November 2015, there is a positive development regarding the inclusion of local government levels in the planning process of the SPP. The four Regional Development Agencies (RDA) (of Tirana, Vlora, Shkodra and Korca) and Regional Economic Development Agency (REDA) have been invited to regularly take part in the meetings called by TS of NIC. It should be noted though that those structures are newly established and it will take time for them to be fully integrated in the process.

A fruitful exchange process with the Municipalities still remains a challenge. The new Municipalities are still in the re-organization process following the Territorial and Administrative Reform in 2015. However, their inclusion to the SPP planning is necessary to ensure reliable and evidenced support to projects with a clear territorial development component, especially for the Municipalities that are quite economically relevant (such as Tirana, Durrës, Shkodra, Korca, Vlora, etc) and those that are directly affected by the Connectivity Agenda infrastructure projects. Approved Local Development Strategies should be taken into account and inter-relate during the SPP planning process.

⁵¹ European Commission, Progress Report Albania 2015.

V.5. Ensure uniformity of financial information and secure the appropriate fiscal space

SPP financial data are difficult to obtain in a structured and realistic manner. Mostly they differ from one institution to another (Donor, Ministry, NIC) or from a project to another especially when the big project is the sum of different components. Furthermore they are not regularly updated.

Also, MTBP figures for connectivity related projects are extremely difficult to obtain in a unified manner and the respective information is not organized as per major investment project. SPP financial data of a specific project do not always match with MTBP provisions for different sub-projects/components of that project. The institutions involved in the process show insufficient financial planning and monitoring capacities. This is compounded by missing synchronization of MTBP process to the ongoing very quick regional processes involving Albanian public administration. Those developments impact the quality of financial data capture, their uniformity, and the subsequent potential use. However, a good tentative to respond to this challenge is addressed by the ERP 2016 – 2018, which tries to combine the different policy reforms and actions with the respective financial impact for the state budget. It remains to be evaluated if concerned strategies (Energy and Transport) will go also in this direction.

As was shown before, the fiscal space remains one of the biggest challenges during the implementation of the Connectivity Agenda.

Table 10. Budgetary deficit projection up to 2020

Subject Description / Year (in ALL billions)	2014	2015	2016	2017	2018	2019	2020
Gross domestic product, current prices	1 400,55	1 453,72	1 532,21	1 631,90	1 749,26	1 879,47	2 018,59
General government revenue	366,569	378,606	409,988	430,333	459,120	490,742	524,384
General government total expenditure	442,717	436,673	446,413	471,49	506,751	548,801	589,764
Deficit	-76,148	-58,067	-36,425	-41,157	-47,631	-58,059	-65,38
Deficit % GDP	-5,44%	-3,99%	-2,38%	-2,52%	-2,72%	-3,09%	-3,24%

Source: IMF projections

According to the consolidated fiscal indicators as published by the Ministry of Finance, for the period January – May 2016, even if the Total Income has been increasing yoy by 8,1%, the Capital Expenditure has decreased by 22,4%. Furthermore pursuing the ERP Recommendation 1 on Fiscal Consolidation to reach a public debt ratio of 66% of GDP in 2017 is expected to maintain the pressure on capital investment.

Finding the appropriate fiscal space in the national budget needed for national co-financing of the connectivity projects remains a significant challenge.

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Annex I: Detailed Energy Measures Table

No.	Measures	lit.	Sub-measures	Finish date	Initial status of implementation	Changes to the initial status of implementation made until 15 January 2016	Responsible entities
I	Spot market development						
1	Remove major legal and contractual obstacles to establishing organised electricity markets and market coupling based on the reports of the Secretariat (March 2016)	a	Revision of VAT and Public Procurement Law based on the analysis of the Secretariat	03/2016	Ministry of Finance / Prime Minister's Office responsible for VAT law; decision(s) by Council of Ministers excluded energy from public procurement; ERE rules matter for procedures	<p>Ministry will appoint two contact persons from the institutions responsible for the matters of public procurement and value added taxation, respectively.</p> <p>The nominated officials will act as focal points to coordinate all activities and maintain communication with all relevant institutions, as well as with the Energy Community Secretariat.</p>	Government/ Ministry
		b	Adoption of secondary legislation to align with the requirements for establishment of spot market open for both domestic and foreign market participants in consultation with the Secretariat	03/2016	Tackled under AlbExchange Project; deadline not realistic for all secondary acts, merging possible; prioritisation of secondary acts to be done as priority based on a single and integrated roadmap;	<p>By the provisions of the Power Sector Law, the deadline for the adoption of the secondary legislation is end of June 2016. MEI is working on drafting new Market Model, PSO, SoLR and the other acts. OST has requested assistance for the new Market Rules.</p> <p>ERE meanwhile is working for the new types of licenses, certification of TSO, the TSO license, and every act is being consulted with ECS.</p>	Ministry/NR A TSO/ MO

2	<p>Adhere to a power exchange or, if economically justified (considering liquidity and economic viability), create an own power exchange, enabling wholesale market trade</p> <p>(Establishment of an organized wholesale electricity market in the form of an electronic trading platform) (July 2016)</p>	a	Finalisation of all relevant institutional, contractual and operational arrangements for the operation of day-ahead market	06/2016	Tackled under AlbExchange Project	Types of the contracts and agreements will be worked immediately after the approval of the Market Model and PX license	Government/ Ministry/N RA/MO
		b	Day-ahead market operational/go live	07/2016	Tackled under AlbExchange Project		MO
3	<p>Ensure liquidity of the domestic electricity markets by appropriate regulatory measures such as contract reviews, capacity releases, virtual power plants etc. (July 2016)</p>	a	Implementation of national liquidity strategy for the day-ahead market in cooperation with the NEMO and the industry, valid (only!) until the first coupling with another bidding zone	07/2016	Tackled under AlbExchange Project	<p>MEI is working on PSO in order to release KESH (public generation) from the obligation to supply tariffs customers according to the phase out imposed by the new power sector law.</p> <p>ERE has launched the procedures for reviewing all types of contracts and the new contract with the costumers.</p>	Government/ Ministry/N RA/MO
4	<p>Development of an agreement for market coupling open to all operators of power exchanges in the WB6 states and neighbouring countries (July 2016)</p>	a	Finalising of MoU between all WB6 CPs' relevant ministries (based on the Draft MoU developed by the Secretariat, facilitating the early implementation of the CACM Regulation, on the openness to coupling of all WB6 CPs' day-ahead markets, the openness to service bidding zones or join	04/2016	May not be relevant with CACM adoption into EnCacuis	Albania TSO is part of CAO. There are still barriers, since not all the neighboring countries have accepted CAO	Government/ Ministry

			existing initiatives, and to support the harmonisation of market participation requirements.				
		b	Optional (in case CACM Regulation is not adopted at PHLG): Finalising of an agreement between WB6 CPs to enter into market coupling arrangements and cooperate as outlined in the MoU	07/2016			Government/ Ministry
5	Coupling of organised day-ahead electricity markets with at least one neighbouring country (July 2017)	a	Adoption of roadmap for coupling between SEE /WB6 CPs (and with MRC)	07/2016	Stakeholders are fully committed to market coupling and AlbExchange project is foreseeing this as next step after the establishment of a national organised market with import/export zones as a possible intermediary step	With the assistance of the Nord Pool, the GoA is considering the possibility on market coupling with Kosovo and after consolidation as a separate market, the GoA will explore the possibilities to cooperate on a regional market.	Government/ Ministry/TSO /MO
		b	Coupling between SEE /WB6 CPs (and with MRC)	07/2017			Government/ Ministry/TSO /MO
II	Cross-border balancing						
1	Legal possibility for transmission system operators to acquire balancing services from all operators in the national and in	a	Revision of VAT and Public Procurement Law based on the analysis of the Secretariat	03/2016	No limitations to cross-border TSO cooperation in balancing; transitional provisions in law	MEI is waiting the Energy Community Secretariat assessment of the current legislation, practices and obstacles in the Contracting Parties and the eventual proposal for the necessary changes to allow for the market	Government/ Ministry

	perspective of a regional market under competitive conditions (March 2016)				should phase out; VAT no problem for exporting of balancing services	integration in the Energy Community.	
2	Adoption of a market-based balancing model allowing for the non-discriminatory cross-border exchange of balancing services (March 2016)	a	Adoption of secondary legislation to align with the new Electricity Law in consultation with the Secretariat	12/2015	Tackled under AlbExchange Project and a WB financed project, too. A balancing model will be contained in the Market model and/or Market Rules; Exemption of regulated companies (KESH and OSHEE) from balance responsibility to ends by the end of 2015.	After the adoption of the new Market Model and Market Rules ERE will establish balancing mechanism and responsible unit	Ministry/NRA/TSO/MO
3	Establishment of a functioning national balancing market based on above model (July 2016)	a	Dry-run of new models for provision of balancing services and for imbalance settlement	03/2016	Tackled under AlbExchange Project (WB financed project, too)	With the assistance of the WB project the necessary investments will be completed until the end of 2016	NRA/TSO/BSP
		b	Fine tuning and go-live of new models for provision of balancing services and for imbalance settlement	07/2016			NRA/TSO/BSP
4	Development, between transmission system operators (of the WB6 States in a first stage), of a coordinated integration path	a	Development and adoption of coordinated balancing integration roadmap	12/2015			TSO

	towards a regional balancing market with implementation of regional imbalance netting as one of the key elements for cross-border balancing (July 2016)	b	Contract on implementation of priority element(s) identified in the coordinated balancing integration roadmap	02/2016			TSO
		c	Implementation of the priority element(s) identified in the coordinated balancing integration roadmap	07/2016			TSO
III Regional Capacity Allocation							
1	Agreement between all system operators of the region to establish a regionally coordinated calculator of available capacity (July 2016)	a	Participation in a working table between all TSOs of the SEE Region to decide on way forward regarding the establishment of a day-ahead capacity calculation process for all of SEE.	12/2015			TSO
		b	Agreement developed and signed between WB6 TSOs (at best with all SEE TSOs)	07/2016			TSO
2	Introduction of a coordinated capacity calculation process for the allocation of day-ahead capacities based on a regionally coordinated congestion forecast (July 2016)	a	Result of measures under III.1	07/2016			TSO
3	The Western Balkan Countries to support	a	Participating in a process leading to an Agreement	07/2017			Government/ Ministry/T

	signing of agreements between SEECAO and relevant EU Member States (July 2017)		between SEECAO's stakeholders, EMS, MEPSO and bordering 8th region EU MSs' TSOs for allocation of cross-zonal capacities between all bidding zones through SEECAO in the 8th Region.				SO
IV	Cross-cutting measures						
1	Eliminate price regulation of generation and for other than small enterprises and household customers, and adopt national action plans for phasing out price regulation in general (January 2016)	a	Implementation of price deregulation as defined in the new Electricity Law	12/2015	Tackled under AlbExchange Project; PSL provision to phase out price regulation for retail sector till January 2018; roadmap for secondary acts, incl. market model, should highlight where deregulation needs to take place and prioritise them in roadmap	After the approval of PSO, the Public Generation KESH, will be released from the obligation to provide all the production for all customers. Started from June 2016, customers connected to 35 kV will go to the liberalized market and up to the end of 2017 all customer connected to medium voltage, are obliged to go the free market.	Government/ Ministry/N RA
		b	Developing of action plan for phasing out price regulation in consultation with the Secretariat	12/2015	Tackled under AlbExchange Project; action plan will come as part of the elements of the list of secondary legislation which is to be adopted in time, upon consultation between ministry, ERE & ECS	MEI is preparing the PSO act upon the proposal of the Secretariat	Government/ Ministry/N RA

2	Ensure independence of national energy regulatory authorities based on pre-defined indicators (January 2016)	a	Contribute to identifying a list of actions to improve NRA independence in relevant dimensions based on a list of priority areas elaborated by the Secretariat (cf Annex – NRA independence)	11/2015	Cf Annex – NRA independence	ERE is in contact with ECS to decide the relevant measures	Secretariat/NRA
		b	Implementation of the list of actions identified to improve NRA independence in relevant dimensions based on a list of priority areas identified under IV.2.a (cf Annex).	01/2016			Competent body
3	Legal and functional unbundling of distribution system operators and supply companies (March 2016)	a	Perform legal unbundling of DSO	12/2015	Complete legal unbundling of DSO to follow till end of year. Ministry to report back on unbundling plan until 15/11/15 when and how legal unbundling takes place, but within deadlines agreed. ECS will assist;	The Minister has issued the order for the establishment of the working group that will compiled the detail check list and respective deadline for functional and legal unbundling of DSO	Government/Ministry
		b	Compile a list of all unbundled undertakings and their respective mother and daughter companies	01/2016			Government/Ministry
		c	Perform functional unbundling, based on the detail checklist for functional unbundling developed by the Secretariat, including the adoption of compliance programme and compliance	03/2016	Depending on a); ECS will support with toolbox to be sent to DSO and NRA	ERE is waiting the opinion of the ECS	Government/Ministry/NRA/DSO

			officer appointment				
4	Unbundle and certify transmission system operator in line with the Third Energy Package (June 2016)	a	Application of certification process and NRA draft certification decision based on the certification procedure description developed by the Secretariat	12/2015	Procedure on TSO unbundling adopted.	MEI has presented to the Parliament the law that provides the legal background for unbundling of TSO. After the approval of the law ERE will proceed with the certification process. ERE has approved the regulation for TSO certification	NRA/TSO
		b	Adoption of final decision regarding the certification upon receiving an opinion of the Secretariat within 4 months	06/2016	Implementation of procedure to start asap	ERE is waiting the opinion of ECS and after that will proceed accordingly	NRA
5	Apply for observer status in ACER based on a positive opinion of the European Commission (July 2016)	a	Coordinate with the Secretariat timing of application letter and criteria (based on the 3rd package implementation)	07/2016	Prerequisite: secondary legislation to be adopted; NRA request to ECS received;	ERE will follow the procedures with the help ECS	NRA
6	Increase effectiveness of national administrative authorities, including for competition and State aid, by strengthening their independence and financial means and requiring them to notify the Secretariat of pending proceedings, and take due account of the Secretariat's opinion (July 2016)	a	Adoption of procedural act for dispute settlement rules in MC	Done	Adopted		Minister
		b	Transposing requirements for notification of the Secretariat of pending proceedings, and taking due account of the Secretariat's opinion	02/2016			Government/ Ministry
		c	Changing enforcement system for State Aid authority and establishing of independent State Aid authority	07/2016	ACA shall strengthen its enforcement by issuing binding decisions on the violations of competition law; Competence to decide on State aid should be transferred to		Ministry

					ACA;		
7	Timely implementation of the Trans-European Network Regulation once incorporated in the Energy Community acquis with regard to licensing and permitting as well as one-stop shop procedures (January 2017)	a	Adopting Trans-European Network Regulation into EnC acquis	Done	Adopted		Minister
		b	Implementation process (identifying laws to be changed, timeframes, the Secretariat's assistance needed)	01/2017		Together with the Secretariat MEI and ERE have identified the sublegal acts needed to be reviewed according to Power Sector Law	Ministry/NRA/TSO

Annex II: Detailed Transport Regional and National Measures status of implementation by May 31, 2015

Regional Measures	Sub-Measures	Implementation Status
1. OPENING OF THE TRANSPORT MARKET	1.1 Implementation of rail reform strategy	
	1.1.1 Rail market opening on the pilot basis on the Orient/East Med corridor	
		Albania is not monitored for this particular soft measure; however, some reporting has being provided to SEETO with regard to the approval of Rail Code. Albanian Ministry of Transport and Infrastructure reports to be in the final stage of approval of the Railway Code. In the final draft are included all the comments of different Institutions (including DG MOVE Comments submitted to MTI on 6th of April, 2016, mainly regarding the specific technical aspects). MTI with the support of the Technical Assistance of European Commission has agreed to address parts of article 69 into the regulations and by-laws that will follow after the approval of the Rail Code. The intention is to adopt the Rail Code in the Council of Minister within June 2016.
	1.1.2 Definition of a framework for implementation of EU Freight corridors extended to the Western Balkans	
	SA.1 Consultation on the national level, between the IM and MoT on the willingness for inclusion in Rail Freight Corridors	<p>The consultations between national actors are carried out in the framework of drafting the new draft strategy of Transport in Albania 2016-2020. Within the new strategy of Transport for rail sector it is set to establish international market oriented Rail Freight Corridor (RFCs) and (RailNetEurope) RNE within Strategic priorities 2 for railways "Positioning of Albania within the European railway market as a player in South-East Europe transport corridors".</p> <p>Actually Albania is not included in the RFC, according to the appendix to the regulation 913/2010.</p> <p>As it is already referred to SEETO Regional Visit in Tirana, on 18th of May 2016 prior to establish RFCs till 2020 it shall be due to our intensification of efforts and rapid implementation at the level of the use of the available infrastructure.</p> <p>These first steps for Albania are: the border crossing protocols of agreement with Montenegro MNE, the alignment, the implementation of the new rail code in full conformity with the EU legislation on basis of EU Directive 2012/34/EU and the setting up of functioning institutions.</p> <p>So, the introduction of the RFC concept shall be done as in the new strategy for Transport in Albania 2016-2020 and its action plan. For this an official letter will be sent to SEETO secretariat and EC to express the Albanian willingness on RFC interest.</p>

	<p>SA.2 Consultation between the regional participants and the EU neighbouring countries on the Rail Freight Corridor passing through Western Balkans</p>	<p>Consultation between regional participants and EU neighbouring countries on RFCs passing through Western Balkan WBs is ongoing in framework of CER WG South-East Europe countries (HSH is a WG member) since November 2015.</p> <p>On basis of REG (EU) 913/2010 Annex List of initial RFCs, 9 RFCs are defined. Rail Corridor VIII in Albania is not included. For WB Countries there are: RFCs 5 (Baltic-Adriatic), 6 (Mediterranean), 7 (Orient/East-Med), 9 (Rhine-Danube). For that purpose, Rail Corridor VIII in Albania it is already included into Albanian National Strategy for transport sector which is in the drafting process.</p> <p>For Albania this is railway connection via SEETO Route 2 by Rail, passing in Albania and then Route 4 from Montenegro to Belgrade could be a possible connection to the possible new Alpine Western Balkan Rail Freight Corridor.</p>
	<p>SA. 3 Joint letter of intent sent to the EC</p>	<p>Refer to the above mentioned information.</p>
<p>2. ESTABLISHMENT OF COMPETITIVE, RELIABLE AND SAFE TRANSPORT SYSTEM</p>	<p>2.1 Improvement of road safety - Targeting the reduction of fatalities by 20% compared to reference year 2014</p>	
	<p>2.1.1 Adoption of Road Safety inspection (RSI) guidelines and curriculum and delivering of training</p>	
	<p>SA. 1 Assess the current legislation and practices including existing capacity and resources for the implementation of Road Safety Inspection in SEETO Regional Participants and its alignment with relevant EU legislation;</p>	<p>The Ministry of Transport and Infrastructure of Albania, after the discussions on the SEETO Regional Visit in Tirana, on 18th of May 2016, affirmatively confirms that Albania has already adopted the RSI guidelines in national legislation and provided to the SEETO secretariat the supporting documents.</p> <p>According to the bylaw the RSI is applied to all state roads and shall be planned by Albanian Road Authority (ARA) and the local administrative units. Point 10b of the bylaw is defining that the budget for performing the safety inspections, should be 1% of the total investments and it is expected that in the future to be appeared as a separate budget line.</p> <p>The responsibility of the safety inspections is under ARA which has created the Unit of the RS Audit and Inspection, as prescribed in the Decision No.9, Act 4. This Unit actually has three experts and in the future, is foreseen to become a Road Safety sector. Technical staff capacity, budget issues and training courses are seen as the main obstacle that is influencing the fact of not undertaking continuous safety inspections. Currently in Albania the auditing and inspections can carry out either members of the administrative staff of the road entity or members of an institution (university) in charge of Audits or private consultants who meet the requirements for auditors /inspectors as prescribed in Article 10.</p> <p>A University degree in the field of Construction Engineering, Mechanical or Electrical Engineering, five years working experience in the field of road safety or accident analysis as well as the respective trainings are the requirements to become a road safety auditor or inspector in Albania. The only barrier not overcome yet in the list of the requirements aforementioned seems to be the training and certification issue. Based in the Article 12, of the Decision No.9 the Ministry of Transport and Infrastructure should cooperate with accredited universities, professional Institutions, as well as National and International organizations that are experienced and authorized in the field of professional training, to conduct training courses and improvement programs in the field of audits / inspections.</p>

	<p>Currently, in Albania there are not performed any trainings and there are not performed up-to-date trainings too, although the legislation provides that the safety experts must attend the RSA/RSI trainings once in two years. A curricula plan is defined in the Article 11 of the Decision No.9, while a detailed Curricula topics and developing of the RSI guidelines is a future expectation.</p> <p>In order to realize this soft measure in short-time period, it is necessary the assistance of CONNECTA and World Bank support to provide the detailed curricula and training on this regard.</p>
2.2.1 Development and implementation of SEED+ to support the CEFTA Framework Agreement on exchange of data and simplification of inspections	
<p>SA.1 <u>Nov 2015</u> - meeting of TTFWG - SEED+ First phase ToR finalized</p>	<p>Regarding the SEED + 1st Phase, (Maintenance +), the CEFTA Parties had a joint meeting the representatives of the European Commission (DG NEAR, TAXUD, TRADE, MOVE, SANTE, GROW) on January 21 2016. In the joint meeting with the Commission, the CEFTA Parties agreed with the action plan of Maintenance + (SEED + 1st Phase) which includes actions for the improvement of the current SEED and also including actions in line with the Actions Plan of AP 5. By this action plan the ToR is finalized by the CEFTA parties.</p> <p>MEEDTE is responsible.</p>
<p>SA.2 <u>Dec 2015</u> - financing agreement on SEED+ project 1st phase concluded</p>	<p>Financing agreement on SEED+ project 1st is in the final stage of conclusion.</p> <p>MEEDTE is responsible.</p>
<p>SA.3 <u>Jun 2016</u> Signed CEFTA Framework Agreement</p>	<p>The 2nd Round of Negotiations on Additional Protocol 5 on Trade Facilitation of CEFTA Agreement was held in Brussels on January 20-21, 2016. In the round, CEFTA Parties agreed with the current texts of all 36 Articles of the Additional Protocol. They also agreed to improve the text of some Articles and to negotiate the improved text in the next round which is planned to take place in April 2016.</p> <p>Regarding the Action Plan for the implementation of AP 5, CEFTA Parties agreed with all the actions. The Action Plan is attached to this report. In the next round, the CEFTA Parties will negotiate the time frame of actions of the Action Plan.</p> <p>There is no substantial delay foreseen for the conclusions of negotiations on the AP 5.</p> <p>MEEDTE is responsible.</p>
2.3 Intelligent Transport System (ITS) deployment on the Core Network	
2.3.1 Definition of strategic framework for implementation of ITS on the Core Network	

	<p>SA.1 Mapping of the transposition of legislative framework and current ITS deployment</p>	<p>Within the new draft-strategy of Transport in Albania 2016-2020 and its action plan, which is near finalization, is foreseen under Intermodal and combined Transport section to Define a National ITS (Intelligent Transport Systems) Strategy with specific task in year 2019 for Drafting of Strategy by an international Consultant, in alignment with Directive 2010/40/EU of 7 July 2010 on the framework for the deployment of Intelligent Transport Systems in the fields of road, rail and maritime transport modes, including interfaces between modes.</p> <p>More specific, in Road transport sector new article on ITS deployment is included in the last year amendment to the Transport Law but there is a need to prepare a bylaw on it (according to the Directive 2010/40/EU of the European Parliament and of the Council of 7 July 2010 on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport). In the above mentioned law is also included the use of e-ticketing system. Deployment of ITS is included in the Draft Transport Strategy Action Plan. MTI intent to establish Traffic Monitoring Center and GPS, foreseen in the Mid-term Expenditure Program 2017-2019.</p> <p>In Maritime transport sector, the transposition of the EU Directive on VTMS is ready since one year and a half, but we are waiting for confirmation on financing. The project on establishing the VTMS in Albania is included in SSPP Single Project Sector Pipeline in framework of National Unique Projects Package in Albania for year 2015 and for 2016 as well. The project has already the Feasibility Study and detailed design completed. In the framework of regional cooperation the Montenegrin colleagues are ready to share their experience in the VTMS establishment.</p> <p>In Air transport sector we are implementing the package of legislation on air traffic management, aiming the creation of a Single European Sky. The aim of the specific regulation (within this package) is to define common requirements to guarantee interoperability between the various air traffic management systems used. Also, Albania in close cooperation with EUROCONTROL is working to be part of the SESAR (Single European Sky ATM Research) Program, which is the technological pillar of the Single European Sky. It aims to improve Air Traffic Management (ATM) performance by modernizing and harmonizing ATM systems through the definition, development, validation and deployment of innovative technological and operational ATM solutions.</p> <p>In Rail transport sector, the new Rail Code (currently in adoption procedure) will approximate the ERTMS legislation. The interoperability EU Directive is already included into the new code for railways in ALB.</p> <p>In the framework of IPA Adriatic INTERMODAL Project, the “Smart Transportation Albania” was developed as the first mobile information board application for all passengers and tourists. The objective of this project is to promote the use of intermodal transport. The “Smart Transportation Albania” was designed, developed and implemented with the schedules and locations of various modes of transport that are available from Tirana International Airport (TIA) to several other locations around Albania. The application is primarily developed to reflect travel from TIA to Tirana and Vlora, with the option of expanding the range of travel and locations at a later point. The application is designed to be easy used and free of charge.</p>
	<p>SA. 2 Current status of ITS (ITS, ERTMS, RIS, VTMS) implementation on the</p>	<p>Refer to the above mentioned information.</p> <p>In order to realize this soft measure in short-time period, it is necessary the assistance of EC through CONNECTA.</p>

	Core Network	
	2.4 Establishment of functioning maintenance system ensuring no section in poor/very poor condition by 2020	
	2.4.1 Adoption of Maintenance plan for 2016-2020 for the entire Core Network	
	SA. 1 Review of national maintenance plans and methodology	<p>With the support of World Bank (under the Results-Based Road Maintenance and Safety Project (RRMSP)), it was finalised the Road Maintenance Strategy for the entire road national network for a period of 5 years. With the support of the World Bank, Albanian Road Authority has adopted a 5 year Maintenance Plan (including the core network).</p> <p>According to the draft transport strategy in Albanian 2016-2020 currently under finalization procedure, the goal is this practice to be extended over the entire national road network.</p> <p>Regarding the Railway Maintenance, there is no a 5 years plan for railway maintenance; Albanian Railways presented the Annually Maintenance and Investment Plan which is approved each year, due to the lack of financing in this sector. In the framework of drafting the new strategy of Transport and its action Plan 2016-2020, during the consultations with the TIEG consultant is foreseen as an action the development of a special strategy for maintenance for the railway network. This new strategy, foresees to include also the 5 years plan for railway maintenance.</p>
SA.2 Mapping of gaps and challenges of road and rail maintenance on regional level	In order to realize this soft measure in short-time period, it is necessary the assistance of EC through CONNECTA.	
National Measures	Sub-Measures	Implementation Status
3. INCREASING THE EFFECTIVENESS OF BORDER CROSSING PROCEDURES	3.1 Effective Border Crossing Agreements	
	3.1.3 Implementation of the border crossing agreement between Montenegro and Albania as a part of Adriatic – Ionian Initiative project	
	SA.1 Prepare and sign Border police agreement	<p>On 14th of April 2016 it was held the 1st meeting of Joint inter-ministerial Working Groups of Albania and Montenegro, for the implementation of the agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro, for conducting border railway transport between the two countries. The purpose of the meeting was to emphasize the importance of finalizing the joint four protocols between respective institutions, in order to realize the National Soft Measure 3.1.3.</p> <p>After this meeting, the efforts from both parties are intensified and the four protocols are exchanged between both parties and many meetings are organized to discuss them.</p> <p>Albania, through all the institutions involved in this process, is fully committed to finalize this Soft Measure, before Paris Summit, on 4th of July, 2016. All the final draft protocols will be sent to the Albanian Ministry of Foreign Affairs for opinion.</p> <p>In order to promote the process in general, on May 6, 2016, in Shkodra, with the initiative of the Albanian</p>

		<p>Minister of Transport, was held a joint meeting of the transport ministers of Albania, Montenegro and Kosovo. Among others, from the both Ministers was expressed the fully commitment to sign four official protocols of cooperation between counterpart institutions of both countries, within June 2016.</p> <p>Regarding the draft Protocol:</p> <p>Between the Ministry of Internal Affairs of the Republic of Albania and the Ministry of Internal Affairs of the Government of Montenegro on the implementation of the Agreement between the Government of Montenegro and the Council of Ministers of the Republic of Albania on Border Dispatching for Rail Transport, on 31st of May, 2016, in Murriqan is organized the final meeting of both institutions in order to finalize the draft protocol. It is expected that the final draft will be sent to us on 3rd of June 2016.</p> <p>After the final draft is agreed, as per government of Albania procedure, it should pass through the Albanian Ministry of Foreign Affairs for opinion, and after that the protocol will be ready for signature.</p>
	SA.2 Prepare and sign Customs agreement	<p>The draft Protocol between Customs General Directorate of the Republic of Albania and Customs Directorate of the Republic of Montenegro for implementation of the agreement between the Council of Ministers of the Republic of Albania and the Government of Montenegro on conducting border rail transport between both countries, was discussed and finalized in the final meeting of both respective institutions, held on 27th of May 2016, in Podgorica.</p> <p>On 30th of May 2016, the final draft protocol is sent for opinion in the Albanian Ministry of Foreign Affairs and after that the protocol will be ready for signature.</p>
	SA.3 Prepare and sign Phyto-sanitary and Veterinary agreement	<p>The protocol between the Ministry of Agriculture and Rural Development of Montenegro and the Ministry of Agriculture, Rural Development and Waters Management of the Republic of Albania on the border phytosanitary and veterinary inspection in railway transport, was discussed between respective institutions from both countries.</p> <p>It is expected that on 3rd of June, the final meeting will be organised between the respective institutions in Murriqani, in order to finalize the protocol.</p> <p>After the final draft is agreed, as per government of Albania procedure, it should pass through the Albanian Ministry of Foreign Affairs for opinion, and after that the protocol will be ready for signature.</p>
	SA.5 Staff education	
	SA.2 Tender for works	
	SA.3 Beginning of construction	