



ECONOMIC GOVERNANCE. REGULATORY REFORM AND PRO-POOR DEVELOPMENT IN ALBANIA

SPANISH MDG ACHIEVEMENT FUND FOR ECONOMIC GOVERNANCE
A Government of Albania programme implemented by UNDP and the World Bank and financed by the Government of Spain

One UN Programme/UNDAF Outcome(s):

- More transparent and accountable government
- Greater participation in policy and decision making
- Increased access to quality basic services
- Regional development

Joint Programme Outcome(s) (if different):

- More transparent and accountable governance;
- Greater participation in public policy and decision-making;
- Increased and more equitable access to quality basic services;
- Regional development to reduce regional disparities; and
- Accelerated environmental sustainable development

<p>Prog/project Title: <i>Economic governance, regulatory reform, public participation, and pro-poor development in Albania</i></p> <p>Programme/project Duration (Start/end dates): 01/10/2008 – 30/09/2010</p> <p>Fund Management Option(s): Pass Through</p> <p>Managing or Administrative Agent: UNDP</p>	<p>Total estimated prog/project budget: \$ 2.097.200</p> <p>Out of which:</p> <p>1. Planned resources:</p> <ul style="list-style-type: none"> • Government _____ • Regular/Other Resources _____ • NGO or private _____ • UN Org _____ • Donor _____
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UN System	National Partners

List of Acronyms

CSO: Civil Society Organisations

CTI: Central Technical Inspectorate

ERE: Energy Regulatory Entity

GDWS: General Department for Water Supply

KESH- Albanian Electro-Energetic Corporation

METE: Ministry of Economy, Trade and Energy

MDGs: Millennium Development Goals

MLSAEO: Ministry of Labour, Social Affairs and Equal Opportunities

MPWTT: Ministry of Public Works, Transport and Telecommunications

NSDI: National Strategy for Development and Integration

1. Executive Summary

In December 2006, UNDP and the Government of Spain signed a far-reaching agreement to establish a new fund to accelerate efforts to reach the Millennium Development Goals, and to support UN reform efforts at the country level. The Spanish Government has committed €528 million to the MDG Achievement Fund (MDG-F), to be programmed between 2007 and end-2010. The MDG-F intervenes in a number of thematic areas, including democratic governance, gender equality and women's empowerment, basic social services, economic and private sector development, environment and climate change, culture and development and conflict prevention and peace building.

The Economic Governance window of the Spanish MDG Achievement Fund seeks to support interventions that enhance access to, and provision of, services by utilities, increasing their efficiency and affordability at either a national or local level, and taking into consideration how the poor participate and benefit from these services.

Expanding broader participation in institutions of governance which protect consumer welfare in electricity and water services is central to Albania's prospects for meeting the Millennium Development Goals (MDGs), acceding to the European Union (EU), reducing social exclusion, regional disparities and informality, achieving sustainability and reliability in the energy sector, and facilitating the appropriate devolution of service delivery responsibilities from national to sub-national government bodies.

This programme is funded by the UNDP-Spain MDG Achievement Fund, has been designed and will be implemented in partnership between UNDP and the World Bank, will help national stakeholders—particularly the Ministry of Economy, Trade, and Energy (METE), the Ministry of Public Works, Transport, and Telecommunications (MPWTT), the Energy Regulatory Entity (ERE), and the General Department of Water and Supply (GDWS), as well as sub-national governments and civil society organisations (CSOs)—to develop the capacity needed to meet these challenges. It will focus in particular on consumer protection (working closely with METE), the regulation of electrical energy supply (working closely with METE and the ERE), and the provision of water services (working closely with the MPWTT, GDWS, and the relevant local government bodies).

The programme will finance policy analysis and technical assistance, training activities, limited procurement and maintenance of monitoring and e-governance equipment and systems, and institutional development for state agencies and CSOs working in these areas. It will build on such previous UNDP and World Bank collaboration as the jointly developed 2005 Poverty and Social Impact Analysis of the Water Sector in Albania¹ and on the Integrated Planning System,² as well as the partners' expertise in such areas as regional development (*inter alia* via "localising the MDGs"), reducing informality, promoting civil society participation, and capacity development for regulatory agencies.

Programme activities will focus on ensuring that important decisions concerning utilities' decentralisation and privatisation, tariff changes, and regulatory reform in

¹ See

http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120841262639/ch9_albania.pdf.

² See <http://www.aidharmonisation.org.al/?fq=mesi&gj=en&kid=173>.

the energy and water sectors, as well as measures to strengthen market surveillance and consumer protection, benefit from inclusive but responsible participation of user groups. A major focus will be on empowering CSOs to help protect the rights of consumers to better quality goods and services, while simultaneously strengthening the responsibilities of user groups to provide information and constructive feedback on service quality. The programme's regional development dimensions will feature tailored sub-national activities in six pilot regions.

The programme design and implementation has and will feature a division of labour among the two partners, according to which UNDP—under the oversight of the UN Resident Coordinator—will serve as administrative agent, provide overall programme coordination, take the lead on consumer protection activities, and provide particular expertise in the programme's civil-society and regional-development aspects. The World Bank will take the lead in the programmes' energy- and water-sector activities, and will provide technical expertise in areas of regulatory reform and mechanisms for protecting the poor in the event of tariff increases.

2. Situation Analysis

The need for better economic governance—to ensure that policies to protect consumer welfare and regulate key infrastructure sectors have strong pro-poor qualities—is at the heart of the development agenda. Although economic growth is a necessary condition for reducing income poverty, prospects for achieving the MDGs very much depend on developing capacity in the national and sub-national institutions responsible for the provision or regulation of electricity and water services. Likewise, ensuring that growing incomes are translated into greater consumer welfare requires effective legal and civil society consumer protection measures.

The need for regulatory reform issues are playing out against a backdrop of sharpening energy shortages, both in Albania and within Southeast Europe. A combination of rapid (4-6% annually) GDP growth across the region, prolonged drought conditions (constraining hydroelectricity generation), and the closure of Bulgaria's Kozloduy nuclear power plant has pushed Southeast Europe's electricity energy balance into deficit. As Albania is particularly reliant on hydroelectric power, it has been particularly affected by drought conditions. Electricity production during the first half of 2007 dropped 16% compared to previous year levels, with significant negative implications for economic growth, the balance of payments, and household access to basic electricity services. These problems also reflect infrastructure problems: in contrast to some of its neighbours, Albania's dilapidated transmission infrastructure is unable to handle significant electricity imports. However, Albania is not alone in facing these challenges: neighbouring Kosovo also suffers from chronic electricity shortages. By helping to improve the regional electricity balance, efforts to rationalise the Albania's power sector could benefit neighbouring countries as well.

As in many other countries—and particularly in Southeast European countries seeking to join the EU—electricity and water services in Albania are increasingly not provided directly by the central government. They are instead supplied by sub-national state or commercial entities, which are regulated by various national and sub-national government bodies. Commercial activities in the electrical energy and telecommunications sectors have been separated both from these regulatory agencies and from the sectoral ministries that had previously discharged ownership functions. Likewise, consumer protection issues are not immediately addressed at the level of service provision, but rather within EU-compatible consumer protection frameworks, such as the Rapid Alert and Information Exchange market surveillance system.

The regulatory burden on state agencies in the energy and water sectors can be eased, and the effectiveness of regulatory activities increased, if CSOs can be appropriately engaged in these activities. In fact, without the capacity to absorb grass roots information provided by users on service and product quality and affordability, regulators and service providers are unable to effectively discharge their functions.

Ensuring the adequate provision of public utility services in Albania—particularly for social groups living in (or at risk of) poverty or social exclusion—and of protecting consumer interests, is a regulatory challenge whose resolution requires political

commitment and government resolve. It also requires that Albania's development partners be able to provide the government and other national stakeholders with top-quality technical assistance and best practices in these areas.

While these challenges have many dimensions, four in particular stand out in Albania:

- helping the METE and other national stakeholders to implement Albania's national consumer protection programme, which can both improve consumer welfare and boost export competitiveness, particularly on the EU's single market;
- ensuring that on-going restructuring and privatisation efforts in these sectors help the METE, ERE,³ GDWS, and other national and sub-national state bodies develop the capacity needed to promote and benefit from broad yet constructive popular participation;
- improving access to electricity, water, sanitation, and related services for businesses and households operating in the informal sector; and
- reconciling the need to improve access to electricity and water services with the imperatives of energy and water conservation, due both to: (i) water shortages that have limited Albania's hydroelectric generation capacity and reduced access to electricity in 2007; and (ii) longer-term climate change uncertainties.

Under the National Strategy for Development and Integration (Albania's EU integration framework), the government is aligning ownership and regulation of activities in these public utility sectors, and its consumer protection framework, with European institutional and policy frameworks. The government is unbundling the KESH electrical energy monopoly, separating the generation, transmission, and distribution functions into distinct units within the company. Entry into the generation market by private companies has already been permitted, and the privatisation of KESH's distribution assets is anticipated. These steps are intended to reduce inefficiencies in the sector associated with the non-transparent cross-subsidisation among various user groups, large losses of electricity in transmission and distribution, and significant fluctuations in tariff collection rates. They are also intended to attract the capital needed for infrastructure modernisation. While higher electricity tariffs remain politically unpopular, movement toward the full recovery of the costs of producing and supplying electricity is recognised by KESH, the government, and other stakeholders as inevitable.

In order to ensure that electricity service providers balance price increases with stated goals for increasing access to and quality of services, privatisation activities are accompanied by efforts to strengthen the regulatory capacity in the METE and ERE—whose duties are now expanding to cover the regulation of gas deliveries (as well as electricity) to end users.

In the water sector, state assets and regulatory responsibilities are being transferred from the MPWTT to local governments, within the framework of

³ *The functions of the ERE, which was established in 1995, include approving electricity tariffs, monitoring licensed activities, and resolving disputes between licensees and users.*

Albania's decentralisation reforms.⁴ Prospects for reducing Albania's deep regional disparities are increasingly linked to issues of improving infrastructure development and management and regulation by sub-national authorities as a way to improve business and household access to these services.

⁴ *Although tariff-setting authority is to be decentralised from the GDWS to local government bodies, this transfer has not yet occurred. While the authority to monitor service provision and issue penalties for legal violations remains with the GDWS, this authority has not yet been invoked in practice.*

3. Strategies including lessons learned and the proposed Joint Programme

The One UN programme approved by the Albanian government in October 2007 focuses on five key development results:

- [More transparent and accountable governance;](#)
- [Greater participation in public policy and decision-making;](#)
- [Increased and more equitable access to quality basic services;](#)
- [Regional development to reduce regional disparities; and](#)
- [Accelerated environmental sustainable development](#)

These are quite nearly identical to the development results of Albania's UNDAF:

- More transparent and accountable government;
- Greater participation in policy and decision making;
- Increased access to quality basic services; and
- Regional development

Efforts to achieve these results, which emphasise links between good governance, poverty alleviation, private sector development, and delivery of basic services, will be supported by this programme. In addition to being firmly grounded in Albania's One UN programme and building catalytically on the strong cooperation between UNDP and the World Bank in the country, programme activities will constitute an innovative new programming area for the United Nations in the region. They will also be an important step in translating the promise of economic governance into concrete programming activities, reflecting the challenges of the post-communist transition and European integration. By helping to lessen the strains on the regional electrical energy balance in Southeast Europe, these activities could reduce the potential for inter-state tensions as well.

The design and implementation of this programme reflects a number of lessons learned from UN programming in Albania, as well as in countries seeking to join (or that have joined) the EU more generally:

In Southeast Europe, development programming must be aligned with EU accession processes. The experience of the new EU member states (both from the 2004 and 2007 expansions) shows that preparations for EU accession can have a transformative development impact on acceding countries. Market reforms combined with preferential access to the single market can attract the foreign direct investment needed to modernise energy, industrial, and financial sectors. Preparations to adopt the *acquis communautaire* serve as an impetus for reform in the areas of social inclusion, regional development, human rights, and public administration. In addition, it calls for capacity development efforts, for both state and civil society institutions. To be effective in such an environment, UN programming needs to be focused on activities that are EU-consistent. The programme activities described here—particularly capacity development for sectoral regulatory agencies and consumer protection bodies—are quite consistent with the requirements for EU accession.

Growth is not enough for social inclusion. Albania's economic growth since 1990 has been the most rapid in Southeast Europe, and has lifted many of the country's 3 million people out of poverty. However, this rising tide has not lifted all boats. Major infrastructure constraints, particularly, but not exclusively, in the provision of energy and water, regional disparities affecting the northern parts of the country, and those whose work and home lives remain in the informal sector—leave hundreds of thousands of people vulnerable. Since electricity and water sectors reforms are essential for consolidating the gains from growth, steps need to be taken to ensure that these reform measures do not undermine the welfare of vulnerable people.

Human rights and user responsibilities go together. Access to basic water, electricity, and other public services is indeed a human right. But the engagement of user groups—and civil society more broadly—is often needed to ensure the scope and the quality of provision of these services. In some cases, civic engagement should take the form of CSOs functioning as “watch dogs”, to advocate on behalf of the vulnerable and alert regulatory bodies and the public to cases of commercial malfeasance. In other cases, civic engagement should take a less adversarial character, recognising that responsibility for quality service delivery requires the provision of information from user groups, as well as constructive participation along side commercial entities and regulators in consultative forums. This programme will engage CSOs in a variety of capacities along this spectrum.

UNDP-World Bank cooperation is essential. This programme offers opportunities for closer alignment of World Bank and UNDP activities in Albania, in line with the Paris Declaration on Aid Effectiveness. World Bank activities in the areas of macroeconomic and fiscal sustainability, energy- and water-sector restructuring, and poverty alleviation will be aligned with UNDP's work on consumer protection, regional development, civic engagement, and combating informality.

The Proposed Joint Programme

The problems: Operational inefficiencies, weak regulatory environment, and poor service quality characterize the energy and water infrastructure in Albania. These weaknesses have constrained the achievement of higher rates of growth and limited the pace of poverty reduction in the past, while a continuation of the status quo threatens macroeconomic stability and the sustainability of future growth. To solve these problems the government has proposed several reforms in both sectors to improve efficiency and quality of services. Because the changes would include price increases, protecting poor consumers – both men and women- is seen as essential.

Agreed outcomes: There are three agreed outcomes of the programme. The first aims at building the capacity of the regulatory agencies such as the ERE and General Directorate of Water and Supply (GDWS) to better monitor and disseminate the provision and quality of services delivered. The second outcome will be to strengthen the role of civic and state consumer protection bodies to provide a voice for consumers. The third is to ensure the access to water and electricity services for the vulnerable and the poorest consumers and those living in informal settlements and at the same time protect them from price hikes that will result from utility reforms. As women are primarily responsible within the household for finding alternative sources of energy and water, the programme will

ensure a gender-sensitive approach in the implementation of the second and third outcome.

Strategies to address problems: To address the problems and reach these outcomes, the programme will use five broad strategies/actions; (a) diagnosis of capacity needs and undertaking implied actions to strengthen the ability of the regulatory agencies to manage reforms; (b) collection of and analysis of new data, such as willingness to pay for electricity and water, in order to anchor policy making on information gathered from consumers; (c) building monitoring systems that measure and disseminate progress; (d) strengthening the role of advocacy as a way to institutionalize consultation and participation of civic organizations; and (e) building partnerships with other donors and within government units.

The lessons learnt: The choice of these strategies stem from three lessons learnt. First, while the capacity of the Albanian government to plan, design and execute policy has improved over time, there remain many areas of weakness, especially in the regulatory environment. Secondly, and related to the first, weak capacity is partly a result of insufficient reliance on analytic evidence for policy priorities. Therefore collection and analysis of relevant data and building monitoring mechanisms is expected to improve the policy making process. Finally, partnerships are essential in that they coordinate resources, expertise, and policy with the ultimate aim of providing better advice to the client government.

4. Results Framework

The programme will further develop the capacities of the relevant ministries and regulatory bodies; facilitate the pro-active engagement of civil society—when necessary as watchdogs to safeguard the public interest, at other times as partners helping to improve service delivery; and help to institutionalise the dialogue between suppliers and users needed to strengthen the pro-poor character of public utility regulation and consumer protection. These goals are fully consistent with recent government emphasis on public consultations concerning policies, laws, and national strategies, conducted within the framework of the National Strategy for Development and Integration. Activities conducted under Programme Outcome 1 (“Capacities of regulatory bodies enhanced to better monitor the provision and efficiency of service delivery”) will develop the capacities of the METE, MPWTT, ERE, and GDWS to better monitor the provision and efficiency of service delivery. Issues associated with METE and ERE regulation of the pricing and supplying of gas to end users will also be taken up. The further development of analytical, organisational, and communications/outreach capacities in all three sectors (public, private, and civil society) is needed to better reconcile the need to increase prices (in order to improve the service quality or access) with the importance of promoting social inclusion and ensuring environmental safety/quality.

Programme outputs to achieve this outcome focus on identifying key capacity constraints limiting the effectiveness of current mechanisms; and on designing and implementing solutions to address these constraints. In addition, public awareness on issues relating to utility provision will be increased, and the capacities of METE, MPWTT, ERE, GDWS, and other bodies to respond to public concerns and adopt participatory consultative processes will be improved. The preparation of studies on alternative energy sources will also contribute to the policy debate in METE and ERE about the best approach to tariff rebalancing and regulatory reform. At government request, the programme will also finance a study on the provision and regulation of sub-national water supply activities, to look at the efficiency of current management systems and propose measures to improve them. The programme’s public relations and public awareness activities will build on the results of the World Bank’s Public Private Infrastructure Advisory Activity’s Communication Programme for Private Participation in Municipal Water and Wastewater, which performed a needs assessment to identify prevailing perceptions, attitudes, and beliefs about private participation in the provision of water and wastewater services.

Activities under Programme Outcome 2 (“Consumer associations and state bodies strengthened, to provide a strong national voice for customers”) are in line with the government’s vision and the EU’s consumer protection strategy, which call for higher levels of consumer protection, effective enforcement of consumer protection rules, and the involvement of consumer associations in policy formulation and implementation. This programme component will address the government’s strategic priorities, as well as supporting CSO consumer protection initiatives. Programme activities will take into account the experience acquired by the METE’s Consumers Protection Office and the consumers association, which have sought to establish a consumer protection culture. The programme will also provide METE with technical assistance in the consumer protection field.

Activities under Programme Outcome 3 (“Vulnerable groups, people in need or living in informal areas benefit from pro-poor utility policies”) fall into two groups.

The first examines current mechanisms for endowing electricity and water tariffs with pro-poor characteristics (e.g., tariff subsidies, compensation schemes). The focus will be on ensuring the effective targeting of the support needed by those households who are most vulnerable to tariff increases, particularly in light of current and anticipated future trends in these sectors. (For example, the compensation scheme for electricity users now in place, which relies on KESh's pricing policies, might have to be redesigned after the privatisation of KESh's distribution assets.) Options in this area will be explored in cooperation with METE, MPWTT, ERE, and GDWS, and also with the Ministries of Finance and Labour, Social Affairs, and Equal Opportunities.

The second component will focus on combating informality in Albania in regard to public utility services. While informality in Albania takes many forms, its most important geographic manifestations include large settlements of internal migrants on the outskirts of Tirana and other major cities, where buildings have been constructed without permits, and where property rights are not regularised. In many cases, the owners/residents of these informal properties surreptitiously tap into electricity, water, and other utility networks without paying for the services illicitly obtained, sometimes damaging the network infrastructure on which all users depend. These extra-legal supply mechanisms can pose risks to public health and safety—in the form of leakage from poorly regulated septic systems, jerry-rigged electrical wires, or declining local water tables—affecting the public in general.

Programme activities in these informal settlements will support the formalisation of public utility access in these areas. The legalisation of appropriate connections to public utility infrastructure, and the replacement of informal (expensive, unsafe, and inconvenient) with formal service delivery mechanisms will be encouraged. The programme will thereby help service providers to find the right balance between depriving illicit users of the ability to free ride on public networks (which weakens incentives to pay among other users), versus helping to regularise the illicit users' encumbrance on (and outlays for access to) these networks. It will also help establish a dialogue between residents in these communities and service providers. In this way, the programme will benefit from UNDP's on-going work in the informality area.

Support provided to METE, MPWTT, GDWS and ERE (and possibly KESh) will be closely coordinated with other donor and international programmes and projects specifically with the work that KfW, GTZ (water and energy) and USAID (capacity development in the ERE) have been doing. Nationally, the programme will be implemented in partnership with the METE, MPWTT, ERE, GDWS, regional and local governments in the pilot areas, KESh, local water supply companies, and the AlbInvest investment promotion agency. CSOs will be a key partner for the implementation of all relevant activities.

Table 1: Results Framework

Related UNDAF Outcomes:

- More transparent and accountable government
- Greater participation in policy and decision making
- Increased access to quality basic services
- Regional development

Joint Programme Outcome 1: Capacities of regulatory bodies enhanced to better monitor the provision and efficiency of service delivery

JP Outputs (Give corresponding indicators and baselines)	SMART Outputs and Responsible UN Organization	Reference to Agency priority or Country Programme	Implementing Partner	Indicative activities for each Output	Resource allocation and indicative time frame*		
					Y1	Y2	TOTAL
<p>1. Key capacity constraints limiting the effectiveness of ERE and General Directorate of Water and Sanitation (GDWS) identified</p> <p>Indicators 1.1 No of recommendations from capacity diagnosis Baseline: no recommendations available</p> <p>1.2 No of proposed policies Baseline: no proposed policy</p>	1 capacity diagnosis report prepared for ERE by 1 st quarter of year 2	World Bank Country Assistance Strategy (CAS)	ERE	1. Capacity diagnosis of ERE conducted	15	0	15
	1 capacity diagnosis report prepared for GDWS by 1 st quarter of year 2	World Bank CAS	GDWS	2. Capacity diagnosis of GDWS conducted	25	0	25
	1 study prepared by year 2	World Bank CAS	METE	3. Legal and regulatory frameworks governing production, supply of alternative, micro energy (e.g., micro-hydro) production assessed	20	30	50
	3 studies in pilot communities undertaken by 1st quarter of year 2	UNDP One ON Programme	METE	4. Studies on alternative energy provision conducted in pilot communities	30	10	40
	1 unit established and trained at ERE	World Bank CAS	ERE	5. Strengthen ERE monitoring of power usage and metering, and oversight of KESh billing	25	15	40
	10 GDWS staff trained	World Bank CAS	GDWS	6. Strengthen the capacity of the Monitoring and Benchmarking Unit of the GDWS	25	15	40
	Output Total					140	70

<p>2. Remedies (e.g., clarification of legal uncertainties, training for civil service personnel, functional reviews of public sector bodies) to address these capacity constraints designed and implemented</p> <p>Indicators:</p> <p>2.1 At least 80% of capacity diagnosis' recommendations implemented Baseline: no recommendations implemented</p> <p>2.2 at least 80% of trained ERE and GDWS staff use new monitoring methodologies in their work Baseline: no staff use relevant monitoring techniques</p> <p>2.3 Gas delivery regulated Baseline: gas delivery unregulated</p>	<i>Legal acts prepared by year 2</i>	World Bank CAS	METE	7. Assistance in preparing the primary and secondary legislation regulating the generation of alternative renewable energy	30	30	60
	<i>Business plans for water prepared in 6 pilot areas</i>	World Bank CAS	MPWTT	8. Support the preparation of business plans for utilities	30	70	100
	<i>3 trainings held by year 2</i>	World Bank CAS	METE	9. Support to capacity building and Training for ERE staff concerning monitoring methodologies, transparency, complaint systems, and dispute resolution	5	15	20
	<i>3 trainings held by year 2</i>	World Bank CAS	MPWTT	10. Support to capacity building and training for GDWS staff concerning its role in monitoring utility performance and service quality, ensuring transparency, and handling complaints in a decentralized system	30	20	50
	<i>Gas delivery regulation systems in place and 2 trainings held for ERE, METE staff</i>	World Bank CAS	METE	11. Capacity development of ERE, METE staff on regulating gas delivery	20	25	45
Output Total					115	160	275

<p>3. Public relations of KESH, ERE and GDWS improved</p> <p>Indicators: 3.1. No of public hearings Baseline: no public hearings 3.2 Time to respond to a complaint from the public reduced by 25% Baseline: 20 days 3.3. Frequency of website updates doubled Baseline: Not available</p>	<p><i>At least 12 public hearings held in 6 pilot areas envisaged</i></p>	<p>UNDP One UN Programme</p>	<p>Relevant Local government unit</p>	<p>12. Further institutionalisation of public hearings at the national and local levels, with regard to issues of energy and water provision</p>	<p>20</p>	<p>25</p>	<p>45</p>
<p>Output Total</p>					<p>20</p>	<p>25</p>	<p>45</p>
<p>4. Public awareness on utility provision increased</p> <p>Indicators: 4.1 No of leaflets and posters 4.2 No of public awareness meetings/workshops 4.3 Customers' awareness of Kesh, ERE and GDWS contacts and activities increased Baseline: Not available</p>	<p><i>A range of information materials distributed in support of public consultations</i></p>	<p>UNDP One UN Programme</p>	<p>ERE</p>	<p>13. Support public awareness (e.g., media outreach) activities in these areas</p>	<p>20</p>	<p>25</p>	<p>45</p>
<p>Output Total</p>					<p>20</p>	<p>25</p>	<p>45</p>
<p>OUTCOME TOTAL</p>					<p>295</p>	<p>280</p>	<p>575</p>

Joint Programme Outcome 2: Consumer associations and state bodies strengthened, to provide a strong national voice for customers							
<p>5. state bodies' capacities increased</p> <p>Indicators:</p> <p>5.1. Supporting legal acts formulated and approved</p> <p>Baseline: Existing legislation on consumer protection and market surveillance</p>	<p><i>A report on current situation establishing baseline indicators, recommendations on EU best practices and targets to be achieved together with requirements for individual training by 1st quarter of year 2</i></p>	<p>UNDP One UN Programme</p>	<p>METE</p>	<p>14. Assistance to METE (especially the Central Technical Inspectorate, CTI) on methodologies, e-governance, and other instruments to better protect and promote consumer interests, in particular in the electricity, water, and sewage sectors—mission, structure and functions</p>	<p>20</p>	<p>30</p>	<p>50</p>
<p>5.2 At least 80% of trained staff use taught techniques in their work</p> <p>Baseline: no staff uses new techniques</p>	<p><i>4 trainings held by year 2</i></p>	<p>UNDP One UN Programme</p>	<p>METE</p>	<p>15. Training of METE (CTI) on:</p> <ul style="list-style-type: none"> a. investigating complaints concerning industrial products, and services provided by electricity, gas, water and sewer companies b. identifying through qualitative surveys where companies can improve service to reduce the level of complaints c. supporting CTI efforts to implement market surveillance activities in their daily activities d. benchmarking and monitoring utility providers' annual performance to see if service is improving 	<p>20</p>	<p>30</p>	<p>50</p>
Output Total					40	60	100

<p>6. Consumer protection capabilities developed and strengthened in 6 pilot regions</p> <p>Indicators</p> <p>6.1 Implementation of consumer protection strategy and progress reported on NSDI Baseline: NSDI</p>	<p><i>Technical assistance provided by the Chief Technical Advisor of the project and project staff in 6 pilot areas for its whole duration</i></p>	<p>UNDP One UN Programme</p>	<p>METE</p>	<p>16. Support the work of CTI and consumer protection associations in the regions of Tirana, Durres, Fier, Lezha, Kukes and Shkodra (UNDP)</p>	<p>434</p>	<p>411</p>	<p>847</p>
<p>6.2 At least 50% increase in the No of consumer complaints received and dealt with by consumers association and CTI Baseline: Not available</p>	<p><i>Policy paper with implementation recommendations submitted to METE by mid year 2</i></p>	<p>UNDP One UN Programme</p>	<p>METE</p>	<p>17. Provide legal support for METE implementation of the cross-sectoral strategy "On consumer protection and market surveillance", particularly for the drafting of secondary legislation</p>	<p>20</p>	<p>30</p>	<p>50</p>
<p>6.3 No of consumer active at the local level Baseline: Not available</p>	<p><i>2 trainings completed by 1st quarter of year 2</i></p>	<p>UNDP One UN Programme</p>	<p>METE</p>	<p>18. Capacity development of state bodies responsible for consumer protection (CTI, market surveillance department), as well as for consumer associations, for issues related to:</p> <ul style="list-style-type: none"> • unfair terms in utility contracts with users; • redress mechanism available to the consumers 	<p>20</p>	<p>30</p>	<p>50</p>
<p>Output Total</p>					<p>474</p>	<p>471</p>	<p>945</p>
<p>OUTCOME TOTAL</p>					<p>514</p>	<p>531</p>	<p>1045</p>

Joint Programme Outcome 3: Vulnerable groups, people in need, and those living in informal areas benefit from pro-poor utility policies							
7. Adequate mechanisms in place to facilitate effective tariff reform	<i>A comprehensive analysis completed by year 2</i>	World Bank CAS	MLSAE O	19. A national study on the effectiveness of support to the poor and the coordination of state agencies with utility providers	10	40	50
Indicators: 7.1. Revision of Ndihma ekonomike Baseline 2006: 2052 ALL per household	<i>A representative survey conducted by the end of year 1</i>	World Bank CAS	Civil Society organisation	20. Undertake a national survey to elicit a willingness to pay for electricity and water as a tool to anchor price increases on revealed preferences of households	90		90
	<i>2 PSIA reports completed by the end of year 1</i>	World Bank CAS	Civil Society organisation	21. Poverty and social impact analysis of tariff reforms in the electricity and water sectors	60		60
	<i>A policy paper produced</i>	World Bank CAS	MLSAE O	22. Analyse potential national mechanisms for the protection of poor and vulnerable strata from tariff increase (e.g., adoption of tariff discount directly from the bill)	20	30	50
Output Total					180	70	250

8. Dialogue between regulatory entities, public utility providers and residents/businesses in informal areas institutionalised	<i>8 Public consultations and public awareness work held by project staff in 2 informal areas of Tirana and Durres</i>	UNDP One UN Programme	METE	23. Work with community based organisations and local associations in informal areas to align the legalization of property ownership with the legalization of—and appropriate compensation for—utility service provision	10	50	60
Indicators 8.1 No of public consultations Baseline: Not known 8.2 At least 1000 customers paying utility bills in informal areas Baseline: Not known 8.3 at least 40% residents/businesses attended a public event Baseline: Not known							
Output Total					10	50	60
OUTCOME TOTAL					190	120	310
Joint programme final evaluation						30	30
UNDP TOTAL					594	671	1265
WB TOTAL					405	290	695
PROGRAMME TOTAL					999	961	1960
UNDP MGT FEE	7%				41.58	46.97	88.55
WB MGT FEE	7%				28.35	20.3	48.65
GRAND TOTAL					1068.93	1028.27	2097.2

5. Management and Coordination Arrangements

UN agencies have been present in Albania since the early 1990s. The Country Team currently comprises UNDP, World Bank, IMF, IOM, UNICEF, UNFPA, UNHCR, UNIFEM, and WHO. The total amount of UNCT disbursements in Albania for 2005 and 2006 were \$ 26.8 Mill and \$ 27.3 Mill respectively. The proposed programme is an integral part of the One UN Programme for Albania, 2007-2010.

UNDP and the World Bank in Albania have extensive experience in promoting capacity development for good governance at the central and local levels. The World Bank and UNDP joined forces to conduct a Poverty and Social Impact Analysis of the Water Sector in Albania in 2005.

The World Bank has already been supporting the government efforts in the field energy and water and specifically through the [Power Sector Generation & Restructuring Project](#) and [Municipal Water & Wastewater Project](#). Taking into account the Bank's role and expertise both at the country and headquarters level, the specific tasks of functional reviews, capacity diagnosis, efficiency of pro-poor support in Albania and the scope for restructuring will be addressed by the World Bank contribution to the programme through national and international expertise.

UNDP works extensively to make sure that economic growth reaches the poor and marginalized groups. In this respect, the creation of watchdogs in the energy and water sector falls strongly under its empowerment mandate. UNDP is resident on the ground in many of the regions of Albania, and has developed Regional Development Strategies for all 12, taking a "localizing the MDGs approach" relevant to the proposed programme.

The programme will have two main Government counterparts: the Ministry of Economy, Trade & Energy (METE) for the energy sector and consumer protection components and the Ministry of Public Works, Transport and Telecommunications for the water sector component. Cooperation with other ministries, with regional/local authorities, the private sector and with the civil society is seen as essential, and is built into programme activities and design. The Government will ensure national ownership of the programme and will develop its own capacity to design and implement customer protection policies, regulations and guidelines for a well functioning dialogue between communities and service providers.

UNDP and the World Bank will jointly co-lead the programme. It is envisaged that both Agencies will work together to implement activities necessary to securing outputs in all the programme outcomes. WB will mainly focus on the structural support, in accordance also with the WB current and past policy operations, whilst UNDP only mainly focus on the social aspect of regulatory work at the central and the local level

A National Steering Committee in (the "NSC") is already established to oversee and coordinate the operations of the Programmes/Projects funded under the UNDP-Spain MDG Achievement Fund in accordance with the Terms of Reference of the Fund. The NSC will have overall responsibility for Programme activities. It will provide strategic guidance and oversight and approve the Programme Document including subsequent revisions and Annual Work Plans and Budgets. The NSC will be comprised of the UN

Resident Coordinator, the representative of the Spanish government – the Ambassador, and the Director of the Department for Strategy and Donor Coordination of the Government of Albania and will be meeting twice a year. To the extent possible, the NSC will use existing coordination mechanisms in Albania to undertake the process of planning and stakeholder consultation that the programme operations will require.

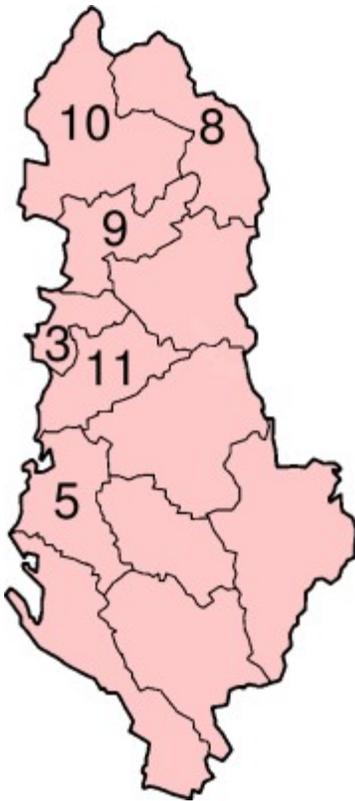
A Programme Steering Committee (PMC) will also be created to coordinate and oversee the programme implementation. As a principal coordinating and supervisory body for implementation of programme activities, the PMC will provide policy guidance and recommendation regarding programme strategy and objectives and periodically review and oversee the financial and programme achievements. PMC will include representatives of the Ministry of Economy, Trade and Energy, Ministry of Public Works, Transport and Telecommunications, UNDP and the World Bank and it will meet on quarterly basis. While the above mentioned will be the core and the decision making members of the PMC, civil society and local authorities representatives will also be invited to take part in the PMC meetings. A consultative or advisory group may also be created if considered as important from the PMC members.

The programme features a division of labour among the two main partners. UNDP—under the oversight of the UN Resident Coordinator—will be in charge of overall programme coordination, take the lead on consumer protection activities, and provide particular expertise in the programme’s civil-society and regional-development aspects. The World Bank will take the lead in the programme’s national energy- and water-sector activities, and will provide technical expertise in areas of regulatory reform and analysis of distributional impact from tariff increases.

An International Chief Technical Advisor (CTA) will be appointed, reporting through UNDP to the UN Resident Coordinator. Together with the programme team, the CTA will manage the programme on a day-to-day basis, on behalf of the PMC. The CTA, who will have a strong background in the regulatory reform, consumer protection, and/or civic engagement areas (or all three), will ensure that the programme produces the anticipated results, to the required standard of quality and within specified time and cost requirements.

The World Bank will hire international and national consultants to provide the policy advice and technical assistance needed for the capacity development activities to benefit METE, MPWTT, ERE, and GDWS personnel. These consultants will be supported and augmented by in-country World Bank staff. Technical assistance will be dedicated to the preparation of analytical studies in the energy and water sectors to provide regulators, companies, ministries, users, and CSOs with policy options and recommendations.

A regional programme coordinator will be attached to UN/UNDP programme offices in each of the six envisaged pilot regions with responsibility for liaising with local government and organising the participatory activities foreseen. The pilot regions are Tirana, Durrës, Shkodra, Kukes, Fier, Lezha. See the map here below:



Map of Albania Administrative Divisions.

*Tirana region: 11
Durrës region: 3
Shkodra region: 10
Kukes region: 8
Fier region: 5
Lezha region: 9*

The geographical selection takes into account the UNDP presence at the local level (Shkodra, Kukes, and Lezha) as well as the government suggestions to develop consumer protection and regulatory participatory work in large markets of Albania such as Tirana, Durrës and Fier. This will ensure alignment across the various programme activities. For better management of resources, the main programme office in Tirana will also host the programme activities for the areas of Tirana and Durrës. Furthermore, the two main informal settlements in Albania are located on the outskirts of these cities: Bathore on the northern edge of Tirana and Keneta on the western edge of Durrës. They will form the focus of Outcome 3 of the programme. UNDP activities will require international and national consultants, and subcontracts to national civil society organisations. All UNDP staff working in this programme will report to the CTA.

6. Fund Management Arrangements

Each Participating UN Organization (PO) assumes complete programmatic and financial responsibility for the funds disbursed to it by the Administrative Agent (AA) and can decide on the execution process with its partners and counterparts following the organization's own applicable regulations.

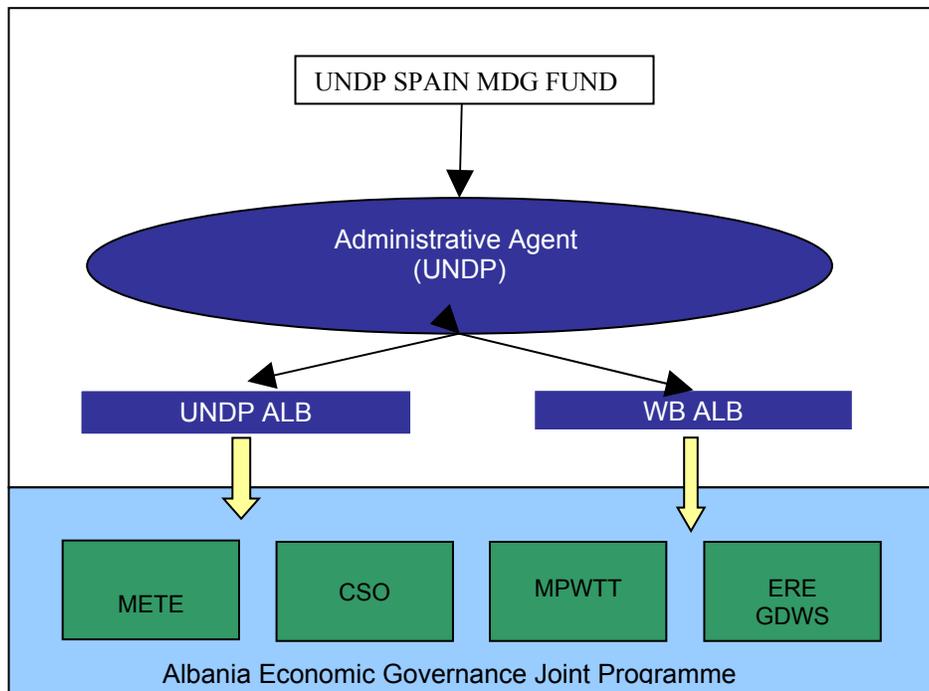
Each PO establishes a separate ledger account for the receipt and administration of the funds disbursed to it by the AA. POs are requested to provide certified financial reporting according to the budget template provided in the MDG-F Operational Guidance Note issued by the MDTF Office and are entitled to deduct their indirect costs on contributions received not exceeding 7 per cent of the Joint Programme budget in accordance with the provisions of the MDG-F MOU signed between the AA and the POs.

Subsequent installments will be released in accordance with Annual Work Plans approved by the NSC. The release of funds is subject to meeting a minimum commitment threshold (legally binding contracts signed, including multi-year commitments which may be disbursed in future years) of 70% of the previous fund release to the POs combined. If the 70% threshold is not met for the programme as a whole, funds cannot be released to any organization, regardless of the individual organization's performance.

On the other hand, the following year's advance can be requested at any point after the combined commitment against the current advance has exceeded 70% and the work plan requirements have been met. If the overall commitment of the programme reaches 70% before the end of the twelve-month period, the POs may after endorsement by the NSC request the MDTF Office, through the RC to release the next installment ahead of schedule.

The proposed programme will be implemented in Joint Programming – Option C – Pass through management (see Guidance note on Joint Programming of the UNDG of 19 December 2003).

UNDP will serve as Administrative Agent and will operate as the main interface at the country level with the Government and targeted beneficiaries at local and central level. It will also take over the responsibilities for fund management and consolidated reporting to the UNDP/Spain MDG Achievement Fund. Implementation of the activities under the responsibility of the different agencies, and achievement of results will be independent and linked to that specific agency in line with the agreed joint programming document.



7. Feasibility, risk management and sustainability of results

The programme risks that are of greatest concern fall into two areas:

- **Political risk:** Decisions to raise electricity and water tariffs, or to crack down on informal connections to public service infrastructures, are controversial. The next general elections in Albania are scheduled for mid-2009 and as experience has shown they may be affecting the programme and the policies and reforms that it

will be supporting. On the other hand, with the decentralisation of water management, water tariffs are approved by municipal councils. This may pose another political risk to the programme at the lower level as sometimes central and local governments have disagreements often fuelled by political inclinations.

While political risks are usually a common risk around elections in transition countries, the EU integration process provides a strong impetus for cross-party cooperation in Albania. This programme's objectives are in line with the Stability and Association process in Albania and the strong government commitment for reforms will be the major source of risk mitigation in this case. Furthermore, the programme partners will ensure that programme activities are managed with due regard for the political constraints facing national partners—while simultaneously reminding these partners of the need for commitment and resolve.

A secondary risk mitigation strategy is developed. The programme will work with central and local level authorities in order to build grassroots support for the different activities, regardless of political affiliation. This will reduce the possible sensitivities linked to the upcoming elections.

- **Technical risk:** The programme's efforts at strengthening the inclusive aspects of social and consumer protection associated inter alia with tariff increases are occurring against a very complicated structural reform agenda. The roles of the state, private actors, and civil society in the energy and water sectors are being redefined via market liberalisation, privatisation, and decentralisation processes, many of which are linked to EU accession requirements. These risks must be minimised by ensuring that: (i) the complexity of these processes and their mutual interactions are fully understood by the programme partners; (ii) all relevant stakeholders are appropriately included in management frameworks (e.g., the programme steering committee; and (iii) the appropriate expertise is provided by the relevant World Bank and UNDP headquarters and technical offices.

Programme activities will contribute greatly to the sustainability of efforts to strengthen evidence-based policy making and the pro-poor character of consumer protection and utility regulation. Staff in the relevant ministries, regulatory bodies, and local governments, CSOs, and (where appropriate) commercial structures will have acquired much needed human and social capital (training, skills, cooperative relationships, familiarity with EU-consistent regulatory instruments and practices) that are currently absent. Both the rights and responsibilities of user groups will be strengthened, via public advocacy, the empowerment of consumer associations and other CSOs—and greater public awareness of the benefits associated with full coverage of the costs of public service provision.

8. Accountability, Monitoring, Evaluation and Reporting

UN agencies are committed to manage programmes within specific measurable results frameworks. Monitoring and evaluation of this programme will be conducted in accordance with the One UN monitoring and evaluation plan and will also be subject to the relevant agency regular internal audits.

The MDTF Office is responsible for the annual Consolidated Joint Programme Progress Report, which will consist of three parts:

AA Management Brief. The Management brief consists of analysis of the certified financial report and the narrative report. The management brief will identify key management and administrative issues, if any, to be considered by the NSC.

Narrative Joint Programme Progress Report. This report is produced through an integrated Joint Programme reporting arrangement. The report should be reviewed and endorsed by the PMC before it is submitted to the MDTF Office on 28 February of each year.

Financial Progress Report. Each Participating UN organization will submit to the MDTF Office a financial report stating expenditures incurred by each programme during the reporting period. The dead-line for this report is 31 March.

The common work plan clearly indicates the activities to be supported by each of the agencies. The indirect costs to be charged by each organization are reflected in the respective budgets. The programmatic and financial accountability rests with the participating UN organizations and (sub-) national partners that would be managing their respective components of the joint programme.

The participating agencies are primary responsibility of developing tools and methodologies for the UN to better monitor and evaluate the work of the proposed programme. Quarterly status reports will be prepared by each agency, in partnership with their government and regulatory counterparts – to be consolidated by UNDP, and submitted to the UN Resident Coordinator. The quarterly updates will be made available to the donor. The Joint Programme will have a mid-term review and a final evaluation. The mid term review will be organized by the MDG-F Secretariat.

An updated and detailed Annual Work Plan will be developed during the first month of the programme life. Since the objective of the programme is to increase the capacities of regulatory entities and the establishment of mechanisms to protect the interests of people in need and the public at large, the programme will also be subject to a participatory monitoring and evaluation. Programme outcomes will be discussed, consulted, and take into account the relevant stakeholders' comments and feedback all along the process.

Table 2: Programme Monitoring Framework (PMF)

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
From Results Framework (Table 1)	From results framework Baselines are a measure of the indicator at the start of the JP	From identified data and information sources	How is it to be obtained?	Agency specific responsibility	Summary of assumptions and risks for each result
<p>JP outcome 1: Capacities of regulatory bodies enhanced to better monitor the provision and efficiency of service delivery</p> <p>a) Output 1: Key capacity constraints limiting the effectiveness of ERE and General Directorate of Water and Sanitation (GDWS) identified</p> <p>b) Output 2: Remedies (e.g., clarification of legal uncertainties, training for civil service personnel, functional reviews of public sector bodies) to address these capacity constraints designed and implemented</p>	<p>- No of recommendations from capacity diagnosis Baseline: no recommendations available</p> <p>- No of proposed policies Baseline: no proposed policy</p> <p>- At least 80% of capacity diagnosis' recommendations implemented Baseline: no recommendations implemented</p>	<p>Capacity diagnostic assessments</p> <p>Capacity diagnostic assessments</p> <p>Mid-Term review and final evaluation</p>	<p>Survey, interviews and visits reports</p> <p>Survey, interviews and visit reports</p>	<p>World Bank</p> <p>MDG-F secretariat</p>	<p>Risk of a lack of expertise to conduct the survey</p> <p>Difficulty in untangling the linkages between actions and capacity development</p>

	<ul style="list-style-type: none"> - At least 80% of trained ERE and GDWS staff use new monitoring methodologies in their work Baseline: no staff use relevant monitoring techniques - Gas delivery is regulated Baseline: gas delivery unregulated 				outputs
c) Output 3: Public relations of KESh, ERE and GDWS improved	<ul style="list-style-type: none"> - No of public hearings Baseline: no public hearings - Time to respond to a complaint from the public decreased by 25% Baseline: 20 days 	Quarterly and annual project reports	Field visits, interviews of key informants, Regulatory entities websites and project reporting systems	UNDP	Slow response and lack of commitment by KESH, ERE and GDWS
d) output 4: Public awareness on utility provision increased	<ul style="list-style-type: none"> - No of leaflets and posters - No of public awareness meeting/workshops - Customers awareness of Kesh, ERE and GDWS contact points and activities increased 	Quarterly and annual project reports	Field visits, project reporting system	UNDP	Low public interest in the issue

	Baseline: not yet available				
<p>JP Outcome 2: Consumer associations and state bodies strengthened, to provide a strong national voice for customers</p> <p>a) output 5: state bodies' capacities increased</p> <p>b) output 6: Develop and strengthen consumer protection work in 6 pilot regions</p>	<p>- At least 80% of trained staff use taught techniques in their work Baseline: no staff uses new techniques in their work</p> <p>- Supporting legal acts formulated and approved Baseline: existing legislation on consumer protection and market surveillance</p> <p>- At least 50% increase in the No of consumer complaints received and dealt with by consumers association and CTI Baseline: not yet available</p> <p>- No of active consumer associations at the local level Baseline: Not known</p>	<p>Mid-Term review and final evaluation, quarterly and annual project reports</p> <p>Stability and Association Agreement / EU annual progress reporting/ NSDI Annual Progress Report</p> <p>Quarterly and annual project reports</p>	<p>Survey, interviews and visit reports</p> <p>Survey, interviews and visit reports</p> <p>interviews and visit reports</p>	<p>MDG-F secretariat, UNDP</p> <p>Albanian Government / European Union</p> <p>UNDP</p>	<p>Business procedures are not in line with provided training</p>
JP Outcome 3: Vulnerable groups,					

8. Ex Ante Assessment of Cross-cutting Issues

This programme focuses on four ex ante cross-cutting issues: human rights, environment, gender equality, and capacity development.

Human rights. Access to basic water, electricity, and other public services is indeed a human right. But the engagement of user groups—and civil society more broadly—is often needed to ensure quality access to these services. In some cases, civic engagement should take the form of CSOs functioning as “watch dogs”, to advocate on behalf of rights holders and alert regulatory bodies and the public to cases of commercial malfeasance. In other cases, civic engagement should take have a less adversarial character, recognising that responsibility for quality service delivery requires the provision of information from user groups, as well as constructive participation along side commercial entities and regulators in consultative forums. This programme will engage CSOs in a variety of capacities along this spectrum.

Environmental issues. Water governance issues in Albania are closely tied to issues of regulatory reform in the energy sector, because hydro power plays a key role in the national energy balance. The accelerating economic growth across Southeast Europe that followed the cessation of the 1999 Kosovo War has combined with prolonged drought conditions (constraining hydroelectricity generation) and the closure of Bulgaria’s Kozloduy nuclear power plant to push the region’s electricity energy balance into deficit. As Albania is particularly reliant on hydroelectric power, it has been particularly affected by drought conditions. Electricity production during the first half of 2007 dropped 16% compared to previous year levels, with significant negative implications for economic growth, the balance of payments, and household access to basic electricity services. The government has responded to these tensions by encouraging the construction of micro-hydro and other new generation facilities, which are increasingly encumbering Albania’s untapped water resources. At the same time, Albania’s decentralisation and regional development programmes are transferring responsibilities for water governance to sub-national governments, not all of which have the capacity to manage these resources effectively. The water sector capacity development activities to be conducted under this programme—particularly for sub-national governments—can in this way help ensure more sustainable management of Albania’s water resources.

Gender equality. As in other Southeast European countries, women in Albania face higher risks of poverty and are less likely to participate in the labour force than men. Traditional roles within the household also ensure that it is the women who are most likely to bear the “double burden” of work within (as well as outside) the home. The greatest burden of responding to sometimes inadequate water and energy services delivered by Albania’s public utilities, or of dealing with the consequences of poor-quality consumer durables and other goods and services generally falls disproportionately on Albanian women. This reality is compounded by a high number of female-headed households, particularly in rural areas and Albania’s northern regions, whence men are more likely to migrate in search of steady employment. By seeking to improve the quality and reliability of electricity and water services, and by strengthening consumer protection, this programme could provide particularly significant benefits to Albanian

women. This underscores the importance of gender factors in the consumer and user groups to be supported under this programme: namely, groups in which women are not well represented may be quite unrepresentative of the programme's ultimate beneficiaries.

Capacity development. The programme focuses heavily on capacity development among the state institutions responsible for regulating the supply of water and energy services, and protection consumer interests, as well as among CSOs that can represent the interests of user groups and consumers in these sectors. The nature of the capacity development work to be pursued will depend on the extent and nature of the specific gaps to be addressed. In general terms, it will typically feature a diagnostic of existing capacity levels, and a package of responses. These will be based in part on general capacity development templates and tool kits that reflect the corporate methodologies and instruments employed by the two partners; such measures as expanded use of e-governance tools, staff training, and (in the water sector) functional reviews. These tool kits will be complemented by the engagement of the sectoral expertise that is most relevant for the energy and water sectors, consumer protection, and civil society development. In UNDP's case, the capacity development activities conducted under this programme will build on the work done in the drafting of the 2008 National Human Development Report, which is devoted to the capacity development theme.

9. Legal Context or Basis of Relationship

One UN Programme

Albania is a pilot country of the One UN initiative. The One UN Programme in Albania includes resident and non-resident UN agencies, funds and programmes which strategically contribute to Albania's development priorities as outlined in the National Strategy for Development and Integration (NSDI). The following UN agencies and funds are participating in the One UN programme in Albania: the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), Joint United Nations Programme on HIV/AIDS (UNAIDS), United Nations Volunteers (UNV), the United Nations Development Fund for Women (UNIFEM), the World Health Organization (WHO), the UN High Commissioner for Refugees (UNHCR), the International Labour Organization (ILO) and non-resident agencies UN Environment Programme (UNEP), the UN Educational, Scientific and Cultural Organization (UNESCO) and the Food and Agriculture Organization (FAO). The World Bank and IOM are active members of the UNCT in Albania. While they will not be an integral part of the One UN programme, on-going collaboration will be enhanced with the World Bank under the One UN programme in capacity development, education, economic governance, statistics, disaster preparedness and the Integrated Planning System and with IOM on migration policies and remittances.

UNDP

This Programme Document shall be the instrument referred to as such in Article I of Standard Basic Assistance Agreement between the Government of Albania and UNDP which was signed by both parties on 17 June 1991. Based on the paragraph 2 of this

Article, UNDP's assistance to the Government shall be made available to the Government and shall be furnished and received in accordance with the relevant and applicable resolutions and decisions of the competent UNDP organs, and subject to the availability of the necessary funds to UNDP.

World Bank

"The International Bank for Reconstruction and Development (the "World Bank") is a specialized agency of the United Nations. Albania has been a member of the World Bank since 1991, at which time Albania signed the World Bank's Articles of Agreement. World Bank projects in Albania financed through donor trust funds are governed in general by the Articles of Agreement and, more specifically, by standard Bank grant agreements entered into between the Bank and the Government of Albania. Thus, financing administered by the World Bank as part of the Joint Programme will be governed by a Bank grant agreement."

10. Work plan and Budget

Work plan and budget – YEAR 1

JP Output 1: Key capacity constraints limiting the effectiveness of ERE and General Directorate of Water and Sanitation (GDWS) identified										
Annual targets	Activities	TIME FRAME				UN AGENCY	RESPON-SIBLE	MDG-F		
		Q1	Q2	Q3	Q4			Source of Funds	Budget Description	Amount (k)
Targets:										
1. ERE and GDWS Capacity diagnosis draft reports submitted to government	<i>1. Capacity diagnosis of ERE conducted</i>		X	X	X	World Bank	ERE	MDG-F	Int'l consultants, national consultants Travel Misc F&A	5 2 3 5 1.05
2. 3 draft Studies on alternative energy provision completed	<i>2. Capacity diagnosis of GDWS conducted</i>		X	X	X	World Bank	GDWS	MDG-F	Int'l consultants, national consultants Travel F&A	13 7 5 1.75
3. GDWS staff trained on benchmarking and monitoring	<i>3. Legal and regulatory frameworks governing production, supply of alternative, micro energy (e.g., micro-hydro) production assessed</i>			X	X	World Bank	METE	MDG-F	Int'l consultants, national consultants Travel Misc F&A	10 6 3 1 1.4
	<i>4 Studies on alternative energy provision conducted in pilot communities</i>		X	X	X	UNDP	METE	MDG-F	Int'l consultants, NGO subcontracting, Travel, Misc F&A	6 20 3 1 2.1
	<i>5. Strengthen ERE monitoring of power usage and metering, and oversight of KESh billing</i>		X	X	X	World Bank	ERE	MDG-F	Int'l consultants, national consultants Training Travel Misc F&A	10 6 5 3 1 1.75
	<i>6. Strengthen the capacity of the Monitoring and Benchmarking Unit of the GDWS</i>		X	X	X	World Bank	GDWS	MDG-F	Int'l consultants, national consultants Training Travel Misc F&A	10 6 5 3 1 1.75
JP Output 2: Remedies (e.g., clarification of legal uncertainties, training for civil service personnel, functional reviews of public sector bodies) to address these capacity constraints designed and implemented										

Targets: 1. Preparation of water business plans started 2. Legal framework on alternative renewable energy prepared 3. 2 trainings held with METE and MPWTT on monitoring methodologies and transparency	<i>7. Assistance for METE, MPWTT, ERE, GDWS in preparing the primary and secondary legislation regulating the generation of alternative renewable energy</i>			X	X	World Bank	METE	MDG-F	Int'l consultants, national consultants Travel Workshops Misc F&A	18 6 3 2 1 2.1
	<i>8. support the preparation of business plans for utilities</i>				X	World Bank	MPWTT	MDG-F	Int'l consultants National consultants Training Workshop Travel, F&A	13 10 3 1 3 2.1
	<i>9. Support to capacity building and Training for ERE staff concerning monitoring methodologies, transparency, complaint systems, and dispute resolution</i>				X	World Bank	METE	MDG-F	Int'l consultants Travel F&A	3 2 0.35
	<i>10. Support to capacity building and Training for GDWS staff concerning monitoring methodologies, transparency, complaint systems, and dispute resolution</i>				X	World Bank	MPWTT	MDG-F	Int'l consultants National consultant Workshop Travel F&A	8 13 3 6 2.1
	<i>11. Capacity development of ERE, METE staff on regulating gas delivery.</i>			X	X	World Bank	METE	MDG-F	Int'l consultants, national consultants Travel, Training, Misc F&A	10 4 3 2 1 1.4
JP Output 3: Public Relations of KESH, ERE and GDWS improved										
Target: 4 public hearings at the pilot areas	<i>12 Further institutionalization of public hearings at the national and local levels, with regard to issues of energy and water provision</i>			X	X	UNDP	Local government units of pilot areas	MDG-F	national consultants, training, printing materials, Misc, F&A	10 5 4 1 1.4
JP Output 4: Public awareness on utility provision increased										
Target: 1. Public hearings aired on local TV stations 2. Media Campaign in support of utility provision	<i>13. Support public awareness (e.g., media outreach) activities in these areas</i>	X	X	X	X	UNDP	ERE	MDG-F	National consultants, sub-contract local companies, Travel, Misc F&A	7 10 2 1 1.4
JP Output 5: Consumer associations and state bodies' capacities increased										

Target: A report on current situation establishing baseline indicators, recommendations on EU best practices and targets to be achieved together with requirements for individual training submitted to METE	<i>14 .Assistance to METE (especially, CTI), on methodologies or instruments to protect consumers</i>		X	X	X	UNDP	METE	MDG-F	Int'l consultants, national consultants, Travel, Misc F&A	10 6 3 1 1.4
	<i>15. Training of METE, on investigating complaints regarding services quality, market surveillance and benchmarking</i>			X	X	UNDP	METE	MDG-F	Int'l consultants National consultants, Travel Training, Misc F&A	5 5 2 7 1 1.4
JP Output 6: Consumer protection capabilities developed and strengthened in 6 pilot regions										

<p>Targets:</p> <p>1. Consumer associations trained at the central level and branches established in 3 pilot areas</p> <p>2. Action plan for the implementation of the strategy on consumer protection finalized</p>	<p>16. Support the work of METE/CTI and consumer protection associations in the regions of Tirana, Durres, Fier, Lezha, Kukes and Shkodra</p>							METE	MDG-F	<p>Chief Technical Advisor 12 man months @ 12.500 USD pm F&A</p>	150	
										<p>National Project Staff (14 staff x 12 months @ 910 USD pm) F&A</p>	10.5	
											<p>Equipment for project offices (15 PCs +printers = 20.000 USD, 5 photocopy machines = 10.000 USD, Project Vehicle = 5000 USD - cost share with other UNDP projects) F&A</p>	153
											<p>Office rent and related expenses (utilities, communications) - One central project office covering Tirana and Durres 12 months @ 3000 USD pm = 36000 USD; 4 local offices (Kukes, Shkodra, Fier, Lezha at 1000 pm each 12x1000x4 = 48000 USD) Misc F&A</p>	10.71
		X	X	X	X	UNDP					35	
											2.45	
											84	
											12	
											6.72	
	<p>17. Provide legal support for METE implementation of the cross-sectoral strategy "On consumer protection and market surveillance", particularly for the drafting of secondary legislation</p>							METE	MDG-F	<p>Int'l consultants, national consultants, Travel, Misc F&A</p>	10	
											6	
											3	
											1	
											1.4	
	<p>18. Capacity development of state bodies responsible for consumer protection (CTI, market surveillance department), as well as for consumer associations, for issues related to addressing unfairness and resolving grievances in the regions of Tirana, Durres, Fier, Lezha, Kukes and Shkodra</p>							METE	MDG-F	<p>Int'l consultants, national consultants, Travel, Training, Misc F&A</p>	10	
											4	
											3	
											2	
											1	
											1.4	
		X	X	X		UNDP						
<p>JP Output 7: Adequate mechanisms in place to facilitate effective tariff reform</p>												

<p>Targets:</p> <p>1. Survey completed</p> <p>2. A comprehensive analysis of the effectiveness of support to the poor initiated</p> <p>3. 2 draft PSIA reports presented to the government</p>	<p><i>19. Study the effectiveness of support to the poor and the coordination of state agencies with utility providers</i></p>				X	World Bank	MLSAEO	MDG-F	Int'l consultants, Travel F&A	7 3 0.7
	<p><i>20. Undertake a survey to elicit a willingness to pay for electricity and water as a tool to anchor price increases on revealed preferences of households.</i></p>	X	X	X	X	World Bank	Civil society organisation	MDG-F	Int'l consultants, national consultants, NGO subcontracting Travel, Misc F&A	20 10 50 8 2 6.3
	<p><i>21. Poverty and social impact analysis of tariff reforms in the electricity and water sectors</i></p>	X	X	X	X	World Bank	Civil society organisation	MDG-F	Int'l consultants, NGO subcontracting Travel, Misc, F&A	10 40 8 2 4.2
	<p><i>22. Analyze and follow through with potential mechanisms for the protection of poor and vulnerable strata from tariff increase (e.g., adoption of tariff discount directly from the bill)</i></p>			X	X	World Bank	MLSAEO	MDG-F	Int'l consultants, national consultants, Travel, Misc F&A	10 6 3 1 1.4
JP Output 8: Dialogue between regulatory entities, public utility providers and residents/businesses in informal areas institutionalized										
<p>Target:</p> <p>2 public consultations with the presence of government representatives held in each informal area (Bathore and Keneta)</p>	<p><i>23. Work with community based organizations and local associations in informal areas, among which Bathore (northern edge of Tirana) and Keneta (western edge of Durres) to align the legalization of property ownership with the legalization of—and appropriate compensation for—utility service provision</i></p>			X	X	UNDP	METE	MDG-F	National consultants, advocacy & printing materials, Workshops, Misc F&A	5 2 2 1 0.7

635.58

UNDP Budget

WB Budget

TOTAL YEAR 1

433.35

1068.93

Work plan and budget – Year 2

JP Output 1: Key capacity constraints limiting the effectiveness of ERE and General Directorate of Water and Sanitation (GDWS) identified

Annual targets	Activities	TIME FRAME				UN AGENCY	RESPON-SIBLE	PLANNED BUDGET		
		Q1	Q2	Q3	Q4			Source of Funds	Budget Description	Amount (k)
Targets: 1. Systems and personnel in place in support of the identified capacity gaps 2. Legal acts in support of alternative energy production in place	<i>1. Capacity diagnosis of ERE conducted</i>	X				World Bank	ERE	MDG-F	Int'l consultants, Travel F&A	
	<i>3. Legal and regulatory frameworks governing production, supply of alternative, micro energy (e.g., micro-hydro) production assessed</i>	X	X	X		World Bank	METE	MDG-F	Int'l consultants, national consultants, Travel, Misc F&A	16 10 3 1 2.1
	<i>4. Studies on alternative energy provision conducted in pilot communities</i>	X				UNDP	METE	MDG-F	Int'l consultants, Travel F&A	7 3 0.7
	<i>5. Strengthen ERE monitoring of power usage and metering, and oversight of KESh billing</i>	X				World Bank	ERE	MDG-F	Int'l consultants, travel, Training, Misc F&A	6 3 5 1 1.05
	<i>6. Strengthen the capacity of the Monitoring and Benchmarking Unit of the GDWS</i>	X				World Bank	GDWS	MDG-F	Int'l consultants, travel training F&A	7 3 5 1.05
JP Output 2: Remedies (e.g., clarification of legal uncertainties, training for civil service personnel, functional reviews of public sector bodies) to address these capacity constraints designed and implemented										

Targets 1. 6 water business plans completed 2. Legal framework on alternative renewable energy approved 3. 4 trainings held with METE and MPWTT on complaint systems and dispute resolution	<i>7. Assistance in preparing the primary and secondary legislation regulating the generation of alternative renewable energy</i>	X	X			World Bank	METE	MDG-F	Int'l consultants, national consultants Travel Workshops, Misc F&A	18 6 3 2 1 2.1
	<i>8. support the preparation of business plans for utilities</i>	X	X	X	X	World Bank	MPWTT	MDG-F	Int'l consultants, national consultants Travel, Workshops Travel F&A	30 22 8 3 7 4.9
	<i>9. Support to capacity building and Training for ERE staff concerning monitoring methodologies, transparency, complaint systems, and dispute resolution</i>	X	X			World Bank	METE	MDG-F	Int'l consultants National consultants Workshops Travel F&A	5 5 2 3 1.05
	<i>10. Support to capacity building and Training for GDWS staff concerning monitoring methodologies, transparency, complaint systems, and dispute resolution</i>	X	X			World Bank	MPWTT	MDG-F	Int'l consultants Travel Training F&A	10 5 5 1.4
	<i>11. Capacity development of ERE, METE staff on regulating gas delivery.</i>	X	X	X		World Bank	METE	MDG-F	Int'l consultants, national consultants, Travel, Training, Misc F&A	14 4 3 3 1 1.75
JP Output 3: Public relations of KESh, ERE and GDWS improved										
Targets: 8 public hearings at the pilot areas	<i>12 Further institutionalization of public hearings at the national and local levels, with regard to issues of energy and water provision</i>	X	X	X	X	UNDP	Relevant Local government unit	MDG-F	national consultants, training, printing materials, Misc F&A	14 5 5 1 1.75
JP Output 4: Public awareness on utility provision increased										

Target	<i>13 Support public awareness (e.g., media outreach) activities in these areas</i>						ERE	MDG-F	National consultants, sub-contract local companies, Travel, Misc F&A	10 12 2 1 1.75
1. Public hearings aired on local TV stations 2. Media Campaign in support of utility provision		X	X	X	X	UNDP				
JP Output 5: Consumer associations and state bodies' capacities increased										
Targets:	<i>14. Assistance to METE (especially, CTI), and consumer associations on methodologies or instruments to protect consumers</i>						METE	MDG-F	Int'l consultants, national consultants, Travel, Misc F&A	12 14 3 1 2.1
1. Draft report finalized and 4 trainings of METE staff completed		X	X	X		UNDP				
	<i>15 Training of METE on investigating complaints regarding services quality, market surveillance and benchmarking</i>						METE	MDG-F	Int'l consultants National consultants, Travel, Training, Misc F&A	10 10 3 6 1 2.1
		X	X	X		UNDP				
JP Output 6: Consumer protection capabilities developed and strengthened in 6 pilot regions										

<p>Targets:</p> <p>1. Consumer associations trained at the central level and branches established in 3 pilot areas</p> <p>2. Action plan for the implementation of the strategy on consumer protection finalized</p> <p>3. 2 Joint trainings between METE and consumer associations held</p>	<p><i>16 Support the work of METE/CTI and consumer protection associations in the regions of Tirana, Durres, Fier, Lezha, Kukes and Shkodra</i></p>	X	X	X	X	UNDP	METE	MDG-F	<p>International Chief Technical Advisor 12 man months @ 12.500 USD pm F&A</p>	150
									<p>National Project Staff (14 staff x 12 months @ 910 USD pm) F&A</p>	10.5
										<p>Project Vehicle = 12000 USD - cost share with other UNDP projects F&A</p>
										10.71
										12
										0.84
									<p>Office rent and related expenses (utilities, communications) - One central project office covering Tirana and Durres 12 months @ 3000 USD pm = 36000 USD; 4 local offices (Kukes, Shkodra, Fier, Lezha at 1000 pm each 12x1000x4 = 48000 USD) Misc F&A</p>	84
										12
										6.72
	<p><i>17 Provide legal support for METE implementation of the cross-sectoral strategy "On consumer protection and market surveillance", particularly for the drafting of secondary legislation</i></p>	X	X			UNDP	METE	MDG-F	<p>Int'l consultants, national consultants, Travel Misc F&A</p>	10
										16
										3
										1
										2.1
	<p><i>18. Capacity development of state bodies responsible for consumer protection (CTI, market surveillance department), as well as for consumer associations in the regions of Tirana, Durres, Fier, Lezha, Kukes and Shkodra, for issues related to addressing unfairness and resolving grievances</i></p>	X				UNDP	METE	MDG-F	<p>Int'l consultants, national consultants, Travel, Training Misc F&A</p>	10
										12
										3
										4
										1
										2.1

JP Output 7: A more efficient delivery of social protection in case tariff adjustment is aligned with market rates										
Targets: 1. A comprehensive analysis of the effectiveness of support to the poor completed 2. Mechanisms for the protection of the poor revised following a completion of a policy paper	<i>19. Study the effectiveness of support to the poor and the coordination of state agencies with utility providers</i>	X	X	X	X	World Bank	MLSAEO	MDG-F	Int'l consultants, national consultants, Travel Misc F&A	20 15 3 2 2.8
	<i>20. Undertake a survey to elicit a willingness to pay for electricity and water as a tool to anchor price increases on revealed preferences of households.</i>					World Bank	Civil society organisation	MDG-F		
	<i>21. Poverty and social impact analysis of tariff reforms in the electricity and water sectors</i>					World Bank	Civil society organisation	MDG-F		
	<i>22. Analyse and follow through with potential mechanisms for the protection of poor and vulnerable strata from tariff increase (e.g., adoption of tariff discount directly from the bill)</i>	X	X	X	X	World Bank	MLSAEO	MDG-F	Int'l consultants, national consultants, Travel Misc F&A	15 10 3 2 2.1
JP Output 8: Dialogue between regulatory entities, public utility providers and residents/businesses in informal areas institutionalized										
Target: 2 public consultations with the presence of government representatives held in each informal area (Bathore and Keneta)	<i>23. Work with community based organizations and local associations in informal areas, among which Bathore (northern edge of Tirana) and Keneta (western edge of Durres), to align the legalization of property ownership with the legalization of—and appropriate compensation for—utility service provision</i>	X	X	X	X	UNDP	METE	MDG-F	NGO subcontracting, advocacy & printing materials, Workshops Misc F&A	35 8 5 2 3.5
Joint programme evaluation					X	UNDP			Int'l consultants, national consultants, Travel, Misc F&A	30 2.1
UNDP Budget World Bank Budget TOTAL YEAR 2										717.97 310.3 1028.27

PROGRAMME TOTAL	UNDP	WB	TOTAL
YEAR 1	635.58	433.35	1068.93
YEAR 2	717.97	310.3	1028.27
GRAND TOTAL	1353.55	743.65	2097.2