

SECTORAL AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF ALBANIA

AND

THE EUROPEAN COMMISSION

SETTING OUT

**PROVISIONS FOR THE MANAGEMENT AND
IMPLEMENTATION OF UNION FINANCIAL ASSISTANCE TO
THE REPUBLIC OF ALBANIA UNDER THE INSTRUMENT FOR
PRE-ACCESSION ASSISTANCE IN THE POLICY AREA
'AGRICULTURE AND RURAL DEVELOPMENT' (IPARD)**

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The European Commission, hereinafter referred to as "the Commission", acting for and on behalf of the European Union

on the one part, and

the Government of the Republic of Albania, acting for and on behalf of the Republic of Albania, hereinafter referred to as "Albania",

on the other part,

and together, jointly referred to as "the Parties"

Whereas:

- (1) On 11 March 2014, the European Parliament and the Council adopted Regulation (EU) No 231/2014 establishing an instrument for pre-accession assistance¹ (hereinafter referred to as the "IPA II Regulation"). This instrument constitutes the legal basis for the provision of financial assistance to the beneficiaries listed in Annex I to the IPA II Regulation to support them in adopting and implementing reforms in different sectors, including in particular the agricultural sector, required in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership.
- (2) On 2 May 2014, the Commission adopted Implementing Regulation (EU) No 447/2014², which sets out the applicable management and control provisions (hereinafter referred to as the "IPA II Implementing Regulation").
- (3) In accordance with Article 5 of the IPA II Implementing Regulation, framework agreements may be complemented by sectoral agreements setting out specific provisions for the management and implementation of IPA II assistance in specific policy areas or programmes.
- (4) Albania is eligible for assistance under the IPA II Regulation.
- (5) On 16 April 2015 a framework agreement was concluded between Albania and the Commission on the arrangements for implementation of Union financial assistance to Albania under IPA II (hereinafter referred to as the "FWA").
- (6) Rural development programmes are to be implemented by Albania on the basis of indirect management in accordance with Article 58(1)(c) of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council³ and they have to indicate the actions to be financed with IPA II assistance. The selected types of actions have to be of a nature similar to those provided for under Regulation (EU) No 1305/2013 of the European Parliament and of the Council⁴.
- (7) In some sections of the FWA the level of detail of the rules for the implementation of rural development programmes is not sufficient. It is therefore necessary to set out further details for the implementation and management of the assistance in the agriculture and rural development policy area of IPA II in a sectoral agreement in accordance with Article 9 of the FWA.
- (8) As a sectoral agreement should complement the FWA, the structure of this Agreement follows the structure of the FWA,

¹ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 77, 15.3.2014, p. 11).

² Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 132, 3.5.2014, p. 32).

³ Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

⁴ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

HAVE AGREED AS FOLLOWS:

SECTION I GENERAL PROVISIONS

ARTICLE 1 SCOPE

This Agreement lays down specific provisions for the management and implementation of the assistance in the agriculture and rural development policy area of IPA II (IPARD II) in accordance with Article 9 of the FWA.

It complements the FWA concluded with Albania in accordance with Article 5(1) and (2) of the IPA II Implementing Regulation for the implementation of IPA II. In case of conflict between this Agreement and the FWA, the provisions of the FWA shall prevail.

ARTICLE 2 COMPLIANCE WITH THE AGREEMENTS

- (1) Albania shall take all necessary steps to ensure the proper execution of all assistance activities and to facilitate the implementation of the IPARD II programme in compliance with the FWA and this Agreement (hereinafter together referred to as "the Agreements"). Albania shall also comply with the IPARD II programme and the Financing Agreement referred to in Article 3 of this Agreement.
- (2) In case of conflict between the Agreements and IPARD II programme, the provisions of the Agreements shall prevail.

ARTICLE 3 FINANCING DECISIONS AND FINANCING AGREEMENTS

Following the entry into force of the FWA and of this Agreement, and after the adoption by the Commission of a financing decision approving the IPARD II programme, a Financing Agreement shall be concluded in accordance with Article 6(3) of the IPA II Implementing Regulation.

The Financing Agreement shall set out the breakdown of the multi-annual legal commitments and the period of validity of those commitments, which shall be broken down over several years into annual instalments.

The Financing Agreement shall be revised on an annual basis to take account of the amounts provided for in the budget of the Union and, where appropriate, to consider amendments to this Agreement.

ARTICLE 4 CONSISTENCY WITH OTHER ACTIONS AND INSTRUMENTS

- (1) In addition to Article 5(1)(b) of the FWA, the Commission and Albania shall ensure consistency and co-ordination of assistance within and between the IPARD II programme, the other policy area actions under the IPA II Regulation and assistance from the European Investment Bank and other international financial instruments, at the levels of planning, programming and implementation.
- (2) Any overlap between actions covered by assistance provided under the different IPA policy areas shall be avoided.

SECTION II RULES FOR INDIRECT MANAGEMENT BY ALBANIA

TITLE 1: SET-UP OF MANAGEMENT AND CONTROL SYSTEMS

ARTICLE 5 IMPLEMENTING PRINCIPLES

The implementation of the IPARD II programme shall be carried out by Albania on the basis of indirect management.

ARTICLE 6 FUNCTIONS AND COMMON RESPONSIBILITIES OF THE STRUCTURES AND AUTHORITIES

The structures and authorities set out in Article 10(1)(c) and Article 10(2) of the FWA shall be established, by a formal act, carrying out the functions and responsibilities set out in Annex 1 to this Agreement.

ARTICLE 7 FUNCTIONS AND RESPONSIBILITIES OF THE NATIONAL AUTHORISING OFFICER

- (1) The National Authorising Officer (hereinafter referred to as the "NAO") shall be responsible for establishing a management structure as referred to in Article 10(2) of the FWA.
- (2) In addition to Clause 2 of Annex A to the FWA, the NAO shall act as the sole interlocutor with the Commission for all questions relating to IPARD as regards:
 - (a) the distribution of Union texts and guidelines relating thereto to the management and control system and to any other bodies responsible for their implementation, as well as their harmonised application;
 - (b) the request for being entrusted with budget implementation tasks referred to in Article 13(1) of the FWA;
 - (c) the availability to the Commission of a full record of all accounting information required for statistical and control purposes.
- (3) The NAO shall assess any proposed changes in the implementing or paying arrangements of the operating structure and management structure. The NAO shall inform the Commission, with copy to the Audit Authority, of any substantial change, including NAO's assessment, appropriate explanations, justifications and supporting documents for examination and approval in advance of their implementation.

ARTICLE 8 FUNCTIONS AND RESPONSIBILITIES OF THE MANAGING AUTHORITY

- (1) The Managing Authority shall be responsible for preparing and implementing the IPARD II programme in accordance with Annex 1 to this Agreement.
- (2) The Managing Authority shall carry out its functions with a view to the effective implementation of the IPARD II programme.

In accordance with Article 10(1)(c) of the FWA, it shall also be responsible for:

- (a) drafting the IPARD II programme and any amendments to it, including those requested by the Commission;

- (b) the controllability and verifiability of the measures, to be defined in the IPARD II programme in cooperation with the IPARD Agency;
 - (c) the selection of measures under each call for applications under the IPARD II programme and their timing, the eligibility conditions and the financial allocation per measure, per call. The decisions shall be made in agreement with the IPARD Agency;
 - (d) ensuring that the appropriate national legal basis for IPARD II implementation is in place and updated as necessary;
 - (e) assisting the work of the IPARD II monitoring committee as referred to in Article 52 of this Agreement, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD II programme.
- (3) The Managing Authority shall in accordance with Clause 4(3)(a)(i) of Annex A to the FWA, set up a reporting and information system to gather financial and statistical information on progress of the IPARD II programme, also on the basis of information to be provided by the IPARD Agency, and shall forward this data to the IPARD II monitoring committee, in accordance with arrangements agreed between Albania and the Commission, using where possible computerised systems permitting the exchange of data with the Commission and linked to the reporting and information system to be set up by the NAO in accordance with Clause 2(4)(f) of Annex A to the FWA. The reporting and information system should contribute to the annual and final implementation reports referred to in Article 59 of this Agreement.
- (4) The Managing Authority shall propose amendments of the IPARD II programme to the Commission, with copy to the National IPA Co-ordinator (hereinafter referred to as "NIPAC"), after consultation with the IPARD Agency, and following agreement by the IPARD II monitoring committee. The Managing Authority shall be responsible for ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a decision by the Commission to amend the IPARD II programme.
- (5) Each year the Managing Authority shall draw up an action plan for the intended operations under the Technical Assistance measure, which shall be submitted to the IPARD II monitoring committee for agreement.
- (6) As referred to in Clause 4(3)(a)(iv) of Annex A of the FWA, the Managing Authority shall draw up an evaluation plan in accordance with Article 56 of this Agreement. It shall be submitted to the IPARD II monitoring committee as referred to in Article 52 of this Agreement not later than one year after the adoption of the IPARD II programme by the Commission. It shall report to the IPARD II monitoring committee and to the Commission on the progress made in implementing this plan.
- (7) The Managing Authority shall draw up a coherent plan of visibility and communication activities in accordance with Article 24 of the FWA and shall consult and inform the Commission, having taken advice from the IPARD II monitoring committee. The plan shall in particular show the initiatives taken and those to be taken, with regard to informing the general public about the role played by the Union in the IPARD II programme and its results.
- (8) When a part of its tasks is delegated to another body, the Managing Authority shall

retain full responsibility for the management and implementation of those tasks in accordance with the principle of sound financial management.

ARTICLE 9 FUNCTIONS AND RESPONSIBILITIES OF THE IPARD AGENCY

- (1) The IPARD Agency shall be allocated the functions and responsibilities in accordance with Annex 1.

In accordance with Article 10(1) of the FWA, it shall also be responsible for:

- (a) providing a confirmation to the Managing Authority on the controllability and verifiability of the measures in the IPARD II programme;
 - (b) making calls for applications and publicising terms and conditions for eligibility with prior agreement with the Managing Authority on the issues raised in Article 8(2)(c) of this Agreement;
 - (c) selecting the projects to be implemented;
 - (d) laying down contractual obligations in writing between the IPARD Agency and the recipients including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work. The IPARD Agency may continue to contract or enter into commitments under this Agreement for a specific measure up to the date when Albania starts to contract or to enter into commitments for this measure under any successor IPARD II programme;
 - (e) follow-up action to ensure progress of projects being implemented;
 - (f) reporting of progress of measures being implemented against indicators;
 - (g) ensuring that the recipient is made aware of the Union's contribution to the project;
 - (h) ensuring irregularity reporting at national level;
 - (i) ensuring that the NAO, the management structure and the Managing Authority receive all information necessary for them to perform their tasks;
 - (j) ensuring compliance with the obligations concerning publicity referred to in Article 23 of the FWA.
- (2) In respect of investments in infrastructure projects of a type that would normally be expected to generate substantial net revenue, the IPARD Agency shall assess, prior to entering into contractual arrangements with a potential recipient, whether the project is of this type. Where it can be concluded that it is, the IPARD Agency shall ensure that the public aid from all sources does not exceed 50% of total costs related to the project and considered as eligible for Union co-financing.
- (3) The IPARD Agency shall ensure that for any project under the IPARD II programme the accumulation of public aid granted from all sources does not exceed the maximum ceilings for public expenditure set out in Article 32.

TITLE 2: CONTROL SYSTEMS

ARTICLE 10 GENERAL PROVISIONS ON APPLICATIONS FOR SUPPORT, PAYMENT REQUESTS AND OTHER DECLARATIONS

- (1) Albania shall provide appropriate procedures for submitting applications for support, payment requests and other declarations relating to rural development measures.
- (2) The results of the administrative and on-the-spot verifications shall be assessed to establish whether there is a risk for other similar operations, recipients or other bodies, of non-compliance with the eligibility criteria and any other applicable obligations imposed in the Agreements and the IPARD II programme, whether the necessary level of control is practiced and corrective and preventive actions are necessary.
- (3) Where applicable, administrative and on-the-spot verifications on eligibility shall take into account suspected cases of non-compliance reported by other services, bodies or organisations.

ARTICLE 11 ADMINISTRATIVE VERIFICATIONS

- (1) Administrative verifications shall be carried out on all applications for support, payment requests or other declarations required to be submitted by a recipient, and shall cover all elements that can be checked and are appropriate to be checked by means of administrative verifications. The procedures shall require recording of the control work undertaken, the results of the verification and the measures taken in the event of discrepancies.
- (2) Administrative verifications on applications for support shall ensure the compliance of the operation with applicable obligations established by the Agreements, including those of other obligatory standards and requirements. The verifications shall in particular include verification of:
 - (a) the eligibility of the operation for which support is requested;
 - (b) the eligibility criteria set out in the IPARD II programme, commitments and other obligations of the operation for which support is requested;
 - (c) compliance with the selection criteria;
 - (d) the eligibility of the costs of the operation;
 - (e) the compliance of the operation for which support is requested with applicable national and Union rules on, in particular, and where relevant, public procurement, public aid and the other appropriate obligatory standards established by national legislation or established in the Agreements (including the IPARD II programme);
 - (f) the reasonableness of the costs proposed, which shall be evaluated using a suitable evaluation system, such as reference costs, standard unit costs, a comparison of different offers or an evaluation committee;
 - (g) the reliability of the applicant, with reference to any third party information,

such as court decisions, initiated criminal procedures by the public prosecutor, initiated bankruptcy procedure.

- (3) Administrative verifications on payment requests shall include a verification of:
- (a) the delivery of the products and services co-financed. Contractual pre-financing by a contracting authority may qualify as eligible expenditure up to 10% of the amount of the contract;
 - (b) the reality of the expenditure claimed;
 - (c) the completed operation and fulfilment of the conditions compared with the operation for which the application for support was submitted and granted;
 - (d) the reasonableness of the costs claimed, which shall be evaluated using a suitable evaluation system, and the payments made.
- (4) Administrative verifications shall include procedures to avoid double financing with other Union or national schemes. Where financing from other sources exists, those verifications shall ensure that the total support received does not breach the maximum permissible aid ceilings.
- (5) Administrative verifications shall also cover the documents referred to in Article 36(7).
- (6) Indications of irregularities shall be followed-up by an appropriate administrative procedure.

ARTICLE 12 ON-THE-SPOT-VERIFICATIONS

- (1) On-the-spot verifications shall be carried out on all applications for support and payment requests required to be submitted by a recipient and shall cover all elements that can be checked at the time of the visit. However in exceptional circumstances, duly recorded and explained, Albania can decide that an on-the-spot verification is not necessary.
- (2) Advance notice of on-the-spot verifications may be given, provided that the purpose of the control is not jeopardised. If the advance notice is given more than 48 hours before the on-the-spot verification, it shall be limited to the minimum necessary, depending on the nature of the measure and the operation being co-financed.
- (3) Where appropriate, on-the-spot verifications provided for in this Agreement shall be carried out at the same time as any other checks provided for in Union or national law. The duration of on-the-spot verifications shall be strictly limited to the minimum time period necessary.
- (4) The inspectors undertaking the on-the-spot check shall not have been involved in administrative verifications of the same operation.
- (5) The Financing Agreement concluded by the Commission and Albania, or any amendment thereof, may provide that an individual measure be subject of on-the-spot verifications on a sampling basis. In such a case, the Financing Agreement shall also indicate the minimum sample size, the criteria to be applied for the selection of the

sample and how the sample size shall be increased in case the verifications reveal a high frequency of irregularities.

ARTICLE 13 CONTENT OF THE ON-THE-SPOT-VERIFICATIONS

- (1) On-the-spot verifications shall verify that the operation has been applied for and implemented in accordance with the applicable rules and shall cover all the eligibility criteria, commitments and other obligations relating to the conditions for the granting of support, which can be checked at the time of the visit. They shall ensure that the operation is eligible.
- (2) On-the-spot verifications shall verify the accuracy of the data declared by the recipient against underlying documents.

This includes a verification that the applications and payment requests submitted by the recipient are supported by accounting or other documents, including, where necessary, a check on the accuracy of the data in the payment request on the basis of data or commercial documents held by third parties.

- (3) On-the-spot verifications shall verify that the use or intended use of the operation is consistent with the use described in the application for support and for which the support was granted. On-the-spot verifications shall include a visit to the place where the operation is implemented or, if the operation is intangible, to the operation promoter.

ARTICLE 14 EX-POST VERIFICATIONS

- (1) Ex-post verifications shall be carried out on investment operations to verify the respect of commitments laid down in Article 33(6) or in the IPARD II programme.
- (2) The controllers for the ex-post verifications shall not have been involved in any ex-ante verifications of the same investment operation, unless other controllers did at least one on-the-spot verification in between.
- (3) The ex-post verifications shall be carried out within five years of the date of final payment to the recipient. All investments shall be checked at least once during the five-year period.
- (4) The ex-post verifications, carried out throughout the five-year period, shall be based on an analysis of the risks and financial impact of different operations, groups of operations or measures.
- (5) The sample of approved operations to be checked in accordance with paragraphs (3) and (4) shall take into account in particular:
 - (a) the need to check an appropriate mix of types and sizes of operations;
 - (b) any risk factors which have been identified following national or Union verifications;
 - (c) the need to maintain a balance between measures.

ARTICLE 15 CONTROL REPORT

- (1) Every on-the-spot verification under this Title shall be the subject of a control report which makes it possible to review the details of the verifications carried out. The report shall indicate in particular:
 - (a) the measures and applications or payment requests checked;
 - (b) the persons present;
 - (c) whether notice of the check was given to the recipient and, if so, the period of prior notice;
 - (d) the results of the verifications and, where applicable, any particular observations;
 - (e) any further control measures to be carried out.
- (2) In case of on-the-spot verifications, the recipient shall be given the opportunity to sign the report during the check, to attest the recipient's presence at the check and to add observations.

Where any non-compliance is found, the recipient shall receive a copy of the control report.

- (3) Paragraph (1) and the second subparagraph of paragraph (2) shall apply *mutatis mutandis* to ex-post verifications under this Title.

ARTICLE 16 AREA-RELATED MEASURES

- (1) For the purposes of this Title, 'area-related measures' means measures for which support is based on the size of the area declared.
- (2) Without prejudice to Articles 11(1) and 12, the verifications of area-related measures shall also comply with the rules set out in Articles 17 to 22.

ARTICLE 17 ADMINISTRATIVE VERIFICATIONS OF AREA-RELATED MEASURES

- (1) The administrative verifications shall permit the detection of non-compliances. The verifications shall cover all elements that are possible and appropriate to control by means of administrative verifications, with a view to establishing that:
 - (a) the eligibility criteria, commitments and other obligations are fulfilled;
 - (b) there is no double financing through other Union schemes;
 - (c) the aid application or payment request is complete and submitted within the relevant time-limit and, where applicable, that supporting documents have been submitted and that they prove eligibility;
 - (d) there is compliance with long-term commitments, where appropriate.
- (2) Where appropriate, the administrative verifications shall include cross-verifications between the agricultural parcels as declared in the application and/or payment request and the information as contained in an identification system for agricultural parcels

per reference parcel, to verify the eligibility of the areas as such;

- (3) Indications of non-compliance resulting from cross-verifications shall be followed-up by any other appropriate administrative procedure, and where necessary, by an on-the-spot verification.

ARTICLE 18 ELEMENTS OF ON-THE-SPOT VERIFICATIONS OF AREA-RELATED MEASURES

- (1) On-the-spot verifications shall cover all the agricultural parcels for which aid is requested.
- (2) On-the-spot verifications shall cover the area measurement and verification of the eligibility criteria, commitments and other obligations of the recipient under the measures.

ARTICLE 19 AREA MEASUREMENT

- (1) The area measurement of the agricultural parcel as part of an on-the-spot verification shall be carried out on all agricultural parcels for which an aid application and/or payment request has been submitted.
- (2) The Financing Agreement concluded by the Commission and Albania, or any amendment thereof, may provide that the actual area measurement of the agricultural parcel as part of an on-the-spot verification be limited to a randomly selected sample of parcels. If such a case applies the Financing Agreement shall also indicate the minimum sample size. When this sample verification reveals any non-compliance, all agricultural parcels shall be measured, or conclusions from the measured sample shall be extrapolated.
- (3) Agricultural parcel areas shall be measured by any means proven to assure measurement of a quality at least equivalent to that obtained by Global Navigation Satellite Systems (GNSS) or ortho-imagery.
- (4) A single value buffer tolerance shall be defined for all area measurements performed using GNSS and/or ortho-imagery. For this purpose the measurement tools used shall be validated for at least one validation class of buffer tolerance below the single value. However, the single tolerance value shall not exceed 1.25 m.

The maximum tolerance with regard to each agricultural parcel shall not, in absolute terms, exceed 1.0 ha.

- (5) The total area of an agricultural parcel may be taken into account in the measurement provided that it is fully eligible. In other cases the net eligible area shall be taken into account.

ARTICLE 20 VERIFICATION OF ELIGIBILITY CONDITIONS AND COMMITMENTS OF AREA-RELATED MEASURES

- (1) The verifications shall be carried out by any means that allow the control of the

different commitments and obligations of the recipient.

- (2) Where one single control method is not sufficient for the purpose of paragraph (1), the control system shall provide for multiple control means, which, together, allow to comply with paragraph (1).

ARTICLE 21 CONTROL REPORT OF AREA-RELATED MEASURES

- (1) Every on-the-spot verification of area-related measures shall be the subject of a control report which makes it possible to review the details of the verifications carried out and to draw conclusions on the compliance with the eligibility criteria, commitments and other obligations. The report shall indicate in particular:
 - (a) the measures and applications or payment requests checked;
 - (b) the persons present;
 - (c) the agricultural parcels checked, the agricultural parcels measured including, where applicable, the result of the measurements per measured agricultural parcel and the measuring methods used;
 - (d) where applicable, the results of the measurement of non-agricultural land for which support under rural development measures is being claimed and the measuring methods used;
 - (e) whether notice of the check was given to the recipient and, if so, the period of prior notice;
 - (f) indications of any specific control measures to be carried out in the context of individual measures;
 - (g) any further control measures to be carried out;
 - (h) indication of any non-compliance found that could require follow-up during the following years.
- (2) The recipient shall be given the opportunity to sign the report during the check to attest the recipient's presence at the check and to add observations. Where any non-compliance is found the recipient shall receive a copy of the control report.

ARTICLE 22 REDUCTIONS AND EXCLUSIONS IN RELATION TO THE SIZE OF AREA

- (1) If the area determined is found to be greater than that declared in the payment request, the area declared shall be used for the calculation of the aid.

If the area declared in the payment request exceeds the area determined, the aid shall be calculated on the basis of the area determined.

However, where the difference between the total area determined and the total area declared in the payment request for a measure is less than or equal to 0,1 hectare, the area determined shall be considered equal to the area declared.

The third subparagraph shall not apply where the difference represents more than 20% of the total area declared for payments.

If a maximum limit or a ceiling has been set for the area eligible for support, the number of hectares declared in the payment request shall be reduced to the limit or ceiling.

- (2) In the case referred to in the second subparagraph of paragraph (1), the aid shall be calculated on the basis of the area determined reduced by twice the difference found if that difference is more than either 3% or two hectares, but not more than 20% of the area determined.

If the difference is more than 20% of the area determined, no aid shall be granted.

TITLE 3: SPECIFIC PROVISIONS RELATING TO ENTRUSTING ALBANIA WITH BUDGET IMPLEMENTATION TASKS

ARTICLE 23 COMMON REQUIREMENTS

- (1) At the moment of sending the request for being entrusted with budget implementation tasks, the structures and authorities of the management and control system as defined in Articles 10 and 11 of the FWA shall have a well-defined administrative organisation and system of internal verifications with full internal rules of procedure, clear institutional and personal responsibilities, which comply with the criteria set out in Annex B to the FWA and Annex 2 to this Agreement regarding the following areas:

- (a) control environment;
- (b) risk management;
- (c) control activities;
- (d) information and communication;
- (e) monitoring of the internal control framework.

In respect of the Managing Authority the criteria as set out in Annex B to the FWA and Annex 2 to this Agreement regarding risk management, control activities and monitoring of internal control framework shall not apply.

The role of the Managing Authority under the Technical Assistance measure, if applicable, shall be described in the IPARD II programme.

- (2) Albania may lay down further criteria to take account of the size, responsibilities and other specific features of the management and control system.
- (3) Following the signature of the FWA and of this Agreement, and after the adoption by the Commission of a financing decision approving the IPARD II programme, a request for entrustment with budget implementation tasks and the supporting annexes, shall be submitted to the Commission.

ARTICLE 24 PREPARATIONS FOR SENDING THE REQUEST FOR BEING ENTRUSTED WITH BUDGET IMPLEMENTATION TASKS

- (1) Before sending the request for being entrusted with budget implementation tasks the NAO shall be satisfied that the IPARD Agency and the management structure's administrative, accounting, payment and internal control arrangements offer the following guarantees:
 - (a) the eligibility of applications and compliance with the Agreements are checked before contracts with claimants are signed and the commitments recorded;
 - (b) the admissibility of payment requests as well as their compliance with the Agreements are checked before payment is authorised;
 - (c) the commitments and payments effected are accurately and completely recorded in the accounts;
 - (d) the verifications laid down by the Agreements are made;
 - (e) the requisite documents are presented within the time-limit and in the form stipulated by the Agreements or by the approved procedures;
 - (f) the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of the Agreements.
- (2) If the NAO is not satisfied that the management structure and operating structure comply with the criteria laid down in Annexes A and B to the FWA and Annex 2 to this Agreement, it shall address instructions to the respective body which specify the conditions it is required to fulfil before a request for entrustment can be sent to the Commission.
- (3) The IPARD Agency shall hold documents justifying the payments effected and documents concerning the carrying out of the prescribed administrative and physical verifications. Where the relevant documents are held by local offices or delegated bodies, those offices and bodies shall regularly transmit reports to the IPARD Agency on the number of verifications carried out, their content and the action taken in the light of the results.
- (4) The NAO shall ensure that the National Fund's and IPARD Agency's accounting systems meet internationally accepted accounting principles.
- (5) The NAO shall be satisfied that the administrative and internal control arrangements of the Managing Authority offer the following guarantees:
 - (a) the requisite documents are presented within the time-limit and in the form stipulated by the Agreements;
 - (b) the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of the Agreements.

- (6) The examinations needed for the purposes paragraphs (1) and (5) shall be conducted according to methods substantially equivalent to internationally accepted auditing standards.
- (7) The request for being entrusted with budget implementation tasks shall be submitted to the Commission, in accordance with Article 25.
It shall include the results of the examinations needed for the purposes of paragraphs (1) and (5) of this Article.
- (8) The NAO shall ensure that any proposed substantial changes to the working arrangements referred to in Article 7(3) are submitted to the Commission, with copy to the Audit Authority, for examination and approval before those changes are implemented.

A substantial change shall be considered to be any change introduced in the respective national systems after the entrustment of budget implementation tasks, which may affect significantly the implementing structures and systems initially presented as part of the request.

- (9) The NAO shall keep the management and operating structure under constant supervision in accordance with Article 14(1) of the FWA.
- (10) Albania shall establish a system that ensures that any information suggesting that the management and operating structure does not comply with the criteria is communicated to the NAO without delay.

ARTICLE 25 REQUEST AND SUPPORTING ANNEXES

The NAO shall send the request for being entrusted with budget implementation tasks in accordance with Article 13 of the FWA to the Commission together with the relevant documents indicated in Annex 3 to this Agreement. A copy of this request and the accompanying documents shall be sent to the Audit Authority.

SECTION III RULES FOR PROGRAMMING

ARTICLE 26 IPARD II PROGRAMME

In accordance with Article 16(5) of the FWA, rural development measures under the agriculture and rural development policy area shall be the subject of a programme to be drawn up at national level covering the entire period of implementation of the IPA II assistance. The programme shall be prepared by the relevant authorities designated by Albania and shall be submitted to the Commission after consulting the appropriate interested parties. Rural development programmes shall be implemented by Albania on the basis of indirect management in accordance with Article 58(1)(c) of Regulation (EU, EURATOM) No 966/2012 and shall indicate the actions to be financed with IPA II assistance. The selected types of actions shall be of a similar nature as those provided for under Regulation (EU) No 1305/2013.

ARTICLE 27 IPARD II PROGRAMME MEASURES

- (1) In accordance with the objectives as defined in Article 16(5) of the FWA, the

following measures can be supported under the IPARD II programme for addressing the thematic priorities set out in points (j), (k) and (l) of Annex I to the FWA:

- (1) investments in physical assets of agricultural holdings;
- (2) support for the setting up of producer groups;
- (3) investments in physical assets concerning processing and marketing of agricultural and fishery products;
- (4) agri-environment-climate and organic farming measure;
- (5) implementation of local development strategies - LEADER approach;
- (6) investments in rural public infrastructure;
- (7) farm diversification and business development;
- (8) improvement of training;
- (9) technical assistance;
- (10) advisory services;
- (11) establishment and protection of forests.

Further information on the measures is provided in Annex 4 to this Agreement.

- (2) The Managing Authority and the IPARD Agency shall provide an ex-ante assessment of the verifiability and controllability of the measures to be included in the IPARD II programme. The Managing Authority and the IPARD Agency shall also undertake the assessment of the verifiability and controllability of the measures during the implementation of the IPARD II programme. Ex-ante assessment and assessment during the implementation period shall take into account, where relevant, the results of verifications in the previous and current programming period. Where the assessment reveals that the requirements of verifiability and controllability are not met, the measures concerned shall be adjusted accordingly.

SECTION IV RULES FOR IMPLEMENTATION

TITLE 1 GENERAL RULES AND PRINCIPLES FOR IMPLEMENTATION

ARTICLE 28 RULES ON PROCUREMENT

- (1) For the purposes of this Agreement, the contracting authority referred to in Article 190(2) of Regulation (EU, Euratom) No 966/2012 shall be a national public-sector body being a recipient under the IPARD II programme.

However, public procurement may be done on behalf of the recipient by a national public sector body specifically assigned for this task.

- (2) For procurement under the IPARD II programmes in line with Article 18(5) of the FWA, national law shall only be considered equivalent to the rules applied by the Commission in accordance with Regulation (EU, EURATOM) No 966/2012 if the correctness of the transposition is confirmed by the relevant Commission service.

TITLE 2: TRANSPARENCY AND VISIBILITY

ARTICLE 29 INFORMATION, PUBLICITY AND TRANSPARENCY

- (1) Albania shall provide information on and publicise the IPARD II programme and the Union contribution in accordance with Annex 8. This information shall be aimed at the general public. It shall highlight the role of the Union and ensure the transparency of Union assistance.

- (2) The Managing Authority shall be responsible for:
- (a) drawing up a plan of visibility and communication activities in accordance with Article 30;
 - (b) ensuring the establishment of a single website or a single website portal providing information on, and access to the IPARD II programme of Albania, including information about the timing of implementation of programming and any related public consultation processes;
 - (c) informing potential recipients about funding opportunities under the IPARD II programme.
- (3) In order to ensure transparency concerning support under IPARD, the IPARD Agency shall be responsible for the publication of the list of the operations and recipients of IPA II assistance in accordance with the conditions set out in Article 23(2) of the FWA.
- The publication shall be available in a spreadsheet data format, which allows data to be sorted, searched, extracted, compared and easily published on the internet, for instance in CSV or XML format. The list of operations shall be accessible through the single website or the single website portal. The minimum information to be set out in the list of operations is laid down in Annex 8 to this Agreement.
- (4) The list of operations and recipients shall be updated at least every six months.
- (5) The IPARD Agency shall inform the recipients of IPARD II assistance of the Union contribution.
- (6) In accordance with Article 23(3) of the FWA, only contract award notices for public procurement contracts subject to an 'international open call for tender' procedure shall be prepared and send to the Commission for publication.

ARTICLE 30 VISIBILITY AND COMMUNICATION

- (1) Activities to make available, and publicise, in Albania information about assistance under the IPARD II programme as referred to in Article 24 of the FWA shall be implemented based on a plan of visibility and communication activities to be agreed between the Managing Authority and the Commission. This plan of visibility and communication activities shall be approved by the IPARD II monitoring committee, no later than one year after the adoption by the Commission of the IPARD II programme, and shall set out:
- (a) the aims and target groups;
 - (b) the content and strategy of the communication and information measures, stating the measures to be taken;
 - (c) its indicative budget;
 - (d) the administrative departments or bodies responsible for implementation;
 - (e) the criteria to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the IPARD II programmes

and the role played by the Union.

This plan covering the whole period of the IPARD II programme shall be implemented by an annual list of actions.

- (2) The amount allocated for information and publicity may be part of the technical assistance measure of the IPARD II programme.
- (3) At the meetings of the IPARD II monitoring committee the chairperson shall report on progress in implementing the information and publicity activities and provide the Committee members with examples of such activities.
- (4) When the implementation of this Article implies specific information and publicity activities at project level, such activities shall be the responsibility of the recipients of IPA II assistance and shall be funded from the amount allocated to the relevant project.

SECTION V RULES ON FINANCIAL MANAGEMENT OF IPA II ASSISTANCE

TITLE 1: GENERAL PROVISIONS

ARTICLE 31 GENERAL RULES ON FINANCIAL ASSISTANCE

- (1) All activities receiving assistance under the IPARD II programme shall require co-financing by Albania. Where the execution of activities depends on financial contributions from Albania's own resources or from other sources of funds, the funding of the Union shall become available at such time as the financial contribution of Albania and/or the other sources of funds themselves become available. However, in the case of recipients in the public sector, the Union contribution may be made later than that of other public bodies. In no case the Union contribution shall be made before the contribution by public bodies in Albania.
- (2) The Union contribution shall co-finance public expenditure actually paid to the recipient.
- (3) Union financing shall be subject to the fulfilment of Albania's obligations laid down in the Agreements and in the Financing Agreement in accordance with Article 3 of this Agreement.
- (4) The euro account opened by the National Fund, on behalf of Albania in accordance with Article 33(6) of the FWA, shall, including the interest generated on the euro account, not be subject to any charges or taxes.
- (5) Albania shall communicate to the Commission a sample of the signatures of all actors involved in requests for payment from the Union as referred to in Article 37 of this Agreement.

ARTICLE 32 AID INTENSITIES AND RATE OF UNION CONTRIBUTION

- (1) For the purpose of the IPARD II programme the Union contribution referred to in Article 30(2) of the FWA shall be calculated on the basis of public expenditure.
- (2) Aid intensities and the rate of Union contribution shall be in accordance with the rates and ceilings laid down in Annex 4 to this Agreement.

- (3) In determining the share of public expenditure as a percentage of total eligible cost of investment, account shall not be taken of national aid to facilitate access to loans.

TITLE 2: ELIGIBILITY

ARTICLE 33 ELIGIBILITY OF EXPENDITURE

- (1) Prior to the signature of the relevant Financing Agreement, any contracts and addenda signed or expenditure incurred by the recipients and payments made by Albania shall not be eligible for funding under the IPARD II programme.

The first subparagraph shall not apply to actions under the Technical Assistance measure and to expenditure relating to the activities referred to in paragraph (5) point (c), provided that the expenditure is incurred by the recipients after 1 January 2014.

- (2) Albania shall notify the Commission the list of eligible expenditure for each measure. The Commission shall notify Albania of its acceptance or provide its comments.

- (3) The following expenditure shall not be eligible under the IPARD II programme:

- (a) taxes, including value added taxes;
- (b) customs and import duties, or any other charges having equivalent effect;
- (c) purchase, rent or leasing of land and existing buildings, irrespective of whether the lease results in ownership being transferred to the lessee unless the provisions of the IPARD II programme provide for it;
- (d) fines, financial penalties and expenses of litigation;
- (e) operating costs, except where duly justified by the nature of the measure in the IPARD II programme;
- (f) second hand machinery and equipment;
- (g) bank charges, costs of guarantees and similar charges;
- (h) conversion costs, charges and exchange losses associated with the IPARD euro account, as well as other purely financial expenses;
- (i) contributions in kind;
- (j) the purchase of agricultural production rights, animals, annual plants and their planting;
- (k) any maintenance, depreciation and rental costs, except where duly justified by the nature of the measure in the IPARD II programme;
- (l) any cost incurred and any payments made by the public administration in managing and implementing assistance, including those of the management and operating structure and, in particular, overheads, rentals and salaries of staff employed on activities of management, implementation, monitoring and control, except where duly justified by the nature of the measure in the

IPARD II programme.

(4) Unless the Commission expressly and explicitly decides otherwise, the following expenditure shall also not be eligible:

- (a) expenditure on projects which, before completion, have charged fees to users or participants unless the fees received have been deducted from the costs claimed;
- (b) promotional costs, other than in the collective interest;
- (c) expenditure incurred by a recipient of whose capital more than 25% is held by a public body or bodies unless the Commission has so decided in a specific case on the basis of a complete reasoned request from Albania. The Commission shall take its decision within three months of receiving the request. This exclusion shall not apply to expenditure on infrastructure, LEADER approach or human capital.

(5) Notwithstanding paragraphs (2) and (3), in the case of investments:

- (a) construction or improvement of immovable property shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);
- (b) the purchase of new machinery and equipment, including computer software, shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);
- (c) general costs linked to expenditure referred to in points (a) and (b) such as architects', engineers' and other consultation fees and feasibility studies shall be eligible up to a ceiling of 12% of the costs referred to in those points (a) and (b) under the following conditions:
 - (i) the eligible amount of the general costs shall not exceed the reasonable cost established in accordance with Article 11(2)(f) and Article 11(3)(d),
 - (ii) for projects with eligible expenditure of the investments referred to in points (a) and (b) of more than EUR 3 million, the business plan preparation costs shall not exceed 3% of the eligible expenditure of these investments,
 - (iii) for projects with eligible expenditure of the investments referred to in points (a) and (b) of at least EUR 1 million and no more than EUR 3 million, the business plan preparation costs shall not exceed 4% of the eligible expenditure of these investments,
 - (iv) for projects with eligible expenditure of the investments referred to in points (a) and (b) of less than EUR 1 million, the business plan preparation costs shall not exceed 5% of the eligible expenditure of these investments.

The detailed provisions concerning the maximum eligible amount referred to in this paragraph shall be established in the IPARD II programme on the basis of an assessment of the level of costs for similar actions in Albania.

- (6) For the purposes of point (b) of Article 31 of the FWA, substantial modifications to a project are those which result in:
- (a) a cessation or relocation of a productive activity outside the geographical area covered by the IPARD II programme;
 - (b) a change in ownership which gives to a firm or a public body an undue advantage;
 - (c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Where any such modification is detected by Albania it shall immediately inform the Commission and start recovering the IPARD II contribution in accordance with Article 50(1) of this Agreement.

- (7) The NAO is overall responsible and liable for the legality and regularity of the underlying transactions and shall apply financial adjustments in accordance with Article 42 of the FWA. In the event that the Commission determines that the expenditure declared is not fully in conformity with the Agreements and in particular the principles set out in this Article, it shall assess the amounts to be excluded from Union financing in accordance with Article 49 of this Agreement.

TITLE 3: FINANCING AND PAYMENTS

ARTICLE 34 DE-COMMITMENT OF UNUSED FUNDS

- (1) The Commission shall automatically de-commit any portion of a budgetary commitment for the IPARD II programme that, by 31 December of the third year following that of the budgetary commitment, hereinafter referred to as "n+3", has not been used for the purpose of pre-financing in accordance with Article 38 of this Agreement or making interim payments in accordance with Article 37 of this Agreement or for which the NAO entrusted with budget implementation tasks has not presented a payment request including a certified statement of expenditure in accordance with Article 35(1) of the FWA and Article 37(1) of this Agreement.
- (2) In duly justified circumstances, accepted by the Commission, the period of three years referred to in paragraph (1) can be extended to up to five years in the Financing Agreement referred to in Article 3 of this Agreement.
- (3) The Commission shall inform Albania by the end of March of the current financial year of any de-commitment risk it has identified based on the information received from Albania in accordance with Article 33(3) of the FWA and on the need to take decisions to remedy this situation.
- (4) Based on the payment requests submitted by Albania in accordance with Article 37(4)(b) and (c), the Commission shall again inform Albania in due time of any risk of automatic de-commitment.
- (5) After receipt of the payment request referred to in Article 37(4)(d) in January following the year n+3 the Commission shall inform Albania on the amount covered by the automatic de-commitment rule on the basis of the information the Commission

has access to.

- (6) By the end of March following the year n+3, the Commission shall issue a letter to Albania, requesting to confirm the amount covered by the automatic de-commitment rule or send their observations within two months of the receipt of the letter together with the revised financing plan.

ARTICLE 35 FINANCING PLAN FOR THE IPARD II PROGRAMME

- (1) The financing plan of the IPARD II programme shall lay down, in particular, the maximum amount of the Union contribution, its annual breakdown, the co-financing rates applicable for each measure, and, for Programme monitoring purposes, a breakdown by measure.
- (2) Contracting and making payments by the IPARD Agency shall only start after the IPARD II programme has been adopted by the Commission and after the Financing Agreement referred to in Article 3 including the entrustment of budget implementation tasks has entered into force.

ARTICLE 36 PAYMENTS OF THE UNION CONTRIBUTION

- (1) Only assistance under the IPARD II programme granted in accordance with the Agreements and paid by the IPARD Agency shall be subject to co-financing by the Union.
- (2) In accordance with the provisions as set out for each measure in the programme and for the simplified costs options as referred to in points (b), (c) and (d) as defined by the IPARD Agency in advance of the call for applications, payments by the Commission of the Union contribution shall cover:
 - (a) eligible costs actually incurred and paid by recipients;
 - (b) standard unit costs;
 - (c) lump sums not exceeding EUR 100 000, per recipient, per year, of public contribution;
 - (d) flat-rate financing, determined by the application of a percentage to one or several defined categories of costs.
- (3) Where aid is granted on the basis of the simplified costs options as referred to in paragraph (2) points (b), (c) and (d) or additional costs and income foregone, Albania shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for the IPARD II programme implementation and possess the appropriate expertise shall confirm the adequacy and accuracy of the calculations. The relevant documents shall be provided to the Commission in advance of the implementation of the simplified costs options, for information purposes.
- (4) Payments by the Commission of the Union contribution shall be made within the limits of the funds available in accordance with the Financing Agreement referred to in Article 3. Each payment shall be posted to the earliest open budget commitment made for the IPARD II programme.

- (5) The combined total of pre-financing and interim payments shall not exceed 95% of the Union contribution as set out in the financing table of the IPARD II programme.
- (6) When the ceiling referred to in paragraph (5) is reached, the NAO shall continue transmitting to the Commission the payment requests including the certified statement of expenditures in accordance with Article 37, as well as information about the amounts recovered.
- (7) Expenditure paid by recipients shall be substantiated by receipted invoices or accounting documents of equivalent probative value. Where the assistance is not a function of expenditure, other appropriate documents, as specified in the IPARD II programme may be accepted. In all cases, expenditure shall be certified by the NAO.

ARTICLE 37 PAYMENT REQUESTS BY ALBANIA

- (1) The NAO shall make payment requests for the IPARD II programme. These requests shall include the certified statements of expenditure as laid down in Clause 2(3) of Annex A to the FWA and shall cover, for each IPARD II programme measure, the amount of eligible public expenditure for which the IPARD Agency has actually paid the corresponding Union contribution during the reference period.
- (2) Payment requests shall be drawn up in accordance with the model in Annex 5. They shall be signed and certified, and transmitted by the NAO, on behalf of Albania, to the Commission, with copies to the Audit Authority.
- (3) At the closure of the programme, the NAO shall provide a final statement of expenditure.
- (4) Once the conditions of Article 35(2) have been fulfilled, Albania shall submit to the Commission its payment requests by the following deadlines:
 - (a) by 30 April at the latest in the case of expenditure in the period 1 January to 31 March;
 - (b) by 31 July at the latest in the case of expenditure in the period 1 April to 30 June;
 - (c) by 31 October at the latest in the case of expenditure in the period 1 July to 30 September;
 - (d) by 31 January at the latest in the case of expenditure in the period 1 October to 31 December.

Albania may modify the data declared in the payments requests in the annual statement of expenditure to be submitted by 15 of February of the financial year following the year in which the expenditure has been made. In duly justified cases the Commission may allow Albania to declare expenditure from previous financial years in the final statement of expenditure under paragraph (3). The expenditure from previous financial years shall be accompanied by an opinion and report of the Audit Authority and its inclusion in the final statement shall be without prejudice to acceptance of accounts decisions in accordance with Articles 48 and 49.

Requests shall be sent even in cases in which no reimbursement is requested.

- (5) Where there are disagreements, differences of interpretation or inconsistencies relating to payment requests for a reference period, resulting in particular from the failure to communicate the information required in the Agreements, and these require further checks, Albania shall be required to provide additional information. Such information shall be provided in accordance with Article 33 of the FWA and Articles 38 and 40 of this Agreement.

The time limit for payment laid down in paragraph (6) may in such cases be interrupted for all or part of the amount for which payment is claimed, from the date on which the request for information is sent until receipt of the information requested.

Where no solution is found within that time limit, the Commission may interrupt or suspend payments in accordance with Articles 39 and 40 of the FWA.

- (6) Interim payments shall be made by the Commission within 90 days of registering the payment request for which the requirements set out in Article 35 of the FWA are met, without prejudice to the decisions referred to in Articles 48 and 49 of this Agreement, provided that:
- (a) the expenditure declared is eligible for Union funding in accordance with Article 33 of this Agreement;
 - (b) the checks in Article 41 of this Agreement have not indicated any problems;
 - (c) no interruption or suspension of payments has been decided concerning the measure(s) that is or are the subject of the application in question;
 - (d) appropriations are available.

ARTICLE 38 PRE-FINANCING

- (1) Pre-financing payments referred to in Article 34 of the FWA may amount to 30% of the Union's contribution for the three most recent years of the IPARD II programme as established in the Financing Agreement. Subject to the availability of budgetary appropriations, pre-financing may be paid in two or more instalments.
- (2) The Commission shall make an initial pre-financing payment of at least 50% of the amount referred to in paragraph (1) as first instalment.

Additional instalments may be paid following a request of Albania in accordance with the requirements provided for in paragraphs (1) and (4).

- (3) Where the pre-financing payments referred to in paragraph (1) are not sufficient to ensure timely payment of claims from recipients, they may be increased. The increase shall be the amount needed for this purpose. It shall be based on the sum of substantiated expenditure incurred by recipients, but not yet settled due to the exhaustion of Union funding in the IPARD euro account. However, the cumulative amount of payments for pre-financing shall not exceed 30% of the Union contribution for the three most recent years established in the Financing Agreement.
- (4) The total amount paid as pre-financing shall be reimbursed to the Commission if no payment request for the IPARD II programme is sent within 15 months of the date on

which the Commission made the first pre-financing payment. The Union contribution to the IPARD II programme shall not be affected by such reimbursement.

ARTICLE 39 CALCULATION OF THE AMOUNT TO BE PAID

- (1) The Union contribution to be paid in respect of the eligible public expenditure declared for each measure and for each reference period shall be calculated on the basis of the financing plan in force on the first day of that period.
- (2) The amounts of the Union contribution recovered from recipients under the IPARD II programme during each reference period and the debts that have not been collected within two years of their registration in the debtor's ledger as referred to in Article 47(6) of this Agreement and Clause 4(3)(b)(ix) of Annex A to the FWA shall be deducted from the amount to be paid by the Commission in the payment request for that period in accordance with Article 50 of this Agreement.
- (3) Without prejudice to the ceiling of 95% as provided for in Article 36(5), where the combined total of declarations of expenditure exceeds the total programmed for a given measure, the amount to be paid shall be capped at the amount programmed for that measure in the financing plan in force. Expenditure excluded as a result may be taken into account in a subsequent payment request provided that an adjusted financing plan has been submitted by Albania and accepted by the Commission.

ARTICLE 40 SETTLEMENT OF THE FINAL BALANCE

- (1) For the settlement of the final balance as referred to in Article 37 of the FWA, the deadline referred to in Article 34(2) of this Agreement as laid down in the Financing Agreement shall apply.
- (2) The settlement of the final balance shall not prejudice the adoption of subsequent decisions pursuant to Article 49.
- (3) The settlement shall also not prejudice the follow-up of the provisions laid down in Article 41(7), Article 44 and Article 50.
- (4) No further financial transactions may be made by Albania on the IPARD euro account after the final payment request was sent to the Commission. Albania shall ensure that the requirements referred to in Article 37(1) of the FWA are respected until the requirements mentioned in Article 44 of this Agreement are fulfilled. As regards Article 50 of this Agreement, the Commission shall be informed whenever the recovered amounts are recorded in the national accounts.
- (5) Albania shall set up a system which allows it to follow-up on the requirements set out in paragraph (4). Albania shall identify the responsible body and shall inform the Commission of the practical arrangements concerning the transfer of responsibilities to this body.

ARTICLE 41 PAYMENTS TO THE RECIPIENTS

- (1) Albania shall ensure that payments to the recipients are:
 - (a) made in national currency and debited as appropriate against the IPARD euro account. The payable order(s) or any other accounting documents of equivalent probative value to the recipient(s) or to their assignee(s) shall as a

general rule be issued within three working days of this debit;

- (b) based on declarations of expenditure incurred by the recipient and evidenced by original receipted invoices. Where the assistance is not a function of expenditure, other appropriate documents, as specified in the IPARD II programme may be accepted.
- (2) In order to be eligible, expenditure shall be in accordance with Article 33(1).
 - (3) Payments shall be made by means of a transfer to the bank account on the name of the recipient. Payments to the recipients cannot be seized, withheld or adjusted in any manner in place of a recipient's debt obligation. The IPARD Agency can, however, off-set against the payments, any amount to be recovered from recipients related to financial assistance under the Instrument for Pre-Accession Assistance.
 - (4) Where original invoices or the other relevant documents referred to in paragraph (1) point (b) are not retained by the IPARD Agency following receipt, the IPARD Agency shall ensure that copies shall be taken and arrangements made to ensure that the originals will be made available for audit and inspection purposes.
 - (5) The NAO and the IPARD Agency shall ensure that total public expenditure by all public bodies in Albania for each measure and project is identifiable in the IPARD Agency's accounts.
 - (6) The IPARD Agency shall maintain records of each payment which include at least the following information:
 - (a) the amount in national currency;
 - (b) the corresponding amount in euros.
 - (7) The ratios of Union and national contributions to public expenditure, and of total public expenditure to total eligible costs, shall be determined in national currency.
 - (8) The NAO and the IPARD Agency shall ensure that any amount which they find has been paid in excess of the sum due, and which has been incorporated in certified statements of expenditure in accordance with Article 37, is transferred within ten working days in the IPARD euro account and is deducted from the next payment request to the Commission.
 - (9) The NAO and the IPARD Agency shall ensure timely treatment of payment requests by recipients. In cases where the interval between receipt of the payment request and issuing of the payment order exceeds six months, Union co-financing may be reduced in accordance with the following rules:
 - (a) where expenditure effected after the deadlines is equal or less than 4% of the expenditure effected before the deadlines, no reduction shall be made, irrespective of the number of months' delay;
 - (b) where expenditure effected after the deadlines is more than 4% of the expenditure effected before the deadlines, all further expenditure effected with a delay of up to:

- (i) one month shall be reduced by 10%,
- (ii) two months shall be reduced by 25%,
- (iii) three months shall be reduced by 45%,
- (iv) four months shall be reduced by 70%,
- (v) five months or more shall be reduced by 100%.

For the purposes of this paragraph, the receipt of a payment request is considered the date when a payment request made by the recipient has been received by the relevant services of Albania, irrespective of whether or not that payment request, when received, is complete of all supporting documents needed to make the payments. The IPARD Agency shall provide for procedures ensuring that missing documents are received from the recipients in time for the payment to be made in accordance with the first subparagraph.

The Commission may apply a different time scale and/or lower or zero reductions, if exceptional management conditions are encountered for certain measures, or if well-founded justifications are provided by Albania. Delays by the recipient to provide documents missing from the payment request shall not be considered a well-founded justification. Albania shall establish appropriate provisions in the contracts signed with the recipients setting appropriate deadlines for the provision of missing documents.

Before taking the decision the Commission shall inform Albania allowing it to make its position known within 10 working days. The Commission shall inform Albania of its final decision, stating the reasons on which the decision is based.

For any expenditure effected after the deadlines Albania shall submit to the Commission a detailed justification of the delay, written evidence to substantiate this justification as well as a demonstration of a direct relationship between the justification and the relevant expenditure effected after the deadlines.

- (10) When deciding on cancelling all or part of the Union contribution, the NAO and the IPARD Agency shall take into account the nature and gravity of the irregularities and the financial loss to the Union contribution.

ARTICLE 42 EXCHANGE RATE AND INTEREST

- (1) Albania shall ensure that the rate recorded for conversion between euro and national currency is the monthly accounting rate of the euro established by the Commission for Albania for the month during which the expenditure was registered in the accounts of the operating structure. However, the following shall apply:
 - (a) for payments by the IPARD Agency the date shown in the accounts shall be the date that the payment order is issued to the recipient;
 - (b) for overpayments by the IPARD Agency in accordance with Article 41(8), the rate in the month preceding the month during which the overpayment was first noted;

- (c) for debts not yet recovered, as well as debts that have not been collected within two years of their registration in the debtor's ledger in accordance Article 50, the rate in the month preceding the month during which the debt was first noted;
- (d) for amounts fixed by the clearance of accounts and/or conformity clearance Decisions, the rate in the month preceding the month during which the Decision was taken;
- (e) for debts and interest recovered in accordance with Article 50 the rate in the month preceding the month during which the debt was recovered;
- (f) for irregular amounts recovered in accordance with Article 51 of the FWA, the rate in the month preceding the month during which the amount was recovered;
- (g) for interest earned on the National Fund's and the IPARD Agency's account(s), the rate in the month the interest was credited to the account(s) which must be at least monthly;
- (h) for the thresholds written in euro in the IPARD II programme for each measure, the exchange rate for conversion between euro and national currency shall be the monthly accounting rate of the euro established by the Commission for Albania for the month preceding the month during which the related call for application is published.

Points (a) to (h) shall also apply to cases covered by Article 33(8) of the FWA.

- (2) In the event that a rate for a month is not published, the rate for the most recent previous month of publication shall be used.
- (3) Where the time-limits in the Decisions taken pursuant to Articles 48 and 49 are not complied with, any outstanding amount shall generate interest at a rate equal to the Euribor rate for three month deposits published by the European Central Bank plus 1,5% points. That rate shall be the monthly average of the month in which those Decisions were taken.
- (4) Any interest earned on the IPARD euro account remains the property of Albania. Interest generated by the financing by the Union of the IPARD II programme shall be posted exclusively to the IPARD II programme, being regarded as a resource for Albania in the form of a national public contribution, and shall be declared to the Commission, at the time of the closure of the IPARD II programme. At the time of the closure of the Programme any amount of interest that has not been spent in the form of a national public contribution shall be returned to the Commission.

TITLE 4: CLOSURE OF A PROGRAMME

ARTICLE 43 CLOSURE OF THE IPARD II PROGRAMME

- (1) In addition to the minimum requirements for the settlement of the final balance set out in Article 37(1) of the FWA, the IPARD II programme shall be considered closed

for the purposes of Article 48 of the FWA as soon as one of the following conditions are fulfilled:

- (a) based on the acceptance of the accounts of the final year in question and of the total years of IPARD II implementation the payment of the final balance due or the issuance of a recovery order by the Commission;
 - (b) de-commitment of appropriations by the Commission;
 - (c) the closure of the debtors' ledger referred to in Clause 4(3)(b)(ix) of Annex A to the FWA and Articles 47(6) and 50(6) of this Agreement.
- (2) The closure of the IPARD II programme shall not affect the obligations of Albania referred to in Articles 41(9) and 50 and the obligation to continue to retain related documents, in accordance with Article 44, and shall not prejudice a subsequent decision under Article 49.

ARTICLE 44 RETENTION OF DOCUMENTS

- (1) The IPARD Agency and the National Fund shall ensure that if they do not hold the documents referred to in Article 49 of the FWA themselves, the documents are kept at the disposal of the Commission for the period referred to in that Article. In the case of situations referred to in Article 43 of the FWA the supporting documents referred to Article 49 of the FWA shall be kept at the disposal of the Commission for at least seven years following that in which the sums are entirely recovered from the recipient and credited to the IPARD II programme or in which the financial consequences of non-recovery are determined in Article 50 of this Agreement.
- (2) In case of a conformity clearance procedure provided for in Article 49 of this Agreement, the supporting documents referred to in paragraph (1) shall be kept at the disposal of the Commission for at least one year after the conclusion of that procedure or, if a conformity decision is the subject of legal proceedings, for at least one year after the conclusion of those proceedings.

TITLE 5: FINANCIAL CORRECTIONS AND EXAMINATION AND ACCEPTANCE OF ACCOUNTS

ARTICLE 45 CONTENT OF THE ANNUAL ACCOUNTS

The annual accounts, composed of the annual financial reports and statement referred to in Article 59(2)(a) of the FWA shall include:

- (a) the revenues and the expenditure of the IPARD II programme, showing Union, national and total revenues and expenditure summarised by measures and presented on an annual basis and submitted using Form D 2 as set out in Annex 6 to this Agreement;
- (b) a table of differences by IPARD II programme and measure, between the expenditure and the revenues declared in the annual accounts and that declared for the same period in the documents referred to in Article 37 of this Agreement, accompanied by an explanation for every difference;
- (c) the table of the amounts to be recovered at the end of the financial year (debtors ledger);

- (d) a list of all payments made in the financial year in line with Annex 9 to this Agreement.

ARTICLE 46 TRANSMISSION OF THE INFORMATION NECESSARY FOR THE EXAMINATION AND ACCEPTANCE OF THE ACCOUNTS

- (1) For the purpose of the examination and acceptance of the accounts pursuant to Article 36 of the FWA, the NAO shall send to the Commission:
 - (a) the annual financial reports and statements referred to in Article 45 of this Agreement, together with any reports by authorities acting under delegation from relevant structures, authorities and bodies as referred to in Article 10(1) and (2) of the FWA;
 - (b) the management declaration by the NAO as referred to in Article 59(2)(b) of the FWA, including a summary of the reports in accordance with Article 59(2)(c) of the FWA.
- (2) The documents referred to in points (a) and (b) of paragraph (1) shall be signed, dated and certified, and transmitted by the NAO, on behalf of Albania, to the Commission in accordance with Article 59(2) of the FWA with copies to the Audit Authority. The documents shall be sent in one single package together with an electronic copy in accordance with the format and under the conditions established by the Commission.
- (3) The opinions and reports established by the Audit Authority shall be signed, dated and transmitted by the Audit Authority, to the Commission in accordance with Article 59(3) of the FWA with copies to the NAO. The documents shall be sent in one single package together with an electronic copy in accordance with the format and under the conditions established by the Commission.
- (4) At the request of the Commission or on the initiative of the NAO, further information concerning the examination and acceptance of the accounts shall be addressed to the Commission within a time period set by the Commission, taking into account the amount of work required for providing that information. In the absence of that information, the Commission may examine and accept the accounts on the basis of such information as is in its possession.

ARTICLE 47 FORM AND CONTENT OF THE ACCOUNTING INFORMATION

- (1) The form and content of the accounting information referred to in Article 46(1)(a) shall be established in accordance with internationally accepted accounting principles and shall ensure that total public expenditure by all public bodies in Albania for each measure and project under the IPARD II programme is identifiable in the books and records of the National Fund and the IPARD Agency by an adequate accounting code.
- (2) Where there are disagreements, differences of interpretation or inconsistencies relating to documents and the accounting information referred to in paragraph (1) for a reference period, resulting in particular from the failure to communicate the information required in this Agreement, and these require further checks, Albania shall be required to provide additional information.

- (3) Where payments due under the IPARD II programme are encumbered by financial claims on the recipient, they shall be deemed to have been made in their entirety:
 - (a) on the date of the payment of the sum still due to the recipient, if the claim is less than the expenditure settled;
 - (b) on the date of the settlement of the expenditure, if the latter is less than or equal to the claim.
- (4) The accounting information shall be used by the Commission for the sole purposes of:
 - (a) carrying out its functions in the context of the examination and acceptance of the accounts or conformity clearance;
 - (b) monitoring developments and providing forecasts in the agricultural sector.

The European Court of Auditors and the European Anti-fraud Office (OLAF) shall have access to that information.

- (5) Payment orders not executed and payments debited to the account and then re-credited shall be deducted, in Form D 2 as set out in Annex 6, from expenditure in respect of the month during which the failure to execute or the cancellation is reported to the IPARD Agency.
- (6) Albania shall set up, in respect of the IPARD II programme, a system for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities prior to their receipt. Without prejudice to Article 41(5) or any national provisions concerning recovery of debts, any financial contribution charged to the Union in respect of these sums including irregularities shall be written off at the end of the second year following its registration in the debtors ledger and deducted from the next request for payment as provided for in Article 39(2). The IPARD Agency and the National Fund shall ensure that any amounts recovered are credited to the IPARD euro account within three working days of the date of recovery.

ARTICLE 48 EXAMINATION AND ACCEPTANCE OF ACCOUNTS PROCEDURES

- (1) The acceptance of accounts decision shall confirm that the annual financial reports and statements referred to in Article 45(a) and (c) as included in the annual accounts are complete, accurate and true. It shall not prejudice the adoption of a subsequent conformity clearance decision, pursuant to Article 49.
The acceptance of accounts decision shall also cover the balance of the IPARD euro account.
- (2) The Commission shall communicate to Albania the results of its analysis of the information supplied, together with any amendments it proposes, by 15 July following the end of the financial year at the latest.
- (3) The amount which, as a result of the acceptance of accounts decision, is normally recoverable from or payable to Albania shall be established by deducting the interim payments in respect of the financial year concerned from the expenditure recognised for the same year in accordance with paragraph (1). That amount shall be deducted by the Commission from or added to the following interim payment or the final

payment.

- (4) Where the amount to be deducted fixed by the acceptance of accounts decision exceeds the level of possible subsequent payments, the NAO shall ensure that the amount not covered by the balance shall be credited to the Commission in euro within two months of notification of that decision. The Commission may however, on a case by case basis, decide that any amount to be credited to it shall be offset against payments due to be made by the Commission to Albania under any Union instrument.
- (5) This Article shall apply *mutatis mutandis* to pre-financing payments within the meaning of Article 38.
- (6) Article 84 of the FWA shall not apply to the financial clearance.

ARTICLE 49 CONFORMITY CLEARANCE

- (1) If the Commission finds that expenditure under the IPARD II programme has been incurred in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from Union financing.
- (2) The Commission shall assess the amounts to be excluded on the basis of the gravity of the non-conformity recorded. It shall take due account of the nature and the gravity of the non-conformity and of the financial damage caused to the Union.
- (3) When, as a result of any inquiry, the Commission considers that expenditure was not effected in compliance with the applicable rules, it shall communicate its findings to the NAO, and indicate the corrective measures needed to ensure future compliance with those rules.

The communication shall make reference to this Article. The NAO shall reply within two months of receipt of the communication, with copy to the Audit Authority, and the Commission may modify its position in consequence. In justified cases, the Commission may agree to extend the period for reply.

After expiry of the period for reply, the Commission may request additional information and, where necessary, convene a bilateral meeting.

- (4) Within two months from the date of the reception of the request for additional information or the minutes of the bilateral meeting referred to in the third subparagraph of paragraph (3), the NAO shall communicate any information requested during that meeting or any other information which it considers useful for the ongoing examination.

In justified cases, the Commission may, upon reasoned request of the NAO, authorise an extension of the period referred to in the first subparagraph. The request shall be addressed to the Commission, with copy to the Audit Authority, before the expiry of that period.

After the expiry of the period referred to in the first subparagraph, the Commission shall formally communicate its conclusions to the NAO, with copy to the Audit Authority, on the basis of the information received in the framework of the conformity clearance procedure. The communication shall evaluate the expenditure which the Commission envisages to exclude from Union financing.

Where the Commission proposes a financial correction, the NAO shall be given the opportunity to provide its assessment of the actual financial impact of the irregularity. The communication of the assessment to the Commission shall take place within two months from the date of reception of the Commission's proposal for a financial correction. In justified cases the Commission may agree to extend the period for reply.

- (5) The NAO shall inform the Commission, copy to the Audit Authority, of the corrective measures it has undertaken to ensure compliance with the applicable rules and the effective date of their implementation.
- (6) The Commission may, at any stage, terminate the procedure, without financial consequences for Albania, if it expects that the possible financial effects of non-compliance identified as a result of an inquiry referred to in paragraph (1) would not exceed EUR 10 000 and 2% of the relevant expenditure or the amounts to be recovered.
- (7) The deductions from the Union financing shall be made by the Commission from the following interim payment or the final payment. However, at Albania's request and where warranted by the materiality of the deductions the Commission may set a different date for the deductions.
- (8) In accordance with Article 45(1) of the FWA the deductions made by the Commission shall not be reallocated to the IPARD II programme.
- (9) Article 84 of the FWA shall not apply to the conformity clearance.

ARTICLE 50 RECOVERY OF FUNDS

- (1) The financial adjustments and reuse of the Union contribution shall be undertaken by the NAO and shall be subject to the following conditions:
 - (a) where irregularities are detected, the NAO shall extend its inquiries to cover all operations liable to be affected by such irregularities;
 - (b) the NAO shall notify the corresponding adjustments to the Commission, with copy to the Audit Authority;
 - (c) amounts of the Union contribution which are cancelled and amounts recovered shall be reallocated to the IPARD II programme in accordance with Article 45(2) of the FWA.
- (2) When the annual accounts are sent, as provided for in Article 46, the NAO shall provide the Commission, with copy to the Audit Authority, with a summary report on the recovery procedures undertaken in response to irregularities. This shall give a breakdown of the amounts not yet recovered, by administrative and/or judicial procedure and by year of the primary administrative or judicial finding of the irregularity. Any interest recovered by Albania attributable to the IPARD II programme in respect of debts recovered shall be recorded in the Albania's accounts.
- (3) The Union contribution not recovered by the IPARD Agency from the recipients within two years of their registration in the debtor's ledger shall be refunded by the

NAO to the Union budget. Where possible, the amount recovered shall be deducted by the Commission from the following interim payment or the final payment to Albania. Albania shall ensure that any amounts recovered are credited to the IPARD euro account within three working days of the date of recovery.

- (4) Albania shall ensure that any amounts to be recovered from recipients in accordance with Article 51 of the FWA are established taking into account the nature and gravity of the irregularities and the financial loss to the Union contribution and are timely registered in the debtor's ledger. If the Commission finds that the late registration of debts has resulted in a lower amount of debts written off in accordance with paragraph (3), it shall determine the financial correction to be applied under Article 49 of this Agreement.
- (5) Where it has been possible to effect the recovery referred to in paragraph (1) when the combined total of declarations of expenditure exceeds the ceiling of 95% as provided for in Article 36(5) of this Agreement or after the final payment by the Union for the IPARD II programme has been made, the NAO shall refund the sums recovered to the Union budget in accordance with the procedures laid down in Article 46 of the FWA.
- (6) Any Union contribution to the IPARD II programme not recovered at the date of the final closure as referred to in Article 48(1) of the FWA and in Article 43 of this Agreement shall be written-off in the debtor's ledger and the corresponding amount shall be refunded to the Union budget. This payment shall not prejudice the adoption of a subsequent decision pursuant to Article 49 of this Agreement.

SECTION VI MONITORING, EVALUATION AND REPORTING

TITLE 1: PROGRAMME MONITORING

ARTICLE 51 PROGRAMME MONITORING AND MONITORING INDICATORS

- (1) The Managing Authority and the monitoring committee for the IPARD II programme (hereinafter referred to as "IPARD II monitoring committee") shall monitor the effectiveness and the quality of the implementation of the IPARD II programme. They shall report to the IPA monitoring committee and to the Commission on progress of the measures.
- (2) Programme monitoring shall be carried out by reference to the indicators presented in the IPARD II programme.

ARTICLE 52 IPARD II MONITORING COMMITTEE

- (1) The IPARD II monitoring committee, which shall be established after adoption of the programme, shall be chaired by a senior representative of Albania, who shall have voting rights.
- (2) The Commission, the operating structure, the NAO and the NIPAC shall participate in the work of the IPARD II monitoring committee without voting right.
- (3) For the purposes of Article 53(2) of the FWA, the IPARD II monitoring committee shall examine the results of the IPARD II programme, in particular the achievement of the targets set for the different measures and the progress on utilisation of the financial allocations to those measures. In this regard, the Managing Authority shall

- ensure that all relevant information in relation to the progress of measures is made available to the monitoring committee and the NIPAC.
- (4) The IPARD II monitoring committee shall periodically review progress made towards achieving the objectives set out in the IPARD II programme. For this purpose, it shall, in particular, be given the following:
- (a) information on any sectors or measures where difficulties are experienced;
 - (b) information on the results of verifications carried out.
- (5) Article 53(3)(f) of the FWA shall be interpreted for the IPARD II monitoring committee in a way that the IPARD II monitoring committee has to consider and approve, where appropriate, any proposal drawn up by the Managing Authority to amend the IPARD II programme to be submitted to the Commission, with copy to the NIPAC and the NAO.
- (6) Notwithstanding Article 8(4), the IPARD II monitoring committee may, following consultation with the Managing Authority and the IPARD Agency, propose to the Managing Authority for submission to the Commission, with copy to the NIPAC and the NAO, amendments or reviews of the IPARD II programme to ensure the achievements of the Programme's objectives and enhance the efficiency of the assistance provided.
- (7) The IPARD II monitoring committee shall consider and approve the annual and final implementation reports before they are sent to the NIPAC for submission to the Commission, with copies to the NAO and the Audit Authority.
- (8) The IPARD II monitoring committee shall examine the evaluations of the IPARD II programme referred to in Article 57.
- (9) The IPARD II monitoring committee shall consider and approve the plan of visibility and communication activities referred to in Article 30 as well as any subsequent updates of the plan.
- (10) The IPARD II monitoring committee shall be consulted on the technical assistance activities under the IPARD II programme. It shall consider and approve each year an indicative annual action plan for the implementation of technical assistance activities including indicative amounts for information purposes.
- (11) Each visit and seminar co-financed by the Union under measure "technical assistance" of the IPARD II programme shall require the submission of a written report to the IPARD II monitoring committee.
- (12) When required by the IPARD II programme to give an opinion on any matter, the IPARD II monitoring committee shall act accordingly.
- (13) All final documents of IPARD II monitoring committee meetings shall be made public.

ARTICLE 53 INDICATORS

- (1) The progress, efficiency and effectiveness of the IPARD II programme in relation to its objectives shall be measured by means of indicators relating to the baseline

situation as well as progress with regard to financial execution.

- (2) The IPARD II programme shall specify a limited number of additional indicators specific to that Programme.

TITLE 2: EVALUATION

ARTICLE 54 PRINCIPLES FOR THE EVALUATION OF THE IPARD II PROGRAMME

- (1) For the purposes of Article 55 of the FWA, evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from Union funds and the strategy and implementation of the IPARD II programme.
- (2) The IPARD II programme shall be subject to ex-ante and ex-post and, where considered as appropriate by the Commission, interim evaluations carried out by independent evaluators under the responsibility of Albania.
- (3) The evaluations shall assess the implementation of the IPARD II programme towards the achievement of objectives set out in Article 16(5) of the FWA.
- (4) The evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming, its socio-economic impact and its impact on the defined objectives and priorities. They shall cover the goals of the IPARD II programme and aim to draw lessons concerning rural development policy. They shall identify the factors which contributed to the success or failure of the implementation of the IPARD II programme, including the sustainability of actions and identifications of best practices.
- (5) Evaluation reports shall explain the methodology applied, and include an assessment of the quality of the data and the findings.
- (6) The quality and implications of evaluations shall be assessed by the Managing Authority, the IPARD II monitoring committee and the Commission.
- (7) The results of the ex-ante and the interim evaluations shall be taken into account in the programming and implementation cycle.

ARTICLE 55 EX-ANTE EVALUATION OF THE IPARD II PROGRAMME

- (1) Ex-ante evaluation shall form part of drawing up the IPARD II programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets, the Union value-added, the extent to which the objectives, in accordance with Article 16(5) of the FWA have been taken into account, the lessons learned and the quality of the procedures for implementation, programme monitoring, evaluation and financial management.
- (2) Albania shall ensure that the ex-ante evaluator is involved in the process of development of the IPARD II programme, is included in the development of the SWOT analysis, in the design of the programme's intervention logic and in the establishment of the programme's targets.
- (3) Ex-ante evaluation shall be carried out under the responsibility of Albania.

ARTICLE 56 EVALUATION PLAN FOR THE IPARD II PROGRAMME

- (1) An evaluation plan shall be drawn up by the Managing Authority, in consultation with the NIPAC, for the IPARD II programme in accordance with Article 57 of the FWA. The evaluation plan shall be submitted to the monitoring committee no later than one year after the adoption by the Commission of the IPARD II programme.
- (2) The Managing Authority and the IPARD II monitoring committee shall use the evaluation plan to:
 - (a) examine the progress of the IPARD II programme in relation to its goals by means of result and, where appropriate, impact indicators;
 - (b) improve the quality of the IPARD II programme and its implementation;
 - (c) examine proposals for substantial changes to the IPARD II programme;
 - (d) prepare for interim and ex-post evaluation.
- (3) The Managing Authority shall report each year on the results achieved under the evaluation plan to the IPARD II monitoring committee with copies to the Audit Authority. A summary of the activities shall be included in the annual report provided for in Article 59.

ARTICLE 57 INTERIM EVALUATION

- (1) If the Commission considers as appropriate, in the third year following the year of adoption of the first entrustment of budget implementation tasks for the IPARD II programme, an interim evaluation shall be performed.
- (2) The interim evaluation shall propose measures to improve the quality of the IPARD II programme and its implementation, where appropriate. In particular Albania shall ensure that the interim evaluation examines the initial results of the IPARD II programme, their consistency with the ex-ante appraisal, the relevance of the targets and objectives and the extent to which they have been attained. It shall also assess the quality of Programme monitoring and implementation and the experience gained in setting up the system for implementation of the IPARD II programme.
- (3) The interim evaluation shall be submitted to the IPARD II monitoring committee, and to the Commission by 31 December of the year referred to in paragraph (1).
- (4) In addition to the assessment referred to in Article 54(7), the IPARD II monitoring committee, the Managing Authority and the Commission shall consider the implications of the evaluation with a view to reviewing the IPARD II programme.
- (5) The Managing Authority shall inform the Commission about the follow-up to the recommendations in the evaluation report. If Albania fails to submit the interim evaluation report by the date referred to in paragraph (3), Article 37(5) shall apply.

ARTICLE 58 EX-POST EVALUATION

- (1) At the latest by the end of the first year after the programme implementation period, an ex-post evaluation shall be prepared by Albania for the IPARD II programme. That report shall be completed and submitted to the Commission not later than the

end of that year.

- (2) On the basis of the evaluation results already available as well as evaluation questions relevant to the IPARD II programme, the ex-post evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the IPARD II programme, its impact and its consistency with the ex-ante evaluation. It shall cover factors contributing to the success or failure of implementation, the achievements of the IPARD II programme and results, including their sustainability. It shall draw conclusions relevant to the IPARD II programme and to the enlargement process.
- (3) If Albania fails to submit the ex-post evaluation report by the date referred to in paragraph (1), Article 37(5) shall apply.

TITLE 3: REPORTING

ARTICLE 59 ANNUAL AND FINAL IMPLEMENTATION REPORTS

- (1) By 30 June each year following a full calendar year of implementation of the IPARD II programme the Managing Authority, after consultation with the IPARD Agency, shall draw up, annual reports on the implementation of the IPARD II programme in the previous calendar year, in accordance with Article 60(2) of the FWA. The first report submitted shall cover the calendar years from 2014 onwards.
- (2) The Managing Authority shall draw up a final report on the implementation of the IPARD II programme. The final report shall be submitted at the latest six months after the final date of eligibility of expenditure under the IPARD II programme in accordance with Article 29(4) of the FWA.
- (3) The annual implementation reports shall cover the previous calendar year and shall include data related to the calendar year before and the cumulative financial and monitoring data for the whole period of implementation of the IPARD II programme as well as aggregated monitoring tables. The final reports on implementation of the IPARD II programme shall cover the whole period of implementation and may include the last annual report.
- (4) The reports referred to in paragraphs (1) and (2) shall be sent, after examination and approval by the IPARD II monitoring committee, to the NIPAC for submission to the Commission with copies to the NAO and the Audit Authority.
- (5) All annual and final implementation reports shall include the following information:
 - (a) any change in general conditions of relevance to the implementation of the IPARD II programme, in particular, the main socio-economic trends, changes in national, regional or sectoral policies and, where applicable, their implications for the consistency between IPARD II assistance and that from other Union financial instruments;
 - (b) the progress in the implementation of priorities and measures in relation to the attainment of the objectives of the IPARD II programme by reference to the financial data, common and programme-specific indicators and quantified target values, including changes in the value of result indicators where appropriate. The data transmitted shall relate to values for indicators for fully implemented operations and also, where possible, having regard to the stage

of implementation, for selected operations. They shall also set out a synthesis of the findings of all evaluations of the programme that have become available during the previous calendar year, any issues which affect the performance of the programme, and the measures taken;

- (c) on financial commitments and expenditure by measure, and a summary of the activities undertaken in relation to the evaluation plan;
- (d) the steps taken by the Managing Authority, the IPARD II Agency and the IPARD II monitoring committee to help to ensure the quality and effectiveness of implementation, in particular:
 - (i) a summary of any significant problems encountered in implementing the IPARD II programme and any action taken, including that on recommendations for adjustments made pursuant to paragraph (8);
 - (ii) a summary of the results of the verifications carried out per measure and of the irregularities detected;
 - (iii) the use made of technical assistance;
 - (iv) the steps taken to involve local bodies to a greater extent;
 - (v) the steps taken to ensure publicity for the IPARD II programme;
 - (vi) data to demonstrate that Union funds are complementing funding available in Albania.
- (e) the steps taken to ensure co-ordination of all the Union pre-accession assistance referred to in Article 4;
- (f) financial tables showing Union, national and total expenditure per measure and/or sector;
- (g) a summary of the activities undertaken in relation to the evaluation plan in accordance with Article 56;
- (h) a description of the activities carried out for the implementation of the plan of visibility and communication activities referred to in Article 30.

The content and presentation of the annual and final implementation reports shall be based on the Commission guidelines.

- (6) The Commission shall inform Albania within 15 working days of the date of receipt of the annual implementation reports if it is not admissible, failing which it shall be deemed admissible.
- (7) The Commission shall inform Albania of its observations within four months of the date of receipt of the annual implementation report and within five months of the date of receipt of the final implementation report. Where the Commission does not provide observations within those deadlines, the reports shall be deemed to be accepted.

(8) If, after this review, the Commission makes comments to Albania concerning issues which significantly affect the implementation of the IPARD II programme Albania shall inform the Commission of the action taken on these comments within three months. Where the Commission, without prejudice to the Decisions to be taken pursuant to Articles 48 and 49, makes recommendations to Albania for adjustments aimed at improving the effectiveness of the Programme monitoring or management arrangements for the IPARD II programme, Albania shall subsequently demonstrate the steps taken to improve the Programme monitoring or management arrangements or it shall explain why it has not so acted within three months of the receipt of the Commissions' comments. The IPARD II monitoring committee shall be informed on these activities.

SECTION VII SPECIFIC PROVISIONS ON MULTI-ANNUAL ACTION PROGRAMMES WITH SPLIT COMMITMENTS

[No complementary provisions.]

SECTION VIII SPECIFIC PROVISIONS ON CROSS-BORDER COOPERATION PROGRAMMES

[No complementary provisions.]

SECTION IX FINAL PROVISIONS

Articles 81 to 86 and 88 to 90 of the FWA shall apply *mutatis mutandis* to this Agreement.

ARTICLE 60 APPLICABILITY OF THE SECTORAL AGREEMENTS FOR IPA

Sectoral Agreements signed under IPA between the Commission and Albania shall remain applicable to assistance adopted under previous pre-accession instruments, until such assistance is completed in accordance with the terms of the relevant Sectoral Agreements. However, Articles 45 to 49 of this Agreement shall apply in respect of expenditure under IPA when financial clearance or conformity clearance procedure is instigated after the entry into force of this Agreement.

ARTICLE 61 ADDRESS FOR COMMUNICATIONS

As regards Article 85 of the FWA, the addresses shall be as follows:

(1) For all correspondence other than that referred to in point (2):

For the European Union:

European Commission
Directorate General for Agriculture and Rural Development
Unit for Pre-accession assistance for agriculture
Rue de la Loi 130
BE - 1049 Bruxelles

For Albania:

Ministry of Agriculture, Rural Development and Water Administration
Directorate of Programming and Evaluation of Rural Policies (Management Authority)
Sheshi “Skënderbej“
AL – 1001 Tirana

- (2) For correspondence relating to information set out in Article 51(2) of the FWA, the addresses shall be as follows:

For the European Union:

European Commission
OLAF – European Anti-Fraud Office
Directorate C
30, Rue Joseph II
BE – 1049 Bruxelles
Website: http://ec.europa.eu/anti_fraud/index_en.htm

For Albania:

Ministry of European Integration
Directorate of Programming and Monitoring EU Assistance
Bulevardi Deshmoret e Kombit
AL - Tirana

ARTICLE 62 NON-COMPLIANCE AND TERMINATION

Without prejudice to Article 90 of the FWA, where the Commission has detected non-compliance with the obligations of this Agreement, it:

- (a) shall notify Albania of its intentions, with justification(s), and
- (b) shall have the right, with regard to the IPARD II programme, but without prejudice to the Decisions referred to in Articles 48 and 49:
 - (i) to make financial corrections against Albania,
 - (ii) to cease to transfer money to Albania,
 - (iii) to refrain from undertaking any new financial obligations on the part of the Union, and
 - (iv) if appropriate, to terminate this Agreement with effect from the time non-compliance was first detected.

ARTICLE 63 ENTRY INTO FORCE

This Agreement shall enter into force on the date on which the last of the Parties informs the other one in writing of its approval in accordance with the existing internal legislation or procedure of the Party.

ARTICLE 64 SIGNATURE

This Agreement is drawn up in duplicate in the English language.

Signed in Brussels, the twenty-fourth day of September in the year two thousand and fifteen,

for and on behalf of the Government of the Republic of Albania

by Mr Edmond PANARITI
Minister of Agriculture, Rural Development and Water Administration



for and on behalf of the European Commission



by Mr Jerzy PLEWA
Director-General for Agriculture and Rural Development
Delegated Authorising Officer

ANNEXES

ANNEX 1 MAIN FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

The structures, authorities and bodies of the internal control system as defined in Articles 10(1)(c) and 10(2) of the FWA shall have an organisational structure allowing them to execute the following main functions in respect of IPARD expenditure:

The basic approach for the allocation of functions and responsibilities shall be established in accordance with the following table:

General Functions	Specific Functions	Management Structure		Operating Structure	
		NAO Support Office	National Fund	IPARD Agency	Managing Authority
Managing functions	Selection of measures				*
	Programme monitoring				*
	Management of IPA II accounts and financial operations		*		
	Evaluation				*
	Reporting			*	*
	Coordination				*
Paying functions	Authorisation and control of commitments			*	
	Authorisation and control of payments		(*)	*	
	Execution of payments			*	
	Accounting for commitment and payment		*	*	
	Debt management		*	*	
	Treasury		*		
Implementing functions	Selection of projects			*	
	Publicity			*	*
	Provide assurance on the effective functioning of the internal control system	*			
Audit functions	Internal audit	*	*	*	

In case it is indicated as optional (*), the function may be allocated depending on the size, the responsibilities and other specific features of the internal control systems.

Unless the Commission expressly and explicitly provides for otherwise, allocations of functions and responsibilities must not be in contradiction to the basic approach as shown in this Annex.

Managing functions

- (a) *Selection of the measures*: the objective of this function is that according to Article 10(1)(c)(i) of the FWA the Managing Authority is responsible for the selection of measures and their publicity including the selection of measures under each call in

accordance with Article 8(2)(c) of this Agreement.

- (b) *Programme monitoring*: the objective of this function is to monitor the effectiveness and the quality of the implementation of the IPARD II programme. It shall be carried out by reference to relevant physical, environmental and financial indicators. It shall also ensure that operations are selected for funding in accordance with the criteria and mechanism applicable to the programme, and comply with the relevant Union and national rules.
- (c) *Management of IPA II accounts and financial operations*: the objective of this function is to ensure a smooth financial management including recording of activities, transferring of funds and making financial adjustments when necessary.
- (d) *Evaluation*: the objective of this function is to improve the quality, effectiveness and consistency of the assistance from Union funds and the strategy and implementation of the IPARD II programme. The evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming and its socio-economic impact on the defined objectives and priorities, and shall, as a general rule, be accompanied by achievement related criteria and indicators.
- (e) *Reporting*: the objective of this function is to ensure that implementation of the Programme and progress of the individual operations and measures are reported in a way which helps to ensure the effective and efficient implementation of the measure, using adequate information and communication systems.
- (f) *Coordination*: the objective of this function is to guide and monitor the work of the IPARD II monitoring committee in accordance with Article 53 of the FWA, notably by providing the documents necessary for monitoring the quality of the implementation of the programmes.

Paying functions

- (a) *Authorisation and control of commitments and payments*: the objective of this function is to establish that the applications for approval of operations and subsequent amount to be paid to a claimant or to their assignee(s) is in conformity with the Agreements and eligible for the Union assistance claimed, which shall include, inter alia, the administrative and, where appropriate, on-the-spot verifications, in particular those concerning the regularity and legality of the expenditure:
 - (i) checking the eligibility of applications for approval and request for payment,
 - (ii) checking of compliance with commitments entered into, concerning project approvals,
 - (iii) where appropriate, checking of tendering and contracting procedures and verification of the work carried out or services supplied,
 - (iv) applying the necessary verifications.

Verifications may include pre-project selection checks, re-measurement, checks on quantity and quality of goods or services delivered, an analysis or a sample control, pre-payment checks, ex-post payment checks and any special provisions for implementing the Agreements as to the regularity and legality of the expenditure. In

order to establish the regularity and legality, verifications shall include, where appropriate, examinations of a technical nature, which can involve economic financial assessments and checks of a specific agricultural, technical or scientific nature.

- (b) *Execution of payments*: the objective of this function is the issuing of an instruction to the Operating Structure's bankers, or, in appropriate cases, a governmental payments office, to pay the authorised amount to the claimant (or their assignee(s)).
- (c) *Accounting for commitment and payment*: the objective of this function is the recording of all commitments and payments in the separate books of accounts for IPARD II expenditure, which will normally be in the form of an electronic data processing system, and the preparation of periodic summaries of expenditure, including the expenditure declarations to the Commission. The books of account shall also record the assets financed by the IPARD II funds, in particular concerning un-cleared debtors.
- (d) *Debt management*: the objective of this function is to have a system in place for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities, prior to their receipt.
- (e) *Treasury*: the objective of this function is to organise the bank accounts, requesting funds from the Commission, verifying the existence and correctness of the co-financing elements, authorising the transfer of IPARD II funds from the Commission to the IPARD Agency or to the recipients and the financial communication to the Commission, which includes the quarterly payment applications and annual declarations.

The organisational structure shall provide for clear assignment of authority and responsibility at all operational levels and for separation of the paying functions referred to in points (a), (b) and (c), the responsibilities of which shall be defined in an organisational chart.

Implementing functions

- (a) *Selection of projects*: the objective of this function is to select projects in accordance with the criteria, mechanisms and rules applicable to the IPARD II programme. Exceptionally, this function may be carried out by the Managing Authority for the measures 'Implementation of local development strategies - LEADER approach' and 'Technical assistance'.
- (b) *Publicity*: the objectives of this function are both:
 - (i) the issuing of calls for applications and publicising terms and conditions for eligibility, including information on contractual obligations and possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work, and
 - (ii) to highlight the role of the Union and to ensure the transparency of Union assistance.
- (c) *Provide assurance on the effective functioning of the internal control system*: the

objective of this function is to continuously check the good performance of the internal control system, including necessary measures as follow-up of audit findings and detected irregularities.

Audit functions

Internal audit: the objective of this function is to ensure that regular specific activities are carried out to provide higher management with independent review of the subordinate systems.

ANNEX 2 INTERNAL CONTROL FRAMEWORK

For the purposes of Annex B to the FWA the following provisions shall apply:

1. Control environment

General complementary provisions to Section 1 of Annex B to the FWA

Delegation

Part or all of the evaluation, reporting, authorisation and control functions⁵ may be delegated to other bodies provided that the following conditions are fulfilled:

- (1) A written agreement must be concluded specifying, apart from the delegated tasks, the nature of the information and the supporting documents to be submitted to the delegating entity and the time limit within which they must be submitted. The agreement must enable the delegating entity to comply with the requirements from Annex B to the FWA and this Annex. A sufficient audit trail shall be maintained.

The Agreement shall provide for access by duly authorised agents or representatives of Albania or the Union to information held by these delegated bodies and for investigation by such officials of applications including carrying out of checks on projects and recipients of aid and any other information they need for the execution of their tasks.

- (2) The concerned structures, authorities and bodies of the Management and Control System (hereinafter referred to as "MCS") shall in all cases remain responsible for the efficient and sound management of the IPARD assistance concerned. It remains fully responsible for the legality and regularity of the underlying transactions, including protecting the Union's financial interest.
- (3) The responsibilities and obligations of the other body, notably concerning the control and verification of the compliance with the Agreements and any applicable guidelines, shall be clearly defined.
- (4) The concerned structures, authorities and bodies of the MCS shall ensure that the other body has effective systems for ensuring that it fulfils its tasks in a satisfactory manner.
- (5) The body shall explicitly confirm to the concerned structures, authorities and bodies of the MCS that it in fact fulfils its tasks and shall describe the means employed.
- (6) The concerned structures, authorities and bodies of the MCS shall regularly review the tasks delegated to confirm that the work performed is of satisfactory standard and that it is in compliance with the Agreements.

⁵ In no case may the functions of execution of payment, and of accounting of commitment and payment be delegated.

- (7) The Audit Authority shall report on the delegated functions as if they were managed by the delegating entity itself.

The conditions set out in points (1), (2), (3) and (5) shall apply *mutatis mutandis* in the cases where the delegating entity functions are performed by another body as part of its regular tasks on the basis of national legislation.

Specific complementary provisions to Section 1 of Annex B to the FWA

Reference is made to Section 1 of Annex B to the FWA.

(d) Staff planning, recruitment, retention, training and appraisal

For the purposes of point (d) of Section 1 of Annex B to the FWA, staff training shall be appropriate at all operational levels including fraud awareness.

For the purposes of the third indent of point (d) of Section 1 of Annex B to the FWA, job descriptions shall include the setting of financial limits of commitments and payments to the authority of the jobholder.

2. Risk management

[No complementary provisions]

3. Control activities

General complementary provisions to Section 3 of Annex B to the FWA

Ensuring a sound internal control requires the following common written procedures:

A. Procedures for authorising applications and payment request:

- (1) The relevant structures, authorities and bodies of the MCS shall lay down detailed procedures for the receipt, recording and processing of applications for project approval, payment requests and invoices including a description of all documents to be used.
- (2) Each official responsible for authorisation shall have at his/her disposal a detailed checklist of the verifications to be carried out, and shall attest in the supporting documents of the payment request that those verifications have been carried out. That attestation may be made by electronic means. There shall be evidence of systematic, such as sample, system or plan-based review of the work by a senior staff member. The analysis of the project shall be guided by the principles of sound financial management.
- (3) A payment request shall be authorised for payment only after sufficient verifications have been carried out to ensure compliance with the Agreements. Those verifications shall include those required by the regulation governing the specific measure under which aid is claimed, and those required pursuant to Article 51 of the FWA to prevent and detect irregularities and fraud with particular to the risks observed.
- (4) The management shall, at an appropriate level, be informed on a regular and timely basis of the results of administrative and on-the-spot verifications carried

out, so that the sufficiency of those verifications may always be taken into account before a payment request is settled.

- (5) The administrative verification performed shall be detailed in a checklist (see (2) accompanying each payment request or batch of payment requests. The checklist shall be accompanied by an attestation of the eligibility of the approved payment requests and of the nature, scope and limits of the work done. In addition, there shall be an assurance that the criteria for the granting of aid, including contracting, have been respected and that all applicable Union and national rules, including those fixed in the rural development program, have been complied with. The on-the-spot verification performed shall be detailed in a report in accordance with Article 15 or Article 21 of this Agreement.

If any on-the-spot or administrative verification is not exhaustive, but performed on a sample of payment requests, the payment requests selected shall be identified, the sampling method described, the results of all inspections and the measures taken in respect of discrepancies and irregularities reported upon. The supporting documents shall be sufficient to provide assurance that all the required verifications on the eligibility of the authorised payment requests have been performed.

- (6) Where documents (in paper or electronic form) relating to the payment requests authorised and verifications made are retained by other bodies, both those bodies and the concerned structures shall set up procedures to ensure that the location of all such documents relevant to specific payments is recorded.
- (7) Applications from claimants shall be processed in a timely manner.
- (8) Criteria for assessing applications and their order of priority shall be clearly defined and documented.

B. Procedures for payment

- (1) The concerned structures, authorities and bodies of the MCS as defined in Article 10(1) and (2) of the FWA shall adopt the necessary procedures to ensure that the national authorities can fulfil their contractual commitments regardless of the delays or interruptions in funding from the Commission.
- (2) The national authorities shall adopt the necessary procedures to ensure that payments are made only to bank accounts belonging either to recipients or to their assignees. The payment shall be made by the IPARD agency's bank, or, as appropriate, a governmental payments office, within three working days of the date of debiting against the IPARD euro account. Procedures shall be adopted to ensure that all payments for which transfers are not executed are not declared for reimbursement. If such payments have already been declared these should be re-credited to the Fund via the next monthly/quarterly declarations or in the annual accounts at the latest. Payments shall be made by means of a transfer to the bank account on the name of the recipient. The approval of the authorising official and/or his/her supervisor may be made by electronic means, provided an

appropriate level of security over those means is ensured, and the identity of the signatory is entered into the electronic records.

C. Procedures for accounting

- (1) The concerned structures, authorities and bodies of the MCS shall adopt full and transparent accounting procedures following internationally accepted accounting principles and any applicable guidelines. Accounting procedures shall ensure that quarterly and annual declarations are complete, accurate and timely, and that any errors or omissions are detected and corrected, in particular through verifications and reconciliations performed at regular intervals. A full audit trail for every item entered into the accounts shall be provided.
- (2) The national authorities' accounting procedures shall ensure that accounting system can produce, in euro and national currency, and for each project, contract or measure, the total cost, the committed expenditure, part payments and balance payments. Deadlines shall be set for cancellation of commitments where work has not been completed within an agreed timetable. Such cancellations shall be appropriately recorded in the accounting systems.

D. Procedures for advances and guarantees (if applicable)

Payments of advances qualify as eligible expenditure up to 10% of the public aid related to the project and shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 110% of the amount of the advance. Advances cannot be paid in combination with pre-financing as provided for in Article 11(3)(a).

Procedures shall be adopted to ensure that:

- (1) Payments of advances are separately identified in the accounting or subsidiary records.
- (2) Guarantees are obtained only from financial institutions which are approved by the appropriate authorities and which remain valid until cleared or called upon, on the simple request of the IPARD agency.
- (3) The advances are cleared within the stipulated time limits and those overdue for clearing are promptly identified and the guarantees promptly called upon.

E. Procedures for debts

All the requirements provided for in Sections A. to D. shall apply *mutatis mutandis* to guarantees, reimbursed payments, assigned revenues etc. which the IPARD agency is required to collect on behalf of the IPARD II programme. The IPARD agency shall set up a system for the recognition of all amounts due and for the recording in a single debtor's ledger of all such debts prior to their receipt. The debtor's ledger shall be inspected at regular intervals and action shall be taken to collect debts that are overdue.

F. Audit trail

The information regarding documentary evidence of the authorisation, accounting and payment of payment requests and handling of advances, securities and debts shall be available to ensure at all times a sufficiently detailed audit trail.

The management shall, at appropriate level, be informed on a regular and timely basis of the results of verifications carried out, so that the sufficiency of those verifications may always be taken into account before a payment request is settled.

For those purposes, the concerned structures, authorities and bodies of the MCS shall set up necessary procedures to ensure retention of all documents required to guarantee an adequate audit trail.

Specific complementary provisions to Section 3 of Annex B to the FWA

Reference is made to Section 3 of Annex B to the FWA.

(b) Security control activities

For the purposes of point (b) of Section 3 of Annex B to the FWA, information systems security shall be based on the criteria laid down in a version applicable in the financial year concerned of the following standard:

International Standards Organisation 27002: Code of practice for Information Security controls (ISO) or equivalent.

4. Information and communication

Specific complementary provisions to Section 4 of Annex B to the FWA

Reference is made to Section 4 of Annex B to the FWA.

(c) External communication

For the purposes of point (c) of Section 4 of Annex B to the FWA, the following provisions shall apply:

- (i) every change in the Agreements, including the rates of aid applicable or terms and conditions, has to be recorded and the instructions, databases and checklists updated in good time,
- (ii) all the substantial changes in the MCS after their accreditation and entrustment of budget implementation shall be submitted to the competent national authority(ies) and the Commission, with copy to the Audit Authority, for examination and approval before their implementation.

5. Monitoring of internal control framework

Specific complementary provisions to Section 5 of Annex B to the FWA

Reference is made to Section 5 of Annex B to the FWA.

(a) On-going and specific monitoring

For the purposes of point (a) of Section 5 of Annex B to the FWA, the following provisions shall apply:

- (i) at all levels the daily operations and control activities of the national

authorities shall be monitored on an on-going basis to ensure a sufficiently detailed audit trail,

- (ii) monitoring of the technical services and delegated bodies responsible for carrying out the verifications and other functions to ensure a proper implementation of regulations, guidelines and procedures,
- (iii) monitoring procedures to prevent and detect fraud and irregularity with particular regard to those areas of expenditure under the IPARD agency's competence which are exposed to a significant risk of fraud or other serious irregularities.

For the purposes of the fourth indent of point (a) of Section 5 of Annex B to the FWA, the internal audit service shall be independent of the national authorities' other departments and shall report directly to the entity's director. The internal audit service shall verify that procedures adopted by the entity are adequate to ensure that compliance with Union rules is verified and that the accounts are accurate, complete and timely. Verifications may be limited to selected measures and to samples of transactions provided that an audit plan ensures that all significant areas, including the departments responsible for authorisation, are covered over a period not exceeding five years. The internal audit service's work shall be performed in accordance with internationally accepted standards, shall be recorded in working papers and shall result in reports and recommendations addressed to the agency's top management.

ANNEX 3 DOCUMENTS REQUIRED FOR THE APPLICATION OF ENTRUSTMENT OF BUDGET IMPLEMENTATION TASKS

This Annex provides by entity which documents are required for the application of entrustment of budget implementation tasks.

Albania shall provide:

- (a) the signed request for entrustment in paper and in electronic format; and
- (b) the documents indicated in this Annex and any other relevant supporting documents in electronic format only, on a physical support (CD/DVD/USB key or other similar commonly used means).

No.	Evidences
1	Formal legal designation, confirmation of readiness and procedures
1.1	Formal legal designation of the NIPAC, the NAO and the AA.
1.2	Confirmation of its own readiness of the NIPAC, the NAO and the AA.
1.3	Procedures by which the main functions of the NIPAC are implemented The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.4	Procedures by which the main functions of the NAO are implemented The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.5	Procedures by which the main functions of the AA are implemented The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.
1.6	Self-assessment reports for all management and control system entities prepared by the internal auditors.
1.7	Supporting audit opinion and report on the management structure and the operating structure drawn up by an external auditor independent from the structures and authorities under Article 10(1) and (2) of the FWA and be based on examinations conducted according to internationally accepted auditing standards.
2.	MANAGEMENT STRUCTURE
2.1	Written confirmation by the NAO that the management structure satisfies the requirements for being entrusted with budget implementation tasks.

2.2	Name and statute of the concerned structures, bodies and authorities (NAO support office, NF), including copies of the formal legal designation at ministerial level.
2.3	<p>Description of the following:</p> <ul style="list-style-type: none"> - the responsibilities vested in the NAO support office and the National Fund, - the allocation of responsibilities between their departments, - relationship of the management structure with other bodies, public or private, which also hold responsibilities for executing measures under which it charges expenditure to the IPARD II programme, - the administrative, accounting and internal control requirements under which payments are made relating to implementation of the IPARD II programme.
2.4	<p>Procedures by which the main functions of the NAO support office are implemented</p> <p>The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.</p>
2.5	<p>Procedures by which the main functions of the NF are implemented</p> <p>The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.</p>
3	OPERATING STRUCTURE
3.1	Written confirmation by the NAO that the operating structure satisfies the requirements for being entrusted with budget implementation tasks.
3.2	Name and statute of the constituting bodies of the Operating Structure (IPARD Agency, Managing Authority, and any of their delegated bodies where applicable), including copies of the formal legal designation at ministerial level.

3.3	<p>Description of the following:</p> <ul style="list-style-type: none"> - the responsibilities vested in the IPARD Agency and the Managing Authority (including their delegated bodies, if applicable), - the allocation of responsibilities between their departments, - relationship of the operating structure with other bodies, public or private, which also hold responsibilities for executing measures under which it charges expenditure to the IPARD II programme, - the administrative, accounting and internal control requirements under which payments are made relating to implementation of the IPARD II programme. - written agreements between the bodies in the system including memorandum of understanding or protocols signed also with other delegated or technical bodies. - information on how the delegated functions will be supervised must also be included.
3.4	<p>Procedures by which the main functions of the IPARD Agency are implemented</p> <p>The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.</p>
3.5	<p>Procedures by which the main functions of the MA are implemented</p> <p>The Commission shall issue further clarification and guidance regarding the required documents, their format and their level of detail.</p>

The requirements stated above should be considered as indicative and not limitative. The responsibility for providing all the necessarily documentation in view of the request for entrustment of budget implementation tasks remains primarily with the national authorities.

The Commission services may request additional documentation prior to, or in the course of their assignments.

ANNEX 4 RULES FOR PROGRAMMING

Aid intensities, rates of Union contribution and eligibility for IPA Rural Development programmes 2014-2020

1. Definitions

For the purposes of this Annex, the following definitions apply:

- (a) ‘Union standards’ means the standards laid down by the Union in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety;
- (b) ‘mountain areas’ means the areas referred to in Article 32(2) of Regulation (EU) No 1305/2013;
- (c) ‘young farmer’ means a farmer under 40 years of age at the time when the decision to grant support is taken, possessing adequate occupational skills and competence.

2. IPARD II programme

Each programme shall include:

- (a) a description of the current situation, SWOT and identification of needs, by providing a quantified description of the current situation showing disparities, shortcomings and potential for development;
- (b) SWOT analyses (strengths, weaknesses, opportunities and threats) focussing on a few specific areas;
- (c) an overview of main results of previous intervention, by national funds, Union assistance or multilateral assistance;
- (d) a description of the existing national rural development strategy;
- (e) an indicative overall financial table;
- (f) a description of each of the measures selected, including, national minimum standards, national legislation relevant to the programme, evidence of targeting, confirmation that verifiability and controllability of measures have been ensured.
- (g) a description of the existing and/or planned national rural development network;
- (h) information on the complementarity of IPARD with the measures financed by other (national or international) sources;

- (i) a description of the operating structure, including monitoring and evaluation;
- (j) summary description of management and control structure;
- (k) a description of the results of consultations on programming and provisions to involve relevant authorities and bodies as well as appropriate economic, social and environmental partners;
- (l) the results and recommendations of the ex-ante evaluation of the programme;
- (m) a description of actions foreseen in the context of publicity, visibility and transparency in accordance with IPA legislation, to inform potential beneficiaries, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding;
- (n) a description of provisions linked to the equality between men and women and non-discrimination promoted at various stages of programme (design, implementation, monitoring and evaluation);
- (o) a description of the actions taken to ensure the availability of sufficient technical and advisory capacity for the proper implementation of the programme.

Guidance, provided by the Commission, shall be respected.

3. Aid intensities

Public expenditure shall in principle not exceed a ceiling of 50% of the total eligible cost of the investment, with the following exceptions:

- (a) 60% for investment in physical assets of agricultural holdings;
- (b) 65% for investments:
 - in physical assets of agricultural holdings made by young farmers,
 - in farm diversification and business development.
- (c) 70% for investments in physical assets of agricultural holdings in mountain areas;
- (d) 100% for investments in/support for:
 - rural public infrastructure not of a nature to generate substantial net revenue,
 - activities financed under the Technical Assistance measure,
 - establishment and protection of forests,
 - implementation of local development strategies - LEADER approach,
 - setting-up of producer groups,
 - agri-environment-climate and organic farming measure,
 - improvement of training,
 - advisory services.

An additional 10% can be given for investments related to effluent and waste management in:

- physical assets of agricultural holdings,
- physical assets concerning processing and marketing of agricultural and fishery products.

4. Rates of Union contribution

The Union contribution shall in principle be 75% of public expenditure. However, it shall be raised to:

- (a) 85% for:
 - agri-environment-climate and organic farming measure,
 - establishment and protection of forests,
 - in the case of activities under the Technical Assistance measure,
 - improvement of training,
 - advisory services,
 - in the case of investment projects carried out in regions where the Commission determines that exceptional natural disasters have occurred.
- (b) 90% for "implementation of local development strategies – LEADER approach".

5. Eligibility

For the different measures the following will be applicable:

Investments in physical assets of agricultural holdings

Recipients under this measure are farmers or groups of farmers, whether natural or legal persons and other agricultural legal entities (e.g. private agricultural enterprises, producer groups, etc.) responsible for carrying-out and financing investments in the agricultural holding (as defined by the national law of Albania and included in the national farm register).

No later than before final payment of the investment, the entire holding must comply with appropriate national minimum standards in force regarding environmental protection and animal welfare. If the national standards are similar to the Union standards, in duly justified cases, derogation from this rule may be approved by the Commission. This must be clearly written in the IPARD II Programme.

The investment when concluded must respect the relevant Union standards as regards environmental protection and animal welfare.

The investment must concern the production of agricultural products (products listed in Annex I to the Treaty on the Functioning of the European Union ('TFEU')).

Minimum conditions regarding farmer's occupational skills and competences must be defined in the programme.

Economic viability of the holding shall be demonstrated.

Support for the setting up of producer groups

Assistance shall be granted to facilitate the setting-up and administrative operation of producer groups, for the purposes of:

- (a) adapting the production and output of the members of producer groups to market requirements;
- (b) jointly placing goods on the market, including preparation for sale, centralisation of sale, and supply to bulk buyers;
- (c) adapting the production and output of producers to meet the relevant EU standards, compliance with the *acquis communautaire*;
- (d) establishing common rules on production information, with particular regard to harvesting and availability;
- (e) ensuring effective standardization in all marketing steps and delivery of products in the food-chain.

Assistance under this measure may only be granted to producer groups officially recognised by the relevant national authorities of Albania after 1 January 2014. Producer groups eligible under the conditions of Commission Regulation (EC) No 718/2007 may also apply for assistance under this measure, provided that they continue to meet the conditions for support under the IPARD programme 2014-2020.

Professional and/or inter-professional organisations representing one or more sectors do not qualify as producer groups.

Applicants shall comply with the following conditions:

- (a) producer groups should be set up for the first time and officially recognised by the competent national authority after 1 January 2014;
- (b) producer groups should be recognised by the competent authority on the basis of a business plan.

Assistance shall be granted as a flat-rate aid in annual instalments for the first five years following the date on which the producer group was recognised and shall be calculated on the basis of the group's annual marketed production. It shall be limited to a maximum of 10% of marketed production for the first year and shall be degressive for the following years. Assistance shall not exceed EUR 100 000 per year.

Investments in physical assets concerning processing and marketing of agricultural and fishery products

Recipients are enterprises (as defined by the national law of Albania) responsible for carrying-out the projects in their establishment(s). An enterprise can consist of one or more establishments.

The main focus should be on enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet in

total not exceeding EUR 43 million which corresponds to the current definition of SME provided in Commission Recommendation 2003/361/EC⁶.

The economic viability of the enterprise must be demonstrated by the end of the realisation of the investment.

Not later than at the end of the project (before a final payment), the entire enterprise must comply with the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety. If the national standards based on Union standards are particularly demanding, and only in duly justified cases, derogation from this rule may be granted by the Commission. This must be clearly written in the IPARD II programme.

The relevant EU standards applicable to the investment will be attained at the end of the project.

Investments supported must concern the processing and/or marketing of products covered by Annex I to the TFEU, including fishery products, and/or the development of new products, processes and technologies linked to products covered by Annex I to the TFEU, including fishery products.

Agri-environment-climate and organic farming measure

The recipients can be farmers, group of farmers who, as a general rule, for minimum five years undertake commitment(s) within type of operation(s).

Albania should present in the IPARD II programme how the "pilot" dimension of the measure/type of operation(s) will be achieved.

Albania will have to ensure that the commitments are clear in terms of objectives and content, have potential to provide the environmental benefits, and are verifiable and controllable.

Eligible for this measure will be the recipients who will voluntarily undertake the type of operation(s), going beyond relevant mandatory standards (baseline). The recipients will have to respect the relevant mandatory standards on the entire holding. Description of the relevant mandatory standards will have to be presented in the IPARD II programme.

Albania should establish a minimum size of agricultural land that can be declared under any type of operation, a minimum size of a herd of endangered animal breeds.

Recipients will be compensated for additional costs and income forgone resulting from the commitment made within the selected type of operation(s).

For each type of operation, Albania will prepare a calculation that will constitute a basis to establish a payment level within this type of operation. Calculation must be made or approved by a certified body independent from the body which implements the measures.

Implementation of local development strategies - LEADER approach

⁶ Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

The LEADER approach at programme level shall comprise at least the following elements:

- (a) area-based local development strategies intended for well-identified sub-regional rural territories;
- (b) local public-private partnerships (Local Action Groups);
- (c) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
- (d) multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy;
- (e) networking of local partnerships;

The recipients are Local Action Groups (LAG) that satisfy the following conditions:

- (a) they must propose an integrated local development strategy based on the LEADER characteristics as defined under (a) to (e) above;
- (b) they must consist of a group representing partners from the various locally based socio-economic sectors in the territory concerned;
- (c) they must show an ability to define and implement a development strategy for the area;
- (d) they must have the ability to administer public funds.

Area covered by the strategy:

- (a) shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy;
- (b) the population of each area must be, as a general rule, greater than 10 000 inhabitants and not exceed 150 000 inhabitants, including settlements with a population of less than 25 000;
- (c) the same location must not belong to more than one LAG, meaning one partnership, one strategy, one territory;
- (d) beneficiary countries may opt to cover either their whole territory or part of it by adapting accordingly the criteria for selecting the local action groups and the areas they represent.

LEADER approach in IPA II beneficiaries will be supported through the following measures:

- (a) the Technical Assistance (TA) measure for capacity building of potential LAGs (TA activity "Acquisition of skills and animating the inhabitants of rural territories");

(b) measure "Implementation of local development strategies – LEADER approach" – for selected LAGs with the following activities:

- (i) "Acquisition of skills, animating the inhabitants of LAG territories" for capacity building and animation of selected LAGs,
- (ii) "Running costs and small projects" for running the selected LAGs and implementation of small projects,
- (iii) "Cooperation projects" for inter territorial or transnational projects.

Investments in rural public infrastructure

Recipients are administrative entities in rural areas with up to 10.000 inhabitants according to the official results of the latest available census of population and as justified in the programme.

The project must concern public infrastructure needed for the development of rural areas including community roads, local access to roads of particular importance for the local economic development, access to farm and forest land, energy supply, waste and water management, local access to information and communication technologies etc.

Farm diversification and business development

Recipients are:

- (a) farmers or members of the farm household diversifying on or off farm activities; farms and/or their household members may be eligible beneficiaries no matter whether these are located in urban or in a rural area;
- (b) natural persons in rural areas; natural persons, running an economic activity, who are beneficiaries under the measure should be living in a rural area, which could be proven, for example, by their registration. They can work, for example, as self-employed (e.g., in the case of crafts);
- (c) private legal entities in rural areas; private legal entities established or operating in rural areas shall include micro and small-sized enterprises, including craft enterprises, which have the potential for carrying out the project as well as any type of legal person established by rural population in rural areas. Legal entities established outside of rural areas, can be also eligible if supported investments/activities are located in rural areas.

The projects shall be compliant with the relevant national standards at the latest by the end of investment.

The applicant has to demonstrate that the investment will be economically viable at the end of the realisation of the project.

Assistance under this measure concerns only support for physical investments.

Improvement of training

Recipients of the assistance granted under this measure shall be professional and/or inter-professional organisations (training providers) capable and responsible for the delivery of training courses.

Participants in the training provided under this measure should be persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in areas covered by the relevant IPA Rural Development programme. Participants shall not be required to pay for training courses.

Albania shall elaborate a training strategy for the implementation of the operations for improvement of the occupational skills and competence of the persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in the fields covered by the IPA Rural Development programs. The training strategy should be approved by the IPARD monitoring committee.

Assistance shall not be granted to courses of instruction or training which form part of normal programmes or systems of education at secondary or higher levels.

Eligible are only expenditures for administrative operation activities of training, such as:

- (a) for the organisations providing training courses/information actions;
- (b) travel, accommodation and per diem expenses, where necessary, for the trainees.

Technical assistance

The recipient under this measure is the Managing Authority.

Eligible expenditure is based on real costs which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by received invoices or accounting documents of equivalent probative value.

The following actions are eligible provided they are covered by the indicative technical assistance action plan:

- (a) expenditures on meetings of the monitoring committee;
- (b) other expenditure necessary to discharge responsibilities of the monitoring committee;
- (c) expenditure on information and publicity campaigns, including costs of printing and distribution;
- (d) cost of translation and interpretation provided in response to requests by the Commission;
- (e) expenditure associated with visits and seminars;

- (f) expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local development strategies – Leader approach";
- (g) expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage;
- (h) expenditure for evaluations of the programme;
- (i) expenditure associated with the establishment and operation of a national network supporting the coordination of activities preparing and implementing local rural development strategies.
Public administrations and organisations established in Albania and active in the field of rural development may benefit from the actions of the European Network for Rural Development as foreseen by Article 52(3)(g) of Regulation (EU) No 1305/2013. Relevant detailed provisions shall be agreed with Albania;
- (j) a level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the administration. Introduction of this expenditure can only be done after prior approval of the Commission and may be limited in time.

Advisory services

This measure can cover:

- (a) group advisory; Group advisory services to farmers or micro- and small enterprises can cover economic, agricultural and environmental performance of the agricultural holdings, forest holdings or micro- and small enterprises;
- (b) advice on preparation of applications for IPARD programme and advice on project implementation, such as preparation of payment claims;
- (c) training of advisors; Training of advisors must be related to the areas in which advice is provided.

The authorities or bodies, which will provide advice, shall be the recipient of support.

The authorities or bodies, which will provide advice, shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the fields they advise in. The staff of the advisory service has to be regularly trained.

The authorities or bodies providing advice could include: public advisory services, sector organisations (such as agricultural chambers), development agencies, NGOs, municipal councils, etc.).

Advice shall be provided free of charge to farmers, forest holders and SMEs in rural areas.

Fixed rates of payment should be given per group advisory meeting held/IPARD project application/IPARD payment claim.

The level of payments for project application/payment claim should be fixed in the IPARD programme depending on the measure, type of sectors/project sizes supported, as appropriate.

Establishment and protection of forests

This measure seeks to contribute to extension and improvement of forest resources, restoration of forests damaged by fire, and forest-fire prevention. In addition, it provides a possibility of enhancing the balance of production of commodities (food, feed, fuel, fibre, etc.) with non-commodity outputs, such as environmental protection and cultural and landscape amenities.

The supported projects must be in compliance with the National Forest Programmes/ Strategies or equivalent instruments and, if applicable, with the national afforestation programme or guidance document, climate change adaptation or mitigation plan, biodiversity or equivalent strategy. Each country may select the most appropriate actions to be financed, while providing appropriate justification. However, the single measure also allows beneficiaries to implement integrated projects with increased added value.

Public expenditure under this measure could be up to 100%; EU contribution - 85% of public expenditure. Maintenance costs are to be calculated based on the methodology proposed in the programme. Payments per hectare afforested or agroforestry systems established are to be determined in the programmes. IPA II beneficiaries shall ensure that calculations for aid granted on the basis of standard costs or additional costs are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for programme implementation and possesses the appropriate expertise shall perform the calculations or provide a certificate confirming the adequacy and accuracy of the calculations.

While afforesting, priority should be given to afforestation that is done for protective purposes, such as soil and water protection, as well as to the private land owners. Only in cases when there is limited interest by private land owners in this activity, support should be provided to the managers of State land. Applicant for afforestation should prepare an afforestation plan.

Further guidance

Guidance, provided by the Commission, shall be respected.

ANNEX 5 FORM D 1 – DECLARATION OF EXPENDITURE AND REVENUE

Measure	Payments		Recoveries/corrections		Requested to IPARD II	Acceptance of accounts amounts		Transitory reductions		Payment calculated
	Public. exp.	IPARD II	Public. exp.	IPARD II		Reusable	Non reusable	Excess Fin Plan	Information request	
	1	2	3	4	5	6	7	8	9	10
	<i>to be filled in by Albania</i>	<i>automatically calculated by the Commission</i>	<i>to be filled in by Albania</i>		<i>automatically calculated by the Commission</i>	<i>to be filled in by the Commission</i>				<i>automatically calculated by the Commission</i>
Investments in physical assets of agricultural holdings										
Support for the setting up of producer groups										
Investments in physical assets concerning processing and marketing of agricultural and fishery products										
Agri-environment-climate and organic farming measure										
Implementation of local development strategies - leader approach										
Investments in rural public infrastructure										
Farm diversification and business development										
Improvement of training										
Technical assistance										
Advisory services										
Establishment and protection of forests										
Total										

ANNEX 6 FORM D 2 – ANNUAL DECLARATION OF ACCOUNTS FOR FINANCIAL YEAR (.....)

(to be sent together with the documents referred to in Articles 45 and 46 to the Commission)

IPARD II programme:

Commission Decision(s) No **of** **(as last modified by Decision No** **of**

Commission reference number (CCI): 2014AL06I4NP001

The undersigned,, as the National Authorising Officer representing Albania as provided for in the Agreements concluded between Albania and the Commission, hereby declares that the total eligible expenditure in accordance with the programme incurred from (1/1/year to 31/12/year) amounts to euros.

Details relating to this expenditure are set out in the table annexed hereto and form an integral part of this declaration.

I also declare that the measures are progressing at a satisfactory rate in accordance with the objectives laid down in the Programme, and that the supporting documents are, and will remain, available as provided for in Article 44 of the Sectoral Agreement.

I declare that:

1. The listing of expenditure is exact. It is based on accounts at the level of individual operations and supported by documentary evidence.
2. Payments to the recipients were made without any specific charge, deduction or withholding of any amount which might reduce the amount of financial assistance to which they are entitled.
3. I have checked that the expenditure declared eligible has been carried out in compliance with the IPARD II programme, the Financing Agreement, the Commission Decision(s) referred to in Articles 48 and 49 of the Sectoral Agreement and the principles of sound financial management.
4. The declaration includes all debts which have been registered for less than two years. The total amount of these debts at the end of the year to which this declaration refers amounts to euros.
5. The volume of Union funds in the IPARD euro account as at the end of the year to which this declaration refers amounts to euros, out of which the interest accrued during the years amounts to euros.
6. Conversions between national currency and euro have been carried out in conformity with the provision of Article 42 of the Sectoral Agreement.

7. The acceptance information, as referred to in Article 46 of the Sectoral Agreement, has been certified and transmitted to the Commission on time.
8. The form and the content of the annual accounts, as referred to in Article 45 of the Sectoral Agreement, and the accounting information, as referred to in Article 47 of the Sectoral Agreement, have been established in accordance with internationally accepted accounting principles.
9. The supporting documents are, and will remain, available as provided for in Article 46 of the Sectoral Agreement. They are open to verification.

This declaration of accounts contains numbered pages.

This declaration has been made by:
(Date, stamp and signature of the Head of the National Fund)

The declaration has been established on the basis of financial amounts provided by:

(Date(s), stamp(s) and signature(s) of the Accountant of the IPARD Agency and/or the National Fund)

Certified by:
(Date, stamp and signature of the National Authorising Officer on behalf of Albania)

Done at, (Date)

**FORM D 2 - ANNUAL DECLARATION OF ACCOUNTS FOR FINANCIAL YEAR
(.....)**

IPARD II programme:

CCI Number: 2014AL06I4NP001

Measure	European Union part that has been declared to the Commission in quarterly payment applications for the financial year (YEAR) in EUR
	<i>to be filled in by Albania</i>
Investments in physical assets of agricultural holdings	
Support for the setting up of producer groups	
Investments in physical assets concerning processing and marketing of agricultural and fishery products	
Agri-environment-climate and organic farming measure	
Implementation of local development strategies - leader approach	
Investments in rural public infrastructure	
Farm diversification and business development	
Improvement of training	
Technical assistance	
Advisory services	
Establishment and protection of forests	
Total	
Total amount of outstanding debt at 31.12. (YEAR)	
Closing balance of the IPARD Euro-account at 31.12. (YEAR)	
Out of which interest accrued during the year	

ANNEX 7 PAYMENT FORECASTS

**FORECASTS OF THE AMOUNT TO BE PAID BY IPARD II
TO BE SUBMITTED NOT LATER THAN 15 JANUARY AND 15 JULY**

Estimate of the amounts in euro to be paid by IPARD II in year 'N' for:				
Programme	January - March	April - June	July - September	October - December
Estimate of the amounts in euro to be paid by IPARD II in year 'N+1' for:				
Programme	January - March	April - June	July - September	October - December

ANNEX 8 INFORMATION AND COMMUNICATION ON SUPPORT FROM THE IPA II ASSISTANCE

1. LIST OF OPERATIONS

The list of operations referred to in Article 29(3) shall contain the following data fields:

- recipient name (only of legal entities; no natural persons shall be named),
- operation name,
- operation summary,
- operation start date,
- operation end date (expected date for physical completion or full implementation of the operation),
- total eligible expenditure allocated to the operation,
- Union co-financing rate, as per priority axis,
- operation postcode; or other appropriate location indicator,
- country,
- name of category of intervention for the operation,
- date of last update of the list of operations.

The headings of the data fields shall be provided in English.

2. INFORMATION AND COMMUNICATION MEASURES FOR THE PUBLIC

Albania, the operating structure and the recipients shall take the steps necessary to provide information to, and communicate with, the public on operations supported by an IPARD II programme.

2.1. Responsibilities of Albania and the operating structure

1. Albania and the operating structure shall ensure that the information and communication measures are implemented in accordance with the plan of visibility and communication activities and that those measures aim for the widest possible media coverage using various forms and methods of communication at the appropriate level.
2. Albania or the operating structure shall be responsible for at least the following information and communication measures:
 - a. organising a major information activity publicising the launch of the programme or programmes, even prior to the approval of the relevant plan of visibility and communication activities;
 - b. organising one major information activity a year which promotes the funding opportunities and the strategies pursued and presents the achievements of the programme or programmes, including project examples;
 - c. displaying the Union emblem at the premises of each entity of the operating structure;

- d. publishing electronically the list of operations in accordance with Section 1 of this Annex;
 - e. giving examples of operations, by programme, on the single website or on the programme's website that is accessible through the single website portal; the examples should be in English and in the national language of Albania;
 - f. updating information about the programme's implementation, including, when appropriate, its main achievements, on the single website or on the programme's website that is accessible through the single website portal.
3. The operating structure shall involve relevant stakeholders in information and communication measures. These bodies shall widely disseminate the information described in Article 29(1).

2.2. Responsibilities of the recipients

1. All information and communication measures provided by the recipient shall acknowledge support from the Funds to the operation by displaying:
 - a. the Union emblem in accordance with the technical characteristics laid down in the relevant implementing act adopted by the Commission⁷, together with a reference to the Union;
 - b. a reference to the Fund or Funds supporting the operation.
2. During implementation of an operation, the recipient shall inform the public about the support obtained from the Funds by:
 - a. providing on the recipients' website, where such a website exists, a short description of the operation, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Union;
 - b. placing, for operations not falling under points 4 and 5, at least one poster with information about the project (minimum size A3), including the financial support from the Union, at a location readily visible to the public, such as the entrance area of a building.
3. Any document, relating to the implementation of an operation which is used for the public or for participants, including any attendance or other certificate, shall include a statement to the effect that the operational programme was supported by the Fund or Funds.
4. Where an operation under an IPARD programme results in an investment (for example, on a farm or on food enterprise) the total public support of which exceeds EUR 20 000,

⁷ Commission Implementing Regulation (EU) No 821/2014 of 28 July 2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data (OJ L 233, 29.7.2014, p. 7).

the recipient shall place an explanatory plaque. An explanatory plaque shall also be installed in the premises of the local action groups financed by LEADER.

5. The recipient shall put up, at a location readily visible to the public, a temporary billboard of a significant size for each operation consisting of the financing of infrastructure or construction operations for which the total public support to the operation exceeds EUR 100 000.

No later than three months after completion of such an operation, the recipient shall put up a permanent plaque or billboard of significant size at a location readily visible to the public for each operation that fulfils the following criteria:

- a. the total public support to the operation exceeds EUR 100 000;
- b. the operation consists of the purchase of a physical object or of the financing of infrastructure or of construction operations.

This billboard shall state the name and the main objective of the operation and highlight the financial support provided from the Union.

The billboards, posters, (explanatory) plaques and websites, as mentioned under 4. and 5., shall carry a description of the project/operation and indicating that the project has been supported by IPARD and including the Union emblem. That information shall take up at least 25% of the billboard, plaque or webpage. It shall be prepared in accordance with the technical characteristics laid down in the relevant implementing act adopted by the Commission⁸.

3. INFORMATION MEASURES FOR POTENTIAL RECIPIENTS AND RECIPIENTS

3.1. Information measures for potential beneficiaries

1. The operating structure shall ensure, in accordance with the plan of visibility and communication activities, that the programme's strategy and objectives, and the funding opportunities offered through joint support from the Union and the IPA II recipient, are disseminated widely to potential beneficiaries and all interested parties, with details of the financial support from the Funds concerned.
2. The operating structure shall ensure that potential recipients have access to the relevant information, including updated information where necessary, and taking into account the accessibility of electronic or other communication services for certain potential recipients, on at least the following:
 - a. the funding opportunities and the launching of application calls;
 - b. the eligibility of expenditure conditions to be met in order to qualify for support under an IPARD II programme;

⁸ Commission Implementing Regulation (EU) No 821/2014.

- c. a description of the procedures for examining applications for funding and of the time periods involved;
- d. the criteria for selecting the operations to be supported;
- e. the contacts at national, regional or local level that are able to provide information on the programmes;
- f. the responsibility of potential recipients to inform the public about the aim of the operation and the support from the Funds to the operation in accordance with point 2.2. The operating structure may request potential recipients to propose indicative communication activities, proportional to the size of the operation, in the applications.

3.2. Information measures for recipients

1. The operating structure shall inform recipients that acceptance of funding constitutes an acceptance of their inclusion in the list of operations published in accordance with Article 29(2) of this Agreement.
2. The operating structure shall provide information and communication tools, including templates in electronic format, to help recipients to meet their obligations set out in point 2.2, where appropriate.

4. ELEMENTS OF THE PLAN OF VISIBILITY AND COMMUNICATION ACTIVITIES

The plan of visibility and communication activities drawn up by the operating structure and, where appropriate, by Albania shall include the following elements:

1. a description of the approach taken, including the main information and communication measures to be taken by Albania or the operating structure and aimed at potential recipients, recipients, multipliers and the wider public, having regard to the aims described in Article 29 of this Agreement;
2. a description of materials that will be made available in formats accessible for people with disabilities;
3. a description of how recipients will be supported in their communication activities;
4. the indicative budget for implementation of the plan of visibility and communication activities;
5. a description of the administrative bodies, including the staff resources, responsible for implementing the information and communication measures;
6. the arrangements for the information and communication measures referred to in point 2, including the website or website portal at which such data may be found;

7. an indication of how the information and communication measures shall be assessed in terms of visibility and awareness of policy, programmes and operations, and of the role played by the Funds and the Union;
8. where appropriate, a description of the use of the main results of the previous IPARD II programme;
9. an annual update setting out the information and communication activities to be carried out in the following year.

ANNEX 9 LIST OF ALL PAYMENTS MADE IN THE FINANCIAL YEAR 20xx_ FOR IPARD II PROGRAMME IN ALBANIA

Measure	Contract reference	Payment request reference	Date of receipt of the payment request	Payment order date	NF IPARD II EURO Account		IPARD II Agency Payment account		Amount of expenditure declared in the D2 for the payment (EUR)	Number of days elapsed between the receipt of the payment request and issuing of the payment order	Comments and explanations for the excess of the 6 month deadline if applicable
					Payment date	Payment amount (EUR)	Payment date	Payment amount (National currency)			
1	2	3	4	5	6	7	8	9	10	11	12
FINANCIAL YEAR 20__ TOTAL											

*Please use the following formatting for the fields: date - "DD/MM/YYYY" and amount - "999.999,99"