



Government of ALBANIA

&

United Nations Development Programme

Building Capacity to Access Carbon Finance in Albania

Brief description

The project will help the Government of Albania to develop its public and private sector capacities to access carbon finance in Albania by (i) creating legal and institutional framework for carbon finance and (ii) building in-country capacities for identification, implementation of and resource mobilization for the GHG reduction projects eligible for CDM and other carbon market mechanisms.

SIGNATURE PAGE

Country: Albania

UNDAF Outcome 2: A transparent and accountable government, developing and implementing effective national policies

Expected Outcome 2: Policies developed and implemented that support the achievement of the MDGs.

Expected Output 2.1 NSDI and other national development plans adequately reflect issues related to gender and minority equality, decentralization, environment and other issues related to MDGs.

Implementing partner: Ministry of Environment, Forestry and Water Administration of Albania.

Programme Period:	2006- 2010_
Programme Component:	MYFF Goal -Fostering Democratic Governance
Project Title:	Building Capacity to Access Carbon Finance in Albania
Project ID:	
Project Duration:	2 years
Management Arrangement:	National Execution

Budget	<u>US\$ 271,739</u>
GMS Fee	<u>US\$ 17,261</u>
Total budget:	<u>US\$ 289,000</u>
Allocated resources:	<u>US\$ 280,000</u>
• Government	<u>US\$ 10,000</u>
• Regular	<u>US\$ 20,000</u>
• Other:	
○ Donor	<u>US\$ 259,000</u>
○ Donor	_____
○ Donor	_____
• In kind contributions	US\$ 30.000

Agreed by
MoEF&WA: _____

Agreed by UNDP: _____

Section 1

Part I. Situation Analysis

The ongoing Country Programme Document (CPD) and Country Programme Action Plan (CPAP) for 2006-2010 concluded that UNDP will continue its support to the national government in implementation of main international conventions ([CBD](#), [UNCCD](#), [UNFCCC](#)) to ensure environmental sustainability. The CPAP also highlighted that UNDP will support strengthening of national capacities to adapt and respond to climate change impacts which will be carried out as part of preparation of the Second National Communication to UNFCCC.

The proposed document outlines activities to enhance public and private sector capacity to access carbon finance through the Clean Development Mechanism (CDM) and other carbon market schemes in Albania. To date there has been only limited engagement in the CDM activities in this country. There are no registered CDM projects with the only one that has reached the validation stage. However, Albania has a potential for cost-effective reduction of greenhouse gas (GHG) emissions which are generated as a result of outdated and inefficient energy sector; abundant, but relatively unexploited sources of renewable energy (solar and hydro); and the presence of several GHG-rich industries (e.g. aluminum). Also, country's proximity to the European Union, electricity interconnectedness with the European grids and prospects for the EU integration could create market advantages if Albania increases its capacity to deliver CDM projects.

In Albania, the responsibility of the Designated National Authority (DNA) falls upon the Ministry of Environment, Forests and Water Administration (MoEFWA) which is the National Body¹ responsible for the national environmental management and policy. The MoEFWA nominated the UNDP Climate Change Umbrella Unit to support the DNA taking into account Unit's experience in serving as a National Focal Point to the UNFCCC and Kyoto Protocol treaties and the assistance the Unit provided to the MoEFWA in implementation of the UNFCCC and Kyoto Protocol. In addition, the Government will ensure effective cooperation with other relevant Ministries.

The project has been developed in response to the request of the Government of Albania for technical assistance for accessing the CDM financing. It forms an integral part of the UNDP's programme on Kyoto Protocol capacity building in Eastern Europe and CIS and is based on the capacity development needs and CDM access barriers which were identified in consultation with key regional public and private sector stakeholders. The project also reflects on the lessons learnt as reported in the recent UNDP Global CDM Assessment report. The project builds on UNDP's previous and on-going experience and technical assistance provided to Albania for formulation and implementation of a wide range of projects in the area of rural livelihoods, environmental conservation and climate change.

Country context

Albania has one of the poorest and underdeveloped economies among the transition countries in Eastern Europe and the CIS: an estimated 18 % of Albania's population lives on \$2 per day. Poverty is even more prevalent in rural areas where four out of five people are poor. Many families lack access to basic services including water,

¹ The Law on Environmental Protection, under chapter I, General Provisions, in article 3 – definition of terms, paragraph 38

sanitation and electricity. Economic hardships are further exacerbated by serious environmental problems, such as water pollution, bad quality of urban environment, deforestation, to name but a few. In Albania the scarcity of public and private budgets is one of the key barriers to deal with poverty and environmental problems. Emergence of carbon finance, new financial market for global environmental services, and particularly the Clean Development Mechanism (CDM) provides Albania with new opportunities for mobilizing additional financing for modernization of its energy sector and addressing other pressing environmental issues thus contributing to the achievement of Albania's sustainable development objectives.

Albania ratified the UNFCCC in 1995² and the Kyoto Protocol in 2004³. The Ministry of Environment, Forests and Water Administration of Albania is the key governmental agency responsible for the implementation of UNFCCC and Kyoto Protocol. In June 2005 the Government of Albania formally notified the Executive Secretary of the UNFCCC Secretariat and the CDM Executive Board on the nomination of the DNA in Albania and tasked the Climate Change Unit established in 1998 through UNDP/GEF-funded project to support the DNA functions in Albania. Immediately after the Protocol's ratification, Albania was approached by several EU countries for cooperation in the field of CDM.

Albania's GHG reduction potential: According to the First National Communication to UNFCCC, Albania is found to be a relatively low net emitter of greenhouse gases (around 7 mln ton CO₂ for 1994), where energy sector shows a significant contribution (44%) mainly due to the fuel combustion category, followed then by agriculture (27.12%), and Land Use Change and Forestry (LUCF) (21.60%), Waste (4.81%) and Industrial Processes (2.96). At the same time Albania has a relatively low level of CO₂ emissions per capita [1.97 ton/capita] is found for 1994. This is because 90% of electricity was produced by hydro energy sources. Relatively high emissions per GDP (3758 ton/million USD) are caused by high levels of energy intensity, low level of productivity, outdated technologies and high level of consumption of electricity by the residential sector.

Country's GHG emissions are projected to grow considerably: in 2005 the GHG emission reached 8.5 mln ton CO₂eq/year. In 2020 it is expected to reach 37 mln ton CO₂ eq if no measures for gas reduction are taken. This increase can be explained by growing demands in the energy and transport sectors.

Albania's First Communication to the UNFCCC and Albania's Technology Needs Assessment highlight the significant potential for the GHG reduction through introduction of energy efficiency measures; renewable energy sources; waste management practices; agriculture (manure management) and afforestation/reforestation activities. Preliminary estimates done on the basis of the mitigation analysis show the overall aggregate CDM carbon potential of Albania to be around 2,5 Mt CO₂eq per year. Considering the expected range of market prices from 6€ to 9€ / ton of CO₂, the carbon investment potential can be expected at the level of 15 to 24 million € per year.

² The Parliament of Albania ratified the United National Framework Convention on Climate Change (UNFCCC) in October 1994, which entered into force on the 1st January 1995.

³ The Kyoto Protocol was ratified in 16/12/2004 and in 2005 the Republic of Albania became Party of the Protocols a Non Annex I Party.

Summary of the CDM carbon potential

Sector	Sub-sector	Carbon potential per year, ktCO ₂ eq
Energy Sector	Industry	180
	Agriculture	6
	Residential	75
	Others	135
	TOTAL	396
Renewable Energy	Hydro	1.200
	Biomass	50
	Solar	15
	Wind	42-62
	Geothermal	NA
	TOTAL	1.307-1.327
Waste Sector (MSW + Manure treatment)		127
LULUCF		700
TOTAL		2.530 - 2.550

Ongoing and planned CDM related initiatives. Albania's first Emission Reduction Purchase Agreement (ERPA) has been negotiated between the MoEFWA and BioCarbon Fund of the World Bank and approved by the Government of Albania in November 2006. This project supported by the World Bank's BioCarbon Fund is currently passing the validation stage and its new CDM methodology was approved by the CDM Executive Board in spring 2006. The project will support community-based carbon sequestration activities in 25 communes of Albania through afforesting/reforestation. The Climate Change Unit has provided full support to the MoEFWA to this very challenging exercise - in the environment when the country lacks clear institutional and legal framework for the CDM implementation in Albania.

In May 2005 a Memorandum of Understanding has been signed with the Italian Ministry for Environment and Territory to develop a programme of technical assistance for evaluation of interventions to reduce the GHG emissions. As stipulated under the article 1 of the MoU the programme will facilitate the development and implementation of greenhouse gas emission reduction projects in Albania and transfer to the Republic of Italy the agreed part of the certified emission reductions resulting from these project activities.

The programme also aims to establish a permanent local unit to implement provisions of the Framework Convention on Climate Changes, as well as provisions of the Kyoto Protocol. As of now programme has carried out an analysis of the existing institutional and legal framework regarding the CDM, developed a portfolio of the potential CDM projects (PINs) and organized a training workshop on the CDM and Kyoto Protocol.

Bilateral discussions are also ongoing with respective Ministries of Environment of Denmark and Austria for potential collaboration in the field of development and implementation of greenhouse gas emission reduction projects in Albania.

An increased interest has been shown by Austrian private companies especially for the development of the CDM projects in the area of construction and/or rehabilitation of small hydro-power plants. Two no-objection letters have been issued from the Albanian DNA in support of this type of initiatives.

The KfW has also carried out initial assessments on potential CDM projects in the area of afforestation and reforestation around Prespa lake.

Priority capacity building needs and the CDM access barriers in Albania

Despite the increased interest from bilateral and international organizations, Albania's actual engagement with the CDM was so far very limited; its public and private sector lacks capacities and institutional framework to support the flow of carbon finance to the country. Key capacity gaps and the CDM access barriers that the proposed project will seek to address are summarized below.

Awareness Barriers: Lack of general awareness and understanding of carbon finance, particularly among high-level decision-makers, line ministries and private sector.

- Responsibility for Kyoto Protocol implementation in Albania has been delegated to the MoEFWA. As a result, other key governmental and private sector actors, particularly those in charge of foreign direct investment and economic policies, have been left uninformed about opportunities of the emerging carbon market to provide investments.

Knowledge and Information Barriers: Lack of data, information and analysis to identify sectors, industries and type of the GHG reduction projects and technologies, where carbon finance could contribute to a significant share of investment to make such projects economically attractive, while also addressing sustainable development needs.

- In Albania, national actors lack understanding of how and where to look for opportunities for carbon finance. As individual project developers do not have resources to conduct a sector wide analysis, there is a need, especially in the GHG-rich industries and sectors (particularly in power sector), to conduct inventory of investments and modernization plans in the context of carbon finance' criteria and eligibility requirements to identify projects with high CDM prospects under the current market circumstances (i.e. limited time-frame for development and implementation, cost of CERs, availability of technology/investments).

Institutional Barriers: Absence of required institutional framework and national governance structures to support carbon finance transaction.

- A prerequisite for the developing countries to access the CDM is the need to ratify Kyoto Protocol and establish the DNA. This official requirement of the Protocol has been fulfilled by Albania. Nevertheless, in order to operationalize the DNA, there is a need to develop, test and endorse national CDM review and approval procedures and sustainable development criteria for assessing the impacts of the CDM projects.
- This, however, requires a more conducive legal and regulatory environment for carbon finance in general, including specific legal, fiscal and accounting provisions for new type of market commodities (CERs) and deals (ERPAs). In

addition, Albania needs to urgently build human and institutional capacities to fully benefit from the carbon market .

Financial Barrier: Marginal role that carbon finance plays in sustainable development - oriented projects.

- Analysis of recent developments in carbon market shows that carbon finance can not generate sufficient source of revenues to make the CDM projects economically attractive. This is particularly relevant for the projects aimed at energy efficiency improvement or promotion of renewable energy (small hydro, wind or solar). As indicated in the table below, the impact of carbon finance on these categories of projects only marginally improves projects' Internal Rate of Return (IRR). This market limitation dictates the need to combine a variety of sources, including ODA, governmental support, carbon or private investment, and adopt a more creative approach to structuring project financing. This requires sound financial expertise and access to various sources of finance - a capacity the developing countries often do not possess.

Carbon Finance Impact in different sectors

<i>Sector</i>	<i>Carbon Finance Impact: change in IRR, % (at 6.5\$/tCO2eq)</i>
Landfill gas	5.5 - 50
Coal-mine methane	7-12
Biomass	2-8
Forestry	0.5 -7
Renewable energy	0.2 - 3
District heating	0.5 - 1

Market Barrier: Albania, being relatively low carbon intensive-economy, is less competitive on carbon market than large and carbon-rich countries.

- As carbon market evolves, small and medium-size developing countries like Albania increasingly find themselves in a less advantageous market situation in compare to big and GHG-intensive countries, such as India, China, Brazil and Mexico which currently dominate in the overall CDM portfolio. Due to the size and structure of their economies, small and medium CDM hosts have projects with high volume of CERs. On the other hand, there is a number of validated/registered small-scale CDM projects which have failed to find an investor/or an existing offer does not compensate transaction cost. To correct such imbalances, external assistance is required to support bundling of small-scale activities and their aggregated marketing. It can be done through the aggregation model established by UNDP MDG Carbon Facility.

Lack of specific skills: Structuring carbon finance transactions has proven to be highly complex also from the legal perspective as it introduces new type of commodities, deal structuring, risks and liabilities. In developing countries with the emerging carbon market, typically there is a high demand for affordable and impartial legal services and assistance for comprehending, assessing and negotiating the terms of Emission Reduction Purchase Agreement (ERPAs) to make sure that project owners receive fair price and do not make themselves liable for risks they could not bear and/or control.

Part II. Strategy

In 1997 in Kyoto the European Union and its member countries committed themselves to reduce greenhouse gas emission by 8 percent. In order to meet Kyoto target, the Austrian Federal Government in cooperation with the Federal Provinces elaborated a *National Climate Strategy*, which was passed on June 18, 2002 by the Council of Ministers and in October 2002 by the Conference of the Heads of Provincial Governments. In addition, starting from August 2003 the Austrian Government launched the JI/CDM Programme to buy emission reductions to achieve its commitment under the Kyoto Protocol. As part of its global commitment the Austrian government is also assisting the Government of Albania to enhance its capacity to implement the Kyoto Protocol.

Within these overall framework, the *Building Capacity to Access Carbon Finance in Albania* project will enable Albania to develop its public and private sector capacities to access carbon finance in Albania by (i) creating legal and institutional framework for carbon finance and (ii) building in-country capacities for identification, implementation of and resource mobilization for the GHG reduction projects eligible for the CDM and other carbon market mechanisms. This objective will be realized through implementation of the following activities:

Output 1: Creating national legal and institutional framework for carbon finance

Activity 1.1 Strengthening the DNA's capacity

Develop draft -procedures for the CDM projects' review and approval:

Step-by-step description and time-frame for each stage of national CDM projects design, review, approval, and implementation, with clearly assigned responsibilities and functions of all parties involved in this process, including the DNA;

- Draft formats and templates for Project Idea Note (PINs), Letter of Endorsement, Letter of Approval, CER purchase agreements.
- Develop CDM Sustainable Development Evaluation Procedures, including the list of sustainable development criteria to be addressed during the CDM project evaluation, indicators and evaluation methodology;
- Prepare a package of required legal and regulatory documents to legalize a) institutional structure and terms of reference of DNA; b) national procedures for the CDM projects review and approval, and c) national sustainable development criteria for the CDM;
- "On-the-job" training and advisory support for the DNA staff to undertake the CDM projects review combined, if proved necessary, with other learning activities (such as study tours)

Activity 1.2 Legalization of carbon transaction in domestic context

- Prepare legal documents for a) establishment and transfer of property rights on CERs and other carbon market commodities; b) accounting principles of CERs in

- domestic settings; and c) applicability of local taxes and levies to CERs and/or revenues received from their sales;
- Analyze investment related legislative framework and suggest amendments to facilitate the CDM implementation process and reduce transaction cost of CDM projects implementation.

Output 2: Building in-country capacities for identification and implementation of projects eligible for CDM and other carbon market mechanisms

Activity 2.1 Assessment of the CDM potential in key sectors

- Identify priority sectors, key private and public sector stakeholders and potential projects - with emphasis on projects that enhance access to energy, economic development in rural areas and other MDG related benefits (noting that energy efficiency, small scale hydro, solar, and other renewable energy technologies have been identified as development priorities in Albania);
- Support development of a sectoral baseline study for Albania's power sector that should provide a realistic picture for the baseline methodologies to be developed.

Activity 2.2 Building capacities for legal and economic appraisal of CDM projects

- Training programme for the CDM market participants to familiarize them with legal and contractual arrangements for the sales of CERs, Emission Reduction Purchase Agreement (ERPA) assessment, negotiation and pricing, CER delivery commitments and timeframes, revenue flows;
- Training programme on economic and financial appraisal of the CDM projects/programme to help the CDM owners understand and assess the impact of carbon finance on the economic viability of their investment project/programmes.
- Assess the potential for any local DOE (Designated Operational Entity) to be set up and accredited by the EB of the CDM.

Activity 2.3 Technical assistance for CDM pipeline development

- Based on the results of initial assessment, identify a list of potential CDM project ideas to form the core of national CDM project pipelines that would be presented to bilateral, multilateral and private carbon investors and CER purchasers;
- Provide assistance to the selected project proponents for preparation of project business plan and technical feasibility study (projects proponents are to be selected through a screening exercise following in-country agreed criteria (SD criteria) and supported by DNA);

- Build links to the UNDP MDG Carbon Facility and the package of services for CDM project development that are available through MDG Carbon Facility to facilitate implementation of bilateral JI/CDM programmes in Albania.

Output 3: Raising awareness of the stakeholders on the CDM mechanism and its benefits and disseminating the relevant information.

Activity 3.1 Develop outreach materials to support DNA outreach activities

- Design of outreach materials to support DNA outreach activities

Activity 3.2 Set up of the CDM web page

- Design and hosting of the CDM web page
- Regular update of the web page

Activity 3.4 Dissemination of useful information to the stakeholders on CDM related issues

- Set up of an email group of stakeholders and exchange views and news relevant to CDM
- Collect useful and updated information from different sources and disseminate to the stakeholders through the grouping email and linkages to the CDM website

Part III. Management Arrangements

Ministry of Environment Forestry and Water Administration as the National Body responsible for the national environmental policy and as Designated National Authority for Kyoto protocol will serve as the National Executing Agency for this project. The Ministry will provide full support to the project and facilitate coordination of project activities with other government institutions and decision makers. The Ministry will nominate a national project director (NPD) who will supervise and provide overall management support to the project. The detailed TORs of the National Project Director are attached as Annex 4.

UNDP Bratislava Regional Center experts will provide technical backstopping to the project and will ensure coordination of project activities with the Regional Kyoto Protocol Capacity Building Programme in Eastern Europe and CIS. The Regional Programme Manager will provide the project with the following support:

- ✓ Support to overall project implementation by providing inputs to workplans development, and TORs preparation;
- ✓ Expert referrals and assistance in identifying suitable international experts ;
- ✓ Facilitate coordination with carbon finance capacity building activities in the region;
- ✓ Coordinate and link with MDG Carbon Facility's operation in the region;
- ✓ Other assistance as required.

The project will also benefit from the activities supported under the Regional Kyoto Protocol capacity building program for Eastern Europe and CIS. Regional workshops, networking and technical backstopping is at \$30,000 to be provided as parallel financing.

UNDP Country Office (CO) in Albania will operate as the main interface at the country level with the government and private sector participants. It will implement the project following the National Execution (NEX) modality with MoEFWA acting as the National Executing Agency. To ensure effectiveness and cost-efficiency of project implementation, the UNDP funded Climate Change Umbrella Unit will be assigned as main implementing unit for the project. A national project coordinator/manager and project assistants will be part of the Umbrella Unit with cost apportioned among the Unit projects. The other Unit projects such as UNDP/GEF-supported climate change (including preparation of the Second National Communication to UNFCCC); project to improve energy efficiency in Albania's building sector; and the project aimed to promoting solar water heating technologies will be closely coordinated and complement the activities of the CDM project.

The project management structure is detailed in Annex 5. The detailed TORs for the National Project Coordinator/Manager are attached as Annex 6.

Role of the UNDP Energy Environment Group (EEG) and MDG Carbon Facility, New York

MDG Carbon Facility and EEG will provide technical and knowledge management inputs to the project as requested by the Regional Project Team, including support in the development of training materials and guidance documentation, provision of carbon market advice and analysis; backstopping Regional Project Manager/National Coordinators by provision of required on-line support and/or by undertaking specific missions to address specific support needs that may raise during the implementation of the project.

Part IV. Monitoring and Evaluation

Monitoring responsibilities and events: A detailed schedule of project review meetings will be developed by the project management, in consultation with project implementation partners and key stakeholders. Such a schedule will include: (i) tentative time frames for Steering Committee/Project Quality Assurance Meetings, and (ii) project related Monitoring and Evaluation activities that shall include but not limited to:

- ✓ *Day to day monitoring of implementation progress* will be the responsibility of the national project coordinator/manager, based on the project's Annual Workplan and its indicators. The Project Team will inform the UNDP CO of any delays or difficulties faced during implementation so that appropriate support or corrective measures can be adopted in a timely fashion.
- ✓ *Periodic monitoring of implementation progress* will be undertaken by the UNDP CO through quarterly meetings with the project team, or more frequently as deemed necessary. This will allow parties to take stock and to address problems in a timely fashion to ensure smooth implementation of project activities.
- ✓ *Project Reporting* The Project Coordinator/Manager will be responsible for the preparation and submission of quarterly and annual progress reports that form part of the monitoring process.
- ✓ *Auditing.* The project will be subject to audit according to the established procedures set out in the Programming and Finance Manuals of UNDP Nationally Executed projects.

Part V. Legal Context

This project document is part of the Standard Basic Assistance Agreement (SBAA) signed between the Government of Albania and the United Nations Development Programme on 17 June 1991.

The UNDP Resident Representative in Albania is authorized to effect in writing the following types of revision to this Project Document, provided that he/she has verified the agreement thereto by the Ministry and the donor and is assured that they have no objection to the proposed changes:

- a) Revision of, or addition to, any of the annexes to the Project Document;
- b) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of the inputs already agreed to or by cost increases due to inflation;
- c) Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility; and
- d) Inclusion of additional annexes and attachments only as set out here in this Project Document

Section II –Other Agreements

Duly signed third party cost-sharing agreement made between UNDP and the Austrian Development Cooperation is attached as Annex 3.

Section III - Results and Resources Framework

Intended Outcome as stated in the Country Programme Results and Resource Framework: Outcome 2: Policies developed and implemented that support the achievement of the MDGs				
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets. Pro-MDG policies reflected in national development plans				
Partnerships: Key Ministries, Private Sector, Bilateral Agencies, CSOs				
Intended Outputs	Output Targets for (years)	Indicative Activities	Responsible parties	Inputs
<p>Output1: Creating national legal and institutional framework for carbon finance</p> <p>Indicator: Efficient and functional DNA that doubles the CDM projects approved in Albania.</p> <p>Baseline: Albania ratified the UNFCCC in 1995⁴ and the Kyoto Protocol in 2004⁵. In June 2005 the Government of Albania established the DNA in Albania</p> <p>Output target: A package of regulatory documents</p>	<p>Target for 2007: Guidelines for CDM projects design, review, approval, and implementation with required templates is drafted.</p> <p>CDM Sustainable Development Evaluation Procedures prepared</p> <p>“On-the-job” training and advisory support for the DNA staff is provided</p>	<p>Activity 1.1 Strengthening DNA’s capacity</p> <p>Activity 1.2 Legalization of carbon transaction in domestic context</p>	<p>Ministry of Environment, Forestry & Water Administration,</p> <p>Ministry of Agriculture and Consumers Protection,</p> <p>Ministry of Justice</p>	<p>International consultant US\$ 48,500</p> <p>Local Consultants US\$ 28,500</p> <p>Workshops training US\$ 9,000</p> <p>Travel US\$ 7,500</p> <p>Equipment UST\$: 8,000</p> <p>Contractual Services US\$: 12,000</p> <p>Project management US\$: 13,200</p>

⁴ The Parliament of the Republic of Albania ratified the United National Framework Convention on Climate Change (UNFCCC) in October 1994, which entered into force on the 1st January 1995.

⁵ The Kyoto Protocol was ratified in 16/12/2004 and in 2005 the Republic of Albania became Party of the Protocols a Non Annex I Party.

<p>that legalize a) institutional structure and terms of reference of the DNA; b) national procedures for the CDM project review and approval; c) national sustainable development criteria for the CDM and, d) CERs management in Albania is in place.</p>	<p>Target for 2008: Regularly updated information about the DNA in Albania is available to public.</p> <p>Legal documents providing legal basis for a) establishment and transfer of property rights on CERs and other carbon market commodities; b) accounting principles of CERs in domestic settings ; and c) applicability of local taxes and levies to CERs and/or revenues received from their sales</p> <p>“On-the-job” training and advisory support for DNA staff is provided</p>			
<p>Output 2: Building in-country capacities for identification and implementation of projects eligible for the CDM and other carbon</p>	<p>Target for 2007 Priority sectors, and potential projects eligible for the CDM</p>	<p>Activity 2.1 Assessment of the CDM potential in key sectors</p>	<p>Ministry of Environment, Forestry & Water Administration,</p>	<p>International consultants US\$ 53,900 Local consultants USD 21,000</p>

<p>market mechanisms</p> <p>Indicator: CDM projects implemented in key priority areas enhancing access to energy, economic development in rural locations and other MDG related benefits</p> <p>Baseline: Albania's first Emission Reduction Purchase Agreement (ERPA) has been negotiated between the MoEFWA and the BioCarbon Fund of the World Bank and approved by the Government of Albania in November 2006.</p> <p>Output target: Portfolio of the CDM projects identified (10 PINs). 5 Projects selected for further development after screening. At least 3 PDDs prepared and ERPA signed for them.</p>	<p>financing are identified</p> <p>Training programme for the CDM and other carbon financing mechanisms are developed and key stakeholders from private and public sectors are trained.</p> <p>Portfolio of CDM project ideas identified (10 PINs), screened and 5 top projects get prioritized, and shared with potential buyers.</p> <p>Target for 2008 Key stakeholders from private and public sectors are trained in CDM and other carbon financing mechanisms.</p> <p>At least 3 PDDs prepared and ERPA signed with CER buyers.</p>	<p>Activity 2.2. Building capacities for legal and economic appraisal of the CDM projects</p> <p>Activity 2.3. Technical assistance for the CDM pipelines development</p>	<p>Ministry of Agriculture and Consumers Protection,</p> <p>Ministry of Justice, Private sector, CSOs</p>	<p>Workshops and training US\$ 9,000</p> <p>Travel US\$ 8,000</p> <p>Contractual Services US\$: 6,000</p> <p>Project management US\$: 13,200</p>
<p>Output 3: Raising awareness of the stakeholders on the CDM mechanism</p>	<p>Target for 2007 Outreach materials</p>	<p>Activity 3.1. Design of public awareness</p>	<p>Ministry of Environment,</p>	<p>Local consultants USD: 10,500</p>

<p>and its benefits and disseminating the relevant information.</p> <p>Indicator: Outreach activities organized and materials developed along with the set up and regular update of the sub-page for the CDM under the national climate change page hosted by Climate Change Umbrella Program.</p> <p>Baseline: An attempt to raising awareness of stakeholders on climate change in general has been done in continuous basis by the Climate Change Umbrella Program as part of its activities.</p> <p>Output target: An increased interest of and involvement of the private sector to the development of the CDM projects</p>	<p>(leaflets, poster, publications) for the CDM developed;</p> <p>Outreach activities organized</p> <p>Set -up the CDM web page as part of the national climate change web page.</p> <p>Update of the CDM web page</p> <p>Target for the year 2008</p> <p>Outreach materials (leaflets, poster, publications) for the CDM disseminated to the stakeholders;</p> <p>Outreach activities organized</p> <p>Update of the CDM web page</p>	<p>materials</p> <p>Activity 3.2 Design of the CDM web page</p> <p>Activity 3.3 Dissemination of useful information to the stakeholders on CDM related issues</p>	<p>Forestry & Water Administration,</p>	<p>Contractual services US\$: 10,500</p> <p>Miscellaneous: US\$ 7,939</p>
---	---	---	---	---

Section IV– 2007 Workplan

Expected Output	Key Activities	Timeframe			
		Q1	Q2	Q3	Q4
Output 1: Creating national legal and institutional framework for carbon finance	Help the DNA to draft guidelines for CDM projects design, review, approval, and implementation with required templates	X	X	X	
	Help the DNA to prepare the CDM Sustainable Development Evaluation Procedures		X	X	X
	Provide “On-the-job” training and advisory support for the DNA staff to strengthen the DNA’s capacity to deal with CDM	X	X	X	X
	Support legalization of carbon transaction in domestic context		X	X	X
Output 2: Building in-country capacities for identification and implementation of projects eligible for the CDM and other carbon market mechanisms	Support the MoEFWA and other stakeholders to identify priority sectors, and potential projects eligible for the CDM financing	X	X	X	
	Develop training programme for the CDM and other carbon financing mechanisms		X	X	X
	Train key stakeholders from private and public sectors			X	X
	Identify a portfolio of CDM project ideas (up to 10 PINs), screen and prioritize up to 5 projects. Share projects with potential buyers			X	X
Output 3: Raising awareness of the stakeholders on the CDM mechanism and its benefits and disseminating the	Develop outreach materials to support DNA outreach activities	X	X	X	X

	Set up of he CDM web page. Design and hosting of the CDM web page; Regular update of the web page	X	X	X	X
	Collect useful and updated information from different sources and disseminate to the stakeholders through the grouping email and linkages to the CDM website	X	X	X	X

Section V - Budget

The total budget for this project is estimated at USD 289,000 for 24 months in 2006-2008. Estimated USD 250,000 (Euro 200,000) will be provided by the Government of Austria. The Government of Albania is expected to provide USD 10,000 as a host country cost sharing contribution. UNDP Albania will allocate from its core resources USD 20,000. Annex 2 provides budget details. There are also in-kind contributions to be provided by the MoEFWA and UNDP Bratislava Regional Center, estimated at USD 30,000 each. The Government in-kind contribution covers the provision of the office space, furniture, support to be provided by the National Project Director who is employer of the MOEFWA and some man days provided through the work of the civil servants employed by the Ministry. The UNDP Bratislava Regional Center assistance is described in Part III - Management Arrangement of Section 1.

Year 2007	Number (tentative)	Unit Cost (tentative)	Amount (USD)
Output 1: Legal and institutional framework for carbon finance			
International Consultant	40 man/days	550 USD/day	22,000
National Consultants	100 man/days	150 USD/day	15,000
Workshops & training	2 workshops/trainings	3.000 USD per 1 workshop	6,000
Travel	2 missions for 10 days	Ticket+DSA+TE	5,000
Equipment			8,000
Contractual services	60 man/days	150 USD/day	9,000
Sub-total			65,000
Output 2: Building in-country capacities for Carbon Financing			
International Consultants	50 man/days	550 USD/day	27,500
Local Consultants	80 man/days	150 USD/day	12,000
Workshops & training	2 workshops/trainings	3.000 USD per 1 workshop	6,000
Equipment			6,000
Travel	2 missions for 10 days	Ticket+DSA+TE	5,000
Sub-total			56,500
Output 3: Raising awareness and communication			
Local consultants	35 man/days	150 USD/day	5,250
Contractual services	35 man/days	150USD/day	5,250
Miscellaneous			1,500
Sub-total			12,000
Output 4: Support to Project Implementation			
Miscellaneous cost			2,139
Local consultants	50% of the salary of the PC + 30% of	50% 18,000 + 30% 14.000	13,200

	Admin/Fin assistant		
Sub-total			15,339
Year 2007 Total			148,839
Year 2008	Number (tentative)	Unit Cost (tentative)	Amount (USD)
Output 1: Legal and institutional framework for carbon finance			
International Consultant	53 man/days	550 USD/Day	26,500
National Consultant	90man/days	150 USD/day	13,500
Workshops & training	1 workshop	3000 USD	3,000
Travel	1 mission for one person for 10 days	Ticket+DSA+TE	2,500
Contractual services	20 man/days	150 USD/day	3,000
Sub-total			48,500
Activity 2: Building in-country capacities for Carbon Financing			
International Consultants	48 man days	550 USD/day	26,400
Local consultants	60 man/days	150 USD/day	9,000
Workshops & training	1 workshop	3000 USD per 1 workshop	3,000
Travel			3,000
Sub-total			41,400
Output 3: Raising awareness and communication			
Local consultants	35 man/days	150 USD/day	5,250
Contractual services	35 man/days	150USD/day	5,250
Miscellaneous			2,000
Publications, outreaching materials		<i>One final report</i>	5,000
Sub-total			17,500
Activity 4: Support to Project Management			
Miscellaneous cost			2,300

Local consultants	50% of the salary of the PC + 30% of Admin/Fin assistant	50% 18,000 + 30% 14.000	13,200
Sub-total			15,500
Year 2008 total			122,900
Project total			271,739
UNDP Administration Fee			17,261
GRAND TOTAL			289,000

Project Risks Log

ID	Type	Date Identified ; Author	Description	Comments P = probability (1-low...5-high)	Status/Actions needed	Status Change Date	Owner
	Operational Organizational	UNDP	Willingness of key stakeholders to support project implementation	Delays in project implementation if occurs P = 2	Early involvement of key stakeholders in the process of consultation and implementation.	NA	Project manager
	Organizational Political Strategic	UNDP	Active collaboration of the Ministry of Justice and other key policy makers to promote proposed legal framework and introduce possible changes in existing laws and bylaws	Delays in project implementation if occurs P = 3	Involvement of key policy makers in trainings and public awareness events. Broad public awareness campaign on challenges and benefits of the Kyoto protocol.	NA	Project manager, MoEFWA
	Political Strategic	UNDP	National and local government priorities change after the 2007 local election.	Delays in the project implementation if occurs P = 1	Close collaboration with the DNA/MoEFWA. Public awareness on challenges and benefits of the Kyoto protocol.	NA	Project Manager, MoEFWA

	Financial Operational Organizational	UNDP	Low quality of PINs prepared by target beneficiaries which may prevent investments from potential buyers	Number of PINs funded is not adequate and as a result Albania loses its attractiveness as a potential market for carbon finance P = 2	Regular training needs assessments to ensure quality and adequacy of trainings provided to beneficiaries	NA	Project manager, r DNA office
--	--	------	--	--	--	----	----------------------------------

Annex 3

Cost sharing Agreement

Terms of References

National Project Director

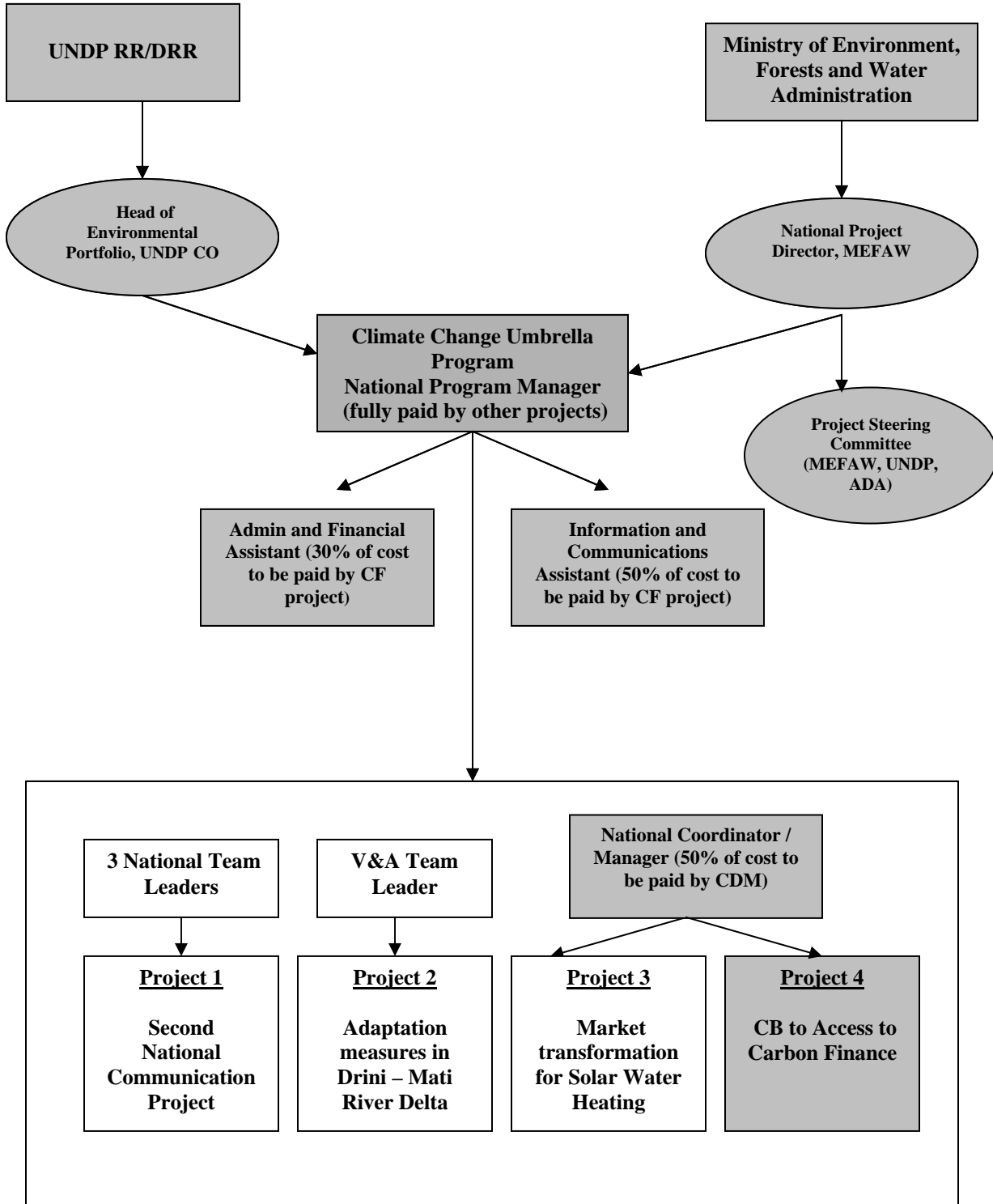
Duties and Responsibilities

1. The National Project Director (*NPD*), appointed by the Ministry of Environment, Forestry and Water Administration (*MoEFWA*), is a government representative, responsible for supporting implementation of the project. The NPD serves as the focal point on the part of MoEFWA and as such ensures effective communication between the government and other relevant national stakeholders/actors and monitors the progress towards expected outputs and strategic results under the project.
2. Specifically, the NPD's major responsibilities, in close collaboration with *UNDP Albania* and the *MoEFWA* are:
 - (a) Undertake project advocacy at the policy level (high officials of the parliament, Council of Ministers, line ministries, government agencies and other public sector institutions, civil society, private sector and the donor community) to ensure national commitment and contribution to the project objectives;
 - (b) Undertake policy level negotiations and other activities to facilitate effective and efficient project implementation and maximize its impact;
 - (c) Provide policy guidance to the Project Management Unit congruent with national policies, including for the selection of local consultancy, training and other specialist services;
 - (d) Participate in the finalization and approve the Project Annual and Quarterly Work Plans and budget, in close discussion with the UNDP, to maximize the leverage of the project resources in order to achieve the desired overall state of development and immediate objectives set out in the project document; s/he may also approve individual payments on a day-to-day basis.
 - (e) Supervise and approve the project budget revision and CDRs report;
 - (f) Review jointly with the PMU success indicators and progress benchmarks against expected project outputs so that progress can be assessed, and review and clear Annual Project Progress and Terminal Reports;
 - (g) Conduct regular monitoring sessions with UNDP and the PMU, including Project Appraisal Committee (PAC) Meeting, Annual and Terminal Tripartite Review Meetings to measure progress made or achieved towards the project objectives, and comment on Project Review and Evaluation Reports;

- (h) Report regularly to the Project Steering Committee on the project progress, in conjunction with the PMU staff;
- (i) Assess on regular basis staff work performance in the PMU, including that of National Project Manager, Administrative & Finance Assistant and other staff;
- (j) Establishes close linkages with other UNDP and UN supported as well as other donor or nationally funded projects/programmes in the same sector

Annex 5

Climate Change Umbrella Programme Organigramme



Job Description for National Project Coordinator/Manager

The National Project Coordinator/Manager (NPC), under the direct supervision of the National Programme Manager for the Climate Change Umbrella Programme Unit and National Project Director, will be responsible for achieving the outputs and, hence, objectives of the project, and ensuring the co-operation and support from the executing and implementing agents.

The NPC will be responsible for the implementation of the project, which includes personnel, subcontracts, training, equipment, administrative support and financial reporting keeping the NPM and NPD aware of all relevant factors which could impact on project implementation. The specific responsibilities of the NPC will be to:

1. Prepare and update project workplans, and submit these to the NPD and DRR/P UNDP CO for clearance and ensure their implementation consistent with the provisions of the project document.
2. With respect to external project implementing agencies:
 - a) ensure that they mobilize and deliver the inputs in accordance with their implementation agreement and contract, and
 - b) provide overall supervision and/or coordination of their work to ensure the production of the corresponding project outputs.
3. Act as a principal representative of the project during review meetings, evaluations and in discussions and, hence, be responsible for preparation of review and evaluation reports such as the Annual Project Report (APR) for the consideration of the NPD.
4. Ensure the timely mobilization and utilization of project personnel, subcontracts, training and equipment inputs, whether these are procured by the Executing Agent itself or by other implementing agents:
 - a) identify potential candidates, national and international, for posts under the project
 - b) prepare the ToR, in consultation with the implementing agent and subcontractors;
 - c) ensure demand driven training programmes (in consultation with the implementing agents) for target beneficiaries is prepared and carried, with particular emphasis on developing an overall training plan based on training needs assessment.
 - d) draw up specifications for the equipment required under the project; procure such equipment according to UNDP rules and procedures governing such procurement.
 - e) identify local consultants and service providers.
5. Assume direct responsibility for managing the project budget ensuring that:
 - a) project funds are made available when needed, and are disbursed properly;
 - b) accounting records and supporting documents are kept;
 - c) required financial reports are prepared;
 - d) financial operations are transparent and financial procedures/regulations for NEX projects are applied; and
 - e) the project is ready to stand up to audit at any time.
6. Exercise overall technical and administrative oversight of the project, including supervision of national and international personnel assigned to the project.

7. Report regularly to and keeps the NPD/Executing Agency and UNDP CO up-to-date on project progress and problems, if any.
8. Ensure timely preparation and submission of required reports, including technical, financial, and study tour/fellowship reports;
9. Perform others coordinating tasks as appropriate for the successful implementation of the project in accordance with the project document.

Responsibilities on project completion and follow-up

In order to ensure the efficient completion of project activities, the NPM will:

1. Prepare a draft Terminal Report for consideration at the Terminal Tripartite Review meeting (PSC Meeting), and submits a copy of this report to the UNDP Resident Representative and designated Executing Agency's official for comments at least 12 weeks before the completion of the project;
2. Make a final check of all equipment purchased under the project through a physical inventory, indicating the condition of each equipment item and its location; discusses and agrees with the UNDP and the implementing agent(s) the mode of disposition of such equipment and follow up on the exchange of letters among the UNDP, Government and implementing agent(s) on the agreed manner of disposition of project equipment; take action to implement the agreed disposition of equipment in consultation with the project parties.
3. Ensure all terminal arrangements relating to project personnel are completed at the final closure of the project.

Accountability

The NPC will work under the general guidance of and report to the National Programme Manager and National Project Director. The NPM is accountable to UNDP for the manner in which he/she discharges the assigned functions.

The NPM shall discharge his/her duties in line with the rules and procedures set forth in the UNDP RMG and other project management guidelines including, where applicable, the provisions of the agreements concluded with cost-sharing donors. The NPC may be held personally responsible and financially liable for the consequences of actions taken in breach of the prevailing financial rules and regulations.