

IPA 2008 National Programme for Albania
Capacity building for implementing the rural development strategy

1. Basic information

1.1 CRIS Number: 2008/020-116

1.2 Title: Capacity building for implementing the rural development strategy

1.3 Sector: 03.11

1.4 Location: Albania

Implementing arrangements:

1.5 Contracting Authority: Delegation of the European Commission to Albania

1.6 Implementing Agency: Gesellschaft für Technische Zusammenarbeit (GTZ)

1.7 Beneficiary: Ministry of Agriculture, Food and Consumer Protection in Albania

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Financing:

1.8 Overall cost (VAT excluded)¹: Euro 2 Million

1.9 EU contribution: Euro 2 million

1.10 Final date for contracting:

Three years following the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts:

Two years following the end date of contracting. These dates apply also to national co-financing

1.12 Final date for disbursements:

One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Improve the quality of life in rural areas by increasing the competitiveness of the agricultural and agro-food sector through diversification of rural economy in a well protected environment and natural landscape.

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated (see Section 7.6)

2.2 Project purpose:

Establish and strengthen the institutional and administrative capacities in the Ministry of Agriculture, Food and Consumer Protection to design, develop and implement the right policies and the appropriate supporting means for the development of agriculture and rural areas in the frame of EU pre-accession assistance programmes for the implementation of IPARD.

2.3 Link with AP/NPAA / EP/ SAA

References to SAA (Stabilisation and Association Agreement)

The **Stabilisation and Association Agreement (SAA)** between the Government of Albania and the European Community was signed in June 2006. This project's intervention field is in line with the objectives set out by this Agreement, in particular Title IV, Free movement of goods, chapter 2, Agriculture and fisheries.

References to European Partnership (EP) with Albania

This project will assist to achieve the priorities included in the proposal of the European Commission dated 06.11.2007 for a Council Decision on the principles, priorities and conditions contained in the European Partnership (EP) with Albania repealing Decision 2006/54/EC. The European Partnership outlines as medium terms priority: To develop strategies for land use, the land market, rural development, diversification of farm activities and enhancing agricultural competitiveness.

This project is in line with the **National Plan for the Stabilization and Association Agreement (NPSAA) in Chapter 3.8.7 "Rural development and agricultural structures"** and as short-terms priorities in the field of rural development this document aims at;

- Increasing of employment and of the income from the non-agricultural products
- Creation of equal opportunities regarding the rural services
- Improvement of the rural infrastructure, like roads, rural markets, drinking water
- Increasing of the access of the rural population in the financial sources and loans, and the expansion of the non-banking sector (of rural financing)
- Increasing of the capacities of the rural communities
- Decreasing of the rural migration and the establishment of closer relations with the rural community.

And as for Medium-term Priorities this document aims at;

- Encouragement of the regional dialogue
- encouragement of the stability, good neighbourhood and regional co-operation, through trans-border programmes regarding the development of certain areas

As the references to the Progress Reports, this project is in line with the Albanian 2007 Progress Report accompanying the Communication from the commission to the European Parliament and the Council; COM (2007) 663 final.

In the Chapter 4.2.2 for "Agriculture and fisheries" is specified that: "The Sector Strategy for Agriculture and Food 2007-2013 addresses these concerns. This document follows most of the priorities of the period 2004-2006 (particularly as regards increased competitiveness and diversification of economic activities in rural areas), but also some new ones such as clear definition of strategic sub-sectors and *increased government budget for agriculture*". In this context, it is needed also the support from the European funds.

2.4 Link with MIPD

This project is proposed under the area of European Standards, according to the 2.2.3.3 section of the IPA/ MIPD for the period 2007–2009 titled “Programmes to be implemented”, where support to the development of strategies and policies in order to establish sectoral policies and a regulatory framework compatible with European standards, as well as support to the establishment and capacity building of agencies and institutions required for the implementation and enforcement of the sectoral policies, including mechanisms for the verification of EU compatibility of government policies and draft laws. Such intervention will help in the achievement of the following results under point 2.2.3.2 “Expected Results” until the end of the first IPA programming cycle (2009): the development of the agriculture and rural development sector will contribute to economic growth; food safety, veterinary and phytosanitary will be progressively aligned to the *acquis* and the competent national administrative capacities will be established and

Operational; *regional, agricultural and rural development strategies* will possess an environment protection component and public awareness concerning environment will be increased.

2.5 Link with National Development Plan

The strengthening of the capacities in the Ministry of Agriculture, Food and Consumer Protection are part of this document prepared in accordance with the principles of the Rural Development Strategy.

2.6 .Link with national/ sectoral investment plans (where applicable)

Not applicable

Description of project

3.1 Background and justification:

Albania is a small country with a population of 3.1 millions inhabitants. It is mountainous and only 24% of the land is classified as agriculture land, 36 % as forests and 15 % are pastures. Agriculture is still the biggest contributing sector for income generation for the largest part of the population, as well as a source of employment. Rural population makes 54% of total population, and 71 % of the working force is employed in agriculture or agriculture related activities.

A successful rural strategy requires a sustainable macroeconomic development framework, characterized by strong economic growth, low inflation rates, stable local currency, sustainable levels of low fiscal deficit, and a consolidated foreign stability. This provides the preconditions for growth of rural products and services and for market development.

Despite of various programmes of poverty alleviation implemented since early 90s and remittances provided by emigrants, the rural areas are still suffering relatively high poverty levels. According to the latest Living Standards Measurement Survey² (LSMS), 18.5% of all Albanians are poor with this figure being higher in rural areas (24.2%). There is considerable regional disparity in poverty levels, with the poverty headcount in mountain areas being about three times higher than in Tirana. Poverty is higher in families with many children and little school education..

² Year 2005

The environmental degradation in the form of deforestation, soil erosion and reduction of animal species due to illegal hunting or fishing is directly related to the poverty and lack of other income opportunities in rural areas.

Agriculture provides most of the family income in Rural Albania as compared with many other European countries. However, the agricultural competitiveness suffers from lack of rural infrastructure and services.

Ministry of Agriculture, Food and Consumer Protection has prepared an inter-sectoral Rural Development Strategy (RDS) as part of the National Strategy for Development and Integration (NSDI). The RDS is based on the principles and practices experienced in the EU member states and will serve as a guiding tool in the European integration process. The strategy of Rural Development has been approved by the Council of Ministers and the Parliament has adopted the Law for Agriculture and Rural Development.

Various programmes funded by Albanian government and donors and implemented by agencies such as Albanian Development Fund (ADF), Mountain Areas Development Agency (MADA) or agencies from member states are already active in the development of rural areas.

Nevertheless, it is necessary to mention that these interventions need to be undertaken through a concerted action based on NSDI and sector strategies. A number of roads have been upgraded with donor's assistance in the last few years, and most of the contracting and rehabilitation of rural roads has been decentralized to the communities. However these activities have not reached the most remote areas. Greater participation of communities in rural roads works is being explored.

In order to boost the rural development, the government of Albania intends to approve a decision regarding the establishment of a Payment Agency similar to the ones operating in Europe along with allocation of the necessary funding to start its activities. Initially, the Agency is assumed to be supported by government funds.

1.2 Assessment of project impact, catalytic effect, sustainability and cross border

Impact (where applicable)

Project impact will be measured through monitoring indicators referring to the changes in the economic and social welfare of the regions. It will depend on:

1. The institutional and legal solidity and sustainability of the IPARD structure,
2. Capacity of the structure to absorb and utilize funds in the medium and long run

Catalytic effect:

Encouragement of the revision and synergy with other sector strategies and investment plans in function of the sustainable development of the rural areas

Sustainability will depend on:

1. Institutional and legal framework of the IPARD operating structure,
2. Improvement in the economic returns and life of rural families following the implementation of programme,
3. Government financial support since the beginning of the life of this structure.

Cross border:

The economic development of rural areas in bordering areas will make possible also the trade activities with neighbouring countries in the frame of CEFTA and other bilateral cooperation agreement between neighbouring countries.

3.3 Results and measurable indicators:

Result 1: Capacity of the Ministry of Agriculture, Food and Consumer Protection to undertake intermediate policy analysis is improved and consolidated,

Indicators

- ✓ A specific unit for intermediate policy analysis is set up,
- ✓ No. of staff in the Policy Unit trained,
- ✓ Amount and use of data from the AIS to undertake policy analysis,
- ✓ Specific policies designed.

Result 2: Basic Agricultural Information System (AIS) established and functional

Indicators

- ✓ AIS based on farm register is set up,
- ✓ No of trained staff on the methodologies for the provision of data
- ✓ Data updated or/and entered regularly into the system,
- ✓ Range of data users.

Result 3: IPARD operating structure for the management of fund available under component V of IPA is created and functional

Indicators

- ✓ Proposal on the operating structure of IPARD (Managing Authority and Paying Agency) formulated,
- ✓ Government acceptance of IPARD structure and budgetary allocation of funds,
- ✓ IPARD operating structure set up,
- ✓ Operation manuals prepared
- ✓ No. of staff trained,
- ✓ No. of training and visibility events
- ✓ Amount of state funds managed by the structure before the end of the project

Result 4: ICT infrastructure designed and established

Indicators

- ✓ Approval of the design and tender documents
- ✓ Delivery and installation of equipment
- ✓ Trained staff in the management of ICT infrastructure,
- ✓ Information recorded

3.4 Activities

Result 1: Capacity of the Ministry of Agriculture, Food and Consumer Protection to undertake intermediate policy analysis is improved and consolidated

1. Assessment of needs in term of capacity for the analysis and formulation of rural policies in the context of EU assistance pre-accession programmes,
2. Creation and consolidation of a separate Rural Policy Unit (RPU) in the Department of Policies and supporting structures in the regions,
3. Training and further qualification of staff from the Rural Policy Unit in policy analysis,
4. Development of the National Rural Development Strategy into regional level in synergy with sector and investment plans,
5. Consultation of the regional Rural Development Plans with local community.

All activities are covered by service contract 1.1

Result 2: Basic Agricultural Information System (AIS) established and functional

1. Assessment of existing agricultural information systems present in the country, their compatibility and data information gap,
2. Develop the basic concept of AIS as an easy-managed and cost-efficient tool to provide the necessary information for policy analysis,
3. Identify the agency responsible for the collection and management of data and train the staff,
4. Transfer data from other sources to the AIS,

All activities are covered by service contract 1.1

Result 3: IPARD operating structure for the management of fund available under component V of IPA is created

1. Define the IPARD operating structure to be created in the Ministry of Agriculture, Food and Consumer Protection along with functions and tasks,
2. Revise and if necessary prepare the necessary legal and institutional framework to support the creation and functioning of the structure,
3. Select staff and train them in relation to functions and tasks,
4. Develop procedures and tools in accordance with Albanian public finance legislation for the implementation, sound financial management and control of operations,
5. Define the procedures and carry out the national accreditation of the structure,
6. Define the ICT needs in terms of equipment and training

All activities are covered by service contract 1.1

Result 4: ICT infrastructure designed and established

1. Procurement, installation and training on the ICT hardware and software

All activities are covered by supply contract 2.1

3.5 Conditionality and sequencing:

Making functional and sustainable the outcomes of the abovementioned project, the Ministry of Agriculture should ensure if the following steps are foreseen:

- The government is committed to create and support the IPARD operating structure during the lifetime of the project,
- The government is committed to approve the necessary legal and institutional amendments related with the functions and activity of the structure,
- The government will allocate the necessary funding to the structure as foreseen by the project,
- The government is committed to apply fair and transparent procedures in the selection and nomination of main staff of the structure,
- The Ministry of Agriculture, Food and Consumer Protection will provide the necessary space to the structure.

3.6 Linked activities:

Technical Assistance Project “Capacity building for implementing the rural development strategy”. The Project aims at strengthening the capacities for programming, monitoring and implementing and other institutions involved (i.e. the 12 Rural Directorates spread all over the Albanian regions), in charge for the implementation of the project, through training activities at central and regional level.

Mountain Areas Development Programme

The programme builds on the achievements of the Northeastern Districts Rural Development Project and the Small-Scale Irrigation Rehabilitation Project. The first phase focuses on 14 mountain districts where IFAD has already supported activities, and on seven new districts, targeting poor households with small farms. The typical farming family in the programme area comprises four persons. They cultivate on sloping land, growing cereals, fruit, grapes, potatoes and fodder. The average family owns one cow and about 10 sheep or goats. The family income often is supplemented by remittances from family members working in cities or abroad.

The programme aims to increase farmers’ production and productivity, improve household food security, increase income from agricultural and related rural enterprises, and improve infrastructure. To achieve these aims and raise the standard of living of people in the area, the programme established the Mountain Areas Development Agency (MADA), which is responsible for programming, planning, managing funds and providing support for development, including technical, financial and managerial support.

Agricultural Services Programme - ASP

Agricultural Services Project (ASP) aims to create an environment conducive for rural income growth by addressing key constraints faced by Albania's emerging small-holder farmers in agricultural production, trade, and the functioning of land markets by: (i) improving access of smallholder farmers to quality seeds through an improved seed regulatory framework, an enhanced role of the private seed sector, and the strengthening of public seed related training and research; (ii) supporting the establishment of a functioning land market through improved land registration and pilot initiatives for land consolidation; (iii) improving participation of smallholder farmers in market activities through the development of selected market infrastructure and active. Project is financed through a PHRD (Japan Government) grant which consisted in project preparation facilities. Total project costs are estimated at US\$ 12.2 million of which US\$ 9.9 million will be financed through IDA resources and US\$ 2.3 million constitute government, municipality and beneficiary contributions.

CARDS 2005 – Integrated support for decentralization

The objective of this project is to further develop and take forward to implementation the regional development strategies in the context of decentralization process. The project includes also the financing of regional infrastructure.

IPA 2007 - Support for alignment of Albanian Statistics with EU standards

One of the objectives of this project is to establish an updated Farm register in order to produce reliable agriculture statistics in line with EU requirements that will contribute to improvement of the National Account System in Albania and the establishment of a regular system of sample-based farm surveys.

UNDP – Is currently managing CARDS 2004 -Local Community Development Programme aiming at improving of physical and social infrastructure in poor rural areas of the North and encouraging a wider participation of the local community in decision-making process through Community Based organizations. In addition, UNDP has been active in developing regional and local development strategies for several regions of Albania.

Albanian Development Fund – This Fund is a state managed agency that has been active in Albania since 1993 implementing investments at local level including rural roads, bridges and footbridges, schools etc

3.7 Lessons learned

The term rural has been identified mostly with agriculture that currently employs most of the rural labor force. As a result, many efforts and investments have been projected to assist production and its transport. Rural policies have not been economically effective as these have tried more to retain people in their land rather than create favorable conditions to exploit the local resources.

In addition, various sector strategies have never converged in a common point related to the concept of development in rural areas. To be effective, the national strategy needs to:

1. Be broken down at local level and accepted by local community,
2. Be implemented in synergy with other activities or projects covering from infrastructure to social aspect of rural life,
3. Consider the experience of other European countries.

4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
Activities	IB	INV	EUR	EUR	%	Total EUR	%	Central EUR	Regional/Local EUR	IFIs EUR	Total	% *
Activity 1 Capacity building and implementation of	1.800	0.000	1.800	1.800	100.0							
Contract 1.1	1.800	0.000		1.800								
Activity 2 Provision of hardware for the AIS		0.200	0.200	0.200	100.0							
Contract 2.1	0.000	0.200		0.200								
Total IB			1.800	1.800	100.0							
Total INV			0.200	0.200	100.0							
Total project			2.000	2.000	100.0							

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	June 2009	September 2009 December 2008	March 2012
Contract 2.1	March 2010	June 2010	December 2010

The detailed activities and benchmarks shall be intensively discussed between the partners during the phase of drafting the contract based on a review of the implementation of this project in the first year.

6. Cross cutting issues (where applicable)

6.1.1 Equal Opportunity

Equal opportunities and non discrimination will be respected as regard gender and minorities at programming and all implementation stages, particularly in relation to socio- economic development are concern.

6.2 Environment

N/A.

6.2 Minorities

Furthermore, minority and vulnerable groups concerns will be reflected in all activities programmed under rural development programmes like as public services, legislative and social economic development are concerned.

ANNEX 1 Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche “Capacity building for implementing the rural development strategy”		Programme name and number:	
		Contracting period expires	Disbursement period expires:
		Total budget: € 2 million	IPA budget: € 2 million
Project description	Objectively verifiable indicators	Source of verification	Assumptions
Overall objective			
Improve the quality of life in rural areas through increasing of the competitiveness of the agricultural and agro-food sector through diversification of the rural economy in a well protected environment and natural landscape	<ul style="list-style-type: none"> • Changes in the life quality index, • The share of income per capita contributed by economic activity, • Quality of environment 	INSTAT annual reports, Surveys, Reports from line ministries	
Project Purpose			
Establish and strengthen the institutional and administrative capacities in the Ministry of Agriculture, Food and Consumer Protection to design, develop and implement the right policies and the appropriate supporting means for the development of agriculture and rural areas in the frame of EU pre-accession assistance programmes for the implementation of IPARD	<ul style="list-style-type: none"> • Appropriate structures in the Ministry of Agriculture, Food and Consumer Protection have been created and operational. 	Reports and policies developed by the new structure Programmes implementation reports	Government willing to create and sustain the role and functioning of the new structure,
Results			
Result 1: Capacity of the Ministry of Agriculture, Food and Consumer Protection to undertake intermediate policy analysis is improved and consolidated,	<ul style="list-style-type: none"> • A specific unit for intermediate policy analysis is set up, • No. of staff in the Policy Unit 	Policy reports, Annual reports from the Ministry, Government regulations	The Ministry accepts and allocated funding for the restructured department, Appropriate qualified staff are selected to the assigned tasks,

	<p>trained,</p> <ul style="list-style-type: none"> • Amount and use of data from the AIS to undertake policy analysis, • Specific policies designed. 		AIS is established beforehand, Specific technical assistance is provided
Result 2: Basic Agricultural Information System (AIS) established and functional	<ul style="list-style-type: none"> • AIS based on farm register is set up, • No of trained staff on the methodologies for the provision of data • Data updated or/and entered regularly into the system, • Range of data users. 	Physical verification of AIS, Staff assigned to AIS Reports References from data users	Farm information data ensured beforehand through other programmes, Farm data updating capacity established
Result 3: IPARD operating structure for the management of fund available under component V of IPA is created	<ul style="list-style-type: none"> • Proposal on the operating structure of IPARD (Managing Authority and Paying Agency) formulated, • Government acceptance of IPARD structure and budgetary allocation of funds, • IPARD operating structure set up, • Operation manuals prepared • No. of staff trained, • No. of training and visibility events • Amount of state funds 	Physical and operational presence of the unit in the ministry, Reports produced by the unit	Qualified staff are nominated in the unit, Staff turnovers minimized, Government has allocated the necessary funds for the operation of the unit

	managed by the structure before the end of the project		
Result 4: ICT infrastructure designed and established	<ul style="list-style-type: none"> • Approval of the design and tender documents • Delivery and installation of equipment • Trained staff in the management of ICT infrastructure, • Information recorded 	<p>Various documents Physical verification of installed equipment, Reports and data</p>	<p>Procedures and installation of equipment carried in time to allow training and consolidation of the assigned staff</p>
Activities	Means	Costs	
<p>Result 1:</p> <ol style="list-style-type: none"> 1. Assessment of needs in term of capacity for the analysis and formulation of rural policies in the context of EU assistance pre-accession programmes, 2. Creation and consolidation of a separate Rural Policy Unit (RPU) in the Department of Policies and supporting structures in the regions, 3. Training and further qualification of staff from the Rural Policy Unit in policy analysis, 4. Development of the National Rural Development Strategy into regional level in synergy with sector and investment plans, 5. Consultation of the regional Rural Development Plans with local community. 		<p>1.175</p>	<p>Ministry is willing to cooperate with the project to define the best structure to fit to tasks Turnover of trained staff is limited Good participation and cooperation of local government and line ministries with regard to strategy implementation, Good involvement of local community in the development of Rural plans</p>
<p>Result 2:</p> <ol style="list-style-type: none"> 1. Assessment of existing agricultural 		<p>0.200</p>	<p>Ministry identifies in time the responsible unit for the AIS</p>

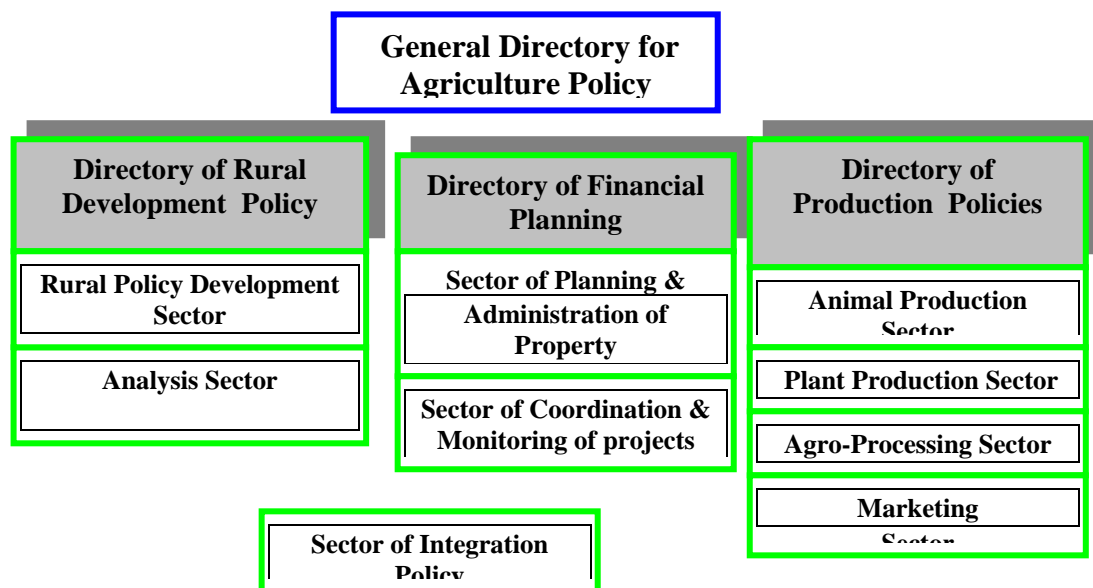
<p>information systems present in the country, their compatibility and data information gap,</p> <ol style="list-style-type: none"> 2. Develop the basic concept of AIS as an easy-managed and cost-efficient tool to provide the necessary information for policy analysis, 3. Identify the agency responsible for the collection and management of data and train the staff, 4. Transfer data from other sources to the AIS 			
<p>Result 3:</p> <ol style="list-style-type: none"> 1. Define the IPARD operating structure to be created in the Ministry of Agriculture, Food and Consumer Protection along with functions and tasks, 2. Revise and if necessary prepare the necessary legal and institutional framework to support the creation and functioning of the structure, 3. Select staff and train them in relation to functions and tasks, 4. Develop procedures and tools in accordance with Albanian public finance legislation for the implementation, sound financial management and control of operations, 5. Define the procedures and carry out the national accreditation of the structure, 6. Define the ICT needs in terms of equipment and training 		<p>0.425</p>	<p>Ministry is willing to create at required time the IPARD operating structure and allocate the requested resources, Ministry cooperates with the project in the identification of the staff to be part of the unit</p>

Result 4: 1. Procurement, installation and training on the ICT hardware and software		0.200	

ANNEX II: amounts (in €) Contracted and disbursed by quarter

Contracted	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012
Contract 1	1.8										
Contract 2				0.2							
Cumulated	1.8			2.0							
Disbursed											
Contract 1	0.360		0.315		0.315		0.315		0.315		0.180
Contract 2				0.120		0.080					
Cumulated	0.360		0.675	0.795	1.110	1.190	1.505		1.820		2.000

ANNEX III: Description of Institutional Framework



Directory of Rural Development Policy is part of the general directorate for agriculture policy. It is made of two sectors:

Rural Development Sector

Responsibilities:

- development of a National Rural Development Strategy
- development of a comprehensive Rural Development Policy
- development, co-ordination, monitoring and implementation of a Rural Development Program
- collection of knowledge about other countries' Rural Development Programs, their content and impact
- co-ordination of Rural Development initiatives, including environmental aspects, of other Albanian authorities and private actors (incl. NGO's) that influence agricultural conditions in rural areas
- following closely and analysing developments in EU Rural Development Policies, in particular policies and legislation related to EU Pre Accession aid
- analysing - in a mid term perspective - foreseeable economic consequences for the Albanian agricultural sector as well as administrative consequences for the Ministry of application of SAPARD and other EU Pre Accession measures related to Rural Development
- developing contacts with the EU in order to communicate Albanian policies and priorities regarding Rural Development

Analysis sector

Responsibilities:

- general and sectorial agro-economic analyses and evaluations relevant to policy development and -implementation
- impact analysis (and evaluation) concerning consequences of implemented policies, programmes and projects
- comparative studies and analysis
- Assisting policy making directories in the Ministry on setting up objectives and measurable indicators (and milestones) for implementing the policy. And to create action plans for the implementation.
- Assisting in cost and revenue analysis on the implementation of legislation
- Support Management with analysis on EU, WTO and Free Trade Agreements impacts
- Preparation of periodic progress reports with regard to the Stabilisation Agreement and follow up actions
- Analysis and follow up on fiscal policies
- Analysis of economic impact of Free Trade Agreements

ANNEX IV: Reference to laws, regulations and strategic documents

Albanian law for agriculture and rural development (no---) is entirely based on four principle EC Regulations regarding the Common Agriculture Policy (CAP):

- Council Regulation (EC) No 1698/2005 of 20 September 2005 on the support for rural development by the European Agricultural Fund for Rural Development (EAFRD))
- Council Regulation (EC) No 718/2007 of 11 June 2007) on establishing a common organization of agricultural markets and on specific provisions for certain agricultural products.
- Council Regulation (EC) No 1782/2003 of 29 September 2003 (consolidated version) establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.
- Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy-CAP.

Reference to AP /NPAA / EP / SAA

References to EP:

COMMISSION OF THE EUROPEAN COMMUNITIES; Brussels, 6.11.2007; COM(2007) 656 final; Proposal for a COUNCIL DECISION on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC (presented by the Commission)

“Agriculture and Fisheries”; Page11 and 19 ; Develop strategies for land use, the land market, rural development, diversification of farm activities and enhancing agricultural competitiveness;

Agriculture and fisheries

- Adopt a new law on food in line with EU standards, strengthen the food safety system and related control systems.
- Reinforce laboratory capacity in the food safety, and veterinary and phytosanitary domain.
- Improve food safety, phytosanitary and veterinary legislation, and start its implementation.
- Improve the system of identification of bovines and registration of their movements, and start the implementation of a system of identification and registration of movements for pigs, sheep and goats.

3.2 Medium-term priorities

Agriculture and fisheries

- Develop strategies for land use, the land market, rural development, diversification of farm activities and enhancing agricultural competitiveness.
- Achieve substantial improvements in terms of food safety and phytosanitary and veterinary conditions, in compliance with EC requirements.
- Assess the compliance of agri-food establishments with EU requirements, prepare a programme for their upgrading and start its implementation.
- Start action with a view to ensuring efficient control of domestic plant production, in particular for products with specific EU requirements, and set up analytical capacity in the phytosanitary sector.

- Take measures to ensure that Albanian fisheries policy moves closer to EU standards, in
- particular in the areas of resource management, inspection and control and in market and structural policies.

References to SAA: Title IV Article 16, Free movement of goods, chapter 2, Agriculture and fisheries.

1. The Community and Albania shall gradually establish a free trade area over a period lasting a maximum of ten years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the GATT 1994 and the WTO. In so doing they shall take into account the specific requirements laid down hereinafter.
2. The Combined Nomenclature of goods shall be applied to the classification of goods in trade between the two Parties.
3. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the duty actually applied *erga omnes* on the day preceding the signature of this Agreement.
4. The reduced duties to be applied by Albania calculated as set out in this Agreement shall be rounded to whole numbers using common arithmetical principles. Therefore, all figures which have less than 50 (included) after the decimal point shall be rounded down to the nearest whole number and all figures which have more than 50 after the decimal point shall be rounded up to the nearest whole number.
5. If, after the signature of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duty referred to in paragraph 3 as from the date when such reductions are applied.
6. The Community and Albania shall communicate to each other their respective basic duties.

References Progress Report:

Brussels, 6.11.2007 SEC(2007) 1429 Commission staff working document; Albania 2007 Progress Report accompanying the Communication from the commission to the European Parliament and the Council; COM (2007) 663 final. Agriculture and fisheries

4.2.2. Agriculture and fisheries

Limited progress was made in the area of **agriculture and rural development**. Direct payments per area were introduced for vine, olive and fruit growing, providing incentives to increase production. The agricultural extension and research system is currently under review to adapt it to policy priorities. In the area of organic farming, progress was noted in the alignment of legislation with Community regulations, although challenges remain on the strengthening of relevant public institutions and its effective implementation.

Various constraints such as the continuing fragmentation of already very small farms, the high price of land, which makes buying land for agricultural purposes uninteresting, lack of adequate education of farm operators to apply improved production techniques, and an undeveloped marketing system, are still preventing the farming sector from being competitive

and from meeting the increased demand for food products. Export-oriented farming could, however, increase its production and trade in some sectors. The Sector Strategy for Agriculture and Food 2007-2013 addresses these concerns. This document follows most of the priorities of the period 2004-2006 (particularly as regards increased competitiveness and diversification of economic activities in rural areas), but also some new ones such as clear definition of strategic sub-sectors and increased government budget for agriculture. However, the strategy, like the rural development strategy, has not yet been adopted. Availability of credit for investments in agriculture and systematic involvement of stakeholders in policy-making are key elements needed for the sustainable implementation of the planned strategy. Overall, the competitiveness of the farming sector needs to be increased. Preparations in the area of agriculture are at an early stage. There has been little progress in the area of **food safety, veterinary and phytosanitary policy**. The Ministry of Agriculture, Food and Consumer Protection has an inventory of the relevant acquis to which Albania plans to align its legislation. The Ministry issued more than 20 regulations and orders in the area of animal health. However, as regards control of animal diseases the degree of implementation is uncertain. Various initiatives have established or improved the capacity in relation to veterinary and phytosanitary border inspection posts, laboratories and mollusc monitoring programmes. In 2006 the Council of Ministers approved a Decision on the system of identification and registration of farm animals and of their movements. However, for bovines, only certain districts are covered, considerably reducing the value and benefits of the system. This hampers the efficiency of measures taken to eradicate brucellosis which has spread to new areas. Insufficient numbers of staff and lack of financial resources limit the capacity of the Ministry of Agriculture, Food and Consumer Protection to improve food safety. The capacity of the Ministry for preparations to implement European standards as well as implementation of measures remains weak. No specific progress can be reported on the upgrading of food processing establishments. The systems of controls of live bivalve molluscs are not equivalent to the Community system. This restricts Albania's export possibilities. Albania does not yet have the necessary laboratory capacity to fulfil the requirements to export fish and fishery products to the EU. Specific guarantees concerning histamine will be requested for each consignment of certain species destined to the EU market. Preparations in the area of food safety and in the veterinary and phytosanitary field are at an early stage. Some progress can be reported in the area of **fisheries**. Especially law enforcement and inspections on the ground are improving. An increase in the number of inspection staff allows more frequent controls. Nevertheless, measures to prevent overexploitation and illegal fishing have still to be strengthened as regards licensing and controls. Preparations in the area of fisheries are starting.

STRATEGY FOR RURAL DEVELOPMENT

INTRODUCTON

The Inter-sectoral Rural Development Strategy of Albania (ISRDSA) constitutes a national strategy plan for rural development of Albania. It lays down the priorities of the rural development policy. The priorities have been set up in accordance with the European Community priorities on rural development policy. The NSP shall apply for the period 2007-2013 and shall be, if not defined otherwise by the priorities, implemented throughout the territory of the Republic of Albania. The document is designed in compliance with the baselines set out in Article 11 of the Council Regulation (EC) No.1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). National priorities and activities have been designated in a manner and a form enhancing the synergies with other public financing instruments on agricultural policy and, especially, on economic and

social cohesion as well as environment and space. The NSP is prepared in compliance with the Community strategic guidelines and the broader Community strategic guidelines for sustainable use of resources (Council decision of Göteborg) and the enhancement of economic growth and job creation (Lisbon Strategy).

The National Strategy plan aims at strengthening the multifunctional role of agriculture in Albania. Particularly emphasized are the needs for restructuring the agriculture and food industry as well as the need to enhance competitiveness of the entire agricultural sector and agro-food chain. The NSP is founded on the principles for sustainable management of renewable natural resources and pays special attention to the maintenance of cultural landscape and environmental protection, as well as the maintenance of the settlement and rural identity in the countryside. It also reflects the multifunctional role of forests, which give Albanian landscape a unique mark and represent an important element of environmental consistency and a source for biodiversity. The NSP priorities shall also contribute towards economic and social enhancement of the countryside and will introduce new approaches for increasing employment opportunities in rural areas. The National Strategy Plan represents a reference framework for designing the rural development programme for the whole of Albania for the period 2007-2013.

The preliminary preparations of the NSP took place in cooperation with competent administrative authorities at the national, regional and local level, economic and social partners, as well as other interested representatives of the civil society including non-governmental organizations. The present NSP draft is subject to a wide public discussion and debate with and among partners mentioned above.

II.1 Purpose of the Strategy

The purpose of the strategy is to provide a nationally agreed policy basis for rural development, consistent and in full coherence with principles and priorities of the government overall policy. The strategy is drafted based on a deep-going democratic dialog and participatory approach, to ensure that development and subsequent implementation of the operational programs for rural development reflects appropriately the needs of the regions and rural communities in Albania

The strategy is based on the EU Rural Development Regulation and its Strategic guidelines for Rural Development in the period 2007-2013. It aims at realizing major priorities concerning in particular job generation in rural areas, sustainable growth of production and income of rural populations, protect environment and improve quality of life of rural people and make sure that implementation of Albanian Government as well as EU Policies are properly implemented

II.2 Time Period of the Strategy

The Albanian National Inter-sectoral Rural Development Strategy covers a time frame of 7 years, commencing on January 1st 2007. The year 2007 will be used to adopt the operational program for rural development, which will be prepared based in this strategy. The implementation of some activities will also start in 2007, either on a pilot basis or as regular measures. After the end of the first year of the implementation the strategy, the operational program will be reviewed and adopted accordingly.

II.3 Strategic Priority

The strategic priority of the Albanian Rural Development strategy is:

To contribute to a fair development of all rural regions in Albania, to improve the quality of life in Albania's rural area in a sustainable way and reduce poverty among rural population.

II.4 Goals

The major goals of the Albania Rural Development Strategy are:-

1. Increase the competitiveness of the agricultural and agro-food sector through farm modernisation measures, as well as support for restructuring and the development of value added activities.
2. Protect and enhance the environment through the sustainable management of natural resources in rural areas.
3. Improving the quality of life in rural areas and promoting diversification of economic activities.
4. Developing the capacities of local institutions to effectively, manage community rural development programmes

The implementation of strategic plan of rural Development should also contribute to the achievement of strategic national goals through; support of economic growth in accordance with principles of sustainable development, increasing the human resource potential and raising of incomes through new job creation and improved social inclusion to ensure a higher quality of life.

All four goals of national strategy aim at the improvement of the economic and social conditions in the rural areas and complement each other. Their link with the need to improve the competitiveness of the farm sector and market efficiency, the creation of jobs and achievement of higher quality of life is ensured.

Achieving the goals will help to keep people living in rural areas, thus maintaining traditional social support structures and reducing the social problems and public costs associated with migration to urban areas. Experience in other countries shows that rural development can benefit significantly from improved economic, social and cultural linkages between rural and urban areas.

V.1 Management

Rural development policy represents the second pillar of the agricultural policy in EU. Therefore in Albania, as in all EU member states, the Ministry for Agriculture will be the responsible (coordinating) ministry for rural development. Minister for Agriculture will be the Competent Authority, responsible for giving and withdrawing the accreditation of the Paying Agency.

In order to achieve an efficient structure the Ministry for Agriculture will reorganise its internal structure in a way that all rural development policy will be carried out by one single directorate responsible for rural development. The directorate responsible for rural development is understaffed and will need some new employment (around 10 people). The new recruitment of the staff for the directorate for rural development will be done using the available people from the MAFCP and other relevant existing institutions in Albania. This directorate will be, according to the relevant EU Council Regulation 1658, nominated as the Managing Authority for the rural development programs.

The coordination at strategic level is of high importance for achieving complementary among the different objectives and thus optimal impact on the socioeconomic development of the country. The Coordination Body will also be responsible for supervising the rural proofing programme and for ensuring that participating ministries produce annual reports of a sufficient standard. A coordination mechanism will be set up in order to secure the appropriate distribution of the aid provided for rural development. This mechanism will be separate from the institutions responsible for managing and monitoring the programme in Albania.

The directorate for rural development of the MAFCP will also have a responsibility for providing secretariat support to the Coordination Mechanism.. The responsibilities of the secretariat will include maintaining a database of rural information. The information will be publicly available and will be compiled into an annual report on the state of rural development in Albania.

The Inter Ministerial Working Group (IMWG) will be responsible for the general inter-ministerial coordination at the level of the strategy and operational programs. The existing technical working group will provide the needed coordination regarding the tender preparation. In order to assure the complementarity amongst related activities.

Based on this Inter-Sectoral Rural Development Strategy an Operational Programme for Rural Development (rural development action plan) for the period 2007-13 will be prepared, covering the whole territory of Albania. The Strategy and Operational Program shall be supplemented, if necessary within the seven years programming period. For each of the years a Yearly tender will be announced.

Regarding the implementation of the rural development programs in Albania, two phases are envisaged:

- i-During the first three years of the programme the implementation will be carried out by using the existing institutions and procedures
- ii-After the first three years of the programming period a central Paying Agency will start to operate. In this period the responsibilities for the implementation of the rural development policy will gradually be transmitted to the competence of the Paying Agency.

The central Paying Agency will be established as an independent body under the umbrella of MAFCP and will be responsible for the implementation of the rural development, but also agricultural market policy in Albania. The Paying Agency will also be accredited as the only Paying Agency for EU pre-accession support and later on for the implementation of the CAP policy (both market organisations and rural development) in Albania. The Central Paying Agency may also implement rural development policies supported by different donors.

The **Paying Agency** will follow the procedures established in the relevant EU Council Regulations and associated implementing Regulations. In particular, they will fulfil the

following requirements: (a) execution of payments and accounting; (b) a sound internal management control system; (c) presentation of clear, prompt, detailed and certified annual accounts and statements; (d) transparent and non-discriminatory procurement procedures which prohibit conflicts of interest; and (e) compliance with all Albanian public finance legislation.

The central Paying Agency will delegate some activities to the other institutions already existing and operating in Albania (like ADF, MADA), but this will apply only to those activities which are not treated as the basic activities of paying agencies.. These institutions will not be accredited as paying agencies and will cooperate with the central Paying Agency based on yearly contracts. The central Paying Agency will also use the services available at regional levels.

Some of the existing institutions and units (like 2KR, some regional and local offices, units, institutions) will be incorporated in the structure of the central Paying Agency in order to be efficient and financially reasonable. However, the central Paying Agency will have in the final year up to 400 permanent employees and the basic costs for the establishment will be up to 8 mil EUR (without investments in data bases) over a period of about ten years. Some of the employees will be recruited from other existing institutions and the costs of the establishment may be co-financed by EU and other donors. Paying agency should be start operating in about three years even thou it will not have received full accreditations. Based on the experiences of new member states of the European Union, seven to ten years of work will be needed to get full accreditation for the Payment Agency. The central Paying Agency of Albania will, over a period of ten years, fully and completely implement agricultural and rural development policy in Albania even in case that EU membership is delayed.

Following EU practices the Advisory Group for the preparation of the strategy will become the **National Rural Network (NRN)**. At the same time the National Rural Network may be nominated as the Monitoring Committee. This will include the participation of local NGOs, regional or national networks of not-for-profit organizations, local action groups, national and regional associations of the municipalities, NGOs working in the area of sustainable local development and in the rural areas, associations of businesses and brunch organizations, environmental protection NGOs, equal opportunities representatives, municipal authorities, representatives of the national, regional and local divisions and services of the Ministry of Agriculture Food and Consumer protection and the Ministry of Environment and Waters.

Major functions of NRN will be:

1. Lobbying for the interests of rural areas in government policy, including approval of the rural proofing reports.
2. Provision of information to the network members – potential beneficiaries for the rural development measures.
3. Provision of training seminars and expert help for developing the capacities of the network members. Contribution to the creation and strengthening of the LAG-s capacity.
4. Initiation and mediation of the dialogue between the representatives of various organizations and structures actively involved with rural development and the authorities at the national and local level.
5. Strengthening and expanding the network during the period for RDP operations; organization of studies for the purposes of the programme.
6. Actions for participation in the European Network for Rural Development.

VI.1 Payment agency

The activities of the rural development strategy will be monitored using the practices applied for EU rural development program. Annual monitoring reports will be produced based on information provided by project management. In addition, evaluation reports will be produced before (ex-ante) any program is started and at key periods during the program, normally at mid-term and after the end (ex-post).

The Payment Agency will be responsible for obtaining the monitoring reports and the Rural Development Department will be responsible for approving the quality of the reports and for compiling a single summary consolidated annual monitoring report. Evaluations will be contracted by the Payment Agency and will be done by independent organizations, such as consulting firms or academics. The Rural Development Department will be responsible for making sure that evaluations are taken into account during policy formulation and revision.

Table 5: Indicators

Indicator	Evaluation parameter	Baseline value	Target value in 2013*	Responsible institution for data collection
AXIS 1				
Labour productivity in agriculture	GVA (gross value added in EUR) per MWU (man-work unit)	1973EUR (INSTAT, 2004)	2072 EUR (+20%)	Instat
The size of agricultural holdings	An average size per agricultural holding	1.1ha (MAFCP, Statistical Yearbook)	1.98ha (+80%)	Instat, MAFCP
Labour productivity in food industry	GVA per employee	4547EUR (INSTAT, 2004)	4670 EUR(+5%)	Instat
Education level of the farmers	Percentage of the farmers with concluded primary school (8 years)	48% (MAFCP, Statistical Yearbook)	57.6% (+20%)	MAFCP, Ministry for education
Training and education in agriculture	Percentage of farmers with concluded primary and post-secondary non-tertiary education in the field of agriculture	48% Extention Service	58% (+20%)	Extension Service
Qualification of farm holders	Farm holders share with any agricultural education	Primary 17%, secondary-post secondary 31 (Extension Service)	+5%	Extension Service
AXIS 2				
Biodiversity	The share of the land protected because of the special bird species	<i>Not designated yet!! (Ministry of Environment)</i>	1% of the territory	Ministry of Environment

Cultivated land in the protected areas	The share of the cultivated land in protected area	6% (183.400ha) (Ministry of Environment)	12% of total agricultural land (367.000ha)	Ministry of Environment
Water quality	The share of the land under the water protected areas	1% (27.300ha) (Ministry of Environment)	2% (54.600ha)	Ministry of Environment
Engagement in organic farming	Percentage of areas under organic production in regard of total UAA	Less than 0.1% MAFCP	Around 0.12%	MAFCP
Climate changes	Production of renewable energy in agriculture and forestry	13.2% of the total source of energy (2001 figure only!!)??	14% (+5%)??	Ministry of Environment
Cultivated land in natural handicap areas	Percentage in regard of total agricultural land in natural handicap areas	These areas are still not designated	Introduction is envisaged for the first time for the year 2010	MAFCP
Areas under agri-environmental measures	Land cover under agri-environmental measures	1.200ha (estimation of the Organic Farming Association)	2000ha	MAFCP, Ministry of Environment
AXIS 3				
Farms with non-agricultural income and employment sources	Farms with non-agricultural income and employment sources	8.9% (MAFCP, Statistical Yearbook, 2005)	9.79% (+10%)	MAFCP, Instat
Employment of non-agricultural sector	Employment in secondary and tertiary sector (in %)	45% (INSTAT, 2005)	54% (+20%)	INSTAT
Economic development of non-agricultural sector	GVA in secondary and tertiary sector (in million €)	4100EUR (INSTAT, 2004)	EUR 4387 (+7%)	INSTAT
Self-employment	Self-employment share in non-agricultural sector in total employment			MAFCP, Ministry of Labor, INSTAT
Internet take-up in rural areas	Percentage of population with Internet access	0.9% (LSMS-INSTAT)	4.5% (+500%)	INSTAT
Development of services sector	Percentage of services GVA (of total GVA)	53.7%(INSTAT, 2004)	57.5% (+7%)	INSTAT
Life-long learning	Percentage of training participants aged 25-64	2% (estimation of the MAFCP)	Increase	MAFCP-Extension Service

Annex 5- Details per EU funded contract (*) where applicable:

For TA contracts: account of tasks expected from the contractor

Possible indirect centralized management with member state agencies

For twinning covenants: account of tasks expected from the team leader, resident twinning advisor and short term experts n/a

For grants schemes: account of components of the schemes

For investment contracts: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**) n/a

For works contracts: reference list of feasibility study for the constructing works part of the contract as well as a section on investment criteria (**); account of services to be carried out for the service part of the contract n/a.