

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Support to agriculture and rural development – phase II
CRIS Decision number	2013 / 024-190
Project no.	08
MIPD Sector Code	Agriculture and rural development
ELARG Statistical code	02.11 - Agriculture and rural development
DAC Sector code	43040 - Rural development
Total cost (VAT excluded)¹	EUR 14 740 000
EU contribution	EUR 6 400 000
Management mode	Indirect centralised management
Implementing Agency	The project will be implemented by a Member State agency.
Implementation management	Ministry of Agriculture, Rural Development and Water Administration / Directorate of European Integration Director Ariana Misha (SPO) Blvd. "Deshmoret e Kombit" 1002-Tirana, Albania Tel.: +355 42 227920 Cel.: +355 672084014 Email: anamisha@yahoo.com Directorate of Agriculture Policy Mr. Fahri Isaj Director Cel :0674004499 Tel :042228621 Email : fahri.isaj@mbumk.gov.al web: www.mbumk.gov.al
Implementing modality	Stand-alone project
Project implementation type	Delegation agreement with a Member State agency, which will be selected in Q1 2014.
Zone benefiting from the action(s)	Country-wide Albania

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

The Progress Report 2012 of the European Commission states that there is progress in setting up the national structures for the future implementation of a program for rural development under IPA component V (Instrument for Pre-Accession Assistance for Rural Development - IPARD). However, the capacities for carrying out policy analysis or design rural development policies remain weak. The future implementation of IPARD requires a leading role and ownership of the Ministry of Agriculture (MoA) in order to enable the best use of knowledge and technical support.

This project intends to further improve the capacity of the MoA Operating Structure, i.e. the Directorate-General for Agriculture Policy - Managing Authority - and the Agriculture and Rural Development Agency – Paying Agency - which are working for programming and implementing agricultural policy under IPARD for 2014-2020.

The project also aims at further sustaining the development of quality farming, the agro-food sector through the implementation of IPARD-like rural development measures, i.e. grants to farmers for small and medium scale investments, based on the pilot approach developed by the IPA 2011 Project “Support to Agriculture and Rural Development – phase I”.

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

This project is in line with the **MIPD 2011-2013**, which states that: "the main goal of Albania's rural development policies is to contribute to the equal development of all rural areas in Albania to improve the quality of life in rural areas through sustainable development of human and natural resources and diversifying non-agricultural activities, to create new jobs in order to reduce poverty, and to ensure a sustainable and balanced rural development".

The **National Strategy for Development and Integration 2007-2013** aims to increase the financial support to farms, agricultural and agro-industrial businesses with special emphasis on fruit trees, vineyards, vegetables and animal farming, as well as on the industrial processing of fruit, grapes, vegetables, milk and meat on the basis of the advantages in different areas of the country. The main policy instruments will be:

- Direct support with state funds or with European funds linked with the attainment by Albania of candidate status for EU membership;
- Credit schemes with light terms, with the aim to modernise farms and businesses and increase product competitiveness, through support to rural banks and credit guarantees;
- The expansion of the banking system to rural areas through fiscal incentives and savings mobilisation through support to effective savings-credit schemes.

This project is also in line with the priorities set out in the **National Plan for the Stabilization and Association Agreement (NPSAA)**, Chapter 3.8.7 “Rural development and agricultural structures” which are:

- Increase employment and income from non-agricultural products;
- Create equal opportunities regarding access to rural services;
- Improve rural infrastructure, like roads, rural markets, drinking water;

- Increase access of rural population to financial sources from banking and non-banking sector;
- Increase capacity of the rural communities;
- Decrease rural migration and establish closer relations with the rural community.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

As indicated in the Council Decision 2008/210/EC of 18 February 2008 on the principles, priorities and conditions contained in the **European Partnership** (EP) with Albania, the project will assist in achieving the Country's medium-term priorities in the sector, i.e. "develop strategies for land use, the land market, rural development, diversification of farm activities and enhancing agricultural competitiveness".

The project will help Albania modernize and restructure the agro-industrial and rural development sector, while supporting the gradual approximation of Albanian legislation and practices to the EU rules and standards as provided in Article 95 of the **Stabilisation and Association Agreement (SAA)** between the Government of Albania and the European Community signed on 12 June 2006.

In the **Progress Report of 2012** (4.11. Chapter 11: Agriculture and rural development) the European Commission stressed that: "progress was uneven in the area of agriculture and rural development, in particular with setting up rural development institutions. Efforts are needed regarding capacity-building (of both private and public players) in rural development, setting up a land register and defining strategic priorities for agriculture and land use. Ownership of the pre-accession preparations should be increased and staff retention ensured. Overall, in the area of agriculture and rural development, Albania has started to address its priorities".

2.4 PROBLEM ANALYSIS

Through the support of an IPA 2008 project, an Operating Structure (Managing Authority and Paying Agency) has been created and assisted to comply with the accreditation requirements for the managing of funds under IPA Component V (Instrument for Pre-Accession Assistance for Rural Development - IPARD).

Based on the accreditation criteria, as well as recommendations made by DG AGRI auditors, the Paying Agency, i.e. the Agriculture and Rural Development Agency (ARDA), has been established in accordance with the principles of clear segregation of duties and responsibilities at all operational levels, as well as division of staff dealing with IPARD from those dealing with national schemes. Therefore, ARDA has prepared the first comprehensive draft accreditation package to be submitted to the European Commission. However, even though this draft would technically satisfy the minimum requirements for national accreditation, according to the current IPA regulation only after receiving candidate status the official launch of the accreditation process can start.

During the period 2012-2014, with the assistance of an IPA 2011 project, Operating Structure is implementing in practice an IPARD-like grant schemes to support investments in the field of agriculture and agro-processing. The project is supposed to:

- Strengthen the administrative capacity and performance of the Operating Structure and other involved actors to be prepared for IPARD accreditation while also taking into account the new programming period 2014 – 2020.
- Increase the awareness and experience of potential applicants, advisory services, lending institutions and other stakeholders on the requirements and functioning of IPARD-like grant schemes.

However further assistance is needed to consolidate the administrative capacities of the Operating Structure. Indeed, there are still remaining administrative, legal and institutional gaps which have to be filled in to be compatible with EU standard.

Staff that has been trained and assigned to certain responsibilities within the management agency and payment agency need to further engage in delivering concrete assistance to beneficiaries before an actual IPARD program can be operational. Beneficiaries, in turn, have to be further engaged in the approach and have to become familiar with the selection process and eligibility criteria in order for an IPARD program to have successful applications.

The project will also provide tangible benefits to the agro-food sector via calls for proposals to finance small and medium scale investments for rural development, based on the pilot approach developed by the IPA 2011 Project “Support to Agriculture and Rural Development – phase I”.

Finally, there is no comprehensive and updated administrative farm register in the country, although there are many pieces of information such as land information system (to be created with the support of the Italian government), information on property rights (Immovable Property Registration System), farm assets (Animal Identification and Registration System and Census data), farm family (civil register) etc, which need to be harmonized, maintained and timely updated, if Albania wants to establish an Integrated Administration and Control System (IACS). Setting up the IACS remains a long-term objective since the country is in the pre-accession process and is not yet ready for the introduction of the Common Agricultural Policy.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

As mentioned in the section 2.4 this IPA 2013 project will be a follow-up of the IPA 2011 project “Support to the agriculture and rural development – phase I”. It will also establish a complementary approach with outputs generated by other previous IPA projects such as:

- IPA 2008 “Improving consumer protection against zoonotic diseases”,
- IPA 2009 "Consolidation of food safety system in Albania"
 - IPA 2009 "Support for the preparation of the Inter-sectorial Strategy for Agriculture and Rural Development 2014- 2020"

Furthermore, this project will be complementary to other on-going and planned projects such as the Land Parcel Identification System (LPIS) funded by the Italian Government, the animal register funded by IPA 2008, the agriculture census funded by IPA 2009 and the vineyard cadastre funded by CARDS 2006.

2.6 LESSONS LEARNED

Experiences with various projects have indicated that, if the identified preconditions are not fulfilled before the start of the project, delays in their implementation of the project are likely to happen. Some of the problems concerned the approval of the necessary legal provisions, the establishment of the relevant institutions, the availability and timely allocation of Government co-financing and cooperation among agencies involved directly or indirectly in the project. Therefore, it's crucial that the Albanian counterparts address these aspects in due time. In addition, for this specific project, it's crucial that the Albanian Government ensures the funding and maintains a human resources retention policy *vis-à-vis* the public structures, which have been trained and involved in the preparation of future management of IPARD programmes.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

Contribute to the improvement of the quality of life in rural areas by increasing the competitiveness of the agricultural and agro-food sector.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

Further develop the agro-food sector, quality farming and rural development through the financing of small and medium scale investments and through the consolidation of the Operating Structure for future management of IPARD programmes.

3.3 RESULTS

Result 1: Grants for investments in the agro-food sector and rural economy implemented.

Result 2: Technical Assistance for the management of the grants provided.

Result 3: Operating Structure prepared for management of rural development programmes under IPA II.

3.4 MAIN ACTIVITIES

Activities related to result 1 (*Grants for investments in the agro-food sector and rural economy implemented*)

- 1.1 Provide grants to the farmers via calls for proposals to finance small and medium scale investments to improve the performance of the agro-food sector, the quality farming and in general rural development.

Activities related to result 2 (*Technical assistance for the management of the grants*)

- 2.1 Assist the Managing Authority and Paying Agency in implementing the IPARD-like measures in accordance with the IPARD programme framework and operational agreements.

Activities related to result 3 (*Operating Structure prepared for management of rural development programmes under IPA II*)

- 3.1 Carry out on-the-job trainings to enhance the capacity of Managing Authority and Paying Agency to perform functions in compliance with accreditation requirements for management of IPA rural development programmes,
- 3.2 Cooperate with other technical bodies (extension service, National Food Authority, environment protection agencies, etc.) to ensure that the capacity to deliver information and quality of advice to potential applicant is improved.
- 3.3 Assist the Managing Authority and Paying Agency in resolving the identified gaps of the Operating Structure and policy framework (e.g. finalisation of the programme) for being prepared for management of rural development programmes under IPA II.
- 3.4 Assist the Operating Structure in completing national accreditation and applying to the European Commission for the conferral of management.

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT

The main impact of the project is expected to be:

- Increased capacity of actors involved in rural development and development of agro-food sector. Demand for new projects in the field of agriculture and rural development increased;
- the anticipated synergy including the information flow among all the actors involved in the implementation of IPARD measures, i.e.: farmers and businesses (beneficiaries), Operating Structures (policy bodies)
- the likelihood for successful implementation of IPARD in the future, having all main actors gained practical experience and knowledge on implementation of IPARD-compliant projects.

A catalytic effect is expected to take place due to the grants and lead to an increased overall investment in agriculture and rural development.

Cross border impact – N.A.

3.6 SUSTAINABILITY

The sustainability of the project is expected to be ensured by:

- Willingness of Government to keep on with the established IPARD Operating Structure and avoiding unjustified staff turnover,
- Experience gained by the staff of Operating Structure staff during the implementation of IPA 2011 project regarding grant scheme,
- Increased awareness and demand from potential applicants to benefit from these investment schemes along with the relevant know-how these include.

3.7 ASSUMPTIONS AND PRE-CONDITIONS

Assumptions

- Government committed to allocate the necessary human and financial resources to implement this project.
- Potential applicants willing and able to provide private co-financing.
- Good quality of applications submitted.
- The government allocates the necessary human and financial resources to keep the Operating Structure operational.
- Full cooperation among various information providers is achieved.
- Availability of financial institutions to lend for agriculture sector.
- Good cooperation among involved stakeholders.

Conditionality

- National co-financing (25% of the overall public share of the grant) must be made available
- The scope of the project should be expanded to also use the Technical Assistance measure.
- The Operating Structure for IPARD should gain increasing responsibilities (at a later stage to be decided what kind)
- Weaknesses and gaps of the Operating Structure with a view of receiving conferral of indirect management of rural development programmes under IPA II identified.
- Agriculture and rural development strategy finalised, among other aspects identifying how IPA rural development programme for Albania will be complementary with other measures, financed from the national budget and the other donors.
- Sectoral analyses updated and draft rural development programme for IPA II prepared.

4 IMPLEMENTATION ISSUES

The project will be implemented in indirect centralised management in accordance with Article 54(2)(c) of the Financial Regulation. The Member State agency, which will be entrusted for the implementation, will be selected in Q1 2014.

Both the Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ - and the Italian Ministry of Foreign Affairs / DG for Development Cooperation have expressed interest to implement the project.

The MS agency will be identified in accordance with the guidance paper prepared by DG DEVCO on delegated cooperation. The selection will be based on the following criteria: commitment to the sector; amount of co-funding; experience in implementing directly relevant projects in Albania; operational capacity, including backstopping from headquarters. The final decision on the selection will be taken by the responsible authorizing officer (Director level).

4.1 INDICATIVE BUDGET (amounts in EUR) (for centralised management)

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		NATIONAL CONTRIBUTION						PRIVATE CONTRIBUTION
	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contract 1.1	-	-	12 340 000	6 400 000	37.5	1 670 000	12.5	1 670 000			6 670 000	50.0
TOTAL IB			1 400 000	1 400 000	100							
TOTAL INV			13 340 000	5 000 000	37.5	1 670 000	12.5				6 670 000	50.0
TOTAL PROJECT			14 740 000	6 400 000	43.7	1 670 000	11.3	1 670 000			6 670 000	45.0

Amounts net of VAT

(1) In the Activity row, use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 – Delegation agreement with Member State agency	N/A	Q1 2014	Q4 2016

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non discrimination*

The project will ensure that all the cross cutting issues are appropriately incorporated in the programme/projects designed. In addition, specific training activities can be organized in order to raise the awareness on the issue of equal opportunities and train the Albania stakeholders on how to integrate gender principles at programme/project level.

4.3.2 *Environment and climate change*

Special attention is placed on environmental protection especially in the implementation of investment components. All projects will observe national/EU standards with respect to the protection of the environment.

4.3.3 *Minorities and vulnerable groups*

Furthermore, minority and vulnerable groups concerns will be taken into account in all activities.

4.3.4 *Civil Society/Stakeholders involvement*

Relevant stakeholders are consulted during the formulation of the project fiche are:

- General Directorate of Agricultural Policy within the Ministry of Agriculture.
- Civil society, farmers and agribusinesses.

Stakeholders were consulted during various meetings and workshops organized by the Ministry of Agriculture.

ANNEXES

Documents to be annexed to the Project fiche

1. Log frame
2. Description of Institutional Framework
3. Reference list of relevant laws and regulations only where relevant
4. Details per EU funded contract(*) where applicable:
5. Project visibility activities

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Support to the Agriculture and Rural Development – phase II			
		Contracting period expires no later than three years from the date of conclusion of the Agreement		Execution period expires within a maximum of two years from the end date of contracting	
		Total budget	14 740 000 Euro	IPA budget:	6 400 000 Euro
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification			
Contribute to improvement of the quality of life in rural areas by increasing the competitiveness of the agricultural and agro-food sector through the application of agricultural and rural development policies.	Changes in the life quality index at rural areas The share of income per capita contributed by economic activity, Quality of environment	INSTAT annual reports, Surveys EU Progress Report			
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions	
Further develop agro-food sector, quality farming and rural development sector through the consolidation of the IPARD operation	Performance of the structures in the Ministry of Agriculture in the implementation of rural development programmes based on EU IPARD compliant	Annual Progress Report		Government committed to allocate the necessary human and financial resources to IPARD-like and support the implementation of rural strategy	

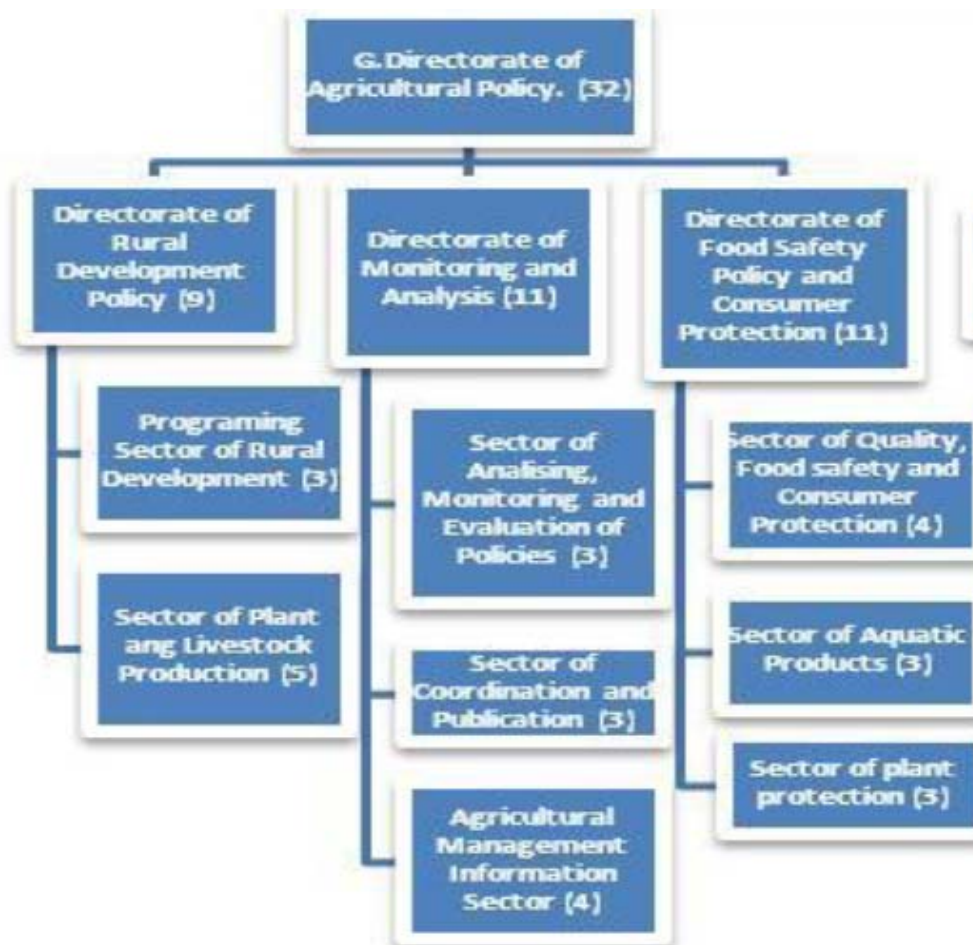
structure and measures.	policy and rules is improved.		
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Result 1 Grants for the agro-food sector and rural economy implemented.	Number of applications approved by the end of the Project Amount of funding committed by the end of the Project Number of grants successfully completed by the end of the Project Amount of funding disbursed by the end of the Project	Survey reports, application records, media information, training evaluation forms, evaluation and audit reports, other reports	Potential applicants willing and able to provide private co-financing, Good quality of applications submitted, The government allocates the necessary human and financial resources to keep the Operating Structure operational
Result 2 Technical assistance measure implemented	Number of activities financed	Report from ARDA and the MA	Both ARDA and the MA have sufficient capacities to implement this measure
Result 3: IPARD Operating Structure prepared for indirect management of rural development	National accreditation passed Accreditation package submitted to DG AGRI	National accreditation report Commission's reports	NAO is ready to carry out accreditation of IPARD Operating Structure

programmes under IPA II			
Activities to achieve results	Means / contracts	Costs	Assumptions
<p>1.1 Assist ARDA and MA in implementing the IPARD grant scheme in accordance with the IPA programme framework and operational agreements.</p> <p>2.1 Implement Technical Assistance measure in order to provide ARDA and MA with the pilot experience of managing funds under this measure.</p> <p>3.1 Carry out on-the-job trainings to enhance the capacity of ARDA and MA to perform functions in compliance with accreditation requirements for indirect management of IPA rural development</p>		<p>EUR 6 400 000 from IPA contribution</p> <p>EUR 1 670 000 from Government contribution</p> <p>EUR 6 670 000 from private contribution</p>	<p>Large number of good quality applications received,</p> <p>Applications checked , approved and financed in due time in line with procedures and standards</p> <p>Increased willingness of financial institutions to lend to agriculture sector</p> <p>Good cooperation among involved stakeholders</p>

<p>programmes,</p> <p>3.2 Cooperate with other technical bodies (extension service, National Food Authority, environment protection agencies, etc.) to ensure that the capacity to deliver information and quality of advice to potential applicant is improved.</p> <p>3.3 Assist ARDA and MA in resolving the identified gaps of IPARD Operating Structure and policy framework (e.g., finalise the programme) for being prepared for indirect management of rural development programmes under IPA II.</p> <p>3.4 Assist the Operating Structure in completing national accreditation and applying to the European Commission for the conferral of management</p>			
--	--	--	--

ANNEX 2

Description of Institutional Framework

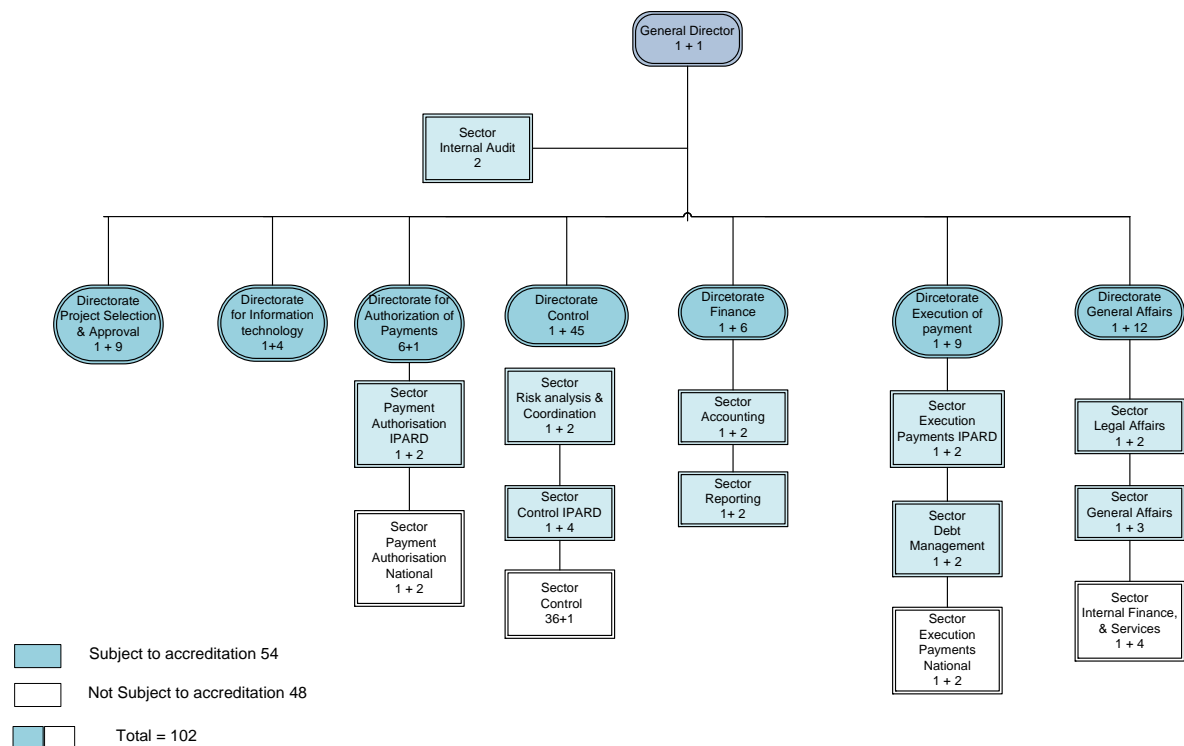


The Ministry of Agriculture is responsible for the Rural and Agricultural Policies. Its policies related to Agriculture and Food are defined in the Agriculture and Food Sectoral Strategy 2007-2013 and in the Government program.

The main goal of the rural development policies in the Republic of Albania is to contribute to the equal development of all rural areas in Albania, to improve the quality of life in rural areas through exploiting human and natural resources and diversifying non-agricultural activities, to create new jobs in order to reduce poverty, and to increase sustainable and balanced rural development. These objectives are well defined in the Rural Development Cross-Sectoral Strategy 2007-2013 which aims to implement social, economic and environmental policies of a zonal, regional and global character. As per these competences the Ministry is focused on projects that support sustainable land management, increase of employment, income and living standards of farmers and their households; increase of economic efficiency of the agricultural and agro-processing sector, expressed through the increased productivity and product quality; guaranteed higher standard of food safety for the entire population; Improvement of agricultural marketing and a strong support to the rural development.

The **Agricultural and Rural Development Agency – ARDA** - (set up by DCM No. 1443, 31/10/2008”For the setting up of the Agency for Rural Development, based on the Law no.9817, dated 22.10.2007 “On Agriculture and Rural Development”, OJ no. 148, dated 06.11.2007, p. 4355) operates as a **Payment Agency** under the subordination of the MAFCP to manage the funds of the state budget for the scheme of support measures in the agriculture area. This Agency consists of personnel of 96 employees of which 56 are employed in the central office of Tirana and 40 other specialists are distributed in 12 regions. The staff at region level is under the subordination of the Directorate of Payments and Directorate of Control in central offices of ARDA in Tirana. The tasks of the employees of ARDA at region level are mainly linked with the authorization of payments and the on-spot controls. The structure at central level consists of the Director General, an auditor and 4 Directors of Directorates respectively for payments, finances, audit and services. The organizational structure is based on international standards on the segregation of duties between the authorization and payments, pay orders, account and the independent audit.

Structure of IPARD Agency & ARDA 2012



The formal designation of the **Managing Authority** was made by Order No 207/23.06.2009 of the MAFCP. With the new MAFCP structure adopted in the beginning of 2012 the Managing Authority (MA) is the **Directorate-General for Agriculture Policy (DGAP)**. The General Director of the DGAP was designated with Order No 15/21.01.2010 to act as the Head of the Managing Authority within MAFCP, which is responsible for managing the IPARD programme in an efficient, effective and legal manner within the scope of the responsibilities as defined in Article 13 of the draft Sector Agreement (SA).

ANNEX 3

Reference list of relevant laws and regulations only where relevant

D.C.M . Nor 41 Date 11.01.2012 “For defining of basis criteria, of the sectors to be supported and measures of benefit from the program fund for agriculture and rural development”

DCM No. 1443, 31/10/2008 For the setting up of the Agency for Rural Development, based on the Law no.9817, date 22.10.2007 “On Agriculture and Rural Development”, OJ no. 148, dated 06.11.2007, p.4355)

ANNEX 4

Details per EU funded contract(*) where applicable:

The project will be implemented through an indirect centralized management contract that will include technical assistance to the Operating Structure (€1.4 million) and the investment component (€5.0 million).

The procedures applied for the implementation of the grant scheme shall be those used under the IPA 2011 project with possible amendments regarding introduction of new measures, modification of criteria etc. The target groups will remain again farming sector and agro-processing businesses.

ANNEX 5

Project visibility activities

The project’s visibility activities will include conferences, meetings, and promotional materials according to EU visibility requirements.