I. Project Context

Country Context

Albania sustained high economic growth in the decade prior to the 2008 global financial crisis that helped it to achieve middle income status and reduce poverty. From 1998-2010, Albania's economy grew at an average rate of 6 percent, higher than any other European country. Unemployment decreased from 17 percent to 12.8 percent and the poverty rate halved from 25.4 percent in 2002 to 12.4 percent in 2008. Since mid-2011, however, Albania's external economic environment has deteriorated, and the poverty trend has reversed. Preliminary results of the 2012 Living Standard Measurement Survey (LSMS) indicate an increase in poverty to 14.3 percent. With the Eurozone crisis lingering, growth in Albania is projected to remain modest, averaging just 2 percent between 2013 and 2016. Rising fiscal deficits, growing public debt and sluggish growth in the main sectors of the economy will constrain expenditures in the natural resources sector. In this situation, support from international development partners will be essential for maintaining the pace of structural reforms.

The Government of Albania (GOA) has identified agriculture, rural development and tourism among its main priorities for the period 2013-2017. Current rural development policies aim at
increasing agricultural sector productivity and competitiveness in ways that reduce rural poverty
and sustain the natural resource base, especially forest resources. Agriculture and forestry are two
closely-linked components of rural land use development. In Albania, the villagers manage both
agriculture and forestry, typically as part of diverse agro-forestry and silvo-pastoral systems. Within
the agro-forestry systems, agricultural crops, trees and livestock are managed on the same land.
Within a watershed, villagers typically use the higher and steeper land for forestry (wood and
erosion prevention) and pasture, and the lower land for agricultural crops. The Albanian forestry
sector holds great potential to support national economic growth, rural employment, industrial
development, and environment preservation.

Albania is among the most vulnerable countries to climate change in Eastern Europe and Central
Asia due to its steep topography, heavily populated low lying coastal zones, and reliance on water
for energy and agriculture. Temperature increases of 1.7 to 2.3 degrees Celsius are expected by
mid-century, along with decreases in precipitation (-6.9 to -5.3 percent by 2050). Upstream soil
erosion and downstream sedimentation are already causing significant problems with drainage,
irrigation and power infrastructure, and flooding. In the future, Albania is expected to suffer from
more frequent and severe extreme weather events (both floods and droughts), and increased fire risk
in forest and pasture areas. The risks of climate change for the forest and agricultural sector in
Albania are potentially serious because the majority of the rural population depends either directly
or indirectly on forest and agriculture for their livelihoods. The rural poor will be disproportionately
affected because of their greater dependence on forest and agriculture, their relatively lower ability
to adapt, and the high share of income they spend on food. There are reasons to believe that rural
women will be among the most affected groups.

Sectoral and institutional Context

Albania has a total surface area of 2.9 million hectares (ha), 52 percent (1.5 million ha) of which is
forest, 17 percent (0.48 million ha) of which is pasture, and 3 percent (87,000 ha) of which is
cropland. The forest cover is classified as 30 percent high forest, 42 percent coppice and 28 percent
shrub forest. Timber volume is concentrated in high forest (80 percent), followed by coppice forests
(19 percent) and shrubs (0.2 percent). Only 2/3 of arable land is being cropped, while only about
1/4 to 1/3 of cropland is under irrigation.

Even though Albania has a high percentage of forest cover, most of the forests and pastures are in
poor condition. Fragile soils combined with unsustainable forestry and agricultural practices
(including under- and over-grazing) have caused sediment to be eroded into Albania’s rivers, lakes
and streams, prior to being washed into the Adriatic Sea. Erosion reduces the carrying capacity of
pastures, decreases agricultural yields, increases fertilizer costs on agricultural land, and leads to the
siltation of hydropower and other water reservoirs. At a national scale, every year 20-90 ton/ha of
soil or 2.5-3 mm of soil layer is eroded and discharged to the sea or filling up reservoirs (including
hydropower plant reservoirs). In addition, changing agricultural practices and rural to urban
migration have led to the abandonment of between 120,000 ha and 300,000 ha of fields and
pastures that could be suitable for afforestation and/or forest natural regeneration.

Over the past decade, the forest sector has undergone a reform process that led to substantial
changes in the roles, mandates and relationships between the state, local government units (LGUs),
traditional users and the private sector. To date, the GOA has transferred about sixty percent of state
owned forest and pasture to communal ownership. Although the forests and pastures transferred to
LGUs tend to be degraded, the annual growth of the improved coppice forests managed by communities can reach up to 3 m³/ha, more than twice the national average of 1.4 m³/ha. The traditional users of forests are organized in Forest and Pasture Users’ Associations (FPUAs) and they in turn in the Regional and National Federations. Albania has been a forerunner in involvement of such community organizations in forest planning and management.

Challenges remain with registration of the transferred land. Only a very small portion of the forest and pasture lands transferred to the ownership of LGUs are registered with the Immovable Property Registration Office (IPRO). Traditional users are managing these transferred lands mainly to satisfy their basic fuel wood and fodder needs. Their rights are customary rights and are generally well respected, especially in the mountainous areas, but they are not yet formalized. Customary rights are linked to men’s rights and control over land resources (including forest, agricultural land and property). In general women’s work in forest and agriculture and their financial contributions to the household are not recognized. Rural women have limited rights to immovable properties that can be used to access credits. On the other hand rural women as a group are indispensable in developing good land and forest practices that also improve environment and mitigate climate change. Decision-making and economic empowerment of rural women and social inclusion are hence key aspects to Project success.

One of the main objectives of Albania’s forest sector strategy is to support the process of transferring state owned forest and pastures to LGUs, and strengthening the relationship of users and owners of these resources through registration and formalization of users’ rights and by consequently increasing monetary and non-monetary benefits to rural households. A new law on forest and pasture resources is being developed to reflect recent changes in the property structure and management responsibilities for forest and pastures in Albania.

The institutional reform and development analyses of the forestry sector show that the sector has mixed parallel structures at central, district and local levels. At a national level, the Ministry of Environment (MOE) today has dual roles in both creating and implementing policy. The control functions at the MOE are separated, but on the district level there is a mixture of roles and confusion around state and communal forest management responsibilities. The reorganization of the forestry sector currently in progress will address this handicap by leaving the management functions in the Regional Forestry Directorates and district offices and moving the control functions to the forest police in the National Environment, Forest and Water Inspectorate.

One of the sector’s core problems is insufficient financing to address land degradation. Forestry is not yet a sector that generates revenues or is financially self-sufficient. Most of the forests transferred to communes are highly degraded, while high forests under state ownership are over and irregularly exploited. Most of the communes that received forest and pasture lands do not have sufficient means and revenue flow to control and support forests management during the next 5 to 10 year period.

The Public Environmental Expenditure Review (PEER) conducted in 2013 shows that the environment, forestry and water subsectors have suffered from steady budget reductions. The PEER also identifies that technical departments at the MOE are understaffed, staff quality is variable, and staff competencies do not appear to be aligned with the technical challenges.

From 2007 to 2012, the public environmental expenditures (PEEx) fluctuated from 0.17% to 0.26%
of GDP, with only five percent of these expenditures devoted to forestry mainly supporting recurrent expenditures of the state forest administration. Over the last 13 years, the forest sector generated a low level of income, achieving a maximum revenue equal to just 33% of the recurrent expenditures. All recent public investment in forestry has been provided by donors.

The 2007 Environmental Cross-cutting Strategy (ECS) was prepared as part of the National Strategy for Development and Integration (NSDI). It identified insufficient investments to address critical issues such as: reducing land degradation; ensuring equitable benefit sharing from communal forests; including both women and men in forest decisions at all levels to reflect gender priorities and improve land conservation practices; and raising the capacities of LGUs and user associations to find financing for forest improvement and to increase revenues from forests.

In the long term, the ECS noted that there needs to be stable financial and other support for integrated policy reforms and programs in rural communities. Financing options include additional financing mechanisms for environmental services, which could include carbon sequestration, payments for watershed services, and the EU Instrument for Pre-accession for Rural Development (IPARD) funds. Once Albania obtains the official status of EU candidate country and accreditation of its relevant institutions from the EU, IPARD will be an important source of rural development financing. The NSDI and ECS are currently being updated.

From 1995 to 2013, the GOA, the World Bank, Global Environment Facility (GEF) and the Swedish Government financed a series of operations including the Albanian Forestry Project (AFP), the Natural Resources Development Project (NRDP), the Improved Natural Resources Development Project (INRMP) and an Assisted Natural Regeneration Project to sequester carbon which was/is being purchased by the BioCarbon fund through an Emissions Reduction Purchase Agreement (ERPA). These projects supported improved state and communal forestry planning and management, the sequestration of carbon as well as forest sector institutional development. Communal participatory forest and pasture management plans were prepared for 251 communes including 2,313 villages, covering 576,757 ha of forest and 203,436 ha of pasture. During 2004 to 2010, 24 communes sequestered 128,787 tons of CO2e, for which they received temporary Certified Emission Reductions under the CDM.

The European Commission will provide funding to prepare the national strategy on climate change and the country’s strategy towards low carbon development. The preparation of the third communication to the United Nations Framework Convention on Climate Change (UNFCCC) is underway with support from GEF/UNDP (United Nations Development Program).

Most of the donor support to the forest sector, since the Albanian Forestry Project which closed in 2004, has concentrated on forests which were traditionally used by the local communities and which have now been transferred to the LGUs. The more remote forests, which remain under the direct management of the state forestry authorities, have as a result been managed on an ad hoc basis and suffered from a lack of investment and proactive management. None of these areas has a valid forest management plan, and there are many anecdotal reports of unrecorded/unofficial removals. There is therefore an urgent need to assess the scale of the problem of unofficial harvests, and to improve the management planning and supervision capacity of the state forest institutions.

II. Project Development Objective(s) / Global Environmental Objective(s)
A. Project Development Objective(s)
The Project Development Objective (PDO) is to support sustainable land management practices and increase communities’ monetary and non-monetary benefits, in targeted Project areas which are mainly in erosion prone rural upland areas.

This PDO is to be achieved through the support of alternative livelihoods and provision of environmental services and through sustainable utilization of wood and pasture products in the long term. The Project will particularly focus on enhancing the financial, economic, and institutional sustainability of land use and natural resources management, and will help build capacities of Albania farmers, community organizations and government institutions to efficiently use EU funding. The Project will also promote gender equity.

III. Project Description

Component Name
Component 1. Strengthening Institutional Capacity to optimize environmental services from integrated landscape management
Comments (optional)

Component Name
Component 2. Planning and Provision of IPARD like Grants to improve land use management
Comments (optional)

Component Name
Component 3. Introducing Payments for Environmental Services
Comments (optional)

Component Name
Component 4. Supporting Project Implementation
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation

A. Institutional and Implementation Arrangements

The MOE will be the lead Implementing Agency (IA) for the Project, supported by RFD, DFO, NEA, IPRO and ARDA for: the implementation of the NFIs, state forest management planning, and ALFIS, registration of the communal forest and pasture land (IPRO), and the competitive grant schemes (ARDA, RFD and DFO).

The MOE will be responsible for the overall management, coordination and results monitoring of the Project. To this end, MOE will establish a Project Management Team (PMT) consisting of: Project Director, Project Coordinator, Component coordinators, Procurement, Financial Management, Monitoring and Evaluation (M&E) specialists, Technical Specialists, Safeguards Specialist, and the MOE Gender Focal Point. The appointed Project Director is the Director of European Integration and Projects; the component coordinators, M&E and Gender specialist are appointed civil servants. The PMT will be supported by local consultants for Project Coordination, Procurement and Financial Management. The component coordinators have been appointed by the Minister of Environment in December 2013, and are: for component 1, the Director of Forestry; for Component 2, the Director of European Integration and Projects; for Component 3, the General Director of Environmental Policies; and for Component 4, the Director of European Integration and Projects.

Cooperation between the MOE and the other IAs are set out in Memoranda of Understanding defining the roles and responsibilities of each institution. Further, to ensure coordination at the technical level, a Technical Committee will be established that will include Project Director, component coordinators, activity coordinators/focal points, and additional PMT/technical staff as necessary. Details of the above mentioned arrangements will be provided in the POM.

A Project Steering Committee (PSC) will be established and maintained throughout the life of the Project to ensure institutional coordination and provide overall Project oversight. The PSC will be chaired by MOE and will include the Project Director, representatives of NEA, IPRO, ARDA, MARDWA Managing Authority, Ministry of Finance, Department for Development Programing, Financing and Foreign Aid, Council of Ministers, one commune mayor and a representative of the National Federation of FPUAs.

B. Results Monitoring and Evaluation

The MOE is responsible for the preparation and implementation of the M&E program. One staff member from each agency is appointed to report to the MOE on Project activities, implemented by their agency. Technical assistance will be provided by the Project for the design of the MIS and training the implementing agencies staff. The results monitoring is based on the agreed Results Framework and targeted annual performance objectives (Annex 1), which will be used to track progress in implementation activities.

Prior to mid-term review in year 3 and at the end of the Project, analysis of changes in forest cover
and land use patterns will be carried out to monitor the land area where sustainable land management practices have been adopted as a result of the Project. Satellite images are budgeted for. The analysis will be complemented by data provided by the FPUAs on management plan activities that have been implemented. By the end of the Project, these data should come from the AIFIS. Additional sampling may be necessary. The 10-year rolling forest inventory will provide more accurate data over time. In addition the GEF tracking tools on sustainable forest management and climate change will be updated at mid-term and at Project end.

During the first six months, the Project will carry out a social survey to establish the baseline for gender related and other social indicators. Prior to the mid-term review in year 3 and at Project end, the Project will carry out social surveys, similar to the household survey carried out during preparation. These surveys will also determine changes in monetary or non-monetary benefits from forest (core sector indicator for Forestry), pasture and agricultural lands, disaggregated by gender. The Project will design and maintain internet pages for wider dissemination of the results and progress. At a minimum, the following information will be available on the Internet: all surveys, all services funded by the Project, progress reports, consultants’ reports.

C. Sustainability

Financial and Economic Sustainability. The Project’s main aim is to enhance the financial, economic, and institutional sustainability of land use and natural resources management in the Project area. This aim is to be achieved through support for alternative livelihoods, environmental services provision, and sustainable utilization of forest and pasture products in the long term. It is expected that state financing to forestry and pastures will remain low. Economic sustainability can be improved through the Project’s proposal to create a scheme for the long term financing of environmental services payments. The Project supports a mechanism to attract and utilize a sustainable source of future financing through EU IPARD grants. The financial sustainability of forestry will be improved by carrying out value chain studies in forest utilization. The financial feasibility of different treatments such as forest improvement, forest and fruit tree planting, and pasture improvement will be studied and demonstrated to forest users. Similar studies and model calculations will be prepared for erosion control, Non Timber Forest Products (NTFP) and agro-processing. Combined, the results will allow for comparisons between different treatments and the financial benefit streams (including PES) required to make them attractive to land managers and sustainable from a national point of view. The Project will contribute to the revision of sector legislation looking particularly at how future revenues from forest utilization could be reinvested in forests.

Institutional sustainability. Stability in the management and administrative structures in the sector is essential for effectiveness, including the efficient deployment of scarce resources. The foreseen EU accession puts an increasing demand on the limited staff capacity of MOE. The extension services – forestry, agriculture – are critical to the success of the Project. In order to increase institutional sustainability, there needs to be a gradual shift from Project based support to farmers to permanent extension support. The Project proposes to have a grant scheme administered by ARDA and supported by DFO and RFD in line with EU IPARD requirements. This arrangement will increase the prospects for institutional sustainability, since the Project will help build capacity among institutions that are developing under a long term plan for EU integration. The grant scheme will also allow ARDA staff to gain further experience on the implementation of future IPARD supported
forestry and agro-environmental measures while at the same time increasing awareness, capacity and demand from potential applicants to benefit from these investment schemes. The potential environmental impacts have been assessed and an Environmental Management Framework has been prepared. However, the long term environmental benefits depend on future forest sector financing. The recommendations of the social assessment study carried out during Project preparation, including the GAP, will encourage social sustainability.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

World Bank
Contact: Drite Dade
Title: Sr Natural Resources Mgmt. Spec.
Tel: 5246+137
Email: ddade@worldbank.org

Borrower/Client/Recipient
Name: Ministry of Finance
Contact:
Title:
Tel:
Email:

Implementing Agencies
Name: Ministry of Environment, Forestry an Water Administration
Contact: Ardiana Sokoli
Title: Director Department of European Integration
Tel: +355 42 2270627
Email: Ardiana.Sokoli@moe.gov.al
VIII. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop